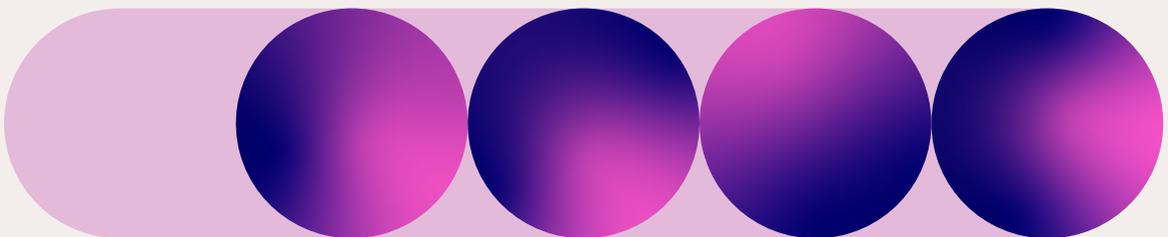
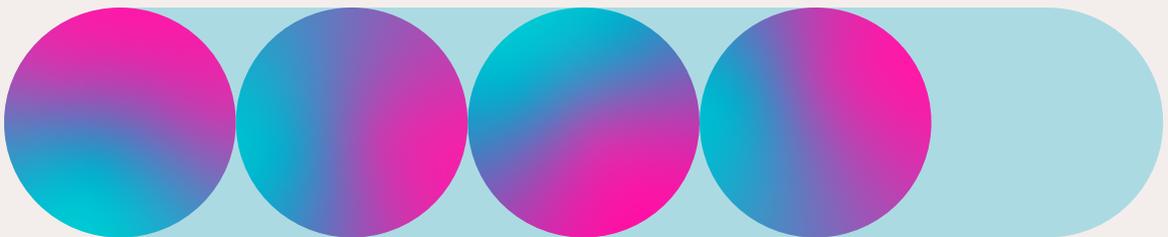
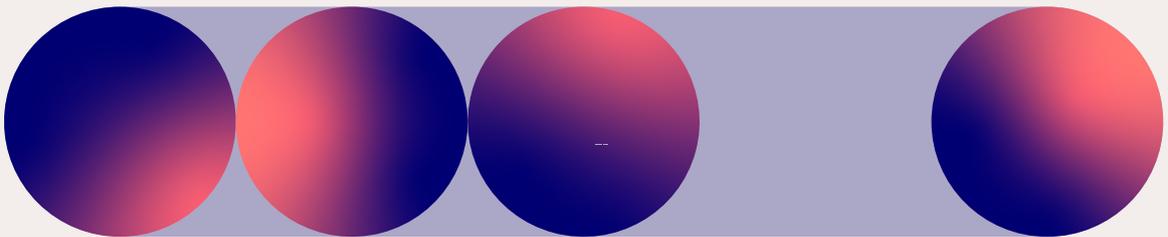
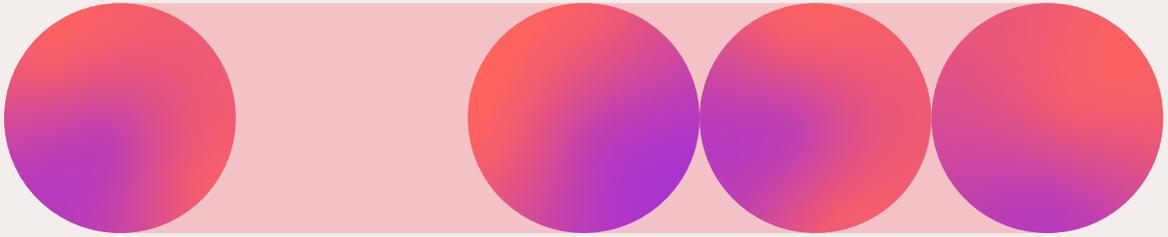


enero



FY23 ANNUAL REPORT



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SMARTER, STRONGER

Enero is a global creative and technology company delivering industry-leading brand marketing capabilities for a roster of blue-chip clients worldwide. We accelerate the growth of our client's business through integrated and modern-marketing solutions, with specialist expertise across technology, healthcare, and consumer brands.

Operating in 16 cities world-wide, with over 700 employees, we have the ability to deliver both integrated solutions at scale globally and deep market expertise locally.

Each business within the Enero portfolio creates transformational customer experiences. Our results are driven by a continued focus on our operating strategy, a relentless pursuit of excellence across our portfolio, and our world-class talent.

Despite recent macroeconomic headwinds, and a challenging talent marketplace, we consistently attract and retain the right talent to deliver innovative solutions. Our high-performance culture remains a core strength and reflects our ongoing commitment to delivering a diverse, progressive, and creative workplace.

In addition, we support our leadership teams through our functional Centres of Excellence in People and Culture, Finance and Technology, M&A and Legal services.

This enables our businesses to build deep, effective, and enduring client relationships, with almost 50% of our clients working with an Enero Group brand for six years or more.

As the market rapidly evolves, we'll continue to diversify our portfolio and differentiated service offering to deliver on changing client needs.

We make clients smarter, stronger.

A LETTER FROM OUR CHAIR



Dear Shareholders,

I am pleased to present Enero's Annual Report for the financial year ending 30 June 2023 (FY23).

Enero is a leading diversified portfolio of global marketing and communication businesses with deep expertise and world class capabilities. Our Group sits at the convergence of a rapidly-evolving global market that offers large-scale opportunities for future growth.

Ongoing transformation underpinned growth in FY23

Our portfolio strategy has continued to transform Enero into a truly global business for the first time in the Group's history, with over 70% of revenue now derived outside of Australia.

In FY23, Enero continued to evolve its portfolio, global network, and capabilities with the acquisitions of ROI DNA and GetIT by the Hotwire Group. These acquisitions added scale in the United States, and expanded our presence into Asia. They also accelerated the transformation of Hotwire's reputation, relationship, and revenue service offering into a truly global strategic proposition for clients as the pre-eminent global tech communications consultancy.

We continued to deliver strong and sustainable EBITDA growth, albeit dampened by the challenging operating environment for the entire industry over the last 12 months. Net profit after tax declined, reflecting the reduction in earnings contribution of the agency businesses, offset by the growth of 51% owned OB Media along with higher amortisation and interest expense associated with acquisitions.

- Net Revenue increasing 25% with 3yr CAGR of 21% to \$241.6 million
- EBITDA increasing 19% with 3yr CAGR of 39% to \$78.8 million
- Net profit after tax before significant items decreasing 10% with 3yr CAGR of 24% to \$24.4 million
- Earnings per share before significant items decreasing 15% with 3yr CAGR of 21% to 26.4 cents.

Given a disappointing second half decline in Enero's share price, the Board continues to believe that Enero remains undervalued relative to its financial performance and potential, and has instituted a number of key initiatives which will deliver ongoing value to shareholders in both the short and long term.

Capital management strategy activated

The Company's strong balance sheet, combined with the Board's focus on capital management, enabled Enero to activate an on-market share buyback during FY23. Enero's clear capital management strategy reflects the Board's ongoing commitment to delivering increasing shareholder returns, and confidence in the Group's value and growth opportunities.

Strong net cash position

On top of the Group's capital management strategy, Enero also retains financial flexibility through adequate cash reserves with net cash of \$13.0 million at 30 June 2023. This enables us to pursue Enero's long-term growth ambitions building on our momentum in Brand Transformation and Creative Technology and Data.

FY23 dividend of 4.5 cents per share fully franked

Reflecting Enero's financial performance in FY23, strong balance sheet, and attractive growth opportunities, the Board declared total dividends for FY23 of 4.5 cents per share, fully franked. This equated to a 44% dividend payout ratio.

Reinforcing management strength to deliver on growth opportunities

Enero's Executive Leadership team have continued to relentlessly focus on the execution of a clear strategic framework over FY23. This has put the Company in a strong position to continue its growth trajectory in FY24. The Board was delighted to extend our CEO Brent Scrimshaw's employment contract for another three-year term, enabling him to continue leading the transformation strategy that has been successfully executed to date.

Attractive growth potential

Enero operates in attractive global marketplaces, and given the successful transformation program being executed on, the Board believes that Enero has more robust and diverse capabilities than ever before. Our portfolio of businesses remain strong, with enormous growth potential in the markets that matter. Enero is a distinctively positioned creative technology company driving reputational and commercial growth for global businesses, including many well-known brands. This market position underpins the growth we expect to see going forward.

In conclusion, I would like to thank my fellow Board members for their ongoing effort and expertise. On behalf of the Board, I would also like to thank the talented and tireless Executive Leadership team for their continued dedication and commitment to our business, as well as our talented employees for their resilience and commitment to our clients throughout FY23.

Lastly, to our loyal shareholders, thank you for your continued support and belief in our long-term vision and strategy for the Group.

Yours sincerely,

Ann Sherry AO
Chair

A LETTER FROM OUR CEO



Dear Shareholders,

On behalf of the entire team, I am pleased to report Enero's continued growth in FY23.

Despite the challenging global macroeconomic environment, FY23 continued the group's track record of growth, profitability, and portfolio transformation over the past three years.

Enero's FY23 financial results reflected the continued focus and refinement of our operating strategy, as well as the dedication and commitment of our global team. I want to thank all our 700+ exceptional staff in our 16 offices around the world for their ongoing commitment, resilience, and determination throughout a challenging FY23.

Our people and capability investments in OBMedia delivered significant returns, and we continued to progress the integration and identification of revenue synergy opportunities for the ROI DNA and GetIT acquisitions as a part of our global Hotwire Group. In addition, CPR and Orchard delivered a solid full-year performance in Australia, while BMF posted another strong year and further extended its capabilities and skill sets to receive global recognition for creativity, and effectiveness.

Enero's deep and enduring client relationships, world-class talent, and strategic relevance of our market-leading capabilities underpin our business success. We will continue to capitalise on our brand transformation agendas for forward-thinking clients worldwide.

Delivering continued growth despite challenging market conditions

In FY23, macroeconomic headwinds impacted marketing spend globally. Like other marketing and communications businesses, Enero was not immune to these factors. These headwinds combined with client restructuring led to a more conservative approach to decision making which resulted in some delayed project timelines or scope reduction.

To address this, Enero accelerated towards a leaner, differentiated offering across each of our brands, managing near-team margins through significant cost-savings and head count reduction. We also continued to focus on growth and the integration, acceleration, and experimentation with new technology - such as AI - to position us for future success.

Our two operating segments – Creative Technology and Data and Brand Transformation - serve the high-growth global verticals of technology, healthcare, and consumer.

The Creative Technology and Data segment grew net revenue by 31% to \$113.5 million. OBMedia continued to deliver growth through traffic diversification and ongoing technology investments, despite proactively reducing its traffic purchases in Q4 from select publishers to maintain quality metrics. Orchard experienced softening in the U.S. health segment and delivered a solid overall performance in Australia.

The Brand Transformation segment grew net revenue by 20% to \$128.2 million. Despite a challenging technology sector globally, the Hotwire Group benefited from the acquisitions of ROI DNA and GetIT from 1 July 2022 as we continued to transform Hotwire's business through its reputation, relationship, and revenue service offering. BMF further diversified, invested, and grew

its customer experience, innovation, and technology capabilities, and received three Australian Agency of the Year accolades and two coveted Cannes Lions awards.

Highlighting the value that our deep expertise delivers; we have continued to win across our portfolio. Throughout FY23 we extended our relationship with one of our longest-standing clients, ALDI Australia, and added new and progressive clients across our global portfolio including Tennis Australia, Honeywell, Afterpay, Turo, Cloudera, QBE, BeiGene, and Janssen.

The market's rapid evolution creates growth opportunities for Enero

As the market rapidly evolves, Enero is well placed to further grow by anticipating changing clients' needs and delivering a differentiated, innovative, and market-leading services offering. Our unique culture continued to enable us to attract the right talent to deliver Enero's competitive advantage.

In FY23, we made significant progress towards achieving a number of key milestones along our transformational journey, such as:

- 31% of our revenue now comes from clients who have relationships with more than one Enero Group brand, providing us with more opportunities to engage with our clients and drive stickier reoccurring revenue.
- While spend slowed in the current year due to the economic outlook, our two acquisitions contributed to the largest share of revenue for Enero, which is now the Technology sector at 42%, predominately in the B2B segment. We believe this to be a significant further growth opportunity.

Developing the right ESG framework to underpin sustainable long term growth

During FY23, we began to create our first ESG framework covering the critical areas most material to our business – diversity, equity, inclusion and belonging (DEIB); learning and development; employee health and wellbeing; community and industry impact; and environmental stewardship. Our first ESG audit has established a critical baseline to inform development of measurable goals and enabled us to build a plan to achieve them.

Thank you.

In closing, I would like to express my appreciation to the executive team, and my gratitude to Enero's Board, led by Ann Sherry AO, for its ongoing counsel and guidance as we continue to pursue our global growth ambitions.

Finally, and most importantly, I would like to thank you, our shareholders, for your continued support and confidence in Enero's strategy and our talented people worldwide.

Our robust portfolio of businesses, long-term operating strategy, and implementation of ESG initiatives, puts Enero in a strong position to continue our sustained success and growth trajectory as macroeconomic pressures ease.

Yours sincerely,

Brent Scrimshaw
Chief Executive Officer

BOARD OF DIRECTORS



ANN SHERRY AO
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Ann was appointed as Chair and Non-Executive Director on 1 January 2020 and is a member of the Remuneration and Nomination Committee. Ann is a Director of National Australia Bank (ASX: NAB), Chair of its Customer Committee and a member of its Remuneration Committee. Ann is the Chancellor of Queensland University of Technology, Chair of UNICEF Australia, Chair of Port of Townsville and Chair of Queensland Airports Limited.

Ann is the former Chair and was CEO of Carnival Australia for a decade. Prior to that, Ann was at Westpac for 12 years, as CEO of Bank of Melbourne and the CEO of Westpac New Zealand and Pacific Banking.

Ann was named the overall winner of the AFR 100 Women of Influence in 2015.



BRENT SCRIMSHAW
CHIEF EXECUTIVE OFFICER

Brent was appointed Chief Executive Officer and Executive Director on 1 July 2020.

Brent is a creative and brand-led business leader with specific expertise in global consumer brands, media and publishing, technology, retail and sports.

