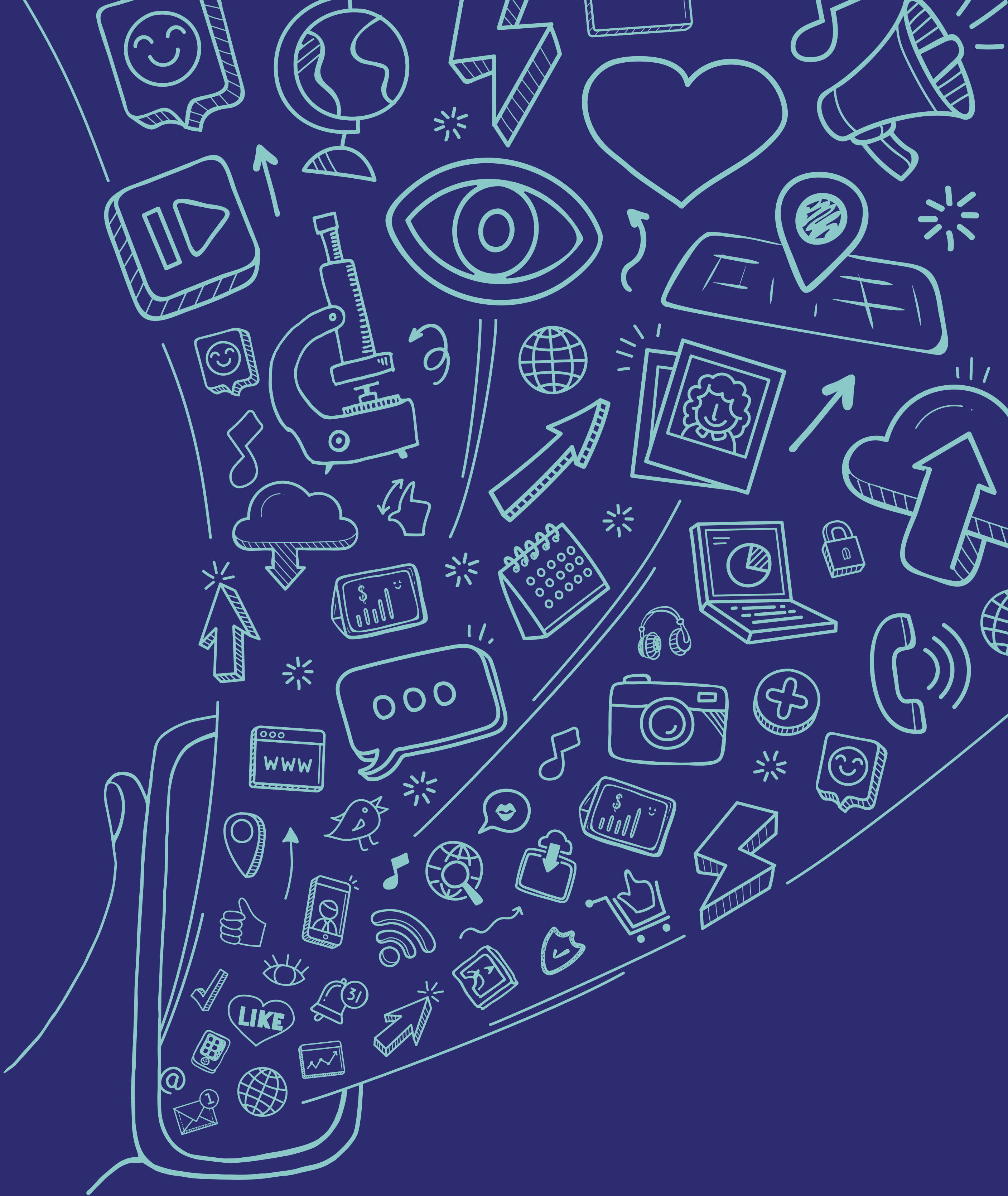

CONNECTED TO TOMORROW

Enero Group Limited — Annual Report 2020

enero

THE Boutique FORCE IN MODERN MARKETING

Enero Group is an international network of marketing and communications businesses located in seven countries and 14 cities with over 600 employees.

Spanning the marketing services landscape, the Group is connected through three key service competencies:

- Creative and Content;
- PR and Integrated Communications; and
- Digital, Data, Analytics and Technology.

Together this is a powerful mix of capabilities centred around areas that clients want from their marketing services partners. As 'marketing services' has evolved and changed, so have we; and our Group will continue to grow and develop in new and exciting ways. We are a nimble team with a global perspective and our Group is very well positioned to take advantage of the exciting new developments taking place in our highly dynamic sector.

Our name means 'January' in Spanish, which is why we always look forward with optimism, energy and a zest for life. We prize diversity in thought and seek to unlock the unique talent that lies within each one of us, allowing our people the support, skills and training and culture that help them make their most effective contributions each and every day.

The Group provides support across management, recruitment, learning and development, finance, legal, property and IT – allowing our client facing team members to focus on what they do best: serving our clients by delivering world class, highly effective outcomes, day-in, day-out.

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CREATIVE AND CONTENT

Long ideas in a world of short-term thinking

Sydney based creative agency with capabilities in brand strategy, integrated campaign development, research, creative ideation and production, digital and interactive marketing, short and long form content, retail catalogues, design, CRM/direct marketing, proprietary photographic studios and the BMF Plus innovation suite.

PR AND INTEGRATED COMMUNICATIONS

The global tech communications consultancy

A global technology communications consultancy operating from Sydney to San Francisco with a borderless mindset across 34 locations including the UK, US, France, Germany, Spain, Italy and Australia, together with exclusive partners Yellow Communications in the Netherlands and Belgium, Active DMC in the Middle East, The Hoffman Agency in Asia and VIANEWS in Brazil, as well as other affiliate partners.

Creating Talkability®

London, Manchester and Sydney based creative communications agency helping brands lead, drive and own conversations. Insight-led, channel neutral, integrated campaigns that create ideas worth talking about – they call it Talkability®.

Informed. Strategic. Connected.

Melbourne based public affairs and communications consultancy engaging governments, managing critical issues, and communicating with strategy to build reputation and influence.

DIGITAL, DATA, ANALYTICS AND TECHNOLOGY

Creating customer experiences for a modern world

Sydney and New York based agency with capabilities in digital strategy, integrated campaign development, digital marketing, websites, content development, social, data, content management systems, technology integration, marketing automation and applications – all delivered with a customer experience focus.

Unleashing hidden potential

Sydney based insight and analytics agency translating multiple data sources into 'human analytics'. Capabilities in data synthesis and trends analysis, full service research, brand innovation, retail consulting and creative delivery.

Experts in online research and data delivery

Sydney based online research agency specialising in digital research, online surveys and communities, access panel services, data integration and visualisation.

Helping businesses access online advertising markets

Online programmatic media and advertising network with advertiser and publisher monetisation solutions to maximise the value of publisher advertising space.

FINANCIAL HIGHLIGHTS

NET REVENUE	**OPERATING EBITDA**	**OPERATING EBITDA MARGIN**
$135.8m	$24.4m	18%
UP 5%	UP 18%	UP 2BPS

NET PROFIT AFTER TAX BEFORE SIGNIFICANT ITEMS	**EARNINGS PER SHARE BEFORE SIGNIFICANT ITEMS**	**FY20 DIVIDENDS**
$12.9m	15.0CPS	6.0CPS
UP 7%	UP 6%	UP 9%

GEOGRAPHICAL RESULTS

GEOGRAPHICAL CONTRIBUTIONS FROM OPERATING COMPANIES

USA

NET REVENUE

29% FY20 | 27% FY19

OPERATING EBITDA

43% FY20 | 40% FY19

UK & Europe

NET REVENUE

28% FY20 | 28% FY19

OPERATING EBITDA

19% FY20 | 19% FY19

Australia

NET REVENUE

43% FY20 | 45% FY19

OPERATING EBITDA

38% FY20 | 41% FY19

Letter FROM OUR CHAIR

FY20 WAS A YEAR WHERE THE RESILIENCE OF THE GROUP WAS TRULY TESTED AND YET THE GROUP MOVES INTO FY21 IN A STRONGER POSITION, WITH MORE OPPORTUNITIES THAN EVER BEFORE.

Dear Shareholders,

In what has been an unprecedented year in so many ways, I am very pleased to present my first report as Chair of Enero.

FY20 was a year where the resilience of the Group was truly tested and yet the Group moves into FY21 in a stronger position, with more opportunities than ever before. COVID-19 brought with it both internal and external challenges. Our initial priority and response to the pandemic was the wellbeing of our teams, their families and our clients. We immediately redeployed all 600 employees to work remotely from early March and the Group moved seamlessly into new ways of working with our clients. While managing a remote workforce in a 'people' business has had its challenges, it has been wonderful to see the flexibility and commitment shown by our team.

Despite the impact of COVID-19 across the second half of the year, all of our businesses increased their efforts in retaining and even growing their clients and achieved 5% organic revenue growth, which is an excellent result. The Group's strong exposure to sectors such as technology, healthcare and consumer staples, coupled with the incredible efforts from our teams in continuing to deliver world-class work, contributed to this strong outcome. Diversity in the revenue base continues to be a key differentiator for the Group, with no single client making up more than 12% of Group net revenue. The simplification of the business portfolio has also helped to streamline our services and build businesses with more scale. We remain cautiously optimistic that organic revenue growth is achievable in FY21 despite the economic and health uncertainties that are ahead of us.

FY20 delivered strong financial metrics in all aspects in a year where health and safety took greater priority than profits. The highlights were:

- Operating EBITDA up 17.7% to $24.4 million;
- Net profit to equity holders pre significant items of $12.9 million was 6.9% up on the prior year;
- Earnings per share pre significant items of 15.0 cps was 5.6% up on the prior year; and
- Cash conversion at 116% of EBITDA.

In August 2020, the Board declared an FY20 final dividend of 3.5 cents per share fully franked. This brings total dividends paid for FY20 to 6.0 cents per share, fully franked – a 40% dividend payout ratio – and we are committed to returning funds to shareholders in line with our performance. Our conservative level of debt commitments in a business with a high degree of intangible assets was even more important in such economic uncertainty. As at 30 June 2020, the Group had a net cash position of $22.1 million. The maintenance of balance sheet flexibility at this time while we actively seek out new opportunities to grow will put us in a stronger position than our competitors.

The Group's size continues to be an advantage in a time where the ability to integrate capability is central to client needs. Our larger businesses are better equipped to attract and retain top talent in the market and win bigger clients. We will continue to focus capital deployment on the larger businesses to either increase geographic coverage in markets or expand capabilities. International markets have been the area of focus in line with our intention to unlock greater revenue opportunities. However, we are realistic that with limited travel for the foreseeable future, and cultural alignment being a critical factor in any acquisition, we will need to think laterally about how to achieve this.

I'd like to extend my thanks to Matthew Melhuish, our former CEO, who resigned during the year after eight years in the role. Matthew left the Group with a legacy of positive momentum and a strong culture. Thank you to Brendan York and Fiona Chilcott for stepping in as joint acting CEOs for the period through to the end of the financial year, navigating the COVID-19 crisis and providing unwavering leadership.

We are commencing the start of a new era for the Group with the appointment of new CEO Brent Scrimshaw effective 1 July 2020. Brent is a creative and brand-led business leader in media, publishing, technology, consumer, retail and sports. His 18 years at Nike Inc. and experience across both agency and client sides in many of the geographies where the Group operates will ensure the Group is well placed for the future. The foundations of a nimble and flexible operating model combined with our strong financial position provide a great opportunity for Brent and the team to create the next phase of growth momentum.

Thank you to my fellow Board members for your warm welcome and support across the second half of the year.

On behalf of the Board, I would like to sincerely thank all of our people for their incredible contribution over the past year. The energy, commitment and care shown for each other is a testament to our strong culture and values.

Finally, thank you to our shareholders for your ongoing support of the Group and I look forward to reporting back again next year.

ANN SHERRY
Independent Non-Executive Chair

FY20 YEAR IN *Review*

THE GROUP'S EXPOSURE TO STRONG INDUSTRY SECTORS SUCH AS TECHNOLOGY, HEALTHCARE AND CONSUMER STAPLES AND THE RESILIENCE OF OUR PEOPLE WHO CAME TOGETHER TO SUPPORT EACH OTHER RESULTED IN AN EXCEPTIONAL YEAR EVEN IN THE MOST DIFFICULT OF STORMS.

Dear Shareholders,

FY20 has been an unexpected year in so many ways. The impact of the global pandemic has demonstrated the Group's resilience to turbulent market conditions, largely due to our exposure to strong industry sectors such as technology, healthcare and consumer staples. However, of equal importance has been the resilience of our people – who have come together, supported each other and proven that our strong culture of kindness is one that can weather even the most difficult of storms. We could not be more proud and grateful for the strength, resilience and empathy we have seen demonstrated by the remarkable group of people we work with.

Financial Results

The Group's strategy to focus on industry sectors such as technology, healthcare and consumer staples has meant that despite COVID-19, the Group has had an exceptional year from a financial perspective. While COVID-19 resulted in more uncertainty in revenue pipeline and forecasting, an increased focus on organic revenue opportunities within the existing client base delivered net revenue in the second half of the year broadly consistent with the first half of the year. The higher revenue mix to sectors less impacted by COVID-19 gave the Group a stronger platform to manage the cost base. Careful cost base management and a reduction in operating costs – predominantly related to travel restrictions and office related costs – resulted in protection of margin.

The Group has delivered substantial increases across key metrics including:

- Revenue up 5% to $135.8 million;
- Operating EBITDA up 18% to $24.4 million;
- Operating EBITDA margin up 2bps to 18%;
- EBIT up 20% to $19.2 million; and
- Net profit after tax pre significants to equity owners up 7% to $12.9 million.

International markets represent 57% of the Group's Net Revenue and 62% of the Group's Operating EBITDA.

The Group maintained its focus on capital efficiency and cash conversion and delivered EBITDA to cash conversion at 116%. Net cash (allowing for contingent consideration liabilities) was $22.1 million at 30 June 2020.

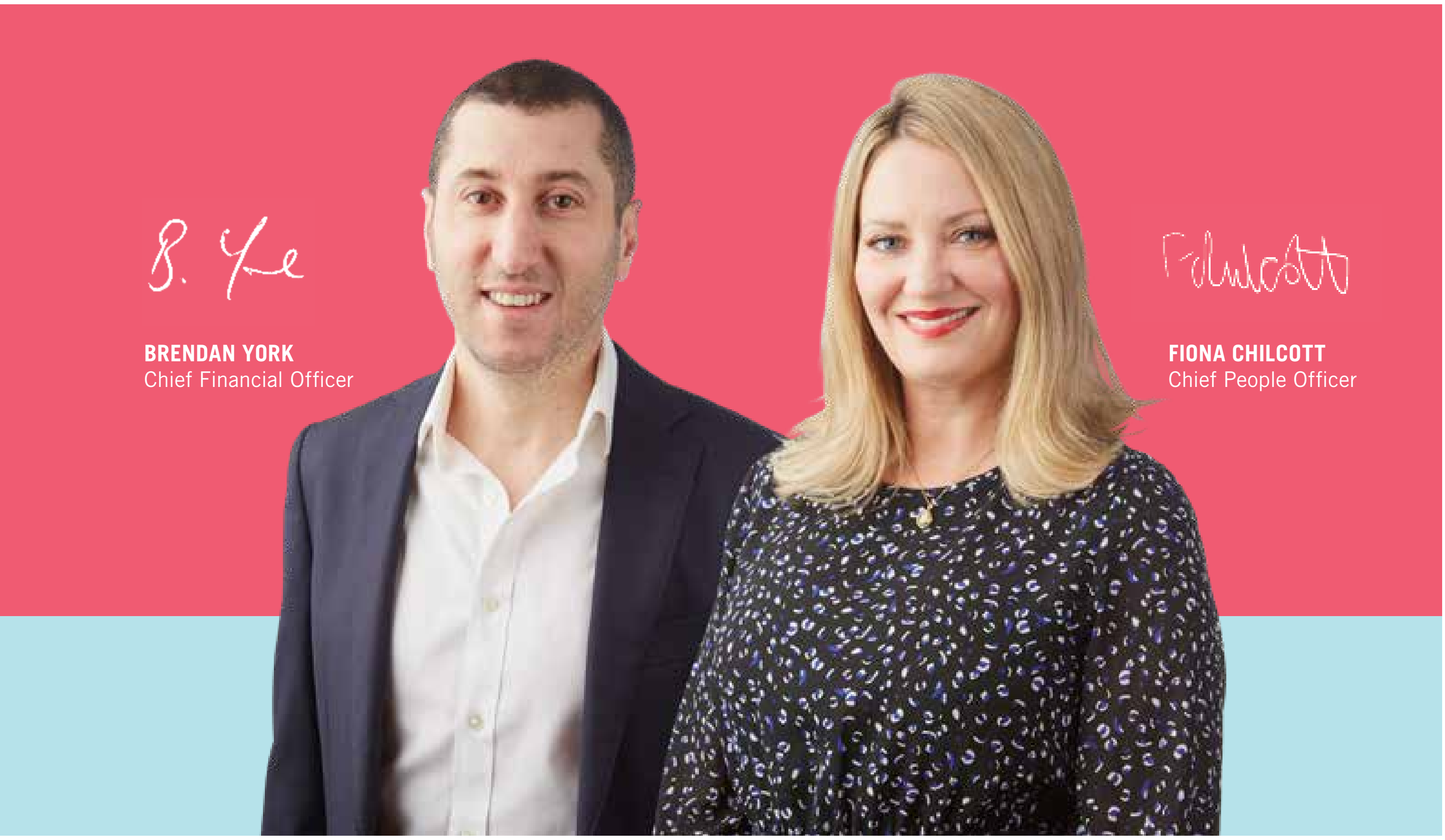
Business Review

Australia

The Australian market performed well in FY20 despite the difficult economic conditions. While the overall net revenue result was a 2.3% contraction year-on-year, Operating EBITDA contribution increased 7.5% with a simplified business portfolio. The consolidation of Precinct, our stakeholder communications business, into Hotwire, has given Hotwire a broader offering in the Australian market. The successful merger of Naked, our strategic and creative agency, into BMF, has provided more scale to BMF and a stronger pool of creative talent.

BMF was named 'Australia's most effective agency' for the second time in three years. New business wins included Rest Super, Coca-Cola, Blundstone and Voyages. BMF continues to be a trusted partner to longstanding clients including ALDI, the Australian Federal Government and BPAY.

Orchard continued its impressive growth this year. Wins during the year included Royal Australian College of General Practitioners, Biogen, BPAY and Hoyts. Orchard has a large contribution of revenue from the healthcare sector – including relationships with some of the world's largest pharmaceutical companies as well as smaller, emerging health service clients. Orchard's enterprise level digital capability is opening up many Group related opportunities, particularly between BMF and Orchard.



BRENDAN YORK
Chief Financial Officer

FIONA CHILCOTT
Chief People Officer

The smaller agencies in Australia – Hotwire, Frank, The Leading Edge and CPR – all traded in line with the prior year and are actively collaborating on more client opportunities, which is providing simpler client entry points for the Group.

UK and Europe

The UK and European market had a tougher year as the impacts of COVID-19 were more pronounced than in our other markets. Additionally, the Group made important investments in senior hires across the UK and Europe in the first half of the year, ahead of the revenue curve, which ultimately impacted the margin contribution. These investments were necessary to ensure both Hotwire and Frank continue to be progressive and dynamic businesses in a changing integrated communications market; and will ultimately lead to stronger returns in coming years.

The investment in new senior hires and Hotwire's focus on technology clients in the UK led to current year wins of NTT, Zoom, Wrike, OKCupid and Ubisoft; while across the European offices, key wins included Group SEB, FM Global, Atlassian and Amazon Kindle. Frank was more impacted by COVID-19 given its greater exposure to consumer brand clients, but it continues to provide effective communications campaigns and has refreshed its strategic offer during the year.

USA

The USA market continued its growth acceleration with strong performances from both Hotwire and OBMedia. New Hotwire clients include Avaya, Intermedia, eBay and Pinterest along with strong organic growth from the existing technology client base of Adobe, Facebook, NetApp and Commvault.

The Hotwire USA market continues to provide material global multi-office opportunities across the entire Hotwire international network. The business has also invested in strategy, design and insights capability.

OBMedia, the Group's programmatic marketing specialist whose platform connects publishers with search engines, grew revenue and margin in the current period following increased demand for search during COVID-19.

The outstanding work we deliver to our clients is not possible without the exceptional group of people who work for our businesses. While we needed to make some changes to the way we work in response to COVID-19, our existing culture of flexibility across the Group meant we moved into a fully remote working environment seamlessly. Our strategic people focus continues to be the growth, training, development and support of our people. We remain committed as a Group that is both passionate and active in the area of diversity and inclusion, with a strong focus on the wellbeing and the mental health of our people. The complicated and difficult external environment this year has meant our existing wellbeing programs have been more important than ever as we have had to adapt our ways of working and in particular provide additional support to our working parents and caregivers.

We will continue to look for opportunities to invest in new talent and capabilities across the Group, while ensuring we retain the strong culture that currently exists.

On behalf of the Enero Executive Team, we would like to say a heartfelt 'thank you' to each and every one of our people for your commitment, passion, dedication and resilience.

Brendan York and Fiona Chilcott
Chief Financial Officer and Chief People Officer
(Co-Acting CEOs)

CLIENT ANALYSIS

A ROBUST CLIENT MIX

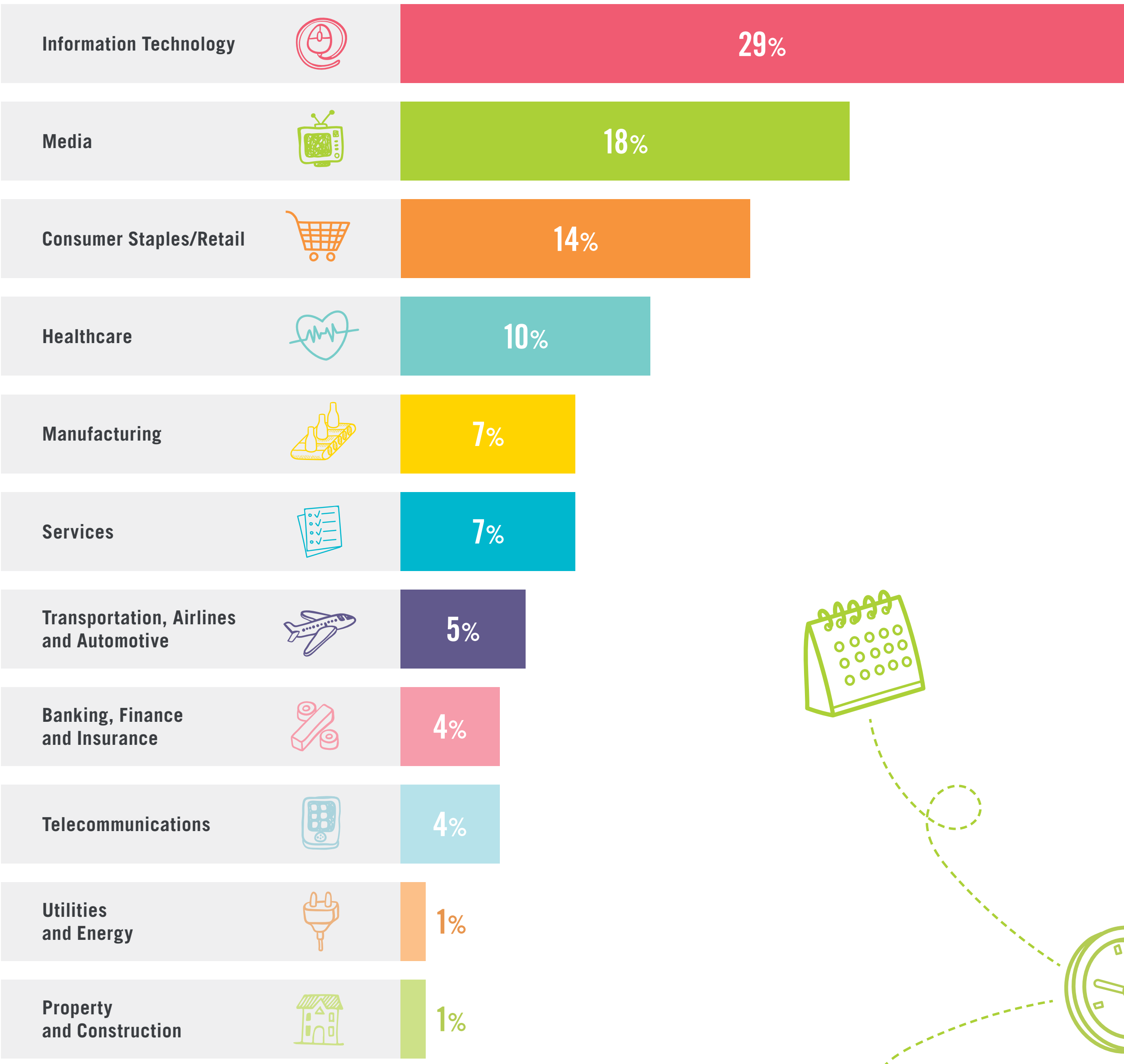
Strong client diversification with mix of clients across market industries and sectors and the largest client represents 12% of Group Net Revenue.

STREAMLINED PERFORMANCE

Top 10 clients represent 41% of total revenue across > 500 client relationships. Efforts across the Group to maximise larger clients with more touchpoints have resulted in a smaller number of overall client relationships.

SECTOR MIX

Higher sector exposure to areas which were more insulated from COVID-19 impacts.



INFORMATION TECHNOLOGY

HOTWIRE

The global tech communications consultancy.

With over 20 years' tech experience, Hotwire is the pre-eminent global tech communications consultancy for innovative tech brands. Igniting positive actions for clients and an understanding in all aspects of communications, branding and digital marketing allows Hotwire to spark audience curiosity and hero the possibilities of technology.

Technology has been a primary driver of global economic growth as technology and digital transformation forces organisations to adapt business models and shift consumers to an online world. The fundamental shift in behaviour has protected the tech sector from the worst of recent economic uncertainty, as businesses continue to embrace everything from remote working to home schooling. Hotwire expects this need to continue and the tech sector to maintain at a consistent velocity for the foreseeable future.

Hotwire has pivoted its work in the past four months to adapt to the changing environment. In all of its offices, Hotwire's digital-led strategy helped its clients maintain connection with their customers through online events, increasing social campaigns and advising clients on content creation sensitive to the conditions that the country was facing. Hotwire also provided guidance to the industry on how to best communicate and manage in a work from home environment.

As the business expands and commences a new three-year plan, Hotwire aims to retain its position as one of the world's leading technology communications consultancies. Deep expertise in technology, coupled with global scale, places Hotwire at the heart of the most dynamic market sector in the world's economy. The broad definition of innovation and technology, combined with the promise to ignite the unrealised possibilities of tech through data-driven communications solutions, will drive continued growth.

CUTTING THROUGH THE NOISE

Client: Kiva

Kiva, a mission driven technology non-profit, wanted to cut through the noise around International Women's Day (IWD), which is a busy media moment—including celebrity and big brand campaigns—and demonstrate Kiva's investment in women in the lead up to IWD,generating awareness and ultimately driving Americans to loan to women on Kiva.org.

Armed with a small budget, big expectations and less than 4 weeks to deliver a campaign, Hotwire leveraged online communities and influencers to help appeal to a mass audience and drive online loans to women across the world. The team developed an idea around the statement 'A powerful woman is...'–helping to redefine what a powerful woman represents in 2020 and highlight the diverse and empowering women across the Kiva platform. The aim: celebrate the amazing stories and qualities of powerful women on the platform and beyond.

DELIVERING THOUGHT LEADERSHIP AND BRAND RESURGENCE WITH PURPOSE

Client: Commvault

In 2019, Hotwire partnered with Commvault, a leader in the data management, backup, archive and disaster recovery market, to revamp a 30-year old brand through heroing the organisation's new CEO and their first ever acquisition. Campaign objectives included driving thought leadership, increasing brand differentiation and delivering personified brand awareness through engagement with media, influencers, customers and prospects.

The campaign, included media outreach, social content, paid follower campaigns, industry rapid response programs and executive thought leadership. Before and during the CEO announcement, Hotwire was a true partner to Commvault – and the results are proof of that.

The campaign resulted in 45 pieces of US coverage and three pieces of analyst coverage. Social media results included 16 million impressions, 1,700 posts and 871 individuals engaged, measured through BrandWatch. Around the CEO announcement alone, the Americas had a 21% SOV among priority media and 30% SOV worldwide.

Hotwire and Commvault continue their international partnership around new announcements and ongoing project work.

HEALTHCARE

ORCHARD

Creating customer experiences for a modern world.

Founded in 2006 and joining Enero in 2018, Orchard's core belief has always been to 'invent better'.

Orchard's investment into healthcare started some 13 years ago, when the need for an agency to have qualified medical and scientific talent was emerging and the sector began to embrace digital. Today's agency offering has to be sector focused and more niche. Clients want expert category advice, not just core competence in discipline; and from pioneering with pharmaceutical companies, the agency is now recognised as one of the leading health-focused agencies in the country.

Orchard's capability extends to consumer sectors with a heavy reliance on digital including automotive and finance. This client mix along with a strategy underpinned by a digital DNA delivers a modern agency service proposition. With the team now in excess of 105 employees from its Sydney base and a thriving New York office – and a nominated finalist for digital agency of the year – the needs of clients are served today while ensuring that Orchard is also part of the conversation for the future.

Orchard's work in the healthcare sector partnering with pharmaceutical brands has continued unabated during COVID-19 as there is a more pressing need to ensure that healthcare professionals are well informed about the latest news and medications. During a once in a lifetime pandemic it was also rewarding for the team to do purposeful work such as for the Royal Australian College of General Practitioners communicating to the public about why they needed to speak to a GP and the new options for telemedicine that were available.

"THE AGENCY IS NOW RECOGNISED AS ONE OF THE LEADING HEALTH-FOCUSED AGENCIES IN THE COUNTRY

EXPERT ADVICE MATTERS

Client: RACGP

General Practitioners (GPs) are responsible for safeguarding the nation's health. They administer life-saving vaccines and prevent, diagnose and treat numerous chronic health conditions. They are also at the front line managing mental health concerns and domestic violence.

The COVID-19 pandemic was accompanied by a steep decline in GP visits. Many worried that visiting their doctor would overload the health system or expose them to the virus. The Royal Australian College of General Practitioners (RACGP) was concerned that these reductions in GP consultations could lead to increased health problems.

The RACGP turned to Orchard to reinforce the vital role played by GPs. We developed the Expert Advice Matters campaign to spread public awareness that seeing your GP during the pandemic was simple and safe, both in-person or via telehealth.

The campaign used a simple but arresting creative device of visually editing the text spoken by vulnerable people in need of help. This showed how GPs can quickly cut through misconceptions and misinformation to offer reliable expert advice, treatment and support.

The campaign was successful, creating a positive shift in awareness and attitude towards telehealth and increased awareness for safe in-person consultations.

CPR:

Public affairs and strategic communications delivering impact.

Over a 25-year history, CPR has established a strong reputation in public affairs, issues management, government relations and communications. More recently these services have focused on medical research, specialising in understanding how medical institutions and governments can work together to create the jobs and medicines for the future.

In the past six months, CPR has been instrumental in assisting medical research institutes and alliances communicate with State and Federal governments around policy settings and funding to help the sector thrive. By successful media positioning of local researchers and leveraging government engagement, CPR is assisting medical researchers to work towards reviving the health economy and mitigate disruption to global supply chains. In the current climate, where governments are racing for a COVID-19 vaccine, the local development and manufacturing of drugs and devices has never been more important.

CPR continues to work with a range of leading institutes including the Victorian Chapter of the Australian Association of Medical Research Institutes, the Walter and Eliza Hall Institute, the Hudson Institute, the National Aging Research Institute and Melbourne Genomics. CPR has also expanded into the fields of digital health and medical devices.

ACCELERATING NEW MEDICINES FOR THE WALTER AND ELIZA HALL INSTITUTE

Client: Walter and Eliza Hall Institute

In FY19/20 one of CPR's most successful projects was working with the Walter and Eliza Hall Institute to assist with securing funding from the Victorian and Australian governments for the National Drug Discovery Centre in Parkville.

The centre is a state-of-the-art facility which will use the latest advanced robotic, high-throughput screening technologies to fast-track medicines to Australian patients.

The $117 million centre was assisted through an $18 million funding commitment from the Victorian Government and a $25 million funding commitment from the Australian Government.

The centre was launched in May 2019 at an event attended by both the Victorian and Australian Ministers for Health. The first two recipients of government-subsidised screens will be projects to find new medicines for cancer immunotherapy and type 2 diabetes.

CLEAN UP YOUR MOUTH

Client: Oral-B

P&G partnered with Orchard to tackle electric toothbrush adoption. With only 20% of Aussies using an electric brush, they had to encourage manual brushing switch. The problem was, most Aussies don't believe anything's wrong with regular brushing.

As Oral-B's manual toothbrush market share wasn't a concern, an opportunity emerged to tackle the problem at a category level. With proof that electric toothbrushes remove 100% more plaque vs. manual brushing, this led to the approach: Given a choice, why would you only do half the job?

The campaign portrayed a number of famously foul-mouthed architypes like builders, footie fans and truckies in compromising situations where profanity is expected. At these moments, the expectation was subverted with surprisingly polite, cordial responses taking profanity's place. Brushing with Oral-B electric, they'd cleaned up their mouths.

Delivering a long-term comms platform, the #CleanUpYourMouth campaign was led by two hero VOD and pre-roll 30 second executions, alongside search, display and accompanying PR activity seeking the Australian town most in need of cleaning up its mouth.

Breaking ground as the first local Oral-B creative in recent years, the campaign achieved significant results, with over 7 million views since launch.cupissunt rehenditas et lam endaesc iliquam laborem.

CONSUMER STAPLES / RETAIL

BMF

Long ideas in a world of short-term thinking.

BMF knows retail inside out. The retail game is a high performance sport – competitive, reactive and ever-changing – keeping BMF fit in the world of marketing and communications. BMF has banked 19 years of that experience so far; that's how long it has been ALDI's marketing and communications partner. From when it started in one store in Marrickville to over 500 stores now. From when it was an unfamiliar, foreign grocery store to being Australia's most trusted brand in 2018 and 2019 and realising its brand platform of 'Good Different', a philosophy that defines and guides ALDI.

BMF has supported businesses and brands to stand up and stand out during this time of uncertainty. Simple, strong, on-point communications that needed to read the nation's mood and be sensitive to that. BMF offered advice, solutions, best practice case studies and principles to build confidence on how to navigate a new norm.

From fast paced retail, which as an essential service had to stand up in a time of need, BMF is the trusted partner to deliver government behaviour change campaigns that speak to every Australian at both Federal and State levels. For the Department of Social Services, BMF needed to work at pace and with incredible sensitivity to promote the support services for domestic violence during an increased time of stress. BMF did this through the 'Help is here' campaign which let victims know that support was there, even when they were in lockdown. This work supports BMF's 'Stop it at the Start' inter-generational campaign to reduce violence against women, now running over four years.

In difficult economic times, BMF continues to build long-term communications platforms that are highly effective at driving positive business and behaviour change outcomes. The agency has been recognised as being one of the most effective in Australia, with two Most Effective agency wins in the last three years. The strong blend of strategic rigor, creative excellence and operational high performance is what makes BMF unique and able to pivot in these times and find a new normal working rhythm.

EVERY BIT BETTER

Client: George Weston Foods – Abbott's Village Bakery

By positioning Abbott's as the loaf for all occasions, BMF created George Weston Foods' most successful premium launch to date. Not only staving off deletion but leaving the retailers asking for more.

BMF took a me-too bread brand at risk of being delisted, identified an untapped need and reinvented Abbott's Village Bakery (AVB) in a stale category. At its core, the campaign launched a comms idea born out of collaboration, that lived on pack and in every bite. A sensory feast in its own right, right down to the very last crumb. AVB managed to beat unit sales target twice over, preventing what would've otherwise been a 25% decline, making Abbott's Village Bakery a breadwinner.

PRECEDENTED PRICES

Client: ALDI

Unprecedented Good Different
Everything was going to plan. Until it wasn't. Everyone was under incredible pressure to deliver reassurance to the worried masses. And as much as BMF didn't want to trivialise, the agency equally didn't want ALDI to fall into 'brand COVID' conventions. Whether it was communicating ALDI's new safety measures or thanking the hard-working staff, BMF used its Good Different platform to make sure it remained authentically ALDI.

Reassuring the nation ALDI's low prices aren't going anywhere
Economic uncertainty. Shrinking family budgets. And an unprecedented spike in the use of the word 'unprecedented'. People could do with grocery prices that stayed low, predictable and undramatic. So, BMF launched a new campaign for ALDI to remind Australians that unprecedented times call for precedented prices. And ALDI kept its humour during COVID, when everyone else lost theirs.

FRANK

Creating Talkability at the heart of everything they do.

Frank by name and Frank by nature – a straight-talking strategic communications consultancy, driving actionable change through insight-led and corporate PR, social and influencer marketing campaigns. Frank is channel neutral, leading with great ideas at the core of its business delivered through paid, earned, shared and owned media channels. Most prominently recognised for consumer campaigns, Frank's reach also spans FMCG, finance and the communications industries. The past year has accelerated consumer demand for brand transparency, authenticity and genuine action. Frank has been able to successfully collaborate with clients to craft ideas that will drive change and transform brands and businesses globally.

COVID-19 has directly impacted consumers and in turn their behaviour, rituals and spending habits. At a time where people found comfort with their familiar favourites and food was being stockpiled across the UK, Frank activated the Weetabix 'Fuelling the Nation' campaign. Frank remotely filmed a team during their 'new normal' morning meeting – displaying the role that Weetabix plays for consumers. The idea resonated with those experiencing the same feeling – resulting in 8% engagement and hundreds of thousands of views online.

In the coming year, Frank will continue to navigate a diverse range of sectors and constantly evolve to push the boundaries when it comes to its service offering. From digital content to community management and purpose-led corporate reputation campaigns, Frank will embrace the honest and transparent role of social and win brand fans in the process.

WEETABIX FUELLING THE NATION

Client: Weetabix

While the world went into lockdown, Weetabix saw a happy spike in sales as people found comfort in their 'familiar favourites' and stockpiled breakfast cereal. It really was no lie that we were fulling the nation. With the strapline 'Have You Had Yours' feeling a little opportunistic at such an unsettling time, Weetabix wanted to convey the reliability two Weetabix and milk provides every day, even in lockdown. Frank filmed remotely a now normal morning team meeting which subtly showed the role Weetabix consistently plays f or consumers. The content was shared and boosted, striking a chord with those experiencing the same thing, resulting 8% engagement rate and hundreds of thousands of views.

"BMF HAS SUPPORTED BUSINESSES AND BRANDS TO STAND UP AND STAND OUT DURING THIS TIME OF UNCERTAINTY

Thoughtful WORKING

At Enero, we employ great people. An international workforce brimming with talent, potential and creativity. Teams of outstanding individuals who can be relied upon to go above and beyond in delivering exceptional results for our clients.

We are firm believers in the power of kindness. Treating people with fairness and respect is an important part of our culture. We want our people to feel like they are doing their best work with colleagues who connect on an emotional level and take the trouble to understand the context of our lives and the things that matter to us.