Brent built his career at Nike Inc around the world holding leadership positions such as Vice President and Chief Executive Western Europe; Vice President and Chief Marketing Officer EMEA based in Amsterdam, The Netherlands; GM Regional USA based in New York City and Marketing Director Nike Pacific in Australia.

Brent is currently a Non-Executive Director of KMD Brands Ltd (ASX: KMD) and Rhinomed Ltd (ASX: RNO) and was previously a Non-Executive Director of Catapult Group Ltd (ASX: CAT) and Fox Head Inc in California, USA.



ANOUK DARLING
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Anouk was appointed as a Non-Executive Director on 6 February 2017 and is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee. Anouk is recognised as one of Australia's leading brand builders, with strategic digital, technology and marketing capability.

Anouk is also a reputable business leader with private equity and M&A experience having worked with Allegro Funds as an operating partner over a four year period. Anouk is currently serving as Non-Executive Director of South Australian based Discovery Holiday Parks, owned by the Australian Retirement Trust.

Previous board roles held include ASX-listed Macquarie Telecom (ASX: MAQ). Anouk is currently CEO of Scape, Australia's largest developer, owner and operator of Purpose-Built Student Accommodation. Anouk's commitment to better living experiences is further supported by her work as board member of the Property Council of Australia and Chair of the Student Accommodation Council.



IAN ROWDEN
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Ian was appointed as a Non-Executive Director on 21 November 2018 and is the Chair of the Remuneration and Nomination Committee.

Ian is an experienced CEO and senior executive with extensive experience in Australian, regional and global roles in commercial, strategy, M&A, marketing and operational leadership with companies including The Coca-Cola Company, The Callaway Golf Company, Wendy's International, Saatchi & Saatchi and The Virgin Group.

Ian is currently a Non-Executive Director of Reliance Worldwide Corporation (ASX: RWC), Dulux Group International (UK), and was a Director of QMS Media Limited and Virgin Galactic.

Ian chairs the Murdoch Children's Research Institute Marketing Council, is a partner and investment advisory board member for Innovate Partners (US-based private equity/venture capital) and a senior advisor to Bowery Capital. He is based in the USA.



DAVID BRAIN
INDEPENDENT
NON-EXECUTIVE DIRECTOR

David was appointed as a Non-Executive Director on 10 May 2018 and is a member of the Audit and Risk Committee.

David has over 25 years' experience in public relations and integrated communications. At Edelman (world's largest PR firm), David was a Director of the Group Supervisory Board and member of its global management board. During 13 years at Edelman, he was CEO of the EMEA region and latterly, CEO of 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 Chair of parking technology company Parkable; Chair of child poverty charity Share My Super; Advisory Board member of The Spinoff, and Co-founder of research start-up Stickybeak.



LOUISE HIGGINS
INDEPENDENT
NON-EXECUTIVE DIRECTOR

Louise was appointed as a Non-Executive Director on 10 September 2021 and is the Chair of the Audit and Risk Committee.

Louise is the Managing Director, Suncorp Integration at ANZ.

Louise began her executive career in London with law firm Freshfields Brushhaus Deringer, followed by seven years at the BBC. Louise has worked at Australia's Macquarie Bank as an Associate Director, COO for Nova Entertainment with responsibility for performance of the Nova and Smooth radio networks and as Chief Financial and Strategy Officer for the Australian Broadcasting Corporation (ABC) to oversee significant technology transformation.

Louise has a diverse, non-executive career from Commercial Radio Australia, Visit Victoria, Qudos Bank, Canteen Australia and Eneo Group Limited.

FINANCIAL HIGHLIGHTS

Net Revenue
up 25%

\$241.6m

EBITDA margin
down 2ppts

33%

Earnings per share
before significant items
down 15%

26.4cps

EBITDA
up 19%

\$78.8m

Net profit after tax
before significant items
down 10%

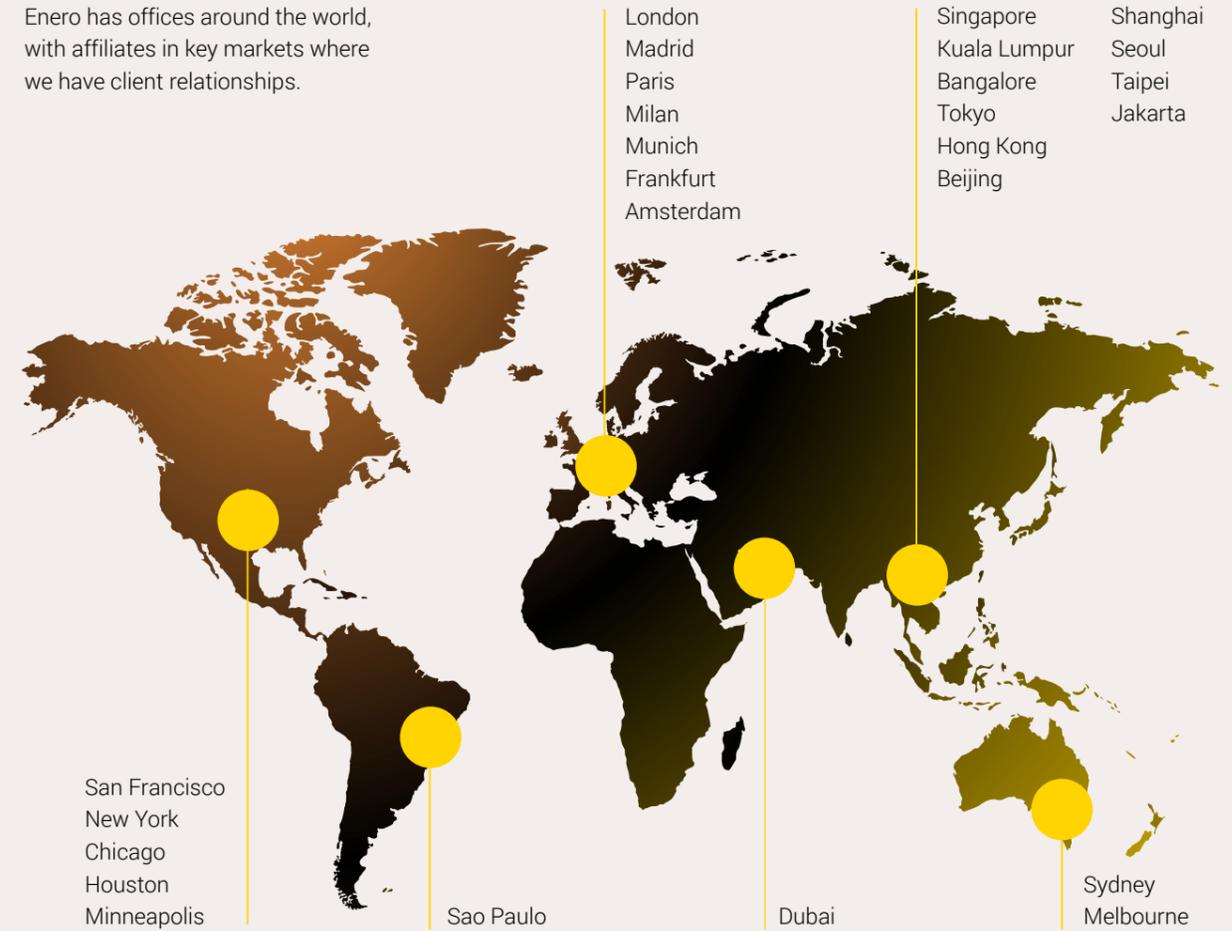
\$24.4m

FY23 dividends

4.5cps

GEOGRAPHICAL RESULTS

Enero has offices around the world, with affiliates in key markets where we have client relationships.



Reflects 51% economic interest in OBMedia

Region	Net Revenue FY23	Net Revenue FY22	EBITDA FY23	EBITDA FY22
USA	52%	36%	73%	55%
UK and Europe	16%	22%	7%	16%
Australia and Asia	32%	42%	20%	29%

CLIENT ANALYSIS

Revenue Diversification

Enero revenue is diversified across both industry and geography. Our largest share of revenue came from the Technology and Telco sector at 42%, predominately in the B2B segment, and has grown significantly due to the ROI DNA and GetIT acquisitions. Other key areas of strategic focus include Digital Media (24%), Retail (11%) and Healthcare (8%). Over 70% of our revenue is now delivered outside of Australia.

In FY23 our revenue growth was delivered across both of our segments with Brand Transformation, up 20%; and Creative Technology and Data, up 19% in net revenue (economic interest) year on year.

Our agency revenue model is diversified with a 42:58 project and retainer split in FY23 across agencies. Our focus on delivering relevant services across our agency brands and cross-selling services has led to 31% of our revenues now derived from clients with relationships across more than one Enero brand.

Technology and Telco

42%

Retail

11%

Services

7%

Finance

3%

Other

1%

Digital Media

24%

Health Care

8%

Transportation, Airlines and Auto

3%

Consumer Goods

1%

Reflects 51% economic interest in OBMedia

BRAND TRANSFORMATION

FY22 **\$106.7m**
FY23 Net Revenue **up 20%**

\$128.2m

FY22 **\$27.8m**
FY23 EBITDA **down 21%**

\$22.1m

FY22 **26%**
FY23 EBITDA margin **down 9ppts**

17%

AWARD-WINNING IDEAS THAT TRANSFORM CREATIVITY, CAPABILITY AND RELATIONSHIPS

Brand Transformation drives business success by creating thoughtful, distinctive ideas that deliver long-term business outcomes for our clients.

Our Brand Transformation businesses include BMF, the Hotwire Group (which owns ROI DNA and GetIT), and CPR. Each team specialises in brand transformation that delivers effective, market-leading business solutions. These solutions drive enhanced reputation, customer and consumer relationships, and ultimately create revenue for our clients and meet their rapidly changing needs.

Transformation through creativity

BMF drives Brand Transformation by creating culturally-resonate, effective and enduring creative ideas for some of the world's most recognised brands. Through its philosophy of 'The Long Idea', BMF curates world-class advertising across broadcast, social, out-of-home, radio, and digital channels, and delivers commercial success and effective creativity at scale.

Hotwire delivers Brand Transformation for some of the world's most prominent technology clients through its Reputation, Relationship and Revenue services framework. Hotwire positions brands at the forefront of innovation by creatively transforming business analytics and customer data into integrated, narrative-driven communications. From captivating, creative media campaigns to influential thought leadership and performance marketing capabilities, Hotwire ignites transformational business outcomes for its global client base. In addition, **ROI DNA**, as part of the Hotwire Group, offers transformative, online B2B, demand-generating campaigns.

CPR has a creative approach to driving transformation, building reputation, growing brand recognition, and raising awareness about issues that matter. Its unique expertise and talent pool spanning media advisory, former journalists, and political and ministerial advisers, has seen the business work with high-profile clients to promote, protect, and position their organisations, people and services.

Transformation through market-leading capabilities and relationships

BMF and its team of 155+ thinkers, doers and makers, use a combination of behavioural economics, neuroscience, communications strategy, design, high-quality production and customer experience capabilities to create deep and trusted relationships between brands and their customers. BMF delivers transformational and iconic long-term brand advertising for clients including ALDI Australia, Tourism Tasmania, The Australian Government, Tennis Australia, TAL, Afterpay, the Department of Social Services, Abbott's, Tip Top and many more.

Hotwire specialists create meaningful relationships for blue-chip tech clients and their customers globally. With an extensive network of relationships with media, influencers, analysts and target accounts, Hotwire drives engagement through performance marketing and strategic and culturally resonant reputational topics like diversity, equity and inclusion, ESG, AI, technology, and the future of work. In addition, **GetIT** was successfully integrated into the Hotwire brand, bolstering its Asia-Pacific capabilities and presence, while **ROI DNA** offers a revenue-accelerating suite of services to some of the world's most significant technology companies, helping further extend and transform Hotwire's capabilities in North America. Hotwire works with global brands such as Google Cloud, Adobe, Amazon, Gumtree, Honeywell, Telekom Malaysia and more.

CPR drives transformation through three core disciplines and capabilities: Issues Management, Government Relations and Public Relations. CPR leverages these key capabilities to create meaningful relationships and engagement in complex regulatory conversations that attract political and public scrutiny.



BMF's award-winning behaviour change campaign for the Department of Social Services

Transformation that is globally acclaimed

BMF is consistently recognised for being one of the world's most effective creative agencies, having won over 65 awards from across the globe in FY23 alone, including B&T's Branding, Design and CX Agency of the Year; AdNews Overall Agency of the Year; AdNews Creative Agency of the Year; two coveted Cannes Lions Awards; Effie Australia's Most Effective Retail and FMCG Campaign of the Year; as well as awards from D&AD, LIA Awards, Spikes Asia and more.

Hotwire has been recognised with both campaign and agency awards, including Ragan Communications and PR Daily's Midsize Agency of the Year and Campaign of the Year, together with PProvoke Media's Award for Diversity, Equity & Inclusion initiative.

CPR attracts hundreds of millions of dollars in investment for clients at a Federal and State level, ranging from funding to revive the tourism economy, investment in local rapid antigen test production, through to air purifier procurement to support a safe return to school and work.

CASE STUDY



TOURISM TASMANIA'S OFF SEASON: HOW ANTI-ORDINARY THINKING DROVE ANTI-ORDINARY RESULTS

Challenge

In 2019, we were tasked with broadening the appeal of Tasmania without diluting its character. And by 2020, we had launched the highly successful 'Come Down for Air' brand platform which positioned Tasmania as a response to a deeply ingrained cultural need: respite from the constraints of modern life.

The next step in our journey was to tackle Tourism Tasmania's biggest challenge – enticing people to come down for air in winter.

But, just as people were feeling safe enough to travel in Australia in a post-COVID era, a sharp drop in consumer confidence driven by rapidly rising interest rates and increases in the cost of living, meant financial uncertainty became the number one barrier cited for not travelling*.

*SOURCE: Tourism Australia Domestic Travel Sentiment Tracker – June 2022.

So, BMF needed to inspire Australians to believe that Tasmania is the best place to refuel their soul in winter. We had to drive an increase in visitor numbers, along with the duration of stay and visitor spend.

Strategy

Australia is 'the summer country'. We are culturally hardwired to chase the sun, so winter holidays typically mean a migration north to warmer climates or, for a minority, to the snow fields.