At Enero, our agencies believe that work is a thing you produce, not a place you go each day. Our largest agency Hotwire practice 'Thoughtful Working' – which is so much more than a flexible working or work from home policy – it is a philosophy the organisation lives by and employees are encouraged to work where they will be most effective for their clients, their colleagues and themselves. It has provided Hotwire access to a broader, more diverse talent pool in the highly competitive markets in which it operates. These existing work practices meant that our agencies were well placed to quickly move to a completely remote workforce during country lockdowns as a result of COVID-19.

All about experience
"People will forget what you said, people will forget what you did, but people will never forget how you made them feel." – Maya Angelou. This sentiment is carried over to each business at Enero. Experience is the foundation that influences emotion and encourages new ideas and successes.

Regardless of working location, with the latest technology solutions we're able to facilitate collaboration between locations and global teams – making the experience as seamless as possible. Collaboration tools like Slack, Teams and Zoom have bridged the location gap between employees, allowing them to work and 'meet' face-to-face just as they would if they were sitting in the same room.

Diversity and inclusion

Beyond our global Diversity and Inclusion (D&I) strategies, each business focuses on continually doing better – driving equality to the people who are experiencing any form of marginalisation and discrimination; ensuring we're treated equally and that our differences are respected.

FINANCIAL REPORT

FOR YEAR ENDED 30 JUNE 2020

DIRECTORS' REPORT

The Directors present their report, together with the financial statements of Enero Group Limited (the **Company**) and of the Group, being the Company and its controlled entities, for the year ended 30 June 2020; 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:

Ann Sherry AO – Independent Non-Executive Chairman

Ann was appointed as Chair and Non-Executive Director on 1 January 2020. Ann is a recognised business leader in Australia who is currently a Director of ASX listed National Australia Bank, Chair of its Customer Committee and a member of its Remuneration Committee. Ann is also a Director of ASX listed Sydney Airport, Chair of its Remuneration and Nomination Committee, as well as a member of its Safety, Security and Sustainability Committee. Ann is Chair of UNICEF Australia and also a Director of international advisory firm The Palladium Group, Infrastructure Victoria, Cape York Partnerships, and the Museum of Contemporary Art. Ann is the former Chair and Chief Executive Officer of Carnival Australia and continues as an adviser to Carnival. She was previously at Westpac for 12 years and was the CEO of Bank of Melbourne and the CEO of Westpac New Zealand and Pacific Banking. In 2015, Ann was named the overall winner of the AFR 100 Women of Influence for her corporate leadership and achievements in promoting diversity and female representation across a variety of sectors during her 30-year career. Ann is Chair of the Remuneration and Nomination Committee.

Susan McIntosh – Non-Executive Director

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

Anouk Darling – Independent Non-Executive Director

Anouk was appointed as a Non-Executive Director of the Company on 6 February 2017. Anouk has over 20 years' experience in marketing and brand strategy. Anouk is a Director of ASX-Listed Macquarie Telecom Limited (effective March 2012) as well as a member of its Audit and Risk Committee and Remuneration and Nomination Committee. Anouk is also a Board member of Discovery Holiday Parks and is Chair of the People and Remuneration Committee. Anouk also holds an executive role, as CEO of Scape and Urbanest (Australia's largest owner and operator of purpose-built student accommodation assets). Anouk is Chair of the Audit and Risk Committee.

David Brain – Independent Non-Executive Director

David was appointed as a Non-Executive Director of the Company on 10 May 2018. David has over 25 years' experience in public relations and integrated communications. David's most recent Executive role was as a Director of the Group supervisory board of Edelman (the world's largest Public Relations firm), and a member of its global management board. During 13 years at Edelman, he was CEO of the Europe Middle East and Africa (EMEA) region and, latterly, CEO of Asia Pacific Middle East and Africa (APACMEA). Prior to Edelman, David was Co-CEO of Weber-Shandwick UK and Managing Director at Burson-Marsteller UK. He has also worked in Corporate Affairs at Visa International and as a planner in advertising. David is currently an Advisory Board member of The Spinoff, New Zealand's most successful online news magazine; and an investor and Advisory Board member of Parkable, a New Zealand based new economy business. David is a member of the Audit and Risk Committee.

Ian Rowden – Independent Non-Executive Director

Ian was appointed as a Non-Executive Director on 21 November 2018. Ian is a recognised global business leader whose career has spanned marketing, operational and commercial leadership roles across four continents with some of the world's most admired brands and in the world's most diverse marketplaces. Ian began his career with The Coca-Cola Company in Sydney, Australia in 1980 and for over 20 years he held numerous senior executive roles with that company worldwide. These included Region President for the China Division based in Hong Kong and Global Head of Consumer Communications based in Atlanta, Georgia. From 2000 to 2004 he served as Chief Marketing Officer for The Callaway Golf Company. In 2004 he joined Wendy's International as Chief Marketing Officer, a position he held until 2007 when he was appointed Chairman and CEO, Asia Pacific for Saatchi & Saatchi. From 2011 to 2015 he served as Partner at The Virgin Group and concurrently as a Board Member of Virgin Galactic and Virgin Produced. Ian is a Director of ASX listed Reliance Worldwide Corporation Limited (effective July 2020); is currently a member of the Investment Advisory Board of Innovate Partners LLC, a Los Angeles area based venture capital firm; and is a Board member of private Companies Brightguard and Miami Ad School (US), a non-profit entity. Ian is a member of the Remuneration and Nomination Committee.

Brent Scrimshaw – CEO and Executive Director

Brent was appointed Chief Executive Officer and Executive Director of the Company on 1 July 2020. Brent is a creative and brand led business leader in media, publishing, technology, consumer, retail and sports. Brent spent 18 years at Nike Inc. including three years as Vice President/Chief Executive Western Europe based in Amsterdam, and Vice President and Chief Marketing Officer EMEA, along with other leadership roles in general marketing and management in Europe, the USA and Australia. Brent was also part of Nike's global commercial operations team contributing to the development of the Nike Inc. business and brand strategy in its priority geographies worldwide. Brent was the founder and CEO of Unscriptd, a technology led sports media company, which was acquired by New York publisher The Players Tribune

DIRECTORS' REPORT

in 2018. Brent is a Non-Executive Director of ASX listed Kathmandu Holdings Limited, a Non-Executive Director of ASX listed Catapult Group International Limited and a Non-Executive Director of ASX listed Rhinomed Limited.

John Porter – Independent Non-Executive Chairman
John was appointed as Chairman and Non-Executive Director of the Company on 24 April 2012. John resigned as a Chairman and Director on 31 December 2019.

Matthew Melhuish – CEO and Executive Director
Matthew was appointed Chief Executive Officer and Executive Director of the Company on 16 January 2012. Matthew resigned as a Director effective 23 December 2019 and as CEO effective 31 March 2020.

Company Secretary
Brendan York was appointed Company Secretary on 1 July 2012. He is also the Chief Financial Officer of the Group. Brendan is a Non-Executive Director of ASX listed Big River Industries Limited and Chair of its Audit and Risk Committee. Brendan is a Chartered Accountant and has a Bachelor of Business Administration and a Bachelor of Commerce from Macquarie University.

Committee Membership
At the date of this report, the Company had an Audit and Risk Committee and a Remuneration and Nomination Committee. Members of these Committees were:

Audit and Risk Committee
Anouk Darling (Chair)
David Brain
Susan McIntosh

Remuneration and Nomination Committee
Ann Sherry (Chair)
Ian Rowden
Susan McIntosh

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

Corporate Governance
The Directors recognise the requirement for and have adhered to the principles of corporate governance.

A copy of the Company's full 2020 Corporate Governance Statement, which provides detailed information about governance, and a copy of the Company's Appendix 4G which sets out the Company's compliance with the recommendations in the third edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles), is available on the corporate governance section of the Company's website at http://www.enero.com/investor-centre/corporate-governance. Compliance with the fourth edition of the ASX Principles will be effective from 1 July 2020.

Operating and Financial Review
Information relating to the operating and financial review of the Company and its strategy are outlined on pages 21 to 22 and form part of this Directors report.

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 and Risk Committee meetings		Remuneration and Nomination Committee meetings	
	A	B	A	B	A	B
Ann Sherry	5	5	–	–	1	2
Susan McIntosh	8	8	4	4	3	3
Anouk Darling	8	8	4	4	–	–
David Brain	8	8	3	4	–	–
Ian Rowden	8	8	–	–	3	3
Matthew Melhuish	3	3	–	–	–	–
John Porter	2	3	–	–	–	1

A = Number of meetings attended.

B = Number of meetings held during the time the Director held office or was a member of the Committee during the year.

Directors' interests
The relevant interests of each Director in the shares or SARs issued by the Group, 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, are as follows:

Director	Ordinary shares	Share Appreciation Rights
Ann Sherry	18,750	Nil
Susan McIntosh	122,223	Nil
Anouk Darling	19,607	Nil
David Brain	75,000	Nil
Ian Rowden	60,000	Nil
Brent Scrimshaw(i)	Nil	1,250,000
Total	**295,580**	**1,250,000**

(i) Grant is in relation to SARs provided to the CEO, which were issued on 1 July 2020, subject to shareholder approval.

Events subsequent to balance date
Subsequent to the balance date, the Directors have declared a final dividend, with respect to ordinary shares, of 3.5 cents per share, fully franked. The final dividend will have a record date of 18 September 2020 and a payment date of 2 October 2020. Except for this event 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 significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely developments
The Group will continue to focus on its strategy outlined in the operating and financial review. The Group will specifically focus on new business conversion and organic revenue growth to increase net revenue. Additionally, building scale and presence in the UK and USA markets to seek a more evenly weighted geographic contribution from net revenue and Operating EBITDA is a core element of the Group's strategic framework. The Group will also continue to assess acquisition and capital deployment opportunities as they arise to complement the key operating business brands – Hotwire, Orchard and BMF.

Indemnification and insurance of officers and auditors
Indemnification
The Company has agreed to indemnify the following current Directors of the Company: Ann Sherry, Susan McIntosh, Anouk Darling, David Brain, Ian Rowden, Brent Scrimshaw 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, subject to the Corporations Act 2001, 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 willful 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 contracts.

Issue of shares and Share Appreciation Rights (SARs)
Shares issued on exercise of SARs
On 13 September 2019, the Company issued 469,905 ordinary shares to employees exercising share appreciation rights under the Company's Share Appreciation Rights Plan (SARP), which was approved by shareholders at the Company's Annual General Meeting (AGM) in 2017. The issue price of these shares was $1.89 and these shares rank equally with existing shareholders.

During the year ended 30 June 2020, the Company transferred 642,726 ordinary shares (30 June 2019: 651,575) from a trust account held by the Company to the employees of the Group on exercise of share appreciation rights under the SARP. The trust account holds no further ordinary shares and was vested during the financial year.

Share Appreciation Rights
Share Appreciation Rights issued
During the year ended 30 June 2020, a total of 2,450,000 Share Appreciation Rights (30 June 2019: 6,500,000) were issued to senior employees of the Group under the existing Share Appreciation Rights Plan.

Unissued shares under Share Appreciation Rights Plan
At the date of this report, unissued shares of the Company under the Share Appreciation Rights Plan are:

Expiry date	Number of SARs	Strike price VWAP (for the 20 business days prior to the grant)
30 September 2020	1,016,670	$1.04
30 September 2020	900,000	$1.23
30 September 2020	699,999	$2.13
30 September 2021	900,000	$1.23
30 September 2021	699,998	$2.13
30 September 2021(i)	416,666	n/a
30 September 2022	700,003	$2.13
30 September 2022(i)	416,666	n/a
30 September 2023(i)	416,668	n/a
Total	6,166,670	

(i) Grant is in relation to SARs provided to the CEO, which were issued on 1 July 2020, subject to shareholder approval.

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

Dividends
Dividends declared and paid by the Company to members since the end of the previous financial year were:

	Cents per share	Total amount AUD '000	Date of payment
Fully franked:			
2019 Final dividend	3.0	2,582	8 October 2019
2020 Interim dividend	2.5	2,152	19 March 2020

Subsequent to the balance sheet date, the Directors have declared a final dividend, with respect to ordinary shares, of 3.5 cents per share – fully franked with a payment date of 2 October 2020. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2020 but will be recognised in the subsequent financial period.

For further details refer to Note 17 Capital and reserves in this annual report.

Risk management
The Board has established a risk management policy for the management and oversight of risk and has delegated responsibility of compliance and internal control to the Audit and Risk Committee.

DIRECTORS' REPORT

Environmental regulation and performance
The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those requirements as they apply to the Group.

Non-audit services
During the year KPMG, the Group'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 and Risk 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 and Risk 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 Group, acting as an advocate for the Group, or jointly sharing risks and rewards.

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 30 Auditor's remuneration of the notes to the financial statements.

	2020 $	2019 $
Services other than statutory audit		
Auditors of the Company		
Taxation compliance services:		
Overseas KPMG firms	188,000	186,000
Total services other than statutory audit	188,000	186,000

Auditor independence
The Lead Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 78, and forms part of the Directors' Report for the year ended 30 June 2020.

Rounding off
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, 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.

Remuneration Report
The Remuneration Report on page 23 forms part of this Directors' Report.

Signed on behalf of the Directors in accordance with a resolution of the Directors:

Ann Sherry AO
Chair
Sydney, 26 August 2020

Operating and financial review

The operating and financial review forms part of the Directors' report.

Strategy and operations of the Group

The boutique force in modern marketing, Enero Group is an international network of eight marketing and communications businesses located in 7 countries and 14 cities, with over 600 employees. Spanning the marketing services landscape, the Group is connected through three key service competencies:

- Creative and Content – BMF;
- PR and Integrated Communications – Hotwire, Frank and CPR; and
- Digital, Data, Analytics and Technology – Orchard, The Leading Edge, The Digital Edge and OBMedia.

The Group's service offering includes integrated marketing and communication services, including strategy, market research and insights, advertising, digital, public relations, communications planning, design, events management, direct marketing, corporate communications and programmatic media.

The Group has three key geographic locations – Australia, UK and USA – which house the majority of the Group's businesses and employees. The Group also has a number of non-owned affiliates in other geographic areas which connect the Group into a global network. Being a nimble team with a global perspective, the Group is well positioned to take advantage of the new developments taking place in this highly dynamic sector.

Financial performance for the year

The Group achieved Net Revenue of $135.8 million, an increase of 4.9% (2019: $129.5 million) compared to the prior reporting period. The increased revenue was driven by organic revenue growth in Hotwire, Orchard and OBMedia predominantly in the USA market. Increased revenue pipeline conversion uncertainty due to COVID-19 led to a greater weighting to existing client and organic revenue opportunities over new business opportunities. The Group has a high sector exposure to technology, healthcare and consumer staples clients, which were less impacted by COVID-19, and a low sector exposure to retail, travel and tourism clients, which were more heavily impacted in the second half of the year.

The Group achieved Operating EBITDA of $24.4 million, an increase of 17.7% (2019: $20.7 million) compared to the prior reporting period as a result of the increased net revenue, careful cost management and reduction of operating costs during COVID-19. The Operating EBITDA margin increased from 16.0% in 2019 to 18.0% in 2020. The increased net revenue coupled with stronger operating costs leverage resulted in the margin protection and expansion. Government-related support during COVID-19 including the JobKeeper subsidy was limited to $0.4 million in contributions to Operating EBITDA in the current year.

The net profit pre-significant items was $12.9 million, compared to $12.1 million in the prior reporting period. The net profit after tax to equity owners was $10.7 million, compared to $5.7 million in the prior reporting period.

In the current year, the Operating Brands segment generated approximately 57% of its net revenue and 62% of its Operating EBITDA from international markets.

A summary of the Group's results is below:

In thousands of AUD	2020	2019
Net revenue	135,825	129,535
EBITDA	29,230	20,722
Depreciation of right-of-use assets	(4,849)	–
Operating EBITDA[1]	24,381	20,722
Depreciation and amortisation	(3,432)	(3,275)
EBIT	20,949	17,447
Net finance income	217	467
Present value interest charge	(1,937)	(1,153)
Profit before tax	19,229	16,761
Income tax expense	(3,397)	(2,297)
Profit after tax	15,832	14,464
Non-controlling interests	(2,951)	(2,413)
Net profit after tax before significant items	12,881	12,051
Significant items	(2,174)	(6,390)
Net profit after tax attributable to equity owners	10,707	5,661

	Cents per share	Cents per share
Earnings per share (basic) – pre significant items	15.0	14.2
Earnings per share (basic)	12.5	6.7

Reconciliation of statutory profit after tax to Operating EBITDA

In thousands of AUD	2020	2019
Net revenue	135,825	129,535
EBITDA	29,230	20,722
Depreciation of right-of-use assets	(4,849)	–
Operating EBITDA[1]	24,381	20,722
Depreciation of plant and equipment	(2,337)	(2,209)
Amortisation of intangibles	(1,095)	(1,066)
Net finance income	217	467
Present value interest charge	(1,937)	(1,153)
Contingent consideration fair value loss	(2,174)	(6,390)
Statutory profit before tax	17,055	10,371
Income tax expense	(3,397)	(2,297)
Statutory profit after tax	13,658	8,074

1. Operating EBTIDA, as defined in the basis of preparation section on page 22, is used for comparability purposes between the periods in this transition year as operating lease rental expense is primarily replaced with depreciation of right-of-use assets.

This is the first set of the Group's annual financial statements in which AASB 16 *Leases* is applied. Under the transition method chosen, comparative information is not restated. The 30 June 2020 results are therefore not directly comparable to prior years. Changes to significant accounting policies and the impact of applying the new standards are described in Note 1(g).

Significant items

The Group incurred Contingent consideration fair value loss of $2,174,000 (2019: $6,390,000) relating to revaluation of future contingent consideration payable to the vendors of Eastwick Communications.

DIRECTORS' REPORT

Geographical performance

In thousands of AUD	2020	2019
Net Revenue		
Australia	58,645	59,975
UK and Europe	37,701	38,611
USA	39,479	30,949
Total Operating Brand Segment	135,825	129,535
Operating EBITDA		
Australia	11,536	10,695
UK and Europe	5,703	6,512
USA	13,149	10,067
Total Operating Brand Segment	30,388	27,274
Support office	(5,443)	(5,822)
Share-based payments charge	(564)	(730)
Total	24,381	20,722
Operating EBITDA margin		
Australia	19.7%	17.8%
UK and Europe	15.1%	16.9%
USA	33.3%	32.5%
Total Operating Brand Segment	22.4%	21.1%
Total Group	18.0%	16.0%

Capital management

The Group's capital management strategy aims to balance returns to shareholders through dividends, funding acquisition and investment opportunities as well as maintaining adequate cash reserves for existing businesses. The Group continues to seek acquisition opportunities that are aligned with Group strategy from a geographical or expansion of services perspective.

Cash flow – Operating activities

Cash inflows from operating activities was $31.0 million (2019: $18.1 million). The increase in inflows was partially due to the exclusion of operating lease payments in the current financial year. The Group converted 116% of EBITDA to cash for the year ended 30 June 2020 (2019: 103%). The Group targets a cash conversion of 85% each financial year.

Cash flow – Investing activities

Cash outflows from investing activities was $13.3 million (2019: $1.7 million). The increase in outflows was due to the contingent consideration payments made during the current financial year with no payments made in the prior financial year.

Cash flow – Financing activities

Cash outflows from financing activities was $14.0 million (2019: $7.3 million). The increase in outflows was due to $6.5 million in lease liabilities recognised in financing activities in the current financial year. During the year, $4.7 million in dividends were paid to Enero Group Limited shareholders in addition to $2.3 million in dividends paid to minority shareholders of controlled subsidiaries.

Contingent consideration liabilities

The Company entered into contingent consideration arrangements in relation to its acquisitions of Orchard Marketing on 2 February 2018 and Eastwick Communications on 29 September 2016.

The Company structures its acquisitions using contingent consideration as it incentivises the sellers to drive future performance of the acquired business by linking the total purchase price to agreed future financial targets of that business.