The challenge was how to shift cultural attitudes to winter. BMF needed to disrupt the consumer journey to break people out of their default winter holiday preferences. In line with the spirit of Come Down for Air, we wanted people to view a winter holiday in Tasmania as a unique opportunity to refresh one's soul.

We know winter is when Tasmania is most different to the mainland. It's predictably colder but because of

that Tasmanians do it properly. Log cabin cosiness, hot alcoholic beverages by fires and frosted snowy wonderlands.

We weren't trying to sell a winter holiday; we're trying to sell a **wintery** holiday.

BMF positioned the 'Air' we'd like you to come down for as stimulation, rather than vegetation. Tassie as the defibrillator from the winter coma, the electric shock therapy for 'winter brain'. Feeling exalted, confused, content, challenged, but always feeling something.

A winter spent wide-eyed, not half asleep.

Execution

Winter is when Tasmania lets its hair down and its idiosyncrasies truly shine. A bit weird, wild, and woolly, it's especially different, a bit 'off'.

It was time to invite mainlanders to join us and wake up their winter with the perfect antidote. Or, as we like to put it, **The Off Season**. A long-term platform for Tasmania's winter tourism experience and annual winter campaign.

To reflect the distinctiveness of our destination, the integrated campaign flips expectations with relish - embracing the cold instead of escaping it, and going wild when everyone else is hibernating, illustrating our anti-ordinary spirit on all levels: Out of Home, Digital Out of Home, Video on Demand, Social, Cinema, Content Partnerships, Display, and Audio.

Channel choice, executions, and experiences were specifically targeted to our audience. Rather than spread ourselves too thin over a broad channel mix, we took-over our target's lives by owning a channel and the experiences we built within it. We were able to explore more innovative uses of channels as the campaign was brought to life in unexpected places and ways.

The Off Season seeded the communication in culture in ways that were impossible to overlook.



**Results that occurred during the months of May – August 2022
(cannot be directly attributed to the campaign)**

Visitor numbers increased by

7%

compared with the same period in 2019 (pre covid).

Visitor nights increased by

24%

compared with the same period in 2019 (pre covid).

Visitor spend increased by

102%

compared with the same period in 2019 (pre covid).

CASE STUDY



HONEYWELL: REPUTATION, RELATIONSHIP AND REVENUE DELIVER GROWTH AMBITIONS

Challenge

Honeywell came to Hotwire with a growth challenge. Their marketing teams needed to build relationships with an important list of prospective leads from brands and businesses in the retail sector. While Honeywell was facing aggressive competition, they knew they had the right solutions to meet the needs and address the challenges these retail companies were facing. To strategically grow Honeywell's position and opportunity pipeline, an account-based marketing approach was developed to reach key buyer personas in a credible, impactful way, that would ultimately build reputation and relationships for the long term.

Reputation

With a list of strategic target accounts including Walmart, Hotwire developed a two-part approach that would build Honeywell's reputation and leadership position:

1. Building Honeywell's reputation within the retail sector to target accounts and audience.
2. Supporting commercial leads by building their individual reputation within the sector and within their target accounts and audience.

To do this, we created a multi-channel strategy using thought leadership content including a partnership with retail influencer Steve Dennis. Content that took advantage of Steve's deep retail experience and included shared videos and conversations was developed. The two-part approach ultimately led to elevating Honeywell and their commercial leads' reputation across multiple platforms.

Relationship

In the relationship wave, Hotwire extended content that directly spoke to the pains and challenges of the target accounts and delivered paid media programs across LinkedIn and content syndication. In addition, Hotwire worked with the Honeywell sales teams to update their LinkedIn profiles and thought leadership platforms and aligned them to the campaign content. Regular content updates with new insights continues to spot emerging opportunities for commercial leads and target strategically important accounts.

Revenue

From increasing reputation, developing relationships within the target accounts, to reaching the target audience, Hotwire supported Honeywell's commercial leads by converting them into opportunities. Hotwire used personalised content and assets to generate revenue growth whilst also increasing growth across different lines of business.



Results

There were many milestone results throughout the campaign, including increased awareness of Honeywell with target prospects and engagement with the Honeywell content produced. There were meetings booked and presentations delivered to c-level executives within the accounts, as well as a revenue pipeline of new opportunities.

We always came back to the first challenge – growth – and by activating a full reputation, relationship and revenue campaign, the team achieved

281%

over the revenue target for the program, which was a record result. The campaign also went on to win the ITSMA Marketing Excellence Gold Award and The Drum B2B Award.

CASE STUDY



TELEKOM MALAYSIA: CLOUD ALPHA

Challenge

Telekom Malaysia One (TM One) is the business-to-business (B2B) arm of Telekom Malaysia Berhad, the largest telecommunications provider in Malaysia. TM One engaged Hotwire Asia to design and deliver a revenue pipeline generation campaign for its new cloud platform, Cloud Alpha.

Due to its legacy as a traditional telco, TM One needed to change its perception among enterprises, and position 'Cloud Alpha' as a viable alternative cloud platform with solutions and services on par with global cloud technology providers such as Amazon Web Services (AWS), Google Cloud and Microsoft Azure. To accomplish this, TM One had to generate a healthy sales pipeline through content marketing, lead generation and nurturing relationships with customers.

While most B2B organisations rely on traditional marketing channels such as print, radio, out-of-home and events for brand building and lead generation, TM One's channel strategy had to shift from omni-channel to omni-digital due to the pandemic and the rise of hybrid working culture.

Strategy

To develop a data-driven B2B marketing strategy, Hotwire Asia worked with IDC (International Data Corporation) and data and research company Kantar, to produce a cloud market research report. The report helped identify the opportunities and challenges that each of TM One's target industries faced and their differing needs, including the target audience's journey to the cloud.

The primary target audience was IT decision-makers within large enterprises and the public sector, who were looking to overcome the barriers to cloud adoption and accelerate their digital transformation initiatives.

The key challenges faced when appealing to this target audience were:

1. Standing out as a new player in a crowded market.
2. Competing with the brand power of global companies such as AWS, Google Cloud and Microsoft.
3. Convincing IT decision-makers (ITDMs) of the benefits of a cloud solution from a telco provider.

Execution

To stand out in a competitive and crowded enterprise cloud market, Hotwire Asia developed a content-driven lead generation and nurturing plan, personalised for IT and business decision-makers in the target verticals. The content plan profiled real decision-makers from each vertical and plotted relevant content topics into a touchpoint map that could be automated in the marketing automation tool. This ensured every lead was nurtured throughout their buyer journey. Suitable digital channels such as Search Engine Marketing, LinkedIn, and IT publications, were identified to ensure that the content reached the right decision-makers in the right companies.

Hotwire Asia implemented a data lake to aggregate data from the campaign web analytics, CRM (customer relationship management) tools, and marketing automation, to give an unprecedented real-time view of prospect profiles, lead progression, media performance, cost per conversion and the contract values from the generated opportunities and reporting to a custom dashboard.



Results

Within a year, the Cloud Alpha campaign generated:

195%
growth in campaign
website traffic

22,000
marketing qualified leads

27%
increase in the
sales funnel

173%
increase in YoY marketing-
attributed revenue

CASE STUDY

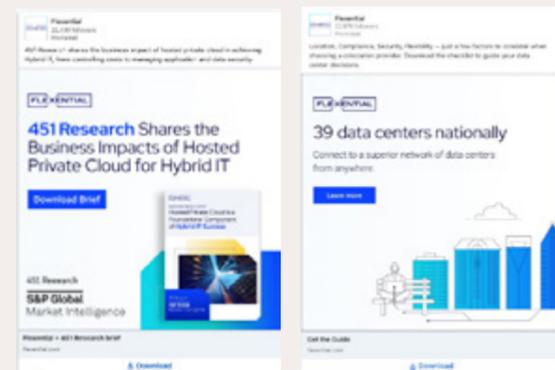
A 400% PIPELINE INCREASE FOR A NATIONAL DATA CENTRE PLATFORM



Challenge

Flexential, a national data centre provider offering hybrid IT services, approached ROI DNA after experiencing months of underperformance with their previous partner. They sought a strategic agency to develop a go-to-market (GTM) strategy that could achieve their business and pipeline goals. Flexential looked to ROI DNA also as a collaborative partner that could support emerging opportunities within the hybrid IT landscape. The request was to develop a paid media GTM strategy to differentiate and market their solutions which included:

- colocation
- interconnection
- cloud
- data protection



Strategy

ROI DNA began collaboration with Flexential to understand its offering and service distinctions. From there, the strategy was to enhance brand messaging, expand tactics to new channels, increase awareness through brand campaigns, and implement a full-funnel approach weighted towards lead generation. They also conducted a comprehensive overhaul of the search engine marketing (SEM) architecture to generate predictable qualified leads.

Execution

To kickstart predictable growth into hyperdrive, ROI DNA crafted a scalable GTM and paid media strategy that included:

- paid media channel, SEO and MarTech audits
- competitive analyses
- brand positioning
- content and messaging reviews
- paid media recommendations

They used paid media platforms like Google, Bing, The TradeDesk, LinkedIn and Demandbase and yielded impressive pipeline growth.

Results

ROI DNA's work with Flexential provided record results for the national data centre platform:

200%+
increase in MQL¹

250%+
increase in SQL²

400%+
increase in the pipeline

The success of the GTM strategy and paid media execution grew ROI DNA's partnership with Flexential and today includes SEO, creative and copywriting retainers; Drift strategy; email nurture strategy; and a web redesign. By developing a strategic go-to-market strategy, enhancing brand messaging, and implementing a full-funnel approach, ROI DNA's collaborative work set Flexential back on track to hit business goals and resulted in an expanded partnership.

¹ Marketing Qualified Lead
² Sales Qualified Lead

CASE STUDY



SUPPORTING AUSTRALIAN COMPANIES TO BUILD TRUST WITH NEW GOVERNMENTS AND ATTRACT INVESTMENT

Challenge

The last 12 months have seen significant shifts across Australian politics, with a change of government federally and elections at a state level in Victoria and NSW.

New governments in Canberra and in NSW, as well as a significantly reshaped Victorian ministry, have created challenges and opportunities to form new relationships with key decision-makers who influence government investment decisions and policy outcomes. These changes have been compounded by a contracted posture to government spending caused by the COVID-19 pandemic and international financial instability.

CPR's non-partisan approach to government relations has supported our clients to work productively with the Albanese Government, as well as in Victoria and NSW, to build profile, develop trust and ultimately to capitalise on these challenges and deliver outcomes.

Strategy

CPR worked with clients in the lead up to the federal and state elections to develop relationships and align investment requests to the priorities of potential government parties.

Understanding that both health and investment attraction would be major election issues across jurisdictions, CPR supported clients to strategically present their proposals in an election context.

This work included advising Australia's only cross-border health service to obtain a joint \$558m investment from the Victorian and NSW governments to develop a single site hospital. The announcement, attended by both the Victorian and NSW Premiers, occurred one month prior to the Victorian Election. CPR also advised one of Australia's largest medical research institutes to ensure their inclusion in the \$6b redevelopment of the Royal Melbourne Hospital.

Ahead of the NSW Election, CPR worked with long-term client, the UFC, to present a \$16m proposal to host three major UFC events in Sydney over four years. The deal was announced by the then NSW Opposition Leader as an election commitment and has subsequently been funded by the Minns Government within their first 100 days in office.

Execution

Changes in Australia's federal government are relatively rare, with only 14 changes of government since federation. The election of the Albanese Government in 2022 meant that CPR's large, federally-focused government relations clients had to establish themselves, their reputations and capability with a new group of decision-makers at the highest level of Australian government.

CPR worked with some of Australia's most respected organisations to support their strategy and approach. This occurred within a competitive environment and at a time when many stakeholders were vying to capture the attention of the new government and influence their early commitments.

CPR has supported Dementia Australia for more than a decade. Since the change of federal government, CPR has worked with Dementia Australia to facilitate major events online and at Parliament House to raise awareness of the organisation and its priorities with the new government and parliamentarians.

In 2022 CPR assisted headspace, Australia's National Youth Mental Health Foundation, to build awareness of their service on headspace Day by ensuring the participation of 109 members of federal parliament (approximately 50 percent) to post their support for youth mental health on social media. This included posts from key Ministers, Opposition MPs and Crossbenchers.

Results

CPR supported government relations clients to engage with new governments and ministers at a time of significant change in Australian politics leading to strong and trusted relationships and more than

\$1.5billion

in funding across key sectors including health and investment attraction.

CREATIVE TECHNOLOGY AND DATA

FY22 **\$86.7m**
FY23 Net Revenue **up 31%**

\$113.5m

FY22 **\$49.5m**
FY23 EBITDA **up 38%**

\$68.4m

FY22 **57%**
FY23 EBITDA margin **up 3ppts**

60%

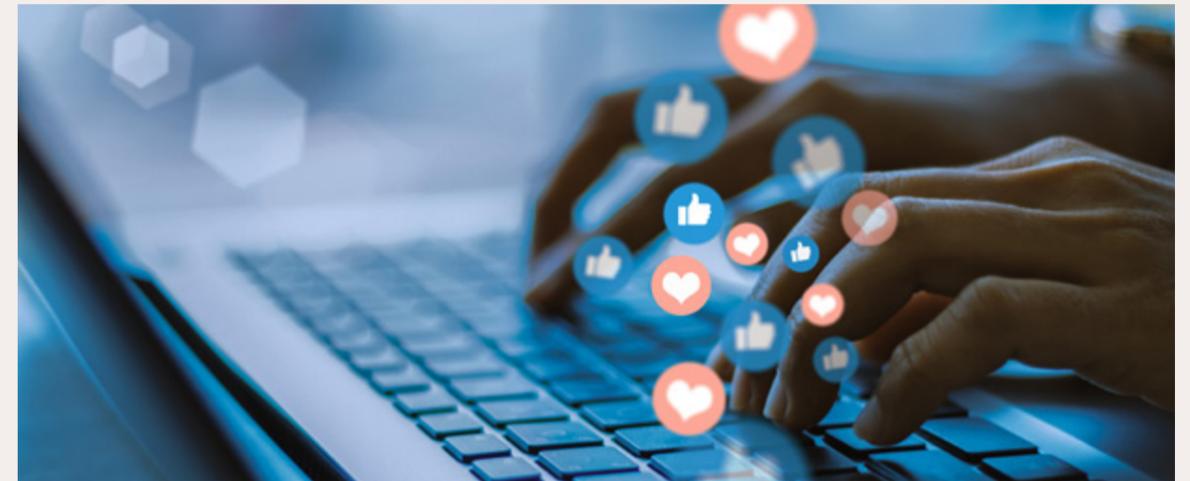
DELIVERING EXPERIENCES THROUGH TECHNOLOGY AND DATA

Creative Technology and Data uses technology-enabled solutions, informed by data science, to creatively connect brands to their customers and deliver high-quality experiences and lead generation for businesses. This melding of world-class creative ideas, proprietary data, and technology, enables Orchard and OBMedia to deliver effective business results.

Connecting experiences

Orchard's expert team of strategists, medical writers, behavioural scientists, tech architects, learning experts and creatives, pioneer innovative ways to experience everything, finding ways to invent better, whether it's by creating new ideas or making old ones better.

As Australia's leading healthcare agency, Orchard curates experiences designed for every stage in the healthcare journey, from connecting pharmaceutical companies with clinicians, or building new technology that helps to break down the barriers between a patient and their clinician. Orchard's consumer division also delivers end-to-end digital customer experiences, whether that is buying a IONIC5 from Hyundai, or helping tourists discover the best that Tasmania has to offer.



Connecting innovative technologies and data

OBMedia's media buyer network harnesses data science in partnership with the world's largest search engines to acquire, qualify and monetise high-intent customers on behalf of advertisers. Their increasingly scaled audience procurement and their ongoing focus on traffic optimisation and conversion, allows them to deliver significant ROI for advertisers.

Orchard's channel-agnostic team continues to invest in critical business growth areas in data analytics, with their deep specialisation encompassing key platforms such as Salesforce, Adobe, Kentico and Optimizely. Orchard delivers a unique business transformation approach for brands who want a consultancy mindset but also the delivery efficiencies that technology and data can provide.

Connecting business outcomes and recognition

Orchard continued to see industry recognition throughout FY23, taking home Optimizely's Asia Pacific Rising Star Solution Partner of the Year, while winning new pharmaceutical clients BeiGene and Janssen.

OBMedia continues to be recognised by our search engine partners as a high-quality traffic acquisition and conversion partner. OBMedia continues to invest in optimisation technology, experiment with artificial intelligence and enhance its data science credentials with a focus on delivering traffic quality.

CASE STUDY



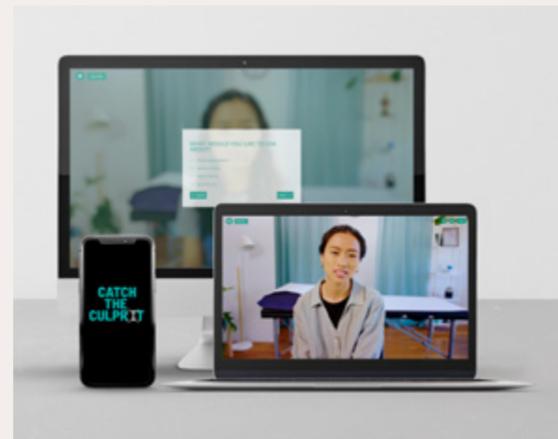
CHANGE TO SANOFI: CATCH THE CULPRIT

Challenge

Recognising rare diseases early is critical, as often there are treatments that can manage them and their symptoms. However, because of their rarity, healthcare professionals often have little to no understanding of which symptoms to look out for in patients.

Strategy

Behavioural science tells us that the most powerful way for people to learn something is through doing (active learning), rather than just reading or watching a video. We took an active learning approach to rare diseases, with an aim to “Make the rare, un-rare” by providing a lived, first-hand experience of making a rare disease diagnosis to a wider clinician audience.



Catch the Culprit

Execution

“Catch the Culprit” was an emotive, first-person set of interactive case studies that gave clinicians the end-to-end experience of managing and diagnosing a patient living with a rare disease. It tapped into a specialist’s natural intellectual curiosity and the satisfaction derived from diagnosing complex cases.

Immersing the specialist in a first-person consultation room helped to establish a personal connection with their virtual patient, meaning the specialist would be more likely to recall this experience in the future and, therefore, more likely to diagnose a patient presenting with relevant symptoms.

The specialist could decide how they interacted with each patient, what tests they would order, and what they would suggest in terms of diagnosis and management. If the specialist incorrectly diagnosed the patient, the patient returned for a follow-up appointment. The patient had aged slightly and their symptoms had progressed, allowing the specialist to experience first-hand how their patient was dealing with a difficult, painful, gradual decline in health. As the years ticked over, the aging patients became increasingly desperate for an answer, a powerful indicator of the need for early diagnosis.

Results

Initial results indicate that “Catch the Culprit” has achieved uninterrupted engagement with our clinician audience using this innovative, unique, and creative method. In the first two weeks of the campaign alone:

>100

specialists had already attempted to “Catch the Culprit”.

100%

of those that completed a case chose to continue watching medical education about the rare diseases provided by an expert in the field.

Involved

On average, each specialist viewed nine video clips and performed 25 interactions, demonstrating heavily involvement in the diagnosis process.

Feedback

from the specialists was outstanding, with one saying: “This is an exciting approach to education, I hope many of my colleagues take the opportunity to try it out”.

CASE STUDY



POWERING DIGITAL ADVERTISING GROWTH THROUGH ADTECH

Challenge

Search-based advertisers continue to look for new sources of growth. They seek cost-effective, high-intent audiences that deliver on business needs.

Strategy

OBMedia is a digital advertising technology platform that drives high-quality and high-intent traffic to search-based advertisers. OBMedia leverages its proprietary technology, exclusive search partnerships and deep data analytics expertise to fuel demand for advertisers. OBMedia's business is focused on:

- targeting high-value consumers from digital publishers, ad networks and social channels with dynamic, creative and relevant content
- qualifying the intent of those consumers through proprietary data science techniques
- providing the most relevant search-based advertising results that match consumers' needs

OBMedia derives its revenue from quality audiences delivered to advertiser websites.

Execution

OBMedia has unique and proprietary technology, machine learning, automation and partnerships that enable it to deliver outstanding value to advertisers and publishers. Its key areas of differentiation are:

Leading optimisation technology

Providing the most relevant ads for target audiences

Unmatched fraud monitoring

Filtering traffic to protect value for partners

Powerful technology stack

Real-time data, system resiliency and rapid new product development

Deep data science

Powering responsive campaign analytics, privacy compliance and end-to-end conversion tracking

OBMedia continues to invest in capabilities that fuel growth for partners and in turn OBMedia. In FY22 OBMedia enhanced campaign optimisation capabilities and platform development to drive more informed traffic acquisition. At the same time, OBMedia continued to refine its fraud monitoring capabilities – critical to maintaining OBMedia's class-leading detection rates and trusted status with key partners.

Results

OBMedia delivered outstanding results for advertising partners in FY23, with a 160% increase in consumers delivered to advertisers:

160%
delivery increase,
compared to FY22

ENVIRONMENTAL, SOCIAL, GOVERNANCE

In FY23, we continued to see an increase in our clients' prioritisation of Environmental, Social and Governance (ESG) initiatives into their business strategy. This acceleration was largely driven by new government mandates and regulations around climate reporting and growing demand from investors, employees and customers for greater transparency around ESG initiatives.

At Enero, we too doubled down on our commitment and focus on ESG in our business operations and through our network's client services. Within our operations, we began to set a framework focused on the areas that deliver the most material on our business and people, namely Diversity, Equity, Inclusion and Belonging (DEIB); learning and development; employee health and wellbeing, community and industry impact and environmental stewardship. As part of the strategic planning process, in FY23, we initiated our first ESG audit to establish a baseline for developing measurable goals and an action plan to achieve them. We expect to complete the audit process and planning integration in mid-FY24 and look forward to sharing our plan and progress over time.

In FY23, we continued to progress ESG in different ways across each of our businesses. For example, Hotwire launched a new set of ESG Communications Consulting Services as part of their core advisory offering, to help more Hotwire clients effectively communicate their ESG initiatives to key stakeholders.

On the following pages you'll find a summary of other ESG highlights for this past fiscal year.

ENVIRONMENTAL, SOCIAL, GOVERNANCE

(CONTINUED)

Environmental

In January 2020, Enero set an Environmental Policy which outlined our commitment to being an environmentally responsible company in support of programs and business practices that minimise negative impacts on the environment. The policy also established an overall set of objectives for improved environmental performance. Three years later, we saw an opportunity to elevate our commitments.

To this end, in late FY23, we engaged a sustainability consultant to work with us to collect data around our Scope 1, 2 and 3 emissions and measure our global footprint across carbon emissions, energy use, waste and water across the Group. With this information we will be able to set measurable goals to reduce our environmental impacts and align those with the ESG strategy in FY24.

In addition to our environmental audit, we continued to identify ways to increase our environmental responsibility as a business. One example is the decision by Hotwire to remove all servers from every office in the US and 80% of the servers in Europe, moving to SaaS-based services and data centres. In addition to cost savings reasons, Hotwire's decision to centralise server infrastructure in data centres allows them to take advantage of economies of scale, which will greatly reduce the energy consumption and carbon emissions associated with in-house servers.



Social

The social pillar of our ESG initiatives is core to our business success. As a service business, our success is delivered by the people that make up our diverse and global workforce, working in partnership with our clients, communities and industries. We have a long-standing and deep commitment to supporting the development and wellbeing of our employees by creating a culture of belonging and inclusivity which celebrates diversity and empowers every individual to thrive. Our hiring managers undertake interview training to ensure that candidates are being assessed fairly and that our hiring practices are free from discrimination. This also includes the importance of diverse and inclusive hiring and how unconscious bias can impact hiring decisions.

For this section, we've divided our social efforts into four categories to showcase some FY23 highlights: Diversity, Equity, Inclusion, and Belonging (DEIB); learning and development; health and wellbeing; community and industry impact.

Diversity, Equity, Inclusion and Belonging

Through our network, we prioritise DEIB in our recruiting and talent development, employee programs, training, benefits, partnerships and pro-bono work.

Among the DEIB highlights for FY23, Enero proudly received official accreditation from Reconciliation Australia (RA) for our Reflect Reconciliation Action Plan (RAP). As an organisation deeply committed to reconciliation with Australia's Aboriginal and Torres Strait Islander people, Enero's RAP aims to nurture, develop, and encourage the inclusion of Aboriginal and Torres Strait Islander creative talent, partners, and advisors in our own agencies, but more importantly to improve inclusion across our whole industry. Led by the Enero Chief People & Culture Officer, and an internal RAP committee, the RAP takes existing strategies, such as our CareerTrackers partnership and other important initiatives such as NAIDOC Week and National Reconciliation Week and furthers our commitment to understanding and recognising Aboriginal and Torres Strait Islander cultures.

As part of the Enero partnership with CareerTrackers, in the past year we took on four interns that rotated across BMF and Orchard, leading to one being hired full time.

Additionally, in FY23 members of the BMF team led a thought leadership session on "Brandsplaining, Bias & Blindspots" at Mumbrella360, Australia and New Zealand's largest media and marketing conference, as part of the agency's ongoing commitment to reducing and acting on harmful bias and sexism in the workplace.

BMF was also recognised globally this past year for its pro-bono refugee awareness campaign, "The Reluctant Shanty", for Australians for UNHCR. In FY23, BMF won a coveted Silver and Bronze Cannes Lions for the campaign which gave the 400-year-old genre of

traditional folk songs – sea shanties – a new, powerful, modern relevance, by creating the first sea shanty based on real refugee survivor stories. The campaign was launched on TikTok by the fresh, global face of sea shanty music, UK #1 artist and TikTok megastar, Nathan Evans, on World Refugee Day.

As well as raising much-needed funds and awareness for refugees, the campaign also received numerous awards in addition to the two Cannes Lions, including two Gold SMARTIE Awards for Social Impact Marketing and Social Activism.

Hotwire issued their second annual DEIB Progress Report in late FY23, highlighting the work being done to create a more diverse workforce, advance a culture of inclusion and drive positive, lasting change in the industry.

Among the highlights of this year's report was the launch of Hotwire's Empowered Societies. These eight employee-driven communities aim to reinforce their DEIB mission and goals internally by engaging U.S. team members to steer the agenda and ensure progress is made against the individual goals of each Society.

Another FY23 highlight was the award-winning Hotwire Ignite Possibility Program (HIPP). Hotwire's commitment to provide \$1 million USD globally in pro-bono brand marketing and public relations services to tech and tech-enabled organisations led by or supporting underserved communities. The goal of HIPP is to help ensure organisations who are advancing diversity, equity, and inclusion through leadership and technology innovation, have the support they need to scale and succeed in today's competitive tech sector. In FY23, HIPP ran campaigns throughout the US, UK, Spain, France, Australia and Germany. In the US HIPP was the winner of the PProvoke Innovation SABRE North America "Diversity, Equity & Inclusion Initiative" Award.

ENVIRONMENTAL, SOCIAL, GOVERNANCE

(CONTINUED)

Learning and Development (L&D)

In FY23, we remained committed to developing our leaders and their teams through continued investment in capability and skills.

This past year, Enero saw a remarkable 61% increase in training touchpoints, totaling 2,969 and amounting to over 3,201 hours of learning, with 1,200 hours dedicated to compliance training.

Our ADVANCE Leadership Program played a pivotal role in enhancing inclusive leadership capabilities, equipping 66 leaders from across the Group globally with human-centred skills and the confidence to lead their teams effectively and in line with best practice.

We also prioritised supporting leaders to build self-confidence, extending our investment across the Group through the Leadership Circle executive coaching program. These efforts underscore our commitment to cultivating strong and capable leaders who are dedicated to empowering their teams to be high performing.

Other L&D updates from our network include the new e-learning module at Hotwire called "Beat the Bias" which is now a required learning track for employees at every level. "Beat the Bias" explains how bias works in the brain and addresses how employees can recognise and overcome our biases by making the unconscious conscious.

Read more about FY23 L&D highlights related to health and wellbeing in the following section.

Health and Wellbeing

At Enero, and through our network, we also use our core business expertise to raise visibility for the importance of health and wellness in all facets of society.