As at 30 June 2020, the Company's estimated contingent consideration liability is $25.5 million.

Reconciliation of carrying amounts of contingent consideration payable:

In thousands of AUD	
30 June 2019	33,801
Payments made	(11,923)
Net revisions to estimates	2,174
Present value interest/foreign exchange	1,501
30 June 2020	25,553
Maturity profile (at present value):	
FY2021	15,119
FY2022	10,434
Total	25,553

Cash and Debt

In thousands of AUD	2020	2019
Cash and cash equivalents	47,581	43,831
Hire purchase liabilities	–	(493)
Contingent consideration liabilities	(25,553)	(33,801)
Net cash[1]	22,028	9,537

1. Net cash excludes lease liabilities recognised as a result of the adoption of AASB16 *Leases* as they are considered operational liabilities.

The Group has $22.0 million in net cash as at 30 June 2020. Apart from contingent consideration liabilities, the Group has no loans or borrowings.

Basis of preparation

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

Operating EBITDA is calculated as profit before interest, taxes, depreciation of plant and equipment, amortisation of intangibles, impairment of intangibles, and contingent consideration fair value loss. Operating EBITDA, reconciled in the table on page 21, is the primary measure used by management and the Directors in assessing the performance of the Group. It provides information on the Group's cash flow generation excluding significant transactions and non-cash items which are not representative of the Group's ongoing operations.

Remuneration Report – Audited

Contents

1 Introduction
2 Key Management Personnel (KMP) disclosed in this report
3 Remuneration Governance
4 Executive Remuneration policy and framework
5 Executive service agreements
6 Non-Executive Directors
7 Directors' and Executive Officers' remuneration
8 Share-based payments
9 Directors' and Executive Officers' holdings of shares
10 Loans to Key Management Personnel
11 Remuneration and Group performance

1 Introduction

The Directors of Enero Group Limited present this Remuneration Report for the Group for the year ended 30 June 2020. The information provided in the Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001 and forms part of the Directors' Report.

The Remuneration Report outlines practices and specific remuneration arrangements that apply to Key Management Personnel (KMP) in accordance with the requirements of the Corporations Act 2001 and explains how the Company's financial performance has driven remuneration outcomes.

2 Key Management Personnel (KMP) disclosed in this report

KMP comprise the Directors of the Company and Executives. The KMP covered in this Remuneration Report are those people having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The table below outlines the KMP at any time during the financial year; and unless otherwise indicated, they were KMP for the entire year.

Name	Role
Non-Executive Directors	
Ann Sherry(i)	Non-Executive Director (Chair)
Susan McIntosh	Non-Executive Director
Anouk Darling	Non-Executive Director
David Brain	Non-Executive Director
Ian Rowden	Non-Executive Director
John Porter (ii)	Non-Executive Director (Chairman)
Executives	
Brendan York	Chief Financial Officer
Fiona Chilcott	Chief People and Culture Officer
Former Executives	
Matthew Melhuish(iii)	Chief Executive Officer and Executive Director

(i) Ann Sherry was appointed as Chair and Director on 1 January 2020.
(ii) John Porter resigned as Chairman and Director on 31 December 2019.
(iii) Matthew Melhuish resigned as Director effective 23 December 2019 and as CEO effective 31 March 2020.

3 Remuneration Governance

The Board has established the Remuneration and Nominations Committee ('Committee'). It is responsible for making recommendations on remuneration matters to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to Executives including key performance indicators and performance hurdles;
- remuneration levels of Company Executives and Subsidiary Executives;
- appointment of the Chief Executive Officer, senior Executives and Directors themselves; and
- Non-Executive Director fees.

The Committee's objective is to ensure that remuneration policies and structures are fair, competitive 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 Corporate Governance Statement (available in the Corporate Governance section of the Company's website) provides further information on the role of the Committee.

The Remuneration and Nomination Committee operates independently of the Enero Executive team and engages directly with remuneration advisers.

There were no services used from remuneration consultants during the year ended 30 June 2020.

4 Executive Remuneration policy and framework

The objective of the Group's executive reward framework is to attract, motivate and retain employees with the required capabilities and experience to ensure the delivery of business strategy aligning with the interests of shareholders.

The Executive Remuneration framework includes the Company Executives and the subsidiary Executives to ensure alignment across all levels of the Group.

The framework aligns executive reward with the achievement of strategic objectives resulting in remuneration structures taking into account:

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

For Company Executives, the remuneration framework currently has the following components:

- fixed remuneration: comprising base pay, benefits and superannuation;
- short-term incentive: comprising an annual cash bonus; and

– long-term incentive: equity-based Share Appreciation Rights Plan.

For Subsidiary Executives, the remuneration framework currently has the following components:

– fixed remuneration: comprising base pay, benefits and superannuation;
– short-term incentive: comprising either an annual cash bonus and/or a retained equity interest in the subsidiary entitling a dividend stream linked to profitability; and
– long-term incentive: equity-based Share Appreciation Rights Plan.

The remuneration framework for Subsidiary Executives has been disclosed in this report despite such Executives not meeting the definition of KMP.

In structuring the remuneration mix for each role, the Board aims to balance fixed and variable remuneration to best achieve short-term and long-term performance outcomes.

4(a) 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 Group and ensures competitive market salaries are provided. An Executive's remuneration may also be reviewed on promotion.

There are no guaranteed fixed remuneration increases included in any Executive contracts.

4(b) Performance-linked remuneration

Performance-linked remuneration includes both short-term incentives (**STI**) and long-term incentives (**LTI**) and is designed to reward KMPs, Executives, Subsidiary Executives and key leadership for meeting or exceeding financial, strategic and personal targets.

The STI for the CEO and Company Executives align Executives with the creation of shareholder value through driving top-line revenue growth along with Operating EBITDA margin improvements.

Short-term incentives (STI):

The purpose of STI is to motivate and reward Executives for contributing to the delivery of annual business performance as assessed against financial and non-financial measures.

Participant	Performance measures and rationale
CEO	The STI for the CEO is an annual cash-based maximum short-term incentive payment of 70% of the CEO's fixed remuneration determined by the achievement of Operating EBITDA hurdles and Earning Per Share (EPS) growth hurdles set by the Remuneration and Nomination Committee. The hurdles are set each financial year determined by reference to business priorities. A component of the STI is also subject to the achievement of pre-determined KPI's for the individual.
Company Executives	The STI for Company Executives is an annual cash-based maximum short-term incentive payment of 70% of the Executive's fixed remuneration determined by the achievement of Operating EBITDA hurdles and Earnings Per Share (EPS) growth hurdles set by the Remuneration and Nomination Committee. The hurdles are set each financial year determined by reference to business priorities. A component of the STI is also subject to the achievement of pre-determined strategic objectives for the individual.
Subsidiary Executives	The STI for Subsidiary Executives is linked to the financial performance and direct profitability of their relevant subsidiary. For each subsidiary of the Company (or group of subsidiaries known as an Operating Business Unit) the STI has either one or a combination of the following structures: – an Operating EBITDA sharing arrangement such that the CEO and key senior leadership of that subsidiary are entitled to a share of Operating EBITDA agreed by the Remuneration and Nomination Committee each year. A component of the share of Operating EBITDA is also subject to the achievement of pre-determined KPIs for both the individual and Operating Brand. The share of EBITDA is set each financial year by the Remuneration and Nomination Committee. This incentive is paid annually in cash after the end of the financial year; or – an annual cash-based maximum short-term incentive payment of 70% of the Executive's fixed remuneration determined by the achievement of net revenue hurdles. The incentive is paid annually in cash after the end of the financial year; or – a direct equity interest in the subsidiary, entitling the holder to a dividend stream linked to financial performance of that subsidiary. Dividend payments are made to shareholders in accordance with that Subsidiary's constitution, generally on a quarterly basis.

The STIs (excluding dividends from direct equity interests in subsidiaries) are paid in cash following the end of the financial year and approval from the Remuneration and Nomination Committee. The Company Executives and Subsidiary

Executives are not contractually entitled to the STI in their respective employment agreements and the Remuneration and Nomination Committee retains discretion to withdraw or amend the STI at any time.

The Remuneration and Nomination Committee has the discretion to take into account any significant items in determining whether the financial KPIs have been achieved, where it is considered appropriate for linking remuneration reward to Company performance.

Long-term incentives (LTI):

The purpose of the LTI is to align Executive remuneration with long-term shareholder value and the performance of the Group. The LTI is provided as an equity-based incentive in the Company under the terms of the Share Appreciation Rights Plan (SARP) (see Note 29).

Description	The SAR Plan grants rights to shares in the Company on the achievement of appreciation in the Company's share price over the vesting period. Enero's Board may determine whether or not the grant of rights is conditional on the achievement of performance hurdles (including service conditions), and if so the nature of those hurdles. No dividends or voting rights are attached to the SARs.
Eligibility	The plan allows for the Board to determine who is entitled to participate in the SARP and it may grant rights accordingly.
Performance period	The performance period for the LTI is generally three years.
Rights	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. Rights expire at 15 business days after the relevant vesting date or the termination of the individual's employment.
Other conditions	Cessation of employment will result in the lapsing of any unvested SARs. One share right shall never convert into more than one share in the capital of the Company. The Board may exercise discretion on early vesting of rights in the event of a change of control of the Group.

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

Refer to Section 8 (Share-based payments) of the Remuneration Report for further information regarding the SARs.

Summary of Share Appreciation Rights on issue:

Issue date	19 October 2017	18 October 2018	24 October 2019
SARs issued	5,000,000	4,500,000	2,450,000
Participants	Senior Executives	Senior Executives	Senior Executives
VWAP for the 20 business days prior to the grant (B)	$1.04	$1.23	$2.13
Vesting dates: 20 business days after the release of the Group financial report for the year ended:			
Tranche 1 (1/3rd)	30 June 2018	30 June 2019	30 June 2020
Tranche 2 (1/3rd)	30 June 2019	30 June 2020	30 June 2021
Tranche 3 (1/3rd)	30 June 2020	30 June 2021	30 June 2022
Last expiry date	30 September 2020	30 September 2021	30 September 2022
Outstanding SARs as at 30 June 2020	1,016,670	1,800,000	2,100,000

Note: 2,000,000 SARs issued to the former CEO on 28 June 2019 were forfeited during the year, and are not on issue at 30 June 2020.

DIRECTORS' REPORT

5 Executive service agreements

It is the Group'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 Group 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 Group	Notice period on resignation by Key Management Personnel	Termination payment on termination by Group (i) (ii) (iii) (iv)	Termination payment on resignation by Key Management Personnel (i) (ii) (iv)
Chief Executive Officer [v]	30 June 2023	6 months	6 months	6 months base salary	6 months base salary
Chief Financial Officer	Rolling	6 months	3 months	6 months base salary	3 months base salary
Chief People and Culture Officer	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) Executives are entitled to a pro-rata STI payment on termination, except for termination for serious misconduct.

(v) Brent Scrimshaw was appointed as CEO on 1 July 2020.

Remuneration details of Executives are set out in Section 7 Directors' and Executive Officers' remuneration.

6 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 2020.

The remuneration of Non-Executive Directors does not include any performance-based pay and they do not participate in any equity-based incentive plans. Directors may 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.

The following Non-Executive Director fees (inclusive of superannuation) have been applied in the years ended 30 June 2020 and 30 June 2019:

	2020 $	2019 S
Base fees – annual		
Chairman	120,000	120,000
Other Non-Executive Directors	75,000	75,000
Committee fees – annual		
Audit and Risk Committee – Chair	10,000	10,000
Remuneration and Nomination Committee – Chair	10,000	10,000

Total remuneration paid to Non-Executive Directors for the year ending 30 June 2020 amounted to $435,000 (30 June 2019: $426,936), which is 58.0% of the annual aggregate cap.

Remuneration details of Non-Executive Directors are set out in Section 7 Directors' and Executive Officers' remuneration.

7 Directors' and Executive Officers' remuneration

7(a) Directors' and Executive Officers' short-term cash benefits, post-employment benefits, other long-term remuneration and 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 who are KMPs, are shown in the table below:

		Short-term benefits			Post-employment	Long-term benefits		Share-based payments		
		Salary and fees $	Cash STI[i] $	Annual leave[ii] $	Superannuation $	Long service leave[ii] $	Termination benefit $	Value of Share Appreciation Rights (LTI)[iii] $	Total $	Proportion of total remuneration performance related[iv] %
Non-Executive Directors										
Ann Sherry[v]	2020	65,000	–	–	–	–	–	–	65,000	–
	2019	–	–	–	–	–	–	–	–	–
Susan McIntosh	2020	68,493	–	–	6,507	–	–	–	75,000	–
	2019	68,493	–	–	6,507	–	–	–	75,000	–
Anouk Darling	2020	77,626	–	–	7,374	–	–	–	85,000	–
	2019	74,898	–	–	7,115	–	–	–	82,013	–
David Brain	2020	75,000	–	–	–	–	–	–	75,000	–
	2019	75,000	–	–	–	–	–	–	75,000	–
Ian Rowden[vi]	2020	75,000	–	–	–	–	–	–	75,000	–
	2019	46,058	–	–	–	–	–	–	46,058	–
John Porter[vii]	2020	60,000	–	–	–	–	–	–	60,000	–
	2019	120,000	–	–	–	–	–	–	120,000	–
Roger Amos[viii]	2020	–	–	–	–	–	–	–	–	–
	2019	26,361	–	–	2,504	–	–	–	28,865	–
Executive Director										
Matthew Melhuish[ix] Director and CEO	2020	618,750	95,635	(19,048)	21,003	(9,191)	188,269	40,272	935,690	14.52
	2019	800,000	492,319	(30,744)	20,531	14,971	–	260,149	1,557,226	48.32
Executives										
Brendan York[xi] Chief Financial Officer	2020	375,000	181,791	1,682	21,003	6,829	–	159,437	745,742	45.76
	2019	350,000	222,319	1,609	20,531	6,795	–	141,690	742,944	49.00
Fiona Chilcott[x] [xi] Chief People and Culture Officer	2020	488,372	181,791	(2,981)	21,003	1,759	–	159,437	849,381	40.17
	2019	437,601	222,319	(1,101)	20,531	821	–	136,902	817,073	43.96

(i) The short-term incentive bonus is for performance during the 30 June 2020 financial year using the criteria set out on page 24. The table above includes the expense incurred during the financial year for the bonuses awarded. Refer to the table on page 28 for the bonuses awarded.

(ii) 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.

(iii) Share Appreciation Rights are calculated at the date of grant using the Monte Carlo simulation 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.

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

(v) Ann Sherry was appointed as Chair and Director on 1 January 2020.

(vi) Ian Rowden was appointed as Director on 21 November 2018.

(vii) John Porter resigned as Chairman and Director on 31 December 2019.

(viii) Roger Amos resigned as Director on 18 October 2018.

(ix) Mathew Melhuish resigned as Director on 23 December 2019 and as CEO on 31 March 2020.

(x) Fiona Chilcott was seconded to the USA from 6 August 2018 to 14 January 2020; the remuneration disclosures for this period represent the USD compensation components converted to AUD at average exchange rates for the relevant year.

(xi) Brendan York and Fiona Chilcott were appointed Acting Co-CEOs for the period 1 April 2020 to 30 June 2020 and were paid an allowance of $25,000 each for the acting period.

(xii) Executives receive salary continuance insurance cover. There are no other benefits offered by the Company.

7(b) Performance-related remuneration

Details of the Company's policy in relation to the proportion of remuneration that is performance-based are discussed on page 24.

7(c) STI 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 Group, who are classified Key Management Personnel, are discussed below.

In the reporting period, the Operating EBITDA hurdles and EPS growth hurdles performance measures are equally weighted in determining the percentage of fixed remuneration payable as a cash STI. The agreed strategic objectives are assessed using the average percentage of fixed remuneration of the Operating EBITDA hurdles and EPS growth hurdles and then applied against individual categories.

Short-term incentive bonus(i)	Metric	Maximum STI $	Actual STI included in remuneration $(iii)	Actual STI as % of maximum STI	STI forfeited as % of maximum STI	Actual STI as a % of fixed remuneration(ii)	% vested in year
Company Executives							
Matthew Melhuish(iv)	Operating EBITDA hurdles and EPS growth hurdles.	412,426	100,886	24%	76%	16%	100
Brendan York	Operating EBITDA hurdles and EPS growth hurdles.	241,152	181,791	75%	25%	49%	100
Fiona Chilcott	Operating EBITDA hurdles and EPS growth hurdles.	241,152	181,791	75%	25%	49%	100

(i) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on the achievement of specified performance criteria as discussed in Section 4(b) Performance-linked remuneration and are approved following the completion of the reporting period audit.

(ii) Fixed remuneration is salary plus superannuation.

(iii) Actual STI included in remuneration includes any superannuation contribution amounts.

(iv) Represents pro rata STI for period through to 31 March 2020.

8 Share-based payments

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

Details of SARs that were granted as compensation to each Key Management Personnel during the reporting period are as follows:

	Type of rights granted during 2020	Number of rights granted during 2020	Grant date	Fair value per right at grant date $	VWAP (for the 20 business days prior to the grant) $	Expiry date(i)
Company Executives						
Brendan York	SAR	350,000	24 Oct 2019	0.26 – 0.46	2.13	30 Sept 2022
Fiona Chilcott	SAR	350,000	24 Oct 2019	0.26 – 0.46	2.13	30 Sept 2022

(i) The dates reflected in the table above represent the last vesting date for the SAR grant. The vesting date of the SARs is 20 business days after the release of the Group's preliminary financial report for the relevant financial year. This is estimated to be around, but no later than, 30 September each year.

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

Details of the vesting profiles of the rights granted as remuneration to a Director of the Company, and each of the KMPs, are shown below:

	Number of rights granted	Type of rights granted	Grant date	% vested in year	% exercised in year	% remaining to vest	Vesting date(i)
Company Executives							
Brendan York	600,000	SAR	19 Oct 2017	33	33	33	30 Sep 2020
	900,000	SAR	18 Oct 2018	33	33	67	30 Sep 2020 and 30 Sep 2021
	350,000	SAR	24 Oct 2019	–	–	100	30 Sep 2020, 30 Sep 2021 and 30 Sep 2022
Fiona Chilcott	600,000	SAR	19 Oct 2017	33	33	33	30 Sep 2020
	900,000	SAR	18 Oct 2018	33	33	67	30 Sep 2020 and 30 Sep 2021
	350,000	SAR	24 Oct 2019	–	–	100	30 Sep 2020, 30 Sep 2021 and 30 Sep 2022

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

8(c) Analysis of movements in rights and value of rights exercised

The movement during the reporting period in the number of rights over ordinary shares in Enero Group Limited held, directly, indirectly or beneficially, by each KMP, including their related entities, and value of rights exercised during the year, is as follows:

	Granted held at 1 Jul 2019	Granted as remuneration in year	Cancelled	Exercised	Granted held at 30 Jun 2020	Vested during the year	Vested and exercisable at 30 Jun 2020	Value of rights granted during the year $	Value of rights exercised during the year $
Director									
Matthew Melhuish	4,466,667	–	(3,533,334)	(933,333)	–	933,333	–	–	183,467
Executives									
Brendan York	1,300,000	350,000	–	(500,000)	1,150,000	500,000	–	126,817	97,900
Fiona Chilcott	1,300,000	350,000	–	(500,000)	1,150,000	500,000	–	126,817	97,900

No share-based payments held by KMP are vested but not exercisable at 30 June 2020.

No share-based payments were held by KMP related parties.

No terms of equity-settled share-based payment transactions (including 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.

9 Directors' and Executive Officers' holdings of shares

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

	Held at 1 July 2019	Purchases	Issued as remuneration	Received on exercise of rights	Sales	Held at 30 June 2020
Directors						
Ann Sherry(i)	18,750	–	–	–	–	18,750
Susan McIntosh	122,223	–	–	–	–	122,223
Anouk Darling	19,607	–	–	–	–	19,607
David Brain	75,000	–	–	–	–	75,000
Ian Rowden	–	60,000	–	–	–	60,000
John Porter(ii)	270,833	–	–	–	–	270,833
Matthew Melhuish(ii)	1,712,747	–	–	359,436	–	2,072,183
Executives						
Brendan York	287,892	–	–	194,709	(118,953)	363,648
Fiona Chilcott	–	–	–	194,709	(97,000)	97,709

(i) Opening balance represents shares held at the date of appointment.

(ii) Closing balance represents shares held at the date of resignation.

10 Loans to Key Management Personnel

No loans to Key Management Personnel and their related parties were made during the year or were outstanding at the reporting date.

11 Remuneration and Group performance

The Remuneration and Nomination Committee has given consideration to the Group's performance and consequences on shareholder wealth in the current financial year and the four previous financial years. Financial performance from operations of the current and last four financial years is indicated in the following table:

	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Metric					
Net Revenue ($'000)	135,825	129,535	103,685	100,172	113,488
Operating EBITDA ($'000)	24,381	20,722	13,513	10,364	13,220
Operating EBITDA margin (%)	17.95%	16.00%	13.03%	10.35%	11.65%
Net Profit to equity holders pre significant items ($'000)	12,881	12,051	7,846	4,893	6,584
Earnings Per Share pre significant items (cps)	15.0	14.2	9.3	5.9	8.0
Earnings Per Share pre significant items growth (%)	6%	53%	58%	(26%)	321%
Earnings Per Share basic (cps)	12.5	6.7	10.1	2.2	8.0
Total Dividends Per Share (cps)(i)	6.0	5.5	4.0	5.0	–
Opening share price (1 July) ($)	1.49	1.06	1.03	1.25	0.71
Closing share price (30 June) ($)	1.40	1.42	1.06	1.04	1.25

(i) In relation to 30 June 2017, Total Dividends Per Share related to a special dividend of 5 cps on the release of Group capital restrictions that had been in place from 2010.

The Remuneration and Nomination Committee has determined appropriate remuneration structures which correlate remuneration of KMPs with future shareholder wealth.

The Remuneration and Nomination Committee considers the achievement of financial targets (Operating EBITDA hurdles and EPS growth hurdles) as well as non-financial measures (strategic objectives) in setting the short-term incentives. Short-term incentives have been set by the Remuneration and Nomination Committee based on achievement of certain Operating EBITDA and EPS targets, which align remuneration with increases in profitability. The non-financial measures of the short-term incentives require achievement of financial targets before being assessed for payment.

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 SAR plan aligns remuneration with share price performance because it only rewards KMPs for increases in the share price over the vesting period in addition to completing a service period.

The Remuneration and Nomination Committee has reviewed both the financial performance in the current financial year as well as the achievement of strategic activities which took place during the current financial year. The Remuneration and Nomination Committee believes the current year achievements of:

- Net Revenue, Operating EBITDA and Operating EBITDA margin increases;
- a 6% increase in EPS (pre significant items) year on year;
- increase in USA market presence, which was identified as a key strategic objective; and
- the improvements to the integration of the network across the Operating Brands through increased sharing of clients,

are aligned with the achievement of future shareholder wealth and therefore confirm the Executive Remuneration policy and framework.

End of Remuneration Report.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2020

In thousands of AUD	Note	2020	2019
Gross revenue	3	268,741	230,032
Directly attributable costs of sales	3	(132,916)	(100,497)
Net revenue	3	135,825	129,535
Other income		1,157	124
Employee expenses		(93,622)	(88,173)
Occupancy costs		(2,001)	(7,202)
Travel expenses		(1,480)	(2,060)
Communication expenses		(2,083)	(2,413)
Compliance expenses		(1,618)	(2,057)
Depreciation and amortisation expenses		(8,281)	(3,275)
Administration expenses		(6,948)	(7,032)
Contingent consideration fair value loss	13	(2,174)	(6,390)
Finance income		269	574
Finance costs	4	(1,989)	(1,260)
Profit before income tax		17,055	10,371
Income tax expense	5	(3,397)	(2,297)
Profit for the year		13,658	8,074
Attributable to:			
Equity holders of the parent		10,707	5,661
Non-controlling interests		2,951	2,413
		13,658	8,074
Basic earnings per share (AUD cents)	18	12.5	6.7
Diluted earnings per share (AUD cents)	18	12.3	6.6

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

In thousands of AUD	Note	2020	2019
Profit for the year		13,658	8,074
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(476)	1,461
Total items that may be reclassified subsequently to profit or loss		(476)	1,461
Other comprehensive income for the year, net of tax		(476)	1,461
Total comprehensive income for the year		13,182	9,535
Attributable to:			
Equity holders of the parent		10,218	7,074
Non-controlling interests		2,964	2,461
		13,182	9,535

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

		Attributable to owners of the Company								
In thousands of AUD	Note	Share capital	Retained profits/ (Accumulated losses)	Profit appropriation reserve	Share-based payment reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
Opening balance at 1 July 2018		96,656	1,427	25,235	12,106	(1,417)	(19,767)	114,240	832	115,072
Adjustment on initial application of AASB 9 (net of tax)		–	(133)	–	–	–	–	(133)	–	(133)
Profit for the year		–	5,661	–	–	–	–	5,661	2,413	8,074
Other comprehensive income for the year, net of tax		–	–	–	–	–	1,413	1,413	48	1,461
Total comprehensive income for the year		–	5,661	–	–	–	1,413	7,074	2,461	9,535
Transactions with owners recorded directly in equity:										
Shares issued to employees on exercise of Share Appreciation Rights	17	756	–	–	(756)	–	–	–	–	–
Dividends paid to equity holders	17	–	–	(4,280)	–	–	–	(4,280)	(1,562)	(5,842)
Share-based payment expense		–	–	–	730	–	–	730	–	730
Closing balance at 30 June 2019		97,412	6,955	20,955	12,080	(1,417)	(18,354)	117,631	1,731	119,362
Opening balance at 1 July 2019		97,412	6,955	20,955	12,080	(1,417)	(18,354)	117,631	1,731	119,362
Adjustment on initial application of AASB 16 (net of tax)	1(g)	–	(1,057)	–	–	–	–	(1,057)	(28)	(1,085)
Profit for the year		–	10,707	–	–	–	–	10,707	2,951	13,658
Other comprehensive income for the year, net of tax		–	–	–	–	–	(489)	(489)	13	(476)
Total comprehensive income for the year		–	10,707	–	–	–	(489)	10,218	2,964	13,182
Transactions with owners recorded directly in equity:										
Shares issued to employees on exercise of Share Appreciation Rights	17	2,103	–	–	(2,103)	–	–	–	–	–
Transfer to profit appropriation reserve		–	(16,988)	16,988	–	–	–	–	–	–
Dividends paid to equity holders	17	–	–	(4,734)	–	–	–	(4,734)	(2,312)	(7,046)
Share-based payment expense		–	–	–	564	–	–	564	–	564
Closing balance at 30 June 2020		99,515	(383)	33,209	10,541	(1,417)	(18,843)	122,622	2,355	124,977

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

In thousands of AUD	Note	2020	2019
Assets			
Cash and cash equivalents	6	47,581	43,831
Trade and other receivables	7	34,611	33,791
Other assets	8	3,761	5,297
Income tax receivable	5	–	54
Total current assets		85,953	82,973
Deferred tax assets	5	2,636	2,459
Plant and equipment	9	4,951	5,877
Right-of-use assets	10	11,759	–
Other assets	8	188	197
Intangible assets	11	109,102	110,384
Total non-current assets		128,636	118,917
Total assets	2	214,589	201,890
Liabilities			
Trade and other payables	12	42,242	38,380
Contingent consideration payable	13	15,119	11,519
Lease liabilities	14	6,384	493
Employee benefits	15	3,732	4,173
Income tax payable	5	358	507
Provisions	16	–	646
Total current liabilities		67,835	55,718
Contingent consideration payable	13	10,434	22,282
Lease liabilities	14	10,523	–
Employee benefits	15	820	659
Provisions	16	–	3,869
Total non-current liabilities		21,777	26,810
Total liabilities	2	89,612	82,528
Net assets		124,977	119,362
Equity			
Issued capital	17	99,515	97,412
Other reserves		(9,719)	(7,691)
Profit appropriation reserve		33,209	20,955
Retained profits/(Accumulated losses)		(383)	6,955
Total equity attributable to equity holders of the parent		122,622	117,631
Non-controlling interests		2,355	1,731
Total equity		124,977	119,362

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

In thousands of AUD	Note	2020	2019
Cash flows from operating activities			
Cash receipts from customers		285,864	241,791
Cash paid to suppliers and employees		(251,828)	(220,458)
Cash generated from operations		34,036	21,333
Interest received		269	574
Income taxes paid		(3,258)	(3,665)
Interest paid		(52)	(107)
Net cash from operating activities	6	30,995	18,135
Cash flows from investing activities			
Proceeds from sale of plant and equipment		10	22
Acquisition of plant and equipment		(1,406)	(1,700)
Contingent consideration paid	13	(11,923)	–
Net cash used in investing activities		(13,319)	(1,678)
Cash flows from financing activities			
Payment of lease liabilities	14	(6,486)	–
Payment of hire purchase liabilities	14	(493)	(1,423)
Dividends paid to equity holders of the parent	17	(4,734)	(4,280)
Dividends paid to non-controlling interests in controlled entities		(2,312)	(1,562)
Net cash used in financing activities		(14,025)	(7,265)
Net increase in cash and cash equivalents		3,651	9,192
Effect of exchange rate fluctuations on cash held		99	260
Cash and cash equivalents at 1 July		43,831	34,379
Cash and cash equivalents at 30 June	6	47,581	43,831

* The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in retained earnings at the date of initial application.

** The application of AASB 16 has led to operating lease payments previously included in cash from operating activities being now included as payments of lease liabilities within financing activities. The net cash from operating activities and net cash used in financing activities for the current period have each increased by $6,486,000.

The notes on pages 36 to 69 are an integral part of these consolidated financial statements.

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FOR THE YEAR ENDED 30 JUNE 2020

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1. Basis of preparation

In preparing these financial statements, the notes have been grouped into sections under certain key headings. Each section sets out the accounting policies applied together with any key judgements and estimates used.

(a) Reporting entity

Enero Group Limited (the **Company**) is a for-profit Company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as the 'Group').

The financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Directors on 26 August 2020.

(b) Statement of compliance

The consolidated financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('**AASB**s') (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 (**IFRIC**s) adopted by the International Accounting Standards Board (**IASB**).

(c) Basis of preparation

(i) Basis of measurement

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

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

(ii) Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes the Group 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 Group's ability to meet its future cash flow requirements using its projected cash flows from operations and existing cash reserves held as at 30 June 2020.

(iii) 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 and in any future periods if affected.

Further information about critical accounting estimates and judgements made is included in the following notes:

- 3. Revenue
- 5. Income tax expense and deferred tax
- 10. Right-of-use assets
- 13. Contingent consideration payables
- 14. Lease liabilities
- 19. Financial risk management/financial instruments (Trade receivables)
- 21. Impairment of non-financial assets
- 29. Share-based payments

(iv) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

- 13. Contingent consideration payables
- 19. Financial instruments (cash flow hedges)
- 29. Share-based payments

(d) Foreign currency

(i) Functional and presentation currency

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

1. Basis of preparation (continued)

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group 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 Group at the foreign exchange rate ruling at that date. Foreign exchange differences arising on retranslation are recognised in the income statement. 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.

(iii) 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, and presented in the foreign currency translation reserve (**FCTR**) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the income statement 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.

(e) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, unless GST incurred is not recoverable from the taxation authority. In this case it 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 taxation authority, is included as a current asset or liability in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities, which are recoverable from or payable to the taxation authority, are presented as operating cash flows.

(f) Changes in accounting policies

Except for the impact of new accounting standards adopted this year as described below, the accounting policies provided throughout Notes 1 to 30 of this report have been applied consistently to all periods presented in the consolidated financial statements.

(g) New standards and interpretations

(i) New Standards Adopted

AASB 16 *Leases* ('AASB 16') introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. AASB 16 requires the Group to recognise substantially all of its operating leases on the statement of financial position.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the period 1 July 2018 to 30 June 2019 has not been restated – it is presented, as previously reported, under AASB 117 and related interpretations.

The following table summarises the impact, net of tax, on transition to AASB 16 on the opening balance of retained earnings at 1 July 2019:

In thousands of AUD	
Retained earnings	
Lease liabilities recognised	(22,498)
Right-of-use assets recognised	16,481
Reduction in provisions relating to property leases	4,512
Deferred tax asset recognised	420
Impact, net of tax	(1,085)
Equity holders of the parent	(1,057)
Non-controlling interests	(28)
Impact, net of tax	(1,085)

At transition, the lease liabilities were measured at the present value of remaining lease payments using the Group's incremental borrowing rates of 3.8% to 5.1% as at 1 July 2019. The right-of-use assets were measured at their carrying amount as if AASB 16 has been applied since the lease commencement date and discounted using Group's incremental borrowing rate as at 1 July 2019.

The Group used following practical expedients on transition to AASB 16:

- the Group elected to grandfather the assessment of which transactions are leases. It applied AASB 16 only to transactions that were previously defined as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed from 1 July 2019; and
- the Group applied the exemption not to recognise right-of-use assets and lease liabilities for leases of low value or with lease terms with less than 12 months remaining at 1 July 2019.

(ii) 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 2020, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the Group's financial statements.

(h) The notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, acquisitions and impairment write-downs; or
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

- Key numbers: provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items;
- Capital: provides information about the capital management practices of the Group and shareholder returns for the year;
- Risk: discusses the Group's exposure to various financial risks, explains how these affect the Group's financial position and performance and outlines what the Group does to manage these risks;
- Group structure: explains aspects of the Group structure and changes during the year;
- Unrecognised items: provides information about items that are not recognised in the financial statements but could potentially have a significant impact on the Group's financial position and performance; and
- Other items: provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements, however are not considered critical in understanding the financial performance or position of the Group.

2. Operating segments

The Group defines its operating segments based on the manner in which services are provided in the operational geographies and on internal reporting regularly reviewed by the Enero Executive team on a monthly basis, who are the Group's chief operating decision makers (CODM).

Revenues are all derived from marketing and communication services centered on three key service competencies, which are similar in the nature of services and outputs, operate in similar economic environments and have a comparable customer mix:

- Creative and Content – BMF;
- PR and Integrated Communications – Hotwire, Frank and CPR; and
- Digital, Data, Analytics and Technology – Orchard, The Leading Edge, The Digital Edge and OBMedia.

The CODM have determined that the service competencies are one operating segment (Operating Brands segment) based on internal reporting used by the CODM for performance assessment and determining the allocation of resources.

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

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

Operating EBITDA: is calculated as profit before interest, taxes, depreciation of plant and equipment, amortisation of intangibles, impairment of intangibles, and contingent consideration fair value loss.

2. Operating segments (continued)

2020 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	268,741	268,741	–	–	268,741
Directly attributable cost of sales	(132,916)	(132,916)	–	–	(132,916)
Net revenue	135,825	135,825	–	–	135,825
Other income	1,157	1,157	–	–	1,157
Operating expenses	(101,274)	(101,274)	(6,478)	–	(107,752)
EBITDA	35,708	35,708	(6,478)	–	29,230
Depreciation of right-of-use assets					(4,849)
Operating EBITDA				–	24,381
Depreciation of plant and equipment and amortisation of intangibles					(3,432)
Contingent consideration fair value loss	(2,174)	(2,174)	–	–	(2,174)
Net finance costs					(1,720)
Profit before income tax					17,055
Income tax expense					(3,397)
Profit for the year					13,658
Goodwill	107,997	107,997	–	–	107,997
Other intangibles	1,105	1,105	–	–	1,105
Assets excluding intangibles	60,424	60,424	49,444	(4,381)	105,487
Total assets	169,526	169,526	49,444	(4,381)	214,589
Liabilities	81,333	81,333	12,660	(4,381)	89,612
Total liabilities	81,333	81,333	12,660	(4,381)	89,612
Amortisation of intangibles	1,095	1,095	–	–	1,095
Depreciation	6,792	6,792	394	–	7,186
Capital expenditure	1,177	1,177	229	–	1,406

2019 In thousands of AUD	Operating Brands	Total segment	Unallocated	Eliminations	Consolidated
Gross revenue	230,032	230,032	–	–	230,032
Directly attributable cost of sales	(100,497)	(100,497)	–	–	(100,497)
Net revenue	129,535	129,535	–	–	129,535
Other income	107	107	17	–	124
Operating expenses	(102,368)	(102,368)	(6,569)	–	(108,937)
Operating EBITDA	27,274	27,274	(6,552)	–	20,722
Depreciation of plant and equipment and amortisation of intangibles					(3,275)
Contingent consideration fair value loss	(6,390)	(6,390)	–	–	(6,390)
Net finance costs					(686)
Profit before income tax					10,371
Income tax expense					(2,297)
Profit for the year					8,074
Goodwill	108,208	108,208	–	–	108,208
Other intangibles	2,176	2,176	–	–	2,176
Assets excluding intangibles	56,368	56,368	42,699	(7,561)	91,506
Total assets	166,752	166,752	42,699	(7,561)	201,890
Liabilities	74,500	74,500	15,589	(7,561)	82,528
Total liabilities	74,500	74,500	15,589	(7,561)	82,528
Amortisation of intangibles	1,066	1,066	–	–	1,066
Depreciation	1,379	1,379	830	–	2,209
Capital expenditure	1,380	1,380	320	–	1,700

* All segments are continuing operations.

Geographical segments

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

Geographical information

In thousands of AUD	Australia	UK and Europe	USA	Support Office(ii)	Unallocated intangibles(i)	Total
2020						
Net Revenue	58,645	37,701	39,479	–	–	135,825
Operating EBITDA	11,536	5,703	13,149	(6,007)	–	24,381
Operating EBITDA margin	19.7%	15.1%	33.3%	–	–	17.9%
Non-current assets	11,934	4,927	2,673	–	109,102	128,636

In thousands of AUD	Australia	UK and Europe	USA	Support Office(ii)	Unallocated intangibles(i)	Total
2019						
Net Revenue	59,975	38,611	30,949	–	–	129,535
Operating EBITDA	10,695	6,512	10,067	(6,552)	–	20,722
Operating EBITDA margin	17.8%	16.8%	32.5%	–	–	16.0%
Non-current assets	6,220	1,169	1,144	–	110,384	118,917

(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.

(ii) Support office includes the share-based payment charge in the income statement.

Major Customer

Net revenue from a customer of the Operating Brands segment represented approximately 11.6% of the Group's total net revenue for the year ended 30 June 2020 (2019: 11.6%).

Accounting policy

The Group determines and presents operating segments based on the information that is provided internally to the Enero Executive team, who are the Group's chief operating decision makers (CODM).

An operating segment is a component of the Group 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 Group's other components. All operating segments' results are regularly reviewed by the Group's CODM 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 CODM 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 share-based payments charge, interest-bearing loans, costs of borrowings and related expenses, and corporate head office assets and expenses.

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

3. Revenue

In thousands of AUD	2020	2019
Gross revenue from the rendering of services	268,741	230,032
Directly attributable cost of sales	(132,916)	(100,497)
Net revenue	135,825	129,535

<u>Disaggregation of revenue</u>

In the following table, net revenue is disaggregated by primary geographical markets, which reconciles to the net revenue of the Group's Operating Brands segment (see Note 2). No further disaggregation is required as substantially all revenue is recognised over time and all revenue is generated from fees for services.