Internally, our in-house L&D team implemented several programs focused on resilience, thriving at work and fostering a growth mindset. Notably, this year, we took a significant step by implementing mandatory Mental Health Training across the Group. The training comprehensively covered essential aspects of Mental Wellbeing, including understanding, and preventing psychosocial hazards, creating psychologically safe environments, building confidence in initiating conversations about mental health and providing guidance on how to respond when you observe someone is not coping.

In addition, during FY23, Enero's Global Head of L&D/ Head of People and Culture Australia successfully obtained her Mental Health First Aider accreditation.

Within our Respect at Work change to framework policy, Enero is committed to fostering a safe working environment for all employees. To ensure clarity and confidence in dealing with issues related to bullying, discrimination, and harassment, we mandate that all employees undergo Respect at Work training annually. This training equips them with a comprehensive understanding of relevant legislation and empowers them to create a workplace free from any form of bullying, discrimination or harassment.

One example of leveraging the Group's marketing and communications expertise to grow visibility for mental health globally was the BMF pro-bono campaign for Australians for Mental Health. In FY23, BMF launched the campaign, "Holding out for Help", to raise awareness of the long wait times individuals with mental ill health experience when seeking treatment.



Members of the Orchard team

As part of the campaign, BMF partnered with ARIA Award-winning musician Reuben Styles of Peking Duk, to create a bespoke, first-of-its-kind library of free hold music, with tracks embedded with messages from Styles highlighting the fact that while customers wait on hold, millions suffering from mental ill health are waiting, too. The campaign went on to win media, innovation and not-for-profit awards across the globe.

Community and Industry Impact

At Enero and across our network of businesses, we aim to be an engaged community member in the locations where we work and operate and seek ways to advance social and environmental justice and responsibility in our industry.

In FY23, Enero partnered with the Australian Red Cross and actively championed their lifeblood campaign to promote blood donations across Enero.

Additionally, we hosted Australia's Biggest Morning Tea, an event where people generously donated their time and cooking skills to drive donations, raising awareness and funds for the Cancer Council.

We also take pride in championing and investing in a family-inclusive workplace through our Kid's Club program which continued in FY23. During school holidays, parents can bring their children to work, providing a day of care, whilst the kids are cared for and immersed in organised activities.

At Orchard, the company hosted a 'no guts no glory' event where team members came together to support various causes using their digital creativity as a pro-bono service. In FY23, teams created content prototypes for endometriosis.

At Hotwire, different offices led volunteer initiatives in their local communities through FY23. In the US, the team did a park clean up in Minneapolis, quarterly volunteer days at the Alameda County Food Bank and Meals on Wheels volunteering in New York. In Spain the team cooked meals and raised money for families in need through Manos Ayuda Social, and in the UK, six employees flew to Khayelitsha, South Africa and helped to build two schools with Mellon Educate.

ENVIRONMENTAL, SOCIAL, GOVERNANCE

(CONTINUED)

Governance

The Enero Group is committed to responsible and ethical corporate governance that extends to all areas of ESG. You can read our policies related to Environmental Responsibility, Diversity, Modern Slavery, Workplace Gender Equality and other areas of ESG here: <https://www.enero.com/investor-centre/governance>

This past year, we made strides in our oversight of data security and privacy in a few ways, starting with a Security & Data Privacy Summit held with all Enero Board Members in FY23. In addition, Enero along with Hotwire completed annual training and testing of new security and data protection policies and all Enero holdings completed penetration tests, which included controlled simulations of a cyber attack on our systems, to uncover weaknesses needing to be addressed and protect ourselves against potential cyber threats.

Hotwire also obtained an ISO-27001 certification in FY23. This certification is known as the standard for information security management systems that recognises Hotwire has a system in place to manage risks related to the security of data owned or handled by the company and respects best practices and

principles. Additionally, Hotwire implemented a change management and review board that now meets quarterly to evaluate the company's security management policies.

Also, in FY23, Enero launched the Enero AI Council to develop innovative strategies and processes in artificial intelligence (AI). The Council will serve as a hub for exploring the latest advancements in AI technology to leverage its potential for our clients and to enhance internal processes to increase efficiency, streamline workflows, and optimise decision-making, contributing to a more agile and effective Group. This Council is an important part of our commitment to upholding strong governance practices by ensuring ethical considerations, data privacy and responsible AI usage are embedded into our operations and decision-making processes.

Looking ahead

This past year was a time of significant progress in our ESG journey; however it is just the beginning of our commitment to scale the impact we can make together throughout our business.



BMF's award-winning Reluctant Shanty campaign



FINANCIAL
REPORT
YEAR ENDED
30 JUNE 2023

DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial statements of Eneo Group Limited (the **Company**) and of the Group, being the Company and its controlled entities, for the year ended 30 June 2023; and the independent auditor's report thereon.

Directors

The Directors in office as at the date of this report are:

Name	Role	Independent	Appointed	Length of service (at 30 June 2023)
Ann Sherry	Non-Executive Chair	Yes	1 January 2020	3 years and 6 months
Anouk Darling	Non-Executive Director	Yes	6 February 2017	6 years and 4 months
Ian Rowden	Non-Executive Director	Yes	21 November 2018	4 years and 7 months
David Brain	Non-Executive Director	Yes	10 May 2018	5 years and 1 month
Louise Higgins	Non-Executive Director	Yes	10 September 2021	1 year and 9 months
Brent Scrimshaw	Executive Director	No	1 July 2020	3 years

The biographical details of the current Directors included on pages 10 and 11 set out information about the Directors' qualifications, experience, responsibilities and other directorships.

Company Secretary

Cathy Hoyle is the Group General Counsel and was appointed Company Secretary on 8 March 2021. Cathy is a practising Solicitor in New South Wales Australia, a Graduate of the Australian Institute of Company Directors, and holds several degrees including a Master of Laws from the Australian National University.

Committee Membership

At the date of this report, the Company has an Audit and Risk Committee and a Remuneration and Nomination Committee.

Members of these Committees were:

Audit and Risk Committee	Remuneration and Nomination Committee
Louise Higgins (Chair)	Ian Rowden (Chair)
Anouk Darling	Ann Sherry
David Brain	Anouk Darling

Board Matrix

In determining the composition of the Board, the Remuneration and Nomination Committee ensures that the Board has an optimal size and mix of skills to facilitate efficient and appropriate decision-making. The Board reviewed its board skills matrix during FY2023. The objective of the review was to clearly outline the skillset required at Board level to determine the Company's ongoing strategy.

Skills & Experience		Collective Experience		
		Moderate	Experienced	Expert
Governance	Knowledge and experience in establishing and overseeing governance frameworks, policies, and processes.			
Risk Management	Expertise in identifying, managing, and overseeing material risks, along with the capability to monitor risk and ensure compliance.			
Financial and Capital Management Experience	Expertise in financial accounting and reporting, capital allocation, and debt and equity capital management, including investor relations.			
Industry Experience	Understanding of the market sectors relevant to the Group.			
Leadership	Executive and business leadership experience at a senior level.			
Strategic Vision and Direction	Expertise in the development, establishment, and execution of strategic vision and direction.			
People and Remuneration	Experience in managing people, including incentive arrangements, corporate culture, leadership assessment and workforce and succession planning.			
Technology and Innovation	Expertise in technological strategies, innovation, and prioritising digital technology, data, and analytics.			

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, public relations, communications planning, design, events management, direct marketing 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 2023 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 fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles), are available on the corporate governance section of the Company's website at <http://www.enero.com/investor-centre/governance>.

Operating and Financial Review

Information relating to the operating and financial review of the Company and its strategy is outlined on pages 52 to 57 and forms 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	6	6	–	–	2	2
Brent Scrimshaw	6	6	–	–	–	–
Anouk Darling	5	6	3	4	2	2
Ian Rowden	6	6	–	–	2	2
David Brain	6	6	4	4	–	–
Louise Higgins	6	6	4	4	–	–

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	50,000	Nil
Brent Scrimshaw	474,804	2,558,335
Anouk Darling	34,991	Nil
Ian Rowden	80,000	Nil
David Brain	120,500	Nil
Louise Higgins	12,699	Nil
Total	772,994	2,558,335

Events subsequent to balance date

Transactions or events subsequent to the balance date, were:

- the Directors have declared a final dividend, with respect to ordinary shares, of 4.5 cents per share, fully franked. The final dividend will have a record date of 19 September 2023 and a payment date of 3 October 2023.

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

DIRECTORS' REPORT

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. The Group will also continue to assess acquisition, divestment and capital deployment opportunities as they arise to complement the key operating business brands.

Indemnification and insurance of officers and auditors

Indemnification

The Company has agreed to indemnify the following current Directors of the Company: Ann Sherry, Brent Scrimshaw, Anouk Darling, Ian Rowden, David Brain, Louise Higgins and Company Secretary Cathy Hoyle 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 16 September 2022, the Company issued 820,120 (2022: 1,389,589) 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). The issue price of these shares was \$2.85 and these shares rank equally with existing shareholders.

Share Appreciation Rights

Share Appreciation Rights issued

During the year ended 30 June 2023, a total of 4,425,000 Share Appreciation Rights (30 June 2022: 4,525,000) 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 2023	908,340	\$1.52
30 September 2023	1,508,332	\$3.02
30 September 2023	1,475,000	\$2.85
30 September 2024	1,508,338	\$3.02
30 September 2024	1,475,000	\$2.85
30 September 2025	1,475,000	\$2.85
Total	8,350,010	

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:			
2023 Interim dividend	6.5	6,027	15 March 2023
2022 Final dividend	6.5	6,027	4 October 2022

Subsequent to the balance sheet date, the Directors have declared a final dividend, with respect to ordinary shares, of 4.5 cents per share – fully franked with a payment date of 3 October 2023. The financial effect of this dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2023 but will be recognised in the subsequent financial period.

For further details refer to Note 17 Capital and reserves in this annual 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 consolidated 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 31 Auditor's remuneration of the notes to the consolidated financial statements.

	2023 \$	2022 \$
<i>Services other than statutory audit</i>		
Auditors of the Company		
<i>Taxation compliance services:</i>		
KPMG Australia	–	–
Overseas KPMG firms	144,000	295,000
Total services other than statutory audit	144,000	295,000

Auditor independence

The Lead Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 123, and forms part of the Directors' Report for the year ended 30 June 2023.

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 pages 58 to 66 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, 18 August 2023

DIRECTORS' REPORT

Operating and financial review

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

Strategy and operations of the Group

Enero Group is a global and diversified creative technology company, focused on delivering modern marketing services to businesses around the world. The Group achieves this through an international network of marketing, communications and advertising technology companies with over 750 employees (at the date of this report) in 11 countries.

Enero's vision is to be a leading group of specialist marketing services businesses, famous for our progressive capabilities. We achieve this through deep knowledge and experience in key industries, which delivers growth for our clients, transforming their brands with creative, technology and data solutions. Our industries of focus are Technology, Healthcare and Growth Consumer, all of which are supported by long-term positive macroeconomic growth trends. We differentiate against our competitors through our integrated offering combined with our deep industry specialism, and our agility to capitalise on new developments in our dynamic sector.

Our growth strategy is focused on the continued evolution of the Group's existing portfolio businesses supported by Enero's Centres of Excellence. We continue to invest to add transformational capabilities and geographies such as the acquisitions of ROI DNA and GetIT Communications on 1 July 2022. We also continue to reshape the portfolio through selective divestments, including the sale of The Leading Edge and The Digital Edge in FY22.

The Group is well positioned to continue to invest in growth opportunities in the current economic environment, and to remain resilient to risks that face our business.

- COVID-19 has changed the nature of work, and despite wage inflation pressure and talent shortages across our industry, Enero continues to benefit from our progressive workplace practices. For example, prior to the pandemic, Hotwire built a reputation for 'thoughtful working', which allowed for flexible working arrangements. This enabled Hotwire to proactively recruit high-performing staff during the pandemic, without the need to be located in major metropolitan areas. We continue to evolve our employee value proposition to ensure we can attract and retain the best talent across the Group.
- Economic uncertainty is impacting all industries, and although Enero is not immune to industry-wide pressures, our diversified portfolio provides resiliency and allows us to continue to outperform competitors:
 - OBMedia benefits from the correlation in the movement of advertising rates and the subsequent impact on costs of traffic acquisition – we can benefit from depressed advertising spend. Search advertising rates have also proven more resilient than other advertising channels, allowing us to continue to receive strong rates from our search engine partners.
 - In Technology, we primarily work with the world's leading B2B Technology clients who are less volatile in their allocation of marketing spend versus B2C Technology clients.
 - Healthcare is typically more resilient to macroeconomic volatility.
 - In Growth Consumer, we have exposure to Discount Retail (which is taking share in the current environment) and Government which also remains resilient and driven by major events (e.g., referendum advertising)

Enero Group remains optimistic about the growth potential of our business across all regions. We are also responding rapidly to changes in our business, reducing cost to match revenues and maintain margins. We remain responsive to changing macroeconomic conditions, and our long-term perspective will ensure that we capitalise on opportunities to evolve and transform the Group as conditions improve.

Enero Group considers the following to be the most relevant risks to the business achieving its strategic, operational and financial targets:

Potential risk	Risk description	Group's mitigating actions
Evolving needs of clients	Changing requirements of clients' marketing needs may render our services redundant or unsuitable.	Enero Group continues to invest in the evolution of our capabilities, both through internal investment as well as strategic acquisitions. The Enero Board and management team monitor the evolution of the markets in which we operate, dynamically adjusting the Group's strategy as required. We also work to limit customer concentration, such that the loss of any single customer would not significantly impact the Group's financial performance.

Potential risk	Risk description	Group's mitigating actions
Uncertain economic conditions	Global macroeconomic conditions may impact demand for marketing services and therefore reduce the Group's revenue performance.	Enero Group is a diversified portfolio of businesses, both geographically and in terms of the types of marketing services offered. This helps us to remain resilient to economic volatility. The Group also owns businesses that have relatively low fixed costs, allowing us to manage the cost base of the business in accordance with our revenue performance. We are constantly monitoring and managing our business to key internal cost ratios to ensure we can deliver strong shareholder returns even in the face of volatile market conditions. We also continue to develop capabilities that differentiate us versus our competitors, ensuring we are preferred suppliers, and enabling us to augment and enhance client teams that may have been impacted by cost reduction initiatives. Certain businesses in the Group, such as OBMedia, may also have countercyclical elements, where decreasing revenues may be mitigated by decreasing costs of sales.
Supply chain	Suppliers no longer provide critical services/products to the Group, for commercial, financial (bankruptcy etc.) or geopolitical reasons.	Enero has a diversified portfolio of supplier relationships with different contract maturity dates to mitigate the impact of losing individual suppliers. Most of our suppliers are service providers with commoditised offerings, which ensures we are minimally exposed to market price fluctuations and can find new suppliers with relative ease. We can source suppliers globally (particularly in the pandemic era of virtual working), limiting our geopolitical risk. Our global scale makes us a valuable customer for our suppliers, which also mitigates commercial risk to these relationships. We regularly review our supplier relationships to identify risks and ensure they remain commercially attractive relationships. OBMedia's supply chain includes a diversified group of publishers, agencies, social media platforms, ad networks, media buyers and other traffic sources. We use processes and technology to assess traffic quality from these sources. We proactively manage our publisher traffic and relationships to ensure quality traffic is sourced.
Employee attraction and retention	The Group finds it difficult to attract and/or retain key talent. As a talent-based business, a significant loss of key talent over a short period could impact the Group's financial performance.	As a talent-based business, Enero believes employee attraction and retention is a key source of competitive differentiation. As such, we actively invest in talent and culture, both through Enero's global People and Culture Centre of Excellence, as well as within the individual businesses of the Group. We empower each business in the Group to develop a unique culture that suits the talent market they operate in, ensuring each business is best situated to achieve its People and Culture strategy and goals. Enero invests heavily in in-house and external recruitment capabilities, a global Learning and Development platform, progressive and dynamic workplace practices and a strong focus on Diversity, Equity and Inclusion initiatives that are tailored to each market we operate in. We conduct short-term and long-term succession and organisational planning for key roles. We also regularly measure the satisfaction of the Group's employees and seek feedback on areas of improvement. The Nomination and Remuneration Committee of the Board works closely with the CEO and Chief People and Culture Officer on the development and execution of the Group's People and Culture strategy.

DIRECTORS' REPORT

Potential risk	Risk description	Group's mitigating actions
Business continuity	The Group may be exposed to a range of different risks that may adversely affect the day-to-day operations of the business.	Enero regularly reviews potential business continuity risks such as Work, Health and Safety risks (WHS), IT and Cybersecurity risks, and Regulatory and Governance risks. We have developed plans to mitigate and minimise the impact of all of these risks, as well as others. The Audit and Risk Committee of the Board periodically reviews the Group's Business Continuity, Disaster Recovery and Crisis Management plans.
Acquisition success	Acquisitions may not deliver expected value to shareholders, either through commercial underperformance, integration difficulty or operational issues.	As a portfolio business, Enero has extensive experience acquiring and integrating new businesses into the Group. We conduct extensive due diligence to minimise commercial and operational risk, as well as developing integration plans prior to closing M&A transactions, to ensure we capitalise on the benefits of our acquisitions. Where appropriate, we may appoint dedicated project managers to assist with integration efforts. Enero reports on the performance of acquired businesses and integration progress to the Board. We support our acquired businesses on an ongoing basis through the Enero Centres of Excellence, enabling them to continually enhance their business and deliver results for clients.
Regulatory risk	The Group may be exposed to certain regulatory risks where policy or legal developments impact our success.	Enero Group operates in a relatively low regulation industry (marketing services), noting that we do not own or sell media assets (at the time of this report). We regularly monitor for regulatory changes in our operating markets, and we engage with relevant regulators and industry bodies as necessary.
Governance processes	Insufficient governance and oversight of the Group's systems and processes could create an environment where we act or perform in a way that does not meet shareholder expectations.	As a publicly listed company, Enero Group has dedicated resources that regularly review our systems and processes to ensure we operate at the standard expected by shareholders. We regularly conduct compliance training for employees to ensure adherence to Group policies.
Legal risk	The Group may be subjected to a lawsuit that impacts business operations or financial performance.	Enero Group has experienced and dedicated internal Legal resources to ensure that all our businesses are operating within the correct legal framework for their respective jurisdictions. The Group's Legal Centre of Excellence provides both leadership and support in legal issues, including dispute management, contracting, employment matters and M&A.
IT and Cybersecurity risk	The Group may be subject to cybersecurity breaches, or may not operate in the way required by certain IT regulations or business practices, leading to financial, data or business continuity impacts.	Enero regularly reviews data and privacy regulations to ensure our systems and processes are up to date with best practice. We invest in modern cloud infrastructure and backup systems to deliver consistently high levels of service. Enero's IT Centre of Excellence operates as a central resource for the Group to provide thought leadership, support and ensure best-practice operations. The Group regularly conducts cybersecurity risk assessments and training, and tracks progress against outstanding issues until they are mitigated.

Financial performance for the year

The Group achieved Net Revenue of \$241.6 million, an increase of 24.9% (2022: \$193.4 million) compared to the prior reporting period. Net Revenue growth benefited from a full year contribution of acquired businesses ROI DNA and GetIT and strong growth in OBMedia. The Group continues to have a high proportion of client revenue exposure to its priority verticals of Technology, Healthcare and Growth Consumer sectors with an increased exposure to Technology due to the acquisitions. Net Revenue on a constant currency basis was up 20.7% compared with the prior year.

The Group achieved EBITDA² of \$78.8 million, an increase of 19.1% (2022: \$66.2 million) compared to the prior reporting period. The EBITDA² margin decreased from 34.2% in 2022 to 32.6% in 2023. This decrease in the EBITDA² margin was driven by:

- lower EBITDA margins in the Group's agency businesses (Hotwire Group, BMF, Orchard and CPR) due to weak macroeconomic conditions with cost savings implemented during the year improving margins in Q4;
- partly offset by an increase in revenue and EBITDA² in the Group's programmatic media platform business, OBMedia, which connects publishers with the world's largest search engines. The business functions as a platform and therefore has achieved a higher margin than other businesses in the Group;
- while staff costs rose 26.8% in the current year, the staff cost ratio increased marginally from 57.8% in 2022 to 58.6% in 2023 with increase in headcount due to acquisitions offset by reductions due to restructures; and
- operating costs have increased due to the ROI DNA and GetIT acquisitions and growth in OBMedia.

The net profit after tax before significant items was \$24.4 million, compared to \$27.1 million in the prior year, impacted by growth in non-controlling interest and higher amortisation and interest expense associated with acquisitions.

The statutory net profit after tax to equity owners was \$56.5 million, compared to a net profit of \$25.4 million in the prior year. In the current year, the Group incurred a fair value gain of \$34.6 million relating to revaluation of future contingent consideration partially offset by restructuring costs of \$3.1 million and incidental acquisition costs of \$0.2 million (2022: the Group incurred incidental acquisition costs of \$1.3 million and recognised a fair value loss of \$1.0 million relating to revaluation of future contingent consideration, which were partially offset by a gain of \$0.6 million recognised on sale of TLE).

In the current year, the operating businesses generated approximately 74% of their Net Revenue and 87% of their EBITDA² from international markets.

A summary of the Group's results is below:

In thousands of AUD	2023	2022
Net Revenue ¹	241,643	193,426
EBITDA ²	78,841	66,196
Depreciation and amortisation	(10,069)	(6,940)
EBIT	68,772	59,256
Net finance costs	(1,582)	(9)
Present value interest charge	(2,543)	(961)
Profit before tax	64,647	58,286
Income tax expense	(15,243)	(14,340)
Profit after tax	49,404	43,946
Non-controlling interests	(25,002)	(16,834)
Net profit after tax before significant items	24,402	27,112
Significant items (net of tax) ³	32,072	(1,725)
Net profit after tax attributable to equity owners	56,474	25,387

Cents per share

Earnings per share (basic) – pre significant items	26.4	30.9
Earnings per share (basic)	61.1	28.9

- ¹ Gross revenue recognised in accordance with AASB 15 less directly attributable cost of sales.
² EBITDA, as defined in the basis of preparation section on page 56.
³ Significant items are explained on page 56.

Reconciliation of EBITDA² to statutory profit after tax

In thousands of AUD	2023	2022
Net Revenue ¹	241,643	193,426
EBITDA ²	78,841	66,196
Depreciation of right-of-use assets	(4,253)	(3,996)
Depreciation of plant and equipment	(2,077)	(1,722)
Amortisation of intangibles	(3,739)	(1,222)
Net finance costs	(1,582)	(9)
Present value interest charge	(2,543)	(961)
Gain on sale of controlled entities ³	–	600
Incidental acquisition costs ³	(216)	(1,324)
Restructuring costs ³	(3,135)	-
Contingent consideration fair value gain/(loss) ³	34,648	(1,001)
Statutory profit before tax	95,944	56,561
Income tax expense	(14,468)	(14,340)
Statutory profit after tax	81,476	42,221

- ¹ Gross revenue recognised in accordance with AASB 15 less directly attributable cost of sales.
² EBITDA, as defined in the basis of preparation section on page 56.
³ Significant items are explained on page 56.

DIRECTORS' REPORT

Significant items 2023

- The Group recognised a contingent consideration fair value gain of \$34,648,000 relating to a change in the best estimate of future contingent consideration payable to the vendors of McDonald Butler Associates, ROI DNA and GetIT.
- The Group incurred \$3,135,000 of restructuring costs relating to a restructuring process to mitigate costs across the Group. The majority of the costs related to redundancy costs in the agencies across the group, which continued to further integrate its communication and marketing services businesses into a single account management team.
- The Group incurred incidental costs of \$216,000 relating to acquisition of ROI DNA Inc. and GetIT Pte Ltd.

2022

- On 6 May 2022, the Group entered into a sale agreement to sell the business assets of its strategic data consultancy businesses, The Leading Edge (TLE) and The Digital Edge (TDE), for consideration of \$1,350,000. The Group recognised an accounting gain on sale of \$600,000 in the consolidated income statement for the year ended 30 June 2022.
- The Group recognised a contingent consideration fair value loss of \$1,001,000 relating to a change in the best estimate of future contingent consideration payable to the vendors of McDonald Butler Associates.
- The Group incurred incidental costs of \$1,324,000 relating to acquisition of ROI DNA Inc. and GetIT Pte Ltd.

Geographical performance

In thousands of AUD	2023	2022
Net Revenue¹		
Australia and Asia	64,462	68,776
UK and Europe	31,265	36,622
USA	145,916	88,028
Total Operating units	241,643	193,426

EBITDA²

Australia and Asia	11,856	15,893
UK and Europe	4,145	9,108
USA	74,505	52,287
Total Operating units	90,506	77,288
Support office	(9,164)	(9,190)
Share-based payments charge	(2,501)	(1,902)
Total Group	78,841	66,196

EBITDA² margin

Australia and Asia	18.4%	23.1%
UK and Europe	13.3%	24.9%
USA	51.1%	59.4%
Total Operating units	37.5%	40.0%
Total Group	32.6%	34.2%

¹ Gross revenue recognised in accordance with AASB 15 less directly attributable cost of sales.

² EBITDA, as defined in the basis of preparation section on page 56.

Acquisitions

2023

The Group completed the acquisition of ROI DNA Inc. and GetIT Pte Ltd on 1 July 2022. Refer to Note 22 Acquisitions for details.

2022

No acquisitions were completed in the prior year.

Disposals

2023

There were no disposals by the Group for the year ended 30 June 2023.

2022

On 6 May 2022, the Group entered into a sale agreement to sell the business assets of its strategic data consultancy businesses, The Leading Edge (TLE) and The Digital Edge (TDE), for consideration of \$1,350,000. The Group recognised an accounting gain on sale of \$600,000 in the consolidated income statement for the year ended 30 June 2022. Refer to Note 23 Disposals for details.

Basis of preparation

The Directors' Report includes Net Revenue and EBITDA, which are measures used by the Directors and management in assessing the ongoing performance of the Group. Net Revenue is a non-IFRS measure and is equal to statutory Gross Profit. EBITDA is a non-IFRS measure and has not been audited or reviewed.

Following management review, the Group has moved to EBITDA for internal management purposes from Operating EBITDA (EBITDA including right-of-use assets depreciation) as the preferred measure of Group and segment performance and to simplify reporting to the market.

EBITDA is calculated as profit before interest, taxes, depreciation, amortisation, and any significant items. EBITDA is reconciled in the table on page 55.

Cash and Debt

In thousands of AUD	2023	2022
Cash and cash equivalents	52,432	98,742
Interest bearing liabilities	(8,735)	(36,275)
Contingent consideration liabilities	(30,740)	(10,113)
Net cash¹	12,957	52,354

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

The Group had \$13.0 million in net cash as at 30 June 2023.

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 \$61.5 million (2022: \$48.8 million). The increase in inflows is primarily attributable to EBITDA growth. The Group converted 102% of EBITDA to cash for the year ended 30 June 2023 (2022: 96%).

Cash flow – Investing activities

Cash outflows from investing activities was \$35.7 million (2022: \$11.1 million). The increase in outflows was primarily due to acquisitions completed during the current year.

Cash flow – Financing activities

Net cash outflows from financing activities was \$73.9 million, primarily due to \$28.9 million in loans repayments and dividend paid. During the current year, \$12.1 million (2022: \$9.2 million) in dividends were paid to Enero Group Limited shareholders in addition to \$26.3 million (2022: \$13.0 million) in dividends paid to minority shareholders of controlled entities.

Contingent consideration liabilities

The Company entered into contingent consideration arrangements in relation to its acquisition of McDonald Butler Associates, ROI DNA and GetIT.

As at 30 June 2023, the Company's estimated contingent consideration liability is \$30.7 million (2022: \$10.1 million).

Reconciliation of carrying amounts of contingent consideration payable:

In thousands of AUD	
30 June 2022	10,113
Contingency recognised on business combinations	53,467
Payments made	(2,671)
Fair value gain recognised in relation to McDonald Butler Associates, ROI DNA and GetIT	(34,648)
Present value interest unwind and foreign exchange movements	4,479
30 June 2023	30,740
Maturity profile (at present value):	
FY2024	4,315
FY2025	9,992
FY2026	16,433
Total	30,740

Refer to Note 22 Acquisitions for further information.