In thousands of AUD	2020	2019
Australia	58,645	59,975
UK and Europe	37,701	38,611
USA	39,479	30,949
Total Operating Brands segment	135,825	129,535

<u>Contract balances</u>

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

In thousands of AUD	Note	2020	2019
Trade receivables	7	34,834	34,081
Contract assets – Work in progress	8	1,513	2,475
Contract liabilities – Unearned revenue	12	(13,496)	(12,767)
		22,851	23,789

Contract Assets:
The contract assets relate to the Group's work in progress for accrued revenue recognised upon satisfaction of performance obligations and rechargeable disbursements at the period end which are not invoiced. The contract assets are transferred to receivables upon invoicing to the customer.

Contract Liabilities:
The contract liabilities relate to the Group's unearned revenue for consideration received from customers prior to satisfaction of performance obligations of the contract.

Given the short-term nature of customer contracts in the Group, it is expected that both contract assets will be recovered and contract liabilities utilised within the next 12 months from the reporting date. This applies for both the current year and the prior year.

<u>Accounting policy</u>

The Group provides marketing and communication services to a broad range of customers across three key geographic locations – Australia, UK and USA. The Group is a fee for service business where each operating business generates revenue from time spent on a particular project or delivering to agreed outcomes. The Group's customer contracts are generally short-term and may be cancelled with notice periods in accordance with respective contracts.

AASB 15 *Revenue from Contracts with Customers* requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised upon satisfaction of these performance obligations, which occur when control of the services is transferred to the customer. Principally, revenue is recognised depicting the transfer of promised services to customers with amounts reflecting consideration to which the Group expects to be entitled in exchange for those services at any point in time.

The Group's customers typically receive the benefit of services as they are performed and substantially all customer contracts provide that the Group will be compensated for services performed to date. Accordingly, substantially all revenue is recognised over time as the services are performed. For fixed fee projects, key estimates and judgements for when revenue is recognised are using inputs or outputs (time and deliverables) measuring progress on the project. For retainer contracts, where a fixed fee is paid to provide a series of distinct performance obligations that are substantially the same, key estimates and judgements for when revenue is recognised use a time-based measure resulting in a straight-line revenue recognition. For customer contracts that include any variable consideration, such as performance incentives, revenue is estimated at the beginning of the contract based on the most likely outcome and recognised accordingly.

The Group incurs a number of third party out-of-pocket costs in connection with services provided to customers.

The disclosure of such revenue as either gross revenue or net revenue is dependent on whether the Group is primarily responsible for and controls the specific goods or services before they are ultimately transferred to the customer under the contract. In cases where the Group is primarily responsible for and controls those goods or services before they are passed on to the customer, the Group is determined to be a in a principal relationship and revenue is recognised on a gross basis (to gross revenue) with a corresponding amount in directly attributable cost of sales representing the third party out-of-pocket costs. Alternatively, under the revenue agency relationship, revenue is recognised on a net basis.

4. Finance costs

In thousands of AUD	2020	2019
Interest and finance costs	47	36
Hire purchase interest	5	71
Contingent consideration present value interest	1,181	1,153
Lease present value interest	756	–
Finance costs	1,989	1,260

Foreign exchange gain of $187,000 (2019: gain of $141,000) has been recognised in the consolidated income statement and has been included in administration expenses.

Accounting policy

(i) Interest income

Interest income is recognised as it accrues to the related financial asset using the effective interest method.

(ii) Interest and finance costs/Hire purchase interest

Finance costs are recognised in the income statement using the effective interest method. They include interest on financial guarantees, amortisation of ancillary costs incurred in connection with financing arrangements and finance lease interest.

(iii) Contingent consideration present value interest

Present value interest is recognised in the income statement using the effective interest method and includes the effective interest cost relating to contingent consideration liabilities recognised in business combinations.

(iv) Lease present value interest

Present value interest is recognised in the income statement using the effective interest method and includes the effective interest cost relating to lease liabilities recognised for contracts that contain leases.

5. Income tax expense and deferred tax

Income tax expense

Recognised in the income statement

In thousands of AUD	2020	2019
Current tax expense		
Current year	3,292	3,194
Adjustments for prior years	(136)	(237)
	3,156	2,957
Deferred tax expense		
Origination and reversal of temporary differences	241	(660)
	241	(660)
Income tax expense in income statement	3,397	2,297
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	13,658	8,074
Income tax expense	3,397	2,297
Profit excluding income tax	17,055	10,371
Income tax expense using the Company's domestic tax rate of 30% (2019: 30%)	5,117	3,111
Increase in income tax expense due to:		
Share-based payment expense	169	219
Tax losses not brought to account	–	4
Unwind of present value interest	354	346
Contingent consideration fair value loss	652	1,917
Decrease in income tax expense due to:		
Effect of losses not previously recognised	(1,751)	(2,264)
Effect of lower tax rate on overseas incomes	(914)	(781)
Over-provision for tax in previous years	(136)	(237)
Other (subtraction)/non-deductible items	(94)	(18)
Income tax expense on pre-tax net profit	3,397	2,297

Current taxes

The Group has a net current tax payable of $358,000 (2019: $453,000). The net current tax payable is comprised of current tax payables of $358,000 (2019: $507,000) and current tax receivables of $Nil (2019: $54,000).

Deferred taxes

Recognised deferred tax assets and liabilities are attributable to the following:

In thousands of AUD	2020	2019
Deferred tax assets		
Tax losses carried forward	3,653	3,653
Employee benefits	1,143	1,169
Accruals and income in advance	497	601
Leases	1,325	1,155
Plant and equipment	13	47
Others	80	104
Gross deferred tax assets	6,711	6,729
Deferred tax liabilities		
Fair value gain	3,653	3,653
Identifiable intangibles	297	485
Plant and equipment	116	88
Work in progress	9	44
Gross deferred tax liabilities	4,075	4,270
Net deferred tax asset	2,636	2,459

Movement in deferred tax balances

Except for the AASB16 opening transition adjustment of $420,000 recognised as a deferred tax asset, the movement in deferred tax balances during the year was recognised in the income statement.

Deferred tax assets not recognised

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 Group can utilise the benefits:

In thousands of AUD	2020	2019
Revenue losses	9,443	15,184
Capital losses	207,514	207,513
Gross tax losses carried forward	216,957	222,697

Accounting policy

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 the accounting nor the 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 taxable 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.

Key assumption

The Group has recognised a deferred tax liability of $3,653,000 arising from the recognition of contingent consideration fair value gains in 2011 resulting in a potential future taxable capital gain. A deferred tax asset of $3,653,000 has been recognised on tax capital losses in the same jurisdiction arising from disposed subsidiaries.

6. Cash and cash equivalents

In thousands of AUD	2020	2019
Cash at bank and on hand	34,447	24,610
Bank short-term deposits	13,134	19,221
Cash and cash equivalents in the statement of financial position and the statement of cash flows	47,581	43,831

For statement of cash flow presentation purposes, cash and cash equivalents include cash on hand, and short-term deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. The Group has pledged short-term deposits amounting to $2,128,000 for indemnity guarantee facilities (see Note 20 Financing arrangements). The remaining bank short-term deposits are unrestricted.

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 19 Financial risk management/financial instruments.

Reconciliation of cash flows from operating activities

(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 statement of cash flows is reconciled to the related items in the statement of financial position as follows:

In thousands of AUD	2020	2019
Cash assets	47,581	43,831
(ii) Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	13,658	8,074
Add/(less) non-cash items:		
Profit on sale of plant and equipment	2	(19)
Share-based payments expense	564	730
Depreciation of plant and equipment	2,337	2,209
Depreciation of right-of-use assets	4,849	–
Amortisation of identifiable intangibles	1,095	1,066
Contingent consideration fair value loss	2,174	6,390
Contingent consideration present value interest	1,181	1,153
Lease present value interest	756	–
Decrease in income taxes payable (net)	(95)	(685)
Decrease/(increase) in deferred tax (net)	243	(724)
Net cash provided by operating activities before changes in assets and liabilities	26,764	18,194
Changes in assets and liabilities:		
Increase in trade and other receivables	(820)	(6,593)
Decrease/(increase) in work in progress	962	(930)
Decrease/(increase) in prepayments	857	(205)
Increase in other assets	(273)	(51)
Increase in payables and accruals	3,055	6,283
Increase in unearned income	730	321
Increase in provisions	–	557
(Decrease)/increase in employee benefits	(280)	559
Net cash from operating activities	30,995	18,135

7. Trade and other receivables

In thousands of AUD	Note	2020	2019
Current			
Trade receivables		34,834	34,081
Less: provision for impairment loss	19	(261)	(329)
		34,573	33,752
Other receivables		38	39
Total trade and other receivables		34,611	33,791

No interest is charged on trade debtors. The Group's exposure to credit and currency risk and impairment losses related to trade and other receivables is disclosed in Note 19 Financial risk management/financial instruments.

8. Other assets

In thousands of AUD	2020	2019
Current		
Work in progress	1,513	2,475
Prepayments	1,961	2,818
Other current assets	287	4
	3,761	5,297
Non-current		
Deposits	188	197
	188	197

9. Plant and equipment

In thousands of AUD	Computer equipment	Office furniture and equipment	Plant and equipment	Leasehold improvements	Total
2020					
Cost	4,512	2,028	325	7,150	14,015
Accumulated depreciation	(3,036)	(1,423)	(309)	(4,296)	(9,064)
Net carrying amount	1,476	605	16	2,854	4,951
Reconciliations of the carrying amounts of each class of plant and equipment:					
Carrying amount at the beginning of the year	1,589	850	25	3,413	5,877
Additions	845	105	–	456	1,406
Depreciation	(949)	(357)	(9)	(1,022)	(2,337)
Effect of movements in exchange rates	3	7	–	7	17
Disposals	(12)	–	–	–	(12)
Carrying amount at the end of the year	1,476	605	16	2,854	4,951
2019					
Cost	4,722	2,296	338	7,068	14,424
Accumulated depreciation	(3,133)	(1,446)	(313)	(3,655)	(8,547)
Net carrying amount	1,589	850	25	3,413	5,877
Reconciliations of the carrying amounts of each class of plant and equipment:					
Carrying amount at the beginning of the year	1,444	854	45	3,980	6,323
Additions	1,035	314	–	351	1,700
Depreciation	(915)	(328)	(19)	(947)	(2,209)
Effect of movements in exchange rates	25	13	–	29	67
Disposals	–	(3)	(1)	–	(4)
Carrying amount at the end of the year	1,589	850	25	3,413	5,877

Accounting policy

(i) Recognition and measurement

Plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 21 Impairment of non-financial assets). The cost of the asset also includes the cost of replacing parts on an item of plant and equipment when it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the income statement as incurred.

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.

(ii) Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits.

Gains and losses on derecognition are determined by comparing the proceeds with the carrying amount and recognised within ‘Administration expenses’ in the income statement.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the assets’ estimated useful lives. The major categories of plant and equipment were depreciated in the current and, where applicable, comparative period as follows:

Computer equipment	25% to 40%
Office furniture and equipment	10% to 25%
Plant and equipment	10% to 25%
Leasehold improvements	Life of lease

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

10. Right-of-use assets

In thousands of AUD	2020	2019
Property leases		
Cost	16,344	–
Accumulated depreciation	(4,585)	–
Net carrying amount	11,759	
Reconciliations of the carrying amounts of right-of-use assets:		
Carrying amount at the beginning of the year	–	–
Recognised on transition to AASB 16	16,481	–
Re-measurement of lease liabilities	(10)	–
Depreciation	(4,849)	–
Effect of movements in exchange rates	137	–
Carrying amount at the end of the year	11,759	–

Transition to AASB 16
The Group has applied AASB 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Refer to Note 1(g).

Accounting policy (applicable from 1 July 2019)
The Group leases many assets, including properties and office equipment. At the inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses if a contract conveys the right to control the use of an identified asset if:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of cost to dismantle and remove the underlying asset less any lease incentive received. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses (see Note 21 Impairment of non-financial assets), and adjusted for certain re-measurements of lease liability. The assets are depreciated over the term of the lease on a straight-line basis. The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liability and right-of-use asset recognised.
The lease liability is initially measured at the present value of the lease payments (fixed payments less any lease incentives receivable and variable lease payments) that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease. Generally, the Group uses its incremental borrowing rate as the discount rate. Lease liability is re-measured when there is a change in future lease payments arising from change in an index rate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The payments associated with these leases are recognised as occupancy costs on a straight-line basis over the lease term.

11. Intangible assets

In thousands of AUD	Goodwill	Contracts and customer relationships	Total
2020			
Cost	295,297	4,334	299,631
Accumulated amortisation	–	(3,229)	(3,229)
Impairment	(187,300)	–	(187,300)
Net carrying amount	107,997	1,105	109,102
Reconciliations of the carrying amounts of intangibles:			
Carrying amount at the beginning of the year	108,208	2,176	110,384
Amortisation	–	(1,095)	(1,095)
Effect of movements in exchange rates	(211)	24	(187)
Carrying amount at the end of the year	107,997	1,105	109,102

2019			
Cost	296,110	4,296	300,406
Accumulated amortisation	–	(2,120)	(2,120)
Impairment	(187,902)	–	(187,902)
Net carrying amount	108,208	2,176	110,384
Reconciliations of the carrying amounts of intangibles:			
Carrying amount at the beginning of the year	106,858	3,198	110,056
Amortisation	–	(1,066)	(1,066)
Effect of movements in exchange rates	1,350	44	1,394
Carrying amount at the end of the year	108,208	2,176	110,384

Amortisation charge
The amortisation charge of $1,095,000 (2019: $1,066,000) is recognised in the depreciation and amortisation expense in the income statement.

Goodwill CGU group allocation
The Group has two CGU groups – the Operating Brands CGU group and the Search Marketing CGU group. The entire goodwill balance of $107,997,000 (2019: $108,208,000) relates to the Operating Brands CGU group.

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

<u>Accounting policy</u>
(i) Goodwill
Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units expected to benefit from synergies created by the business combination.

Goodwill is not amortised, but instead is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) Research and development
Expenditure on research activities is charged to the income statement as incurred.

Expenditure on development activities (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 Group intends to, and has sufficient resources to, complete development and to use or sell the asset.

The capitalised development expenditure 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. Capitalised development expenditure is measured at cost, less accumulated amortisation and impairment losses.

(iii) Other intangible assets

Other intangible assets acquired separately are measured on initial recognition at cost. The other intangible assets acquired in business combinations are mainly customer relationships and customer contracts. The cost of these assets is their fair value at date of acquisition based on valuation techniques generally using the excess earnings method. Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses.

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.

(iv) Amortisation

Intangible assets other than goodwill are amortised on a straight-line basis over their estimated useful lives from the date they are available for use. Customer contracts and relationships are amortised over a four-year period.

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

(v) Impairment

Refer to Note 21 Impairment of non-financial assets for further details on impairment.

12. Trade and other payables

In thousands of AUD	2020	2019
Current		
Trade payables	16,820	14,267
Other payables and accrued expenses	11,926	11,346
Unearned revenue	13,496	12,767
	42,242	38,380

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 19 Financial risk management/financial instruments.

13. Contingent consideration payable

In thousands of AUD	2020	2019
Current		
Contingent consideration payable	15,119	11,519
Non-current		
Contingent consideration payable	10,434	22,282
Reconciliations of the carrying amounts of contingent consideration payable:		
Carrying amount at the beginning of the year	33,801	25,802
Re-assessment of contingent consideration	2,174	6,390
Unwind of present value interest	1,181	1,153
Effect of movements in exchange rates	320	456
Contingent consideration paid	(11,923)	–
Carrying amount at the end of the year	25,553	33,801

During the current year, the Group recognised a fair value loss of $2,174,000 (2019: $6,390,000) relating to revaluation of future contingent consideration payable to the vendors of Eastwick Communications.

There is uncertainty around the actual payments that will be made as the payments are subject to the performance of Orchard Marketing subsequent to the reporting date. Factors which could vary the amount of contingent consideration payable due include a minimum EBIT threshold for future payments, the basis of the average EBIT over the contingent consideration period and total purchase price cap. Actual future payments may differ from the estimated liability. A sensitivity analysis for Contingent consideration payable is disclosed in Note 19 Financial risk management/financial instruments.

Accounting policy

Contingent consideration payable is initially recognised at fair value in connection with a business combination. The liability is discounted using a market interest rate for the liability and a present value interest charge is recognised in the income statement as the discount unwinds. Any change in estimate of contingent consideration payable is recognised in the income statement as a fair value gain or loss during the period when the estimate is revised.

14. Lease liabilities

This note provides information about the contractual terms of the Group's leases. For more information about the Group's exposure to interest rate risk, liquidity risk and foreign currency risk, see Note 19 Financial risk management/financial instruments.

In thousands of AUD	2020	2019
Current		
Lease liabilities	6,384	–
Hire purchase liabilities	–	493
	6,384	493
Non-current		
Lease liabilities	10,523	–
	10,523	–
Total	16,907	493

Reconciliations of the carrying amounts of lease and hire purchase liabilities:		
Carrying amount at the beginning of the year	493	1,916
Recognised on transition to AASB 16	22,498	–
Re-measurement of lease liabilities	(10)	–
Repayments	(6,979)	(1,423)
Present value interest relating to lease liabilities	756	–
Effect of movements in exchange rates	149	–
Carrying amount at the end of the year	16,907	493

Lease liabilities and hire purchase payable commitments (at carrying amounts)		
Within one year	6,384	493
One year or later and no later than five years	10,523	–
	16,907	493

Accounting policy
Refer Note 10.

15. Employee benefits

In thousands of AUD	2020	2019
Aggregate liability for employee benefits, including on-costs		
Current		
Employee benefits provision	3,732	4,173
Non-current		
Employee benefits provision	820	659

The Group has recognised $2,228,000 (2019: $2,405,000) as an expense in the income statement for defined contribution plans during the reporting period.

Accounting policy
Provision is made for employee benefits including annual leave and long service leave for employees.

(i) Long-term employee benefits
The Group's net obligation in respect of long-term service benefits, other than superannuation and pension plans, is the amount of future benefit that employees have earned in return for their service provided up to the reporting date. 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 Corporate bonds which have maturity dates approximating to the terms of the Group'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 Group expects to pay as at reporting date, including related on-costs.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group 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 charged to the income statement when the Group 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 charged to the income statement if the Group 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.

16. Provisions

In thousands of AUD	Lease make good	Lease incentive	Rent straight-line	Total
2020				
Current	–	–	–	–
Non-current	–	–	–	–
Total provisions current and non-current	–	–	–	–
Reconciliations of the carrying amounts of each class of provision, except for employee benefits:				
Carrying amount at the beginning of the year	464	3,788	263	4,515
De-recognised on transition to AASB 16	(464)	(3,788)	(260)	(4,512)
Released/used during the year	–	–	(3)	(3)
Carrying amount at the end of the year	–	–	–	–
2019				
Current	10	633	3	646
Non-current	454	3,155	260	3,869
Total provisions current and non-current	464	3,788	263	4,515
Reconciliations of the carrying amounts of each class of provision, except for employee benefits:				
Carrying amount at the beginning of the year	438	3,250	270	3,958
Increase due to new provision	39	617	9	665
Effect of movement in exchange rates	7	2	13	22
Released/used during the year	(20)	(81)	(29)	(130)
Carrying amount at the end of the year	464	3,788	263	4,515

Transition to AASB 16
The Group has applied AASB 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. At transition date, substantially all the provisions were de-recognised as the provisions are now embedded in the lease liability recognised. Refer to Note 1(g).

Accounting policy

A provision is recognised in the statement of financial position when the Group 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.

(i) Make good provision
The Group recognises provision for make good on all operating leases for premises which require make good expenditure at completion of the lease. 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 (applicable prior to 1 July 2019)
The Group 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) Rent (applicable prior to 1 July 2019)
The Group has made provision for increase in rent for operating leases for premises. Rent is recognised in the income statement on a straight-line basis over the lease term.

17. Capital and reserves

In thousands of AUD	2020	2019
Share capital		
Ordinary shares, fully paid	99,515	97,412

The Company does not have authorised capital or par value in respect of its shares.