DIRECTORS' REPORT

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 2023. 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	Non-Executive Director (Chair)
Anouk Darling	Non-Executive Director
Ian Rowden	Non-Executive Director
David Brain	Non-Executive Director
Louise Higgins	Non-Executive Director
Executives	
Brent Scrimshaw	Chief Executive Officer
Carla Webb-Sear	Chief Financial Officer
Fiona Chilcott	Chief People and Culture Officer

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;
- 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.

During the year ended 30 June 2023, the Committee engaged Ernst & Young as a remuneration consultant for the provision of a CEO remuneration benchmarking report of global advertising organisations. A fee of \$16,480 was paid to Ernst & Young for this advice.

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 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.

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.

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 is an annual maximum short-term incentive payment of 125% of the fixed remuneration determined by the achievement of EBITDA hurdles and Earnings Per Share pre significant items (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 KPIs for the individual. Where the STI opportunity exceeds 80%, a portion of the STI award may be deferred up to 25% in the form of restricted ordinary shares. Any restricted shares will be held in trust for a period determined by the Board at the time of issue.
Company Executive	The STI is an annual cash-based maximum short-term incentive payment of 70% of the fixed remuneration determined by the achievement of EBITDA hurdles and Earnings Per Share pre significant items (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 KPIs for the individual.

The STIs are paid in cash following the end of the financial year and approval from the Remuneration and Nomination Committee. The Company 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.

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 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 EBITDA margin improvements.

DIRECTORS' REPORT

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).

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, with SAR vesting in equal tranches of 1/3 each year over the performance period.
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: <ul style="list-style-type: none"> – 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. <p>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.</p> <p>The number of shares to be granted will equal the number of SARs awarded multiplied by the above conversion formula.</p> <p>Rights expire at 15 business days after the relevant vesting date or the termination of the individual's employment.</p>
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	21 October 2020	21 October 2021	21 October 2022
SARs issued	3,900,000	4,525,000	4,425,000
Participants	Senior Executives	Senior Executives	Senior Executives
VWAP for the 20 business days prior to the grant (B)	\$1.52	\$3.02	\$2.85
Vesting dates:			
20 business days after the release of the Group financial report for the year ended:			
Tranche 1 (1/3)	30 June 2021	30 June 2022	30 June 2023
Tranche 2 (1/3)	30 June 2022	30 June 2023	30 June 2024
Tranche 3 (1/3)	30 June 2023	30 June 2024	30 June 2025
Last expiry date	30 September 2023	30 September 2024	30 September 2025
Outstanding SARs as at 30 June 2023	908,340	3,016,670	4,425,000

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	30 June 2026	6 months	6 months	6 months base salary	6 months base salary
Chief Financial Officer	Rolling	6 months	6 months	6 months base salary	6 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.

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 2023. Total remuneration paid to Non-Executive Directors for the year ending 30 June 2023 amounted to \$552,500 (30 June 2022: \$450,577), which is 73.7% (30 June 2022: 60.1%) of the annual aggregate cap.

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 2023 and 30 June 2022:

	2023 \$	2022 \$
Base fees – annual		
Chair	150,000	120,000
Other Non-Executive Directors	100,000	75,000
Committee fees – annual		
Audit and Risk Committee – Chair	20,000	10,000
Remuneration and Nomination Committee – Chair	20,000	10,000

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

DIRECTORS' REPORT

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			Total	Proportion of total remuneration performance related ^(M)
		Salary and fees	Cash STI ⁽ⁱ⁾	Annual leave ⁽ⁱⁱ⁾	Superannuation	Long service leave ⁽ⁱⁱ⁾	Termination benefit	Appreciation Rights (LTI) ⁽ⁱⁱⁱ⁾		
		\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors										
Ann Sherry	2023	142,500	–	–	–	–	–	–	142,500	–
	2022	120,833	–	–	–	–	–	–	120,833	–
Anouk Darling	2023	93,750	–	–	–	–	–	–	93,750	–
	2022	78,523	–	–	644	–	–	–	79,167	–
Ian Rowden	2023	111,250	–	–	–	–	–	–	111,250	–
	2022	84,167	–	–	–	–	–	–	84,167	–
David Brain	2023	93,750	–	–	–	–	–	–	93,750	–
	2022	75,000	–	–	–	–	–	–	75,000	–
Louise Higgins	2023	111,250	–	–	–	–	–	–	111,250	–
	2022	66,410	–	–	–	–	–	–	66,410	–
Susan McIntosh ^(vi)	2022	22,727	–	–	2,273	–	–	–	25,000	–
Executive Director										
Brent Scrimshaw	2023	823,408	424,350	5,931	25,292	4,648	–	719,365	2,002,994	57.10
Director and CEO	2022	800,432	576,800	42,667	23,568	2,513	–	560,419	2,006,399	56.68
Executives										
Carla Webb-Sear	2023	424,209	189,000	(11,464)	25,292	2,133	–	323,377	952,547	53.79
Chief Financial Officer	2022	396,432	294,000	12,325	23,568	947	–	205,028	932,300	53.53
Fiona Chilcott	2023	386,494	172,950	2,120	25,292	7,319	–	283,355	877,530	52.00
Chief People and Culture Officer	2022	374,500	278,648	18,804	23,568	4,350	–	219,438	919,308	54.18

- (i) The short-term incentive bonus is for performance during the 30 June 2023 and 30 June 2022 financial year using the criteria set out on page 59. The table above includes the expense incurred during the financial year for the bonuses awarded. Refer to the table on page 63 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 the vesting date.
- (iv) Percentages are based on total remuneration, including equity, cash, post-employment benefits and other compensation.
- (v) Executives receive salary continuance insurance cover. There are no other benefits offered by the Company.
- (vi) Susan McIntosh retired as a Non-Executive Director effective 21 October 2021.

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 59.

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.

Short-term incentive bonus ⁽ⁱ⁾	Maximum STI \$	Actual STI included in remuneration \$ ⁽ⁱⁱ⁾	Actual STI as % of maximum STI	STI forfeited as % of maximum STI	Actual STI as a % of fixed remuneration ⁽ⁱⁱⁱ⁾	% vested in year
Company Executives						
Brent Scrimshaw	594,090	424,350	70%	–	50%	100%
Carla Webb-Sear	315,000	189,000	60%	–	42%	100%
Fiona Chilcott	288,250	172,950	60%	–	42%	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.

Annual performance for Company Executives is assessed against the following measures in determining the percentage of fixed remuneration payable as STI:

Measure	Weighting	Target	Outcome	Outcome as % of target
Financial				
EBITDA	48%	\$77.0 million	\$78.8 million	102%
EPS Growth	32%	10%	(15%)	(150%)
Non-financial				
Strategy and Culture	20%	Delivery of measure	Met	–

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 2023	Number of rights granted during 2023	Grant date	Fair value per right at grant date \$	VWAP (for the 20 business days prior to the grant) \$	Expiry date ⁽ⁱ⁾
Company Executives						
Brent Scrimshaw	SAR	1,275,000	21 Oct 2022	0.41 – 0.68	2.85	30 Sept 2025
Carla Webb-Sear	SAR	624,999	21 Oct 2022	0.41 – 0.68	2.85	30 Sept 2025
Fiona Chilcott	SAR	525,000	21 Oct 2022	0.41 – 0.68	2.85	30 Sept 2025

- (i) The expiry 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.

DIRECTORS' REPORT

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	% forfeited in year	% exercised in year	% remaining to vest	Vesting date ⁽ⁱ⁾
Company Executives								
Brent Scrimshaw	1,250,000	SAR	21 Oct 2020	33	–	33	33	30 Sep 2022 and 30 Sep 2023
	1,300,000	SAR	21 Oct 2021	33	–	33	66	30 Sep 2022, 30 Sep 2023 and 30 Sep 2024
	1,275,000	SAR	21 Oct 2022	–	–	–	100	30 Sep 2023, 30 Sep 2024 and 30 Sep 2025
Carla Webb-Sear	650,000	SAR	21 Oct 2021	33	–	33	66	30 Sep 2022, 30 Sep 2023 and 30 Sep 2024
	624,999	SAR	21 Oct 2022	–	–	–	100	30 Sep 2023, 30 Sep 2024 and 30 Sep 2025
Fiona Chilcott	350,000	SAR	24 Oct 2019	33	–	33	–	30 Sep 2022
	100,000	SAR	21 Oct 2020	33	–	33	33	30 Sep 2022 and 30 Sep 2023
	550,000	SAR	21 Oct 2021	33	–	33	66	30 Sep 2022, 30 Sep 2023 and 30 Sep 2024
	525,000	SAR	21 Oct 2022	–	–	–	100	30 Sep 2023, 30 Sep 2024 and 30 Sep 2025

(i) The expiry 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:

Director	Granted held at 1 Jul 2022	Granted as remuneration in year	Expired	Cancelled	Exercised	Granted held at 30 Jun 2023	Vested during the year	Vested and exercisable at 30 Jun 2023	Value of rights granted during the year \$	Value of rights exercised during the year \$
Director										
Brent Scrimshaw	2,133,334	1,275,000	–	–	(849,999)	2,558,335	849,999	–	706,138	440,110
Executives										
Carla Webb-Sear	650,000	624,999	–	–	(216,666)	1,058,333	216,666	–	346,145	139,013
Fiona Chilcott	733,333	525,000	–	–	(333,332)	925,001	333,332	–	290,763	183,909

No share-based payments held by KMP are vested but not exercisable at 30 June 2023.

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 2022	Purchases	Issued as remuneration	Received on exercise of rights	Sales	Held at 30 June 2023
Directors						
Ann Sherry	18,750	31,250	–	–	–	50,000
Brent Scrimshaw	216,877	–	–	257,927	–	474,804
Anouk Darling	19,607	15,384	–	–	–	34,991
Ian Rowden	75,000	5,000	–	–	–	80,000
David Brain	75,000	45,500	–	–	–	120,500
Louise Higgins	–	12,699	–	–	–	12,699
Executives						
Carla Webb-Sear	–	–	–	17,175	–	17,175
Fiona Chilcott	208,506	–	–	73,322	(281,828)	–

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 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Metric					
Net Revenue (\$'000)	241,643	193,426	160,634	135,825	129,535
EBITDA ¹ (\$'000)	78,841	66,196	49,904	29,230	20,722
EBITDA ¹ margin (%)	32.6%	34.2%	31.1%	21.5%	16.0%
Net profit/(loss) to equity holders (\$'000)	56,474	25,387	(402)	10,707	5,661
Net profit to equity holders pre significant items (\$'000)	24,402	27,112	22,835	12,881	12,051
Earnings Per Share pre significant items (cps)	20.3	30.9	26.4	15.0	14.2
Earnings Per Share pre significant items growth (%)	(15%)	17%	76%	6%	53%
Earnings Per Share basic (cps)	61.1	28.9	(0.5)	12.5	6.7
Total Dividends Per Share (cps)	11.0	12.5	14.9	6.0	5.5
Opening share price (1 July) (\$)	2.90	2.56	1.36	1.49	1.06
Closing share price (30 June) (\$)	1.46	2.90	2.51	1.40	1.42

¹ EBITDA, as defined in the basis of preparation section on page 56.

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 (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 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.

DIRECTORS' REPORT

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 financial year. The Remuneration and Nomination Committee believes the current year achievement of:

- Net Revenue and EBITDA increases;
- strategic repositioning of Hotwire through additional capabilities of revenue generating services;
- expanded Eneo footprint into Asia Pacific;
- synergies between agencies; and
- strategic investments in programmatic media capabilities to fuel growth,

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 2023

In thousands of AUD	Note	2023	2022
Gross revenue	3	740,207	522,124
Directly attributable costs of sales		(498,564)	(328,698)
Gross profit		241,643	193,426
Other income		106	259
Employee expenses		(141,647)	(111,716)
Occupancy costs		(1,568)	(1,424)
Travel expenses		(2,013)	(1,565)
Communication expenses		(2,364)	(1,732)
Compliance expenses		(3,348)	(2,032)
Depreciation and amortisation expenses		(10,069)	(6,940)
Administration expenses		(11,968)	(9,020)
Gain on disposal of controlled entities	23	-	600
Incidental acquisition costs	22	(216)	(1,324)
Contingent consideration fair value gain/(loss)	13	34,648	(1,001)
Finance income		307	20
Finance costs	4	(4,432)	(990)
Restructuring costs		(3,135)	-
Profit before income tax		95,944	56,561
Income tax expense	5	(14,468)	(14,340)
Profit for the year		81,476	42,221
Attributable to:			
Equity holders of the parent		56,474	25,387
Non-controlling interests		25,002	16,834
		81,476	42,221
Basic earnings per share (AUD cents)	18	61.1	28.9
Diluted earnings per share (AUD cents)	18	60.7	28.2

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

In thousands of AUD	Note	2023	2022
Profit for the year		81,476	42,221
Other comprehensive income			
Total items that will not be reclassified subsequently to profit or loss		–	–
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		7,610	1,231
Total items that may be reclassified subsequently to profit or loss		7,610	1,231
Other comprehensive income for the year, net of tax		7,610	1,231
Total comprehensive income for the year		89,086	43,452
Attributable to:			
Equity holders of the parent		63,792	26,077
Non-controlling interests		25,294	17,375
		89,086	43,452