Movement in ordinary shares

	2020 Shares	2020 In thousands of AUD	2019 Shares	2019 In thousands of AUD
Balance at beginning of year	85,604,954	97,412	85,604,954	96,656
642,726 shares (2019: 651,575 shares) transferred from a trust account held by the Company to the employees of the Group on exercise of Share Appreciation Rights[(i)]	–	1,215	–	756
Shares issued to the employees of the Group on exercise of Share Appreciation Rights[(i)]	469,905	888	–	–
Balance at end of year	86,074,859	99,515	85,604,954	97,412

(i) Share capital recognised during the year on the exercise of Share Appreciation Rights is based on the VWAP of the Company's shares for the 20 business days prior to the vesting date of the rights of $1.89 (2019: $1.16).

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.

Profit appropriation reserve
The profit appropriation reserve comprises profits appropriated by the parent entity.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Share-based payment reserve
The share-based payment reserve comprises the cumulative expense relating to the fair value of options, rights and equity plans on issue to Key Management Personnel, senior Executives and employees of the Group less amounts transferred to other reserves or to share capital on exercise of options, rights and equity plans.

Reserve change in ownership interest in subsidiary
The reserve change in ownership interest in subsidiary relates to a subsidiary equity plan.

Dividends
Dividend declared and/(or) paid by the Company to its members:

	Cents per share	Total amount in thousands of AUD	Date of payment
During the year ended 30 June 2020			
Fully franked final dividend – 2019	3.0	2,582	8 October 2019
Fully franked interim dividend – 2020	2.5	2,152	19 March 2020
Subsequent to the balance sheet date, at the date of this report			
Fully franked final dividend – 2020	3.5	3,013	2 October 2020
During the year ended 30 June 2019			
Fully franked final dividend – 2018	2.5	2,140	8 October 2018
Fully franked interim dividend – 2019	2.5	2,140	18 March 2019

Dividend franking account

In thousands of AUD	2020	2019
Franking credits available for future years at 30% to shareholders of Enero Group Limited	16,257	18,286

The above amounts represent the balance of the franking account at end of the financial year 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.

Accounting policy
(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.

18. Earnings per share

Profit attributable to equity holders of the parent

In thousands of AUD	2020	2019
Profit for the year	13,658	8,074
Non-controlling interests	(2,951)	(2,413)
Profit for the year attributable to equity holders of the parent	10,707	5,661

Weighted average number of ordinary shares

In thousands of shares	2020	2019
Weighted average number of ordinary shares – basic	85,850	84,819
Shares issuable under equity-based compensation plans	1,469	710
Weighted average number of ordinary shares – diluted	87,319	85,529

Earnings per share

In AUD cents	2020	2019
Basic	12.5	6.7
Diluted	12.3	6.6

Accounting policy
The Group 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 share rights granted to employees.

19. Financial risk management/financial instruments

The Group's exposure to financial risks, objectives, policies and processes for managing the risks including methods used to measure the risks, and the management of capital, are presented below.

The Group's activities expose it to the following financial risks:

- credit risk;
- liquidity risk; and
- market risk.

The Group's principal financial instruments comprise cash, receivables, payables, interest-bearing liabilities, contingent consideration payable and other financial liabilities.

The Board has overall responsibility for the oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly and modified as appropriate to reflect changes in market conditions and the Group's activities.

The Group 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers.

Each subsidiary performs credit analysis of a new customer and standard payment terms are offered only to creditworthy customers.

During the year ended 30 June 2020, the Group entered into transactions with more than 500 unique customers. The 10 largest customers accounted for 41% of net revenue for the year ended 30 June 2020, with no one customer accounting for more than 12% of net revenue. There are no material credit exposures relating to a single receivable or groups of receivables.

The maximum exposure to credit risk is net of any provisions for impairment of those assets, as disclosed in the statement of financial position.

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**	**2020**	**2019**
Cash and cash equivalents	6	47,581	43,831
Trade and other receivables	7	34,611	33,791
Work in progress	8	1,513	2,475
Deposits	8	188	197
		83,893	80,294

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

		Carrying amount	
In thousands of AUD	**Note**	**2020**	**2019**
Trade receivables	7	34,573	33,752

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

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

In thousands of AUD	**2020**	**2019**
Balance at 1 July	329	100
Impairment loss recognised in:		
– income statement	191	259
– opening retained earnings	–	190
Provision used during year	(259)	(220)
Balance at 30 June	261	329

Average credit loss for year(i)	0.5%	0.8%
Credit loss provision at balance date(ii)	0.7%	1.0%

(i) Average credit loss for year is calculated by dividing impairment loss recognised for the year by the gross trade receivables balance.

(ii) Credit loss provision at balance date is calculated by dividing the provision by the gross trade receivable balance.

Impairment recognised to opening retained earnings at 1 July 2018 was determined with reference to the average credit loss over the preceding three financial years. The average credit loss was 0.7% of trade receivables. Applying this percentage against the trade receivable balance at 1 July 2018 of $27,083,000, an additional $190,000 impairment was required on adoption on forward-looking 'expected loss' impairment model required under AASB 9 *Financial Instruments*.

The average credit loss was assessed at 30 June 2020 and despite uncertainty in trade receivables collections during COVID-19, the average credit loss reduced from 0.8% to 0.5%. The Group continues to provision expected credit losses higher than the average credit loss for each financial year.

Impairment losses

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

In thousands of AUD	**2020**	**2019**
Not past due	30,425	27,920
Past due and less than 90 days	4,061	5,202
Past due and more than 90 days	87	820
Past due, more than 90 days and impaired	261	139
Gross trade receivables	34,834	34,081
Less: Impairment(i)	(261)	(329)
Net trade receivables	34,573	33,752

(i) Impairment includes trade receivables specifically impaired of $71,000 (2019: $139,000) plus expected credit losses of $190,000 (2019: $190,000).

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 Operating Brands segment generated approximately 57% of its net revenue and 62% of its Operating EBITDA during the year ended 30 June 2020 from outside Australia. The Group'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 Great British pound (GBP) and US dollar (USD).

The Group's currency risk exposure is limited predominantly to consolidated Australian dollar 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.

Market risk

Market risk is the risk relating to changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Group'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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group'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 Group manages liquidity risk by monitoring forecast operating cash flows, and committed unutilised facilities; and re-estimating the value of contingent consideration liabilities semi-annually.

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

2020 **In thousands of AUD**	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**
Non-derivative financial liabilities					
Lease liabilities	16,907	18,431	6,421	12,010	–
Trade and other payables (excluding unearned revenue)	28,746	28,746	28,746	–	–
Contingent consideration payable	25,553	26,263	15,263	11,000	–
	71,206	73,440	50,430	23,010	–

2019 **In thousands of AUD**	**Carrying amount**	**Contractual cash flows**	**Less than 1 year**	**1 to 5 years**	**Over 5 years**
Non-derivative financial liabilities					
Hire purchase liabilities	493	498	498	–	–
Trade and other payables (excluding unearned revenue)	25,613	25,613	25,613	–	–
Contingent consideration payable	33,801	35,620	11,696	23,924	–
	59,907	61,731	37,807	23,924	–

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 contingent consideration liabilities

There are critical accounting estimates and judgements in relation to contingent consideration liabilities. Refer to Note 13 Contingent consideration payables for further details.

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 Group has no significant variable interest-bearing assets or liabilities at 30 June 2020.

Capital management

The Group'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 Group also has contingent consideration payables as described in Note 13 Contingent consideration payables.

19. Financial risk management/financial instruments (continued)

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:

Consolidated In thousands of AUD	2020 Carrying amount	2020 Fair value	2019 Carrying amount	2019 Fair value
Cash at bank and on hand	34,447	34,447	24,610	24,610
Bank short-term deposits	13,134	13,134	19,221	19,221
Trade receivables	34,573	34,573	33,752	33,752
Work in progress	1,513	1,513	2,475	2,475
Trade and other payables	(28,746)	(28,746)	(25,613)	(25,613)
Contingent consideration payable	(25,553)	(25,553)	(33,801)	(33,801)
Lease liabilities	(16,907)	(16,907)	–	–
Hire purchase lease liabilities	–	–	(493)	(493)

Fair value measurement:

Level 3 fair values

The following tables show the valuation techniques used in measuring Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Contingent consideration payable	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecast average EBIT, the amount to be paid under each scenario and the probability of each scenario.	– Forecast average EBIT. – Risk-adjusted discount rate: 3.75% to 4.55%.	The estimated fair value would increase (decrease) if: – the EBIT is higher (lower); or – the risk-adjusted discount rate were lower (higher).

Reconciliation of Level 3 fair values

In thousands of AUD	2020	2019
Carrying amount at the beginning of the year	33,801	25,802
Re-assessment of contingent consideration	2,174	6,390
Unwind of present value interest	1,181	1,153
Effect of movements in exchange rates	320	456
Contingent consideration paid	(11,923)	–
Carrying amount at the end of the year	25,553	33,801

Sensitivity analysis

Reasonably possible changes at 30 June 2020 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the fair values of contingent consideration:

Average EBIT

- Eastwick: the contingent consideration period ended on 30 June 2020 and the amount payable is not subject to the future performance of Eastwick.
- Orchard Marketing: consideration payable to vendors of Orchard Marketing is recognised at a total purchase price cap. It would require greater than a 19.7% decrease in the average EBIT estimate over the contingent consideration period to reduce the contingent consideration payable from its recognised amount.

Risk-adjusted discount rate

In thousands of AUD	Increase	Decrease
Movement of 0.5%	(195)	195

Other items

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables and lease liabilities approximates their fair value. The fair value which is determined for disclosure purposes only is calculated as:

- Trade receivables: is the present value of future cash flows, discounted at the market rate of interest at the reporting date.
- Trade and other payables and lease liabilities: is the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For leases, the market rate of interest is determined by reference to Group's incremental borrowing rate of the same term as the underlying lease.

Accounting policy

Non-derivative financial assets

Non-derivative financial assets are recognised 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 Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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 Group has the following non-derivative financial assets:

(i) Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of selling the receivable.

Trade and other receivables are recognised initially at fair value, plus any directly attributable transaction costs.

Subsequent to initial recognition, trade and other receivables are measured at amortised cost using the effective interest method, less a loss allowance equal to the expected credit loss determined under the expected credit loss assessment for receivables.

(ii) Work in progress

Work in progress represents accrued revenue recognised upon satisfaction of performance obligations and rechargeable disbursements at the period end which are not invoiced, and is stated at the lower of cost and net realisable value.

(iii) Cash and cash equivalents

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 Group'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

Non-derivative financial liabilities are recognised 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 Group becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities are derecognised when the Group's contractual obligations are discharged or cancelled, or expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, trade, other payables and contingent consideration payable.

Non-derivative financial liabilities, other than contingent consideration payable, 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.

Contingent consideration payable is classified as a financial liability and is measured at fair value through profit or loss. Contingent consideration relating to acquisition of subsidiaries is recognised 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 recognised in the income statement as the discount unwinds. Any change in estimate of contingent consideration payable is recognised in the income statement as a fair value gain or loss during the period when the estimate is revised.

Derivative financial instruments including hedging accounting

The Group may use derivative financial instruments to hedge its exposure to interest rate risks and foreign currency risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or hedges of probable forecast transactions (cash flow hedges).

19. Financial risk management/financial instruments (continued)

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions have been and will continue to be effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

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. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Impairment of Financial assets (including receivables)
A financial asset not carried at fair value through profit or loss is assessed on a monthly basis 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.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, and/or indications that a debtor or issuer will enter bankruptcy.

Expected credit loss assessment for receivables and contract assets
In addition to identifying impairment for specific financial assets, at each reporting date the Group also predicts the expected credit loss based on actual credit loss experience of the past three years. Expected credit losses are recognised in the income statement and reflected in an allowance account against receivables. 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.

Key estimates
Trade receivables are carried at amortised cost less impairment. The impairment of these receivables is an estimate based on:

- evidence suggesting that an event has occurred leading to a negative effect on the estimated future cash inflow; and
- prediction of expected credit loss based on actual credit loss experience of the past three years.

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.

20. Financing arrangements

The Group has access to the following lines of credit:

In thousands of AUD	Hire purchase facility	Indemnity guarantee facility	Credit card facility	Total
2020				
Total facilities available	–	3,628	1,670	5,298
Facilities utilised at reporting date	–	2,105	149	2,254
Facilities not utilised at reporting date	–	1,523	1,521	3,044
2019				
Total facilities available	493	3,489	1,972	5,954
Facilities utilised at reporting date	493	2,057	317	2,867
Facilities not utilised at reporting date	–	1,432	1,655	3,087

All finance facilities are negotiated by the Company on behalf of the Group. The carrying amount of amounts drawn down on facilities as at the reporting date equates to face value. The indemnity guarantee facility is secured by cash deposits held with the bank.

Hire purchase facility
The hire purchase facility is subject to annual review and is in place to assist with capital expenditure requirements.

The Group leases plant, equipment and leasehold improvements under hire purchase expiring from one to five years (2019: one to five years). At the end of the hire purchase term, the Group has the option to purchase the equipment at a substantial discount to market value. The terms of the hire purchase require that additional debts are not undertaken without prior approval of the lender.

Indemnity guarantee facility
The indemnity guarantee facility is in place to support financial guarantees outstanding at any one time. Specific guarantee amounts are $1,976,000 (2019: $2,057,000) 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.

21. Impairment of non-financial assets

The process of impairment testing is to estimate the recoverable amount of the assets concerned, and recognise an impairment loss in the Income Statement whenever the carrying amount of those assets exceeds the recoverable amount.

Impairment tests for cash-generating unit (CGU) groups containing goodwill

All the operating businesses are managed as one collective group which forms the Operating Brands segment.

For the purpose of impairment testing, goodwill is allocated to the Group's operating business units that represent the lowest level within the Group at which goodwill is monitored for internal management purposes and synergies obtained by the business unit.

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 group as they do not obtain synergies with the businesses in that CGU group; however they are included in the Operating Brands segment. They have no carrying value.

The recoverable amount of the CGU group was based on value in use in both the current and prior year. The methodologies and assumptions used for calculating value in use for all of the CGU groups have remained materially consistent with those applied in prior years.

Key assumptions

Key assumptions used in the value in use approach to test for impairment relate to the discount rate and the medium-term and long-term growth rates applied to projected cash flows.

Projected cash flows

The projected first year of cash flows is derived from the current financial year cash flows adjusted in some cases for next financial year's Board and management approved budgets. This reflects the best estimate of the CGU group's cash flows at the time of this report. Projected cash flows can differ from future actual cash flows and results of operations.

Consideration was given to the impact of COVID-19 on the projected cash flows. Projected cash flow assumption methodologies were unchanged from the prior period based on:

- the actual cash flows achieved for the year ended 30 June 2020 including the period impacted by COVID-19;
- the Groups high sector exposure to technology, healthcare and consumer staples clients and low sector exposure to travel and tourism clients; and
- further operating cost reduction strategies available if cash flows reduce.

Discount rates

Discount rates are based on the Group's pre-tax weighted average cost of capital (WACC) adjusted if necessary to reflect the specific characteristics of each CGU group and to obtain a post-tax discount rate.

Discount rates used are appropriate for the currency in which cash flows are generated and are adjusted to reflect the current view on the appropriate debt equity ratio and risks inherent in assessing future cash flows.

Growth rate

A compound average growth rate (CAGR) of 2.4% (30 June 2019: 2.4%) has been applied to the cash flows of the first five years of cash flows. The five years of cash flows are discounted to present value. The growth rate is based on analysis of organic growth expectations, historical growth rates and industry growth rates. The growth rate also takes into account weighting of international operations of the Group.

Long-term growth rate into perpetuity

Long-term growth rate of 2.5% (30 June 2019: 2.5%) is used into perpetuity, based on the expected long-range growth rate for the industry.

Impairment testing key assumptions for Operating Brands CGU group

In thousands of AUD	2020	2019
Post-tax discount rate %	8.33 – 10.16	8.75 – 10.59
Pre-tax discount rate %	9.99 – 13.67	10.63 – 13.98
Long-term perpetuity growth rate %	2.50	2.50

Sensitivity range for impairment testing assumptions

As at 30 June 2020, management has identified that for the carrying amount to exceed the recoverable amount the discount rate would need to increase by 1.7% to 3.5% depending on the currency. A nil growth rate in the cash flows of the first five years would continue to generate an estimated recoverable amount above the carrying amount.

Accounting policy

The carrying amounts of the Group'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. Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and 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 purpose of assessing impairment, assets 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').

21. Impairment of non-financial assets (continued)

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.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of goodwill and then to reduce the carrying amount of the other assets on a pro-rata basis.

At each reporting date, the Group reviews non-financial assets other than goodwill that have been previously impaired for indications that the conditions that resulted in the impairment have reversed.

22. Controlled entities

Particulars in relation to controlled entities:

Name	Group interest 2020 %	Group interest 2019 %	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
Hotwire Integrated Communications Pty Limited	100	100	Australia
Naked Communications Australia Pty Limited	100	100	Australia
Hotwire Australia Pty Limited	100	100	Australia
Orchard Marketing Pty Ltd	100	100	Australia
Alfie Agency Pty Ltd	100	100	Australia
CPR Communications and Public Relations Pty Limited	100	100	Australia
Love Pty Limited	100	100	Australia
Domain Active Holdco Pty Limited	100	100	Australia
— Domain Active 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
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
Naked Communications Limited	100	100	UK
— Naked Numbers Limited	100	100	UK
— 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 Public Relations Limited	75	75	UK
— Frank Public Relations Pty Limited	75	75	Australia
— Frank Public Reactions Inc.	75	75	USA
OB Media LLC	51	51	USA
SiteMath LLC	51	51	USA
— Clicksciences.com LLC	51	51	USA
The Leading Edge Research & Strategy Consultants LLC	100	100	USA
Orchard Creative Technology Inc.	100	100	USA
Hotwire Public Relations Group LLC	100	100	USA
Hotwire New Zealand Limited	100	100	New Zealand
Enero Group NZ Ltd	100	100	New Zealand

Accounting policy

Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method. For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of other combining entities or businesses. 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.

Goodwill arising from the business combination is measured 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. Non-controlling interest is measured at its proportionate interest in the identifiable net assets of the acquiree.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. 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.

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.

Transaction costs incurred in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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 statement.

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23. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2020, the parent Company of the Group was Enero Group Limited.

		The Company
In thousands of AUD	2020	2019
Result of the parent entity		
Profit/(loss) for the year	16,988	(2,100)
Other comprehensive income	–	–
Total comprehensive income for the year	16,988	(2,100)
Financial position of the parent entity at year end		
Current assets	21,929	27,061
Total assets	155,885	152,513
Current liabilities	16,309	24,629
Total liabilities	37,155	46,108
Net assets	118,730	106,405
Total equity of the parent entity comprising:		
Share capital	99,515	97,412
Share-based payment reserve	10,541	12,080
Profit appropriation reserve	33,209	20,955
Accumulated losses	(24,535)	(24,042)
Total equity	118,730	106,405

(i) For dividends declared and paid by the Company to members since the end of the previous financial year, refer to Note 17 Capital and reserves.

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 24 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 2020.

24. 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.

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 2020, is set out as follows:

Summarised income statement and retained profits

In thousands of AUD	2020	2019
Net revenue	26,252	25,746
Dividends received from subsidiaries	13,571	–
Employee expenses	(23,076)	(22,704)
Operating and other expenses	(4,290)	(4,563)
Profit/(loss) before income tax	12,457	(1,521)
Income tax benefit	1,792	3,071
Profit for the year	14,249	1,550
Attributable to:		
Equity holders of the Company	14,249	1,550
Accumulated losses		
Accumulated losses at beginning of year	(30,503)	(32,053)
Adjustment on initial application of AASB 16	(507)	–
Profit for the year	14,249	1,550
Transfer to profit appropriation reserve	(16,988)	–
Accumulated losses at end of year	(33,749)	(30,503)
Profit appropriation reserve		
Profit appropriation reserve at beginning of year	20,955	25,235
Dividend paid during the year	(4,734)	(4,280)
Profit for the year	16,988	–
Profit appropriation reserve at end of year	33,209	20,955

Statement of financial position

In thousands of AUD	2020	2019
Assets		
Cash and cash equivalents	19,331	24,565
Trade and other receivables	5,779	6,154
Other assets	1,072	1,004
Total current assets	26,182	31,723
Receivables	62,693	53,620
Other financial assets	30,558	30,558
Deferred tax assets	1,967	2,124
Plant and equipment	2,909	3,619
Right-of-use assets	6,178	–
Intangible assets	16,387	16,387
Total non-current assets	120,692	106,308
Total assets	146,874	138,031
Liabilities		
Trade and other payables	10,251	11,036
Contingent consideration payable	4,946	5,934
Lease liabilities	3,113	493
Employee benefits	1,545	1,874
Provisions	–	640
Total current liabilities	19,855	19,977
Contingent consideration payable	10,434	14,718
Lease liabilities	6,646	–
Employee benefits	423	352
Provisions	–	3,040
Total non-current liabilities	17,503	18,110
Total liabilities	37,358	38,087
Net assets	109,516	99,944
Equity		
Issued capital	99,515	97,412
Share-based payment reserve	10,541	12,080
Profit appropriation reserve	33,209	20,955
Accumulated losses	(33,749)	(30,503)
Total equity	109,516	99,944

25. Commitments

Leases

Leases as lessee

Commitments for minimum lease payments (undiscounted) in relation to non-cancellable operating leases are payable as follows:

In thousands of AUD	2020	2019
Less than one year	183	6,440
Between one and five years	29	17,461
Over five years	–	–
	212	23,901

The Group leases many assets, including properties and office equipment, under non-cancellable operating leases generally expiring in two to 10 years. Amounts disclosed for 2020 include only leases exempt from AASB 16 recognition.

Transition to AASB 16

The Group has applied AASB 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Refer to Note 1(g).

At transition, the lease liabilities relating to substantially all property leases were recognised on the balance sheet. The Group has elected to use the exemption not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Under the modified retrospective transition approach, comparative information is not restated. A reconciliation of lease commitments at 30 June 2019 to lease liability recognised at transition to AASB 16 is included in the table below:

In thousands of AUD	
Lease commitment at 30 June 2019	23,901
Present value interest discount	(2,194)
Exempt short-term leases	(92)
Provisions embedded in lease liabilities	478
Re-assessment of lease term	405
Lease liability at 1 July 2019	22,498

26. 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 2020.

27. Subsequent events

Subsequent to the balance date, the Directors have declared a final dividend, with respect to ordinary shares, of 3.5 cents per share, fully franked. The final dividend will have a record date of 18 September 2020 and a payment date of 2 October 2020. The financial effect of this dividend has not been brought to account in the financial statements for the year ended 30 June 2020 but will be recognised in the subsequent financial period.

Except for the events listed above 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 significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

28. Key Management Personnel and other related party disclosures

In addition to Executive and Non-Executive Directors, the following were Key Management Personnel of the Group at any time during the reporting period:

Name	Position
Brendan York	Chief Financial Officer
Fiona Chilcott	Chief People and Culture Officer

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

There were no transactions with the Director related party during the current or prior reporting period.

The Key Management Personnel compensation (including all Directors) is as follows:

In AUD	2020	2019
Short-term employee benefits	2,342,111	2,905,132
Other long-term benefits	(603)	22,587
Post-employment benefits	76,890	77,719
Termination benefits	188,269	–
Share-based payments – Share Appreciation Rights	359,146	538,741
Total share-based payments	359,146	538,741
Total Key Management Personnel compensation	2,965,813	3,544,179

29. Share-based payments

Equity-based plans

Long-term incentives (**LTI**) were provided as equity-based incentives in the Company under the Share Appreciation Rights plan (**SAR**) in the current and prior financial years; which remain outstanding at 30 June 2020.

Share Appreciation Rights (SARs)

The Share Appreciation Rights Plan is designed to incentivise the Company's Senior Executives and other senior management of the Group.

The fair value of the SARs is measured using the Monte Carlo simulation model. Measurement inputs include share price on measurement date, exercise price of the instruments, expected volatility (based on weighted average historical volatility), weighted average expected life of the instruments (based on historical experience and general rights 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 Plan, 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 Group. Refer to the table below for a summary of SARs on issue.

Summary of Share Appreciation Rights on issue:

Issue date	19 October 2017	18 October 2018	24 October 2019
SARs issued	5,000,000	4,500,000	2,450,000
Participants	Senior Executives	Senior Executives	Senior Executives
VWAP for the 20 business days prior to the grant (B)	$1.04	$1.23	$2.13
Vesting dates: 20 business days after the release of the Group financial report for the year ended:			
Tranche 1 (1/3rd)	30 June 2018	30 June 2019	30 June 2020
Tranche 2 (1/3rd)	30 June 2019	30 June 2020	30 June 2021
Tranche 3 (1/3rd)	30 June 2020	30 June 2021	30 June 2022
Last expiry date	30 September 2020	30 September 2021	30 September 2022
Outstanding SARs as at 30 June 2020	1,016,670	1,800,000	2,100,000

Note: 2,000,000 SARs issued to the former CEO on 28 June 2019 were forfeited during the year, and are not on issue at 30 June 2020.

29. Share-based payments (continued)

Share Appreciation Rights (SARs)

Summary of rights over unissued ordinary shares

Grant date	Expiry date	VWAP (for the 20 business days prior to the grant)	Weighted average exercise price	Number of Rights outstanding at beginning of year	Rights granted during year	Rights exercised during year	Rights expired during year	Rights forfeited during year	Number of Rights at year end outstanding	Number of Rights at year end vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2020														
19 Oct 2017	30 Sep 2020	$1.04	–	2,700,002	–	1,349,998	–	333,334	1,016,670	–	–	–	588,821	0.9–2.9
18 Oct 2018	30 Sep 2021	$1.23	–	4,500,000	–	1,500,000	–	1,200,000	1,800,000	–	–	–	523,810	0.9–2.9
28 Jun 2019	30 Sep 2022	$2.13	–	2,000,000	–	–	–	2,000,000	–	–	–	–	–	1.3–3.3
24 Oct 2019	30 Sep 2022	$2.13	–	–	2,450,000	–	–	350,000	2,100,000	–	–	–	–	0.9–2.9
				9,200,002	2,450,000	2,849,998	–	3,883,334	4,916,670	–	–		1,112,631	

Grant date	Expiry date	VWAP (for the 20 business days prior to the grant)	Weighted average exercise price	Number of Rights outstanding at beginning of year	Rights granted during year	Rights exercised during year	Rights expired during year	Rights forfeited during year	Number of Rights at year end outstanding	Number of Rights at year end vested	Proceeds received	Date issued	Number of shares issued	Expected life (years)
2019														
16 June 2015	30 Sep 2018	$0.70	–	333,334	–	333,334	–	–	–	–	–	–	132,184	1.3–3.3
20 Oct 2015	30 Sep 2018	$0.70	–	1,066,664	–	983,330	–	83,334	–	–	–	–	519,391	0.9–2.9
19 Oct 2017	30 Sep 2020	$1.04	–	5,000,000	–	1,666,664	–	633,334	2,700,002	–	–	–	–	0.9–2.9
18 Oct 2018	30 Sep 2021	$1.23	–	–	4,500,000	–	–	–	4,500,000	–	–	–	–	0.9–2.9
28 Jun 2019(i)	30 Sep 2022	$2.13	–	–	2,000,000	–	–	–	2,000,000	–	–	–	–	1.3–3.3
				6,399,998	6,500,000	2,983,328	–	716,668	9,200,002	–	–		651,575	

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

	VWAP (for the 20 business days prior to the grant) 2020 $	Weighted average exercise price 2020	Number of options/rights 2020	VWAP (for the 20 business days prior to the grant) 2019 $	Weighted average exercise price 2019	Number of options/rights 2019
Outstanding at 1 July	1.37	–	9,200,002	0.97	–	6,399,998
Forfeited during the period	1.76	–	(3,883,334)	1.00	–	(716,668)
Expired during the period	–	–	–	–	–	–
Exercised during the period	1.14	–	(2,849,998)	0.89	–	(2,983,328)
Granted during the period	2.13	–	2,450,000	1.23	–	6,500,000
Outstanding at 30 June	1.58	–	4,916,670	1.37	–	9,200,002
Exercisable at 30 June	–	–	–	–	–	–

The SARs outstanding at 30 June 2020 have a VWAP (for the 20 business days prior to the grant) range of $1.04 to $2.13 (30 June 2019: $1.04 to $2.13).

The SARs outstanding at 30 June 2020 have a weighted average contractual life of 0.86 years (30 June 2019: 1.32 years).

The fair value of services received in return for SARs granted is based on the fair value of SARs, measured using the Monte Carlo simulation model.

The total net expenses recognised by the Group for the year ended 30 June 2020 for share-based payment transactions were $564,000 (2019: $730,000).

The VWAP for the 20 business days prior the date of exercise of SARs on 12 September 2019 was $1.89.

Inputs for measurement of grant date fair value

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

Grant date	Expiry date	Value per SAR $	VWAP (for the 20 business days prior to the grant) $	Price of shares on grant date $	Expected volatility %	Risk-free interest rate %	Dividend yield %	Expected life (years)
19 Oct 2017(i)	30 Sept 2020	0.12 – 0.23	1.04	0.98	40	1.78–2.08	0.0	0.9–2.9
18 Oct 2018(ii)	30 Sept 2021	0.20 – 0.31	1.23	1.23	40	1.99–2.07	2.0	0.9–2.9
24 Oct 2019(iii)	30 Sept 2022	0.26 – 0.46	2.13	2.04	40	0.73-0.76	2.0	0.9–2.9

(i) Grant is in relation to SARs provided to senior employees of the Group which were issued on 19 October 2017. The last expiry date of the rights is 20 business days after the release of the Group's financial report for the year ended 30 June 2020, which is estimated to be around 30 September 2020.

(ii) Grant is in relation to SARs provided to senior employees of the Group which were issued on 18 October 2018. The last expiry date of the rights is 20 business days after the release of the Group's financial report for the year ended 30 June 2021, which is estimated to be around 30 September 2021.

(iii) Grant is in relation to SARs provided to senior employees of the Group which were issued on 24 October 2019. The last expiry date of the rights is 20 business days after the release of the Group's financial report for the year ended 30 June 2022, which is estimated to be around 30 September 2022.

Accounting policy

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.

Fair value measurement and key estimates

The grant date fair value of employee share rights is measured using the Monte Carlo simulation model. This value 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 Company share price on the grant date, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information) of the Company's share price, the risk-free interest rate, the dividend yield, the expected life of the share rights, the probability of occurrence of certain events and the exercise price. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. 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.

30. Auditor's remuneration

In AUD	2020	2019
Audit services – auditors of the Company		
KPMG Australia	321,000	315,000
Overseas KPMG firm	113,000	141,000
	434,000	456,000
Other services – auditors of the Company		
Taxation compliance services:		
Overseas KPMG firm	188,000	186,000
	188,000	186,000

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 31 to 69 and the Remuneration Report in the Directors' Report, set out on pages 17 to 30 are 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 2020 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 24 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 2020 pursuant to section 295A of the Corporations Act 2001.

4. The Directors draw attention to Note 1(b) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Dated at Sydney this 26th day of August 2020.

Signed in accordance with a resolution of the Directors:

Ann Sherry AO

Chair

KPMG

Independent Auditor's Report

To the shareholders of Enero Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Enero Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the Corporations Regulations 2001.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated income statement , consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies;
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ENERO GROUP LIMITED

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition;
- Annual impairment testing of goodwill and intangible assets; and
- Fair value of contingent consideration.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition ($268.7 million)

Refer to Note 3 to the financial report

The key audit matter	How the matter was addressed in our audit
The recognition of revenue is a key audit matter due to the: • Significance of revenue to the financial statements. • Group's policy to recognise revenue over time based on a measure of progress estimation for each specific contract. These estimations are based on the relative value of services completed (work in progress) to the total expected contracted value of the service for each specific contract. This is a manual process, which involves judgement, increasing the risk of error and therefore requiring substantial audit effort.	Our procedures included: • We selected a sample of significant contracts entered into during the year and considered the relevant features of the underlying contracts, including what the group identified as performance obligations, in assessing the revenue recognition against the accounting standard and the Group's policy. • We selected a statistical sample from total revenue recognised and performed the following procedures: - For services completed, we compared details to customer invoices issued, customer estimate approvals, evidence of service completion and subsequent cash receipt. - For services in progress we compared the total revenue from the expected contracted value of the service to signed customer contracts, and applied the estimated measure of progress to the expected contract value to recalculate revenue recognised. We obtained supporting evidence such as job cost report to test the occurrence and measurement of the stage of delivery.

	For contracts that are open at period end, we assessed the amount of revenue recognised and work in progress by: - Checking the work in progress to signed customer approvals for the services performed and internal time costs incurred. - Recalculating the measure of progress, considering the contract terms and work in progress. • We assessed the disclosures in the financial report in accordance with the requirements of AASB 15 and evidence obtained from our procedures above.

Annual impairment testing of goodwill and intangible assets ($109.1 million)	
Refer to Note 11 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group's annual testing of goodwill and intangible assets for impairment is a key audit matter, given the size of the balance and the degree of judgement involved in the significant forward-looking assumptions the Group applied in their value in use model, including: • Forecast operating cash flows – there is uncertainty around future cash flows due to the short term, non-recurring nature of customer contracts. There is also a heightened uncertainty caused by disruptive effects of COVID-19 pandemic increasing the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider. • Forecast growth rates and terminal growth rates – in addition to the uncertainties described above, the Group's model is sensitive to small changes in these assumptions, reducing available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy.	Our procedures included: • We considered the appropriateness of the value in use method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the integrity of the value in use model used, including the accuracy of underlying calculation formulas. • We assessed the basis of preparing cash flow forecasts, considering the accuracy of previous forecast and budgets and current trading performance in a COVID-19 economic environment. • We compared the base forecast cash flows to current year actual results including the period impacted by COVID-19 or Board approved budget, as appropriate. • We checked the consistency of the growth rates to the Group's latest forecasts approved by the Board, past performance of the Group, and growth rates achieved in the industry in which they operate.

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• Discount rates – these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group's modelling is sensitive to small changes in the discount rate. We involve our valuations specialists and senior team members with the assessment. • The Group uses a complex model to perform their annual testing of goodwill for impairment. The model is largely manually developed, and uses adjusted historical performance and a range of internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.	• Working with our valuation specialists, we independently developed a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in. • We performed sensitivity analysis by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range, to identify those assumptions at a higher risk of bias or inconsistency in application. • We assessed the disclosures in the financial report using our understanding of the matter obtained from our testing and against the requirements of the accounting standards.

Fair value of contingent consideration ($25.5 million)	
Refer to Note 13 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
Contingent consideration payable by the Group in connection with a business combination is initially recognised at fair value, and subsequently assessed at each period end. The Group has two contingent consideration amounts payable relating to the acquisition of Eastwick Communications (Eastwick) and Orchard Marketing (Orchard). There is uncertainty around the actual contingent consideration payments that will be made by the Group, as it is subject to the performance of Orchard Marketing subsequent to the reporting date and due to the short term, non-recurring nature of customer contracts in the contingent period. The contingent consideration period ended on 30 June 2020 for Eastwick and the amount payable is not subject to the future performance of Eastwick..	Our procedures included: • We assessed the Group's determination of the contingent consideration against the contractual terms of the underlying sale and purchase agreement and the criteria in the accounting standards. • We checked the integrity of the Group's fair value of contingent consideration model including accuracy of the underlying calculation formula. • We assessed the accuracy of previous EBIT forecasts to inform our evaluation of forecasts incorporated in the model. • We compared the Orchard EBIT forecast to current year actual results or Board approved budget, as appropriate.

The fair value of contingent consideration is a key audit matter due to the judgement required by us in assessing the feasibility of forward looking assumptions in relation to the expected performance of Orchard. We focused on EBIT forecasts of Orchard as the key assumption the Group applied in their fair value estimate of contingent consideration.	• We inquired with management of Orchard about expected future performance of the business. • We compared the Orchard EBIT forecasts for consistency to those used, and tested by us, in the impairment testing of goodwill and intangible assets key audit matter. • We compared the Eastwick EBIT inputs in the model to actual EBIT achieved for consistency and compared the liability to correspondence with the vendors of Eastwick Communications for consistency. We tested the Group's reconciliation of carrying amounts of contingent consideration to the financial statements, including comparing payments made to bank statements. • We assessed the disclosures in the financial report, including sensitivity analysis, using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Enero Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Enero Group Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 23 to 30 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Caoimhe Toouli

Caoimhe Toouli
Partner

Sydney
26 August 2020

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 of Enero Group Limited for the financial year ended 30 June 2020 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

Caoimhe Toouli

KPMG

Caoimhe Toouli
Partner

Sydney
26 August 2020

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 31 July 2020.

Substantial shareholders

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

Shareholder	Number
RG Capital Multimedia Limited	15,223,268
NAOS Asset Management Limited	13,274,636
Perpetual Limited	12,684,755
Regal Funds Management Pty Limited	7,800,760
Wilson Asset Management	7,553,907
Forager Funds Management Limited	5,450,474
Bank of America Corporation	4,549,401

Unquoted equity securities

As at 31 July 2020 there were no options granted over unissued ordinary shares in the Company.

Voting rights

Ordinary shares – refer to Note 17 Capital and reserves.

Distribution of equity security holders:

Range	Number of equity security holders	Ordinary shares
1 – 1,000	250	124,456
1,001 – 5,000	277	712,828
5,001 – 10,000	101	770,088
10,001 – 100,000	117	3,593,525
100,001 and over	34	80,873,962
	779	86,074,859

The number of shareholders holding less than a marketable parcel of ordinary shares is 77.

Twenty largest shareholders

Rank	Name	Units	% of issued capital
1	HSBC Custody Nominees (Australia) Limited	23,036,347	26.76
2	National Nominees Limited	13,097,877	15.22
3	JP Morgan Nominees Australia Pty Limited	7,025,156	8.16
4	UBS Nominees Pty Ltd	4,964,893	5.77
5	RG Capital Multimedia Limited	4,511,945	5.24
6	Citicorp Nominees Pty Limited	4,439,060	5.16
7	Irish Global Equity Limited	3,703,272	4.30
8	RG Capital Multimedia Limited	3,269,079	3.80
9	CH Global Pty Ltd <ABC Investment A/C>	2,548,301	2.96
10	Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,826,255	2.12
11	Irish Global Equity Limited	1,667,025	1.94
12	Mr Felice Testini <Gat Family A/C>	1,630,102	1.89
13	Merrill Lynch (Australia) Nominees Pty Limited	1,178,742	1.37
14	RG Capital Multimedia Limited	1,159,020	1.35
15	CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	1,133,176	1.32
16	Mrs Antonia Caroline Collopy	788,637	0.92
17	CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	698,166	0.81
18	Irish Global Equity Limited	632,629	0.73
19	Hawkdun Pty Ltd <J F Collopy Practice S/F Ac>	420,000	0.49
20	Mr Brendan York	363,648	0.42
Total		**78,093,330**	**90.73**

CORPORATE DIRECTORY

Company Secretary
Brendan York

Principal Registered Office
Enero Group Limited
Level 2, 100 Harris Street
Pyrmont NSW 2009 Australia
Telephone: +61 2 8213 3031
Email: companysecretary@enero.com

Share Registry
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 554 474
Outside Australia: +61 2 8280 7111
Facsimile: +61 2 9287 0303

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
International Towers Sydney 2
200 Barangaroo Avenue
Sydney NSW 2000 Australia

Auditors
KPMG
International Towers Sydney 3
300 Barangaroo Avenue
Sydney NSW 2000 Australia

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