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

In thousands of AUD	Note	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
		Share capital	Retained profits/ (Accumulated losses)	Profit appropriation reserve	Share-based payment reserve	Reserve change in ownership interest in subsidiary	Foreign currency translation reserve				
Opening balance at 1 July 2021		100,456	(16,555)	36,847	10,592	–	(3,018)	128,322	3,761	132,083	
Profit for the year		–	25,387	–	–	–	–	25,387	16,834	42,221	
Other comprehensive income for the year, net of tax		–	–	–	–	–	690	690	541	1,231	
Total comprehensive income for the year		–	25,387	–	–	–	690	26,077	17,375	43,452	
Transactions with owners recorded directly in equity:											
Shares issued to employees on exercise of Share Appreciation Rights	17	4,405	–	–	(4,405)	–	–	–	–	–	
Dividends paid to equity holders	17	–	–	(9,157)	–	–	–	(9,157)	(12,954)	(22,111)	
Share-based payment expense		–	–	–	1,902	–	–	1,902	–	1,902	
Closing balance at 30 June 2022		104,861	8,832	27,690	8,089	–	(2,328)	147,144	8,182	155,326	
Opening balance at 1 July 2022		104,861	8,832	27,690	8,089	–	(2,328)	147,144	8,182	155,326	
Profit for the year		–	56,474	–	–	–	–	56,474	25,002	81,476	
Other comprehensive income for the year, net of tax		–	–	–	–	–	7,318	7,318	292	7,610	
Total comprehensive income for the year		–	56,474	–	–	–	7,318	63,792	25,294	89,086	
Transactions with owners recorded directly in equity:											
Shares issued to vendors of ROI DNA and GetIT	17	10,857	–	–	–	–	–	10,857	–	10,857	
Shares issued to employees on exercise of Share Appreciation Rights	17	2,690	–	–	(2,690)	–	–	–	–	–	
Share buy-back	17	(593)	–	–	–	–	–	(593)	–	(593)	
Dividends paid to equity holders	17	–	–	(12,054)	–	–	–	(12,054)	(26,303)	(38,357)	
Share-based payment expense		–	–	–	2,501	–	–	2,501	–	2,501	
Closing balance at 30 June 2023		117,815	65,306	15,636	7,900	–	4,990	211,647	7,173	218,820	

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

In thousands of AUD	Note	2023	2022
Assets			
Cash and cash equivalents	6	52,432	98,742
Trade and other receivables	7	74,801	63,995
Other assets	8	7,744	6,112
Income tax receivable	5	3,298	222
Total current assets		138,275	169,071
Deferred tax assets	5	1,582	2,020
Plant and equipment	9	2,567	3,200
Right-of-use assets	10	12,980	5,950
Other assets	8	169	162
Intangible assets	11	227,683	114,664
Total non-current assets		244,981	125,996
Total assets		383,256	295,067
Liabilities			
Trade and other payables	12	98,316	76,496
Contingent consideration payable	13	4,316	2,711
Lease liabilities	14	4,264	5,841
Employee benefits	15	5,857	5,679
Income tax payable	5	161	1,798
Total current liabilities		112,914	92,525
Contingent consideration payable	13	26,424	7,402
Lease liabilities	14	9,878	2,756
Employee benefits	15	1,027	783
Deferred tax liabilities	5	5,458	-
Interest bearing liabilities	16	8,735	36,275
Total non-current liabilities		51,522	47,216
Total liabilities		164,436	139,741
Net assets		218,820	155,326
Equity			
Share capital	17	117,815	104,861
Other reserves		12,890	5,761
Profit appropriation reserve		15,636	27,690
Retained earnings		65,306	8,832
Total equity attributable to equity holders of the parent		211,647	147,144
Non-controlling interests		7,173	8,182
Total equity		218,820	155,326

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

In thousands of AUD	Note	2023	2022
Cash flows from operating activities			
Cash receipts from customers		744,505	524,510
Cash paid to suppliers and employees		(663,778)	(460,748)
Cash generated from operations		80,727	63,762
Interest received		307	20
Income taxes paid		(17,704)	(14,933)
Interest paid		(1,850)	(29)
Net cash from operating activities	6	61,480	48,820
Cash flows from investing activities			
Proceeds from sale of plant and equipment		11	6
Acquisition of plant and equipment	9	(1,087)	(1,148)
Acquisition of a business, net of cash acquired	22	(32,000)	-
Sale of controlled entities, net of cash disposed	23	-	1,018
Contingent consideration paid	13	(2,671)	(11,000)
Net cash used in investing activities		(35,747)	(11,124)
Cash flows from financing activities			
Payment of lease liabilities	14	(6,053)	(5,732)
Proceeds received from bank loans		-	36,275
Bank loan repayment		(28,915)	-
Dividends paid to equity holders of the parent	17	(12,054)	(9,157)
Dividends paid to non-controlling interests in controlled entities		(26,303)	(12,954)
Payments for share buy-back	17	(593)	-
Net cash (used in)/from financing activities		(73,918)	8,432
Net (decrease)/ increase in cash and cash equivalents		(48,185)	46,128
Effect of exchange rate fluctuations on cash held		1,875	1,896
Cash and cash equivalents at 1 July		98,742	50,718
Cash and cash equivalents at 30 June	6	52,432	98,742

The notes on pages 72 to 113 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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1. Basis of preparation

In preparing these consolidated 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 2023 comprise the Company and its subsidiaries (together referred to as the 'Group').

The consolidated financial statements for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the Directors on 18 August 2023.

(b) Statement of compliance

The consolidated financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) and interpretations (IFRICs) 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 2023.

(iii) Use of estimates and judgements

The preparation of consolidated 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:

- 5. Income tax expense and deferred tax
- 13. Contingent consideration payable
- 20. Impairment of non-financial assets
- 22. Acquisitions

(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:

- 19. Financial instruments (Contingent consideration payable)
- 22. Acquisitions
- 30. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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 consolidated 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 consolidated 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 consolidated 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

The accounting policies provided throughout Notes 1 to 31 of this report have been applied consistently to all periods presented in the consolidated financial statements.

(g) 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 2023 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 consolidated financial statements

The notes include information which is required to understand the consolidated 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 consolidated 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 consolidated 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 services which are similar in nature and outputs, operate in similar economic environments and have a comparable customer mix. The Group's service offering includes integrated marketing and communication services, including strategy, market research and insights, advertising, public relations, communications planning, design, events management, direct marketing, and programmatic media.

The Group's portfolio is separated into the following two segments to assess its performance, make decisions on resource allocation and report both to the CODM and to the Board:

- Brand Transformation:** human generated creative ideas to transform the way customers and stakeholders connect and engage with brands. This includes public relations and

communications consultancy CPR and Hotwire (including recently acquired strategic B2B sales and marketing agencies ROI DNA and GetIT) and creative agency BMF.

- Creative Technology and Data:** high quality customer experience connected by technology and enabled by data. This includes digital agency Orchard and advertising technology platform OBMedia.

The measure of reporting to the Enero Executive team is on an EBITDA basis (defined below), which excludes significant 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:

EBITDA is calculated as profit before interest, taxes, depreciation, amortisation and any significant items.

2023 In thousands of AUD	Brand Transformation	Creative Technology and Data	Total segments	Unallocated	Eliminations	Consolidated
Gross revenue	176,795	563,412	740,207	–	–	740,207
Directly attributable costs of sales	(48,606)	(449,958)	(498,564)	–	–	(498,564)
Gross profit	128,189	113,454	241,643	–	–	241,643
Other income	106	–	106	–	–	106
Operating expenses	(106,226)	(45,017)	(151,243)	(11,665)	–	(162,908)
EBITDA	22,069	68,437	90,506	(11,665)	–	78,841
Depreciation of right-of-use assets	–	–	–	–	–	(4,253)
Depreciation of plant and equipment and amortisation of intangibles	–	–	–	–	–	(5,816)
Contingent consideration fair value gain	34,648	–	34,648	–	–	34,648
Restructuring costs	–	–	–	–	–	(3,135)
Incidental acquisition costs	–	–	–	–	–	(216)
Net finance costs	–	–	–	–	–	(4,125)
Profit before income tax	–	–	–	–	–	95,944
Income tax expense	–	–	–	–	–	(14,468)
Profit for the year	–	–	–	–	–	81,476
Goodwill	189,371	15,921	205,292	–	–	205,292
Other intangibles	22,391	–	22,391	–	–	22,391
Assets excluding intangibles	71,743	71,909	143,652	30,860	(18,939)	155,573
Total assets	283,505	87,830	371,335	30,860	(18,939)	383,256
Liabilities	63,014	60,154	123,168	60,207	(18,939)	164,436
Total liabilities	63,014	60,154	123,168	60,207	(18,939)	164,436
Amortisation of intangibles	3,739	–	3,739	–	–	3,739
Depreciation	4,934	1,013	5,947	383	–	6,330
Capital expenditure	786	211	997	90	–	1,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

2. Operating segments (continued)

2022 In thousands of AUD	Brand Transformation	Creative Technology and Data	Total segments	Unallocated	Eliminations	Consolidated
Gross revenue	142,476	380,046	522,522	–	(398)	522,124
Directly attributable costs of sales	(35,756)	(293,340)	(329,096)	–	398	(328,698)
Gross profit	106,720	86,706	193,426	–	–	193,426
Other income	186	73	259	–	–	259
Operating expenses	(79,141)	(37,256)	(116,397)	(11,092)	–	(127,489)
EBITDA	27,765	49,523	77,288	(11,092)	–	66,196
Depreciation of right-of-use assets						(3,996)
Depreciation of plant and equipment and amortisation of intangibles						(2,944)
Contingent consideration fair value loss	(1,001)	–	(1,001)	–	–	(1,001)
Gain on disposal of business	–	600	600	–	–	600
Incidental acquisition costs						(1,324)
Net finance costs						(970)
Profit before income tax						56,561
Income tax expense						(14,340)
Profit for the year						42,221
Goodwill	96,315	15,921	112,236	–	–	112,236
Other intangibles	2,428	–	2,428	–	–	2,428
Assets excluding intangibles	54,100	64,734	118,834	76,366	(14,797)	180,403
Total assets	152,843	80,655	233,498	76,366	(14,797)	295,067
Liabilities	51,895	40,320	92,215	62,323	(14,797)	139,741
Total liabilities	51,895	40,320	92,215	62,323	(14,797)	139,741
Amortisation of intangibles	857	365	1,222	–	–	1,222
Depreciation	4,373	1,077	5,450	268	–	5,718
Capital expenditure	825	220	1,045	103	–	1,148

Geographical segments

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

Geographical information

In thousands of AUD	Australia and Asia	UK and Europe	USA	Support Office ⁽ⁱ⁾	Unallocated intangibles ⁽ⁱⁱ⁾	Total
2023						
Gross profit ⁽ⁱⁱⁱ⁾	64,462	31,265	145,916	–	–	241,643
EBITDA	11,856	4,145	74,505	(11,665)	–	78,841
EBITDA margin	18.4%	13.3%	51.1%	–	–	32.6%
Non-current assets	10,127	6,366	805	–	227,683	244,981
2022						
Gross profit ⁽ⁱⁱⁱ⁾	68,776	36,622	88,028	–	–	193,426
EBITDA	15,893	9,108	52,287	(11,092)	–	66,196
EBITDA margin	23.1%	24.9%	59.4%	–	–	34.2%
Non-current assets	6,519	3,028	1,785	–	114,664	125,996

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

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

(iii) Gross profit represents Net Revenue, which is gross revenue less directly attributable costs of sales.

2. Operating segments (continued)

Major Customer

Revenue from 2 customers (2022: 1 customer) represents more than 10% of Group's total revenue, with a breakdown by segment provided below:

Percentage of Group's total revenue	2023	2022
Brand Transformation	–	–
Creative Technology and Data	37.2	21.7
	37.2	21.7

Accounting policy

The Group determines and presents operating segments based on the information that is provided internally to the Eneo 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 Eneo 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. Revenue

Nature of our services

The Group provides marketing and communication services to a broad range of customers across three key geographic locations – Australia, UK & Europe, 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 provides a comprehensive range of services across its continuing businesses, with its advertising technology platform and digital advertising and marketing services capabilities delivered through the Creative Data and Technology segment and technology communications consultancy, brand transformation consultancy, and public affairs and communications consultancy delivered through the Brand Transformation segment. With the divestment of the TLE and TDE businesses disclosed in Note 23, the Group no longer provides strategic data consultancy and online research and data delivery services.

The duration of the Group's time or project-based customer contracts is typically from one up to five months, with stand-ready ("retainer") contracts typically lasting up to one year and which may be cancelled with notice periods in accordance with respective contracts. In substantially all cases, the Group is the principal in the arrangements with its customers. In some customer arrangements, we act as an agent and arrange, at the customer's direction, for third parties to perform certain services.

In thousands of AUD	2023	2022
Gross revenue from the rendering of services	740,207	522,124
Directly attributable costs of sales	(498,564)	(328,698)
Gross profit	241,643	193,426

Disaggregation of revenue

Consulting revenue (excluding revenue from advertising technology platform) by type of contract	2023	2022
Fixed Fee retainers	47%	50%
Variable retainers (% of total digital advertising spend)	11%	0%
Project based retainers (can be fixed fee or time and cost recovery)	42%	50%
Total	100%	100%

Revenue by timing of performance obligations	2023	2022
Point in time	72%	66%
Recognised over time	28%	44%
Total	100%	100%

Revenue is disaggregated by service type across reportable segments in Note 2.

Revenue is further disaggregated by primary geographical markets in the following table, which reconciles to the revenue of the Group's segments (see Note 2).

In thousands of AUD	2023	2022
Australia and Asia	102,941	94,405
UK and Europe	43,867	46,235
USA	593,399	381,484
Total reportable segments	740,207	522,124

Contract balances

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

In thousands of AUD	Note	2023	2022
Trade receivables	7	72,423	64,196
Contract assets – Work in progress	8	3,506	3,293
Contract liabilities – Unearned revenue	12	(20,222)	(17,440)
		55,707	50,049

3. Revenue (continued)

Contract assets:

The contract assets relate to the Group's work in progress for accrued fees 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. There were no significant impairment losses to contract assets recorded in either the current or prior year.

Contract liabilities:

The contract liabilities relate to the Group's unearned revenue for consideration received from advance billings to customers prior to the satisfaction of performance obligations in accordance with the terms of the customer contracts.

Given the short-term nature of customer contracts in the Group, it is expected that both contract assets will be recovered and contract liabilities will be settled within 12 months from reporting date. Revenue recognised in the current year that was included in the contract liability balance as at 30 June 2022 amounted to \$17,440,000. Revenue recognised in the current year from performance obligations satisfied (or partially satisfied) as at prior year end was not material.

Accounting policy

Revenue is recognised when a customer obtains control of promised goods or services (the performance obligation) in an amount that reflects the consideration we expect to receive in exchange for those goods or services (the transaction price). We measure revenue by estimating the transaction price based on the consideration specified in the customer arrangement. Revenue is recognised as the performance obligations are satisfied. Our customer contracts are primarily fees for service on either a project or a rate per hour basis. Revenue is recorded net of sales, use and value added taxes.

Performance obligations

In substantially all our service categories, the performance obligation is to provide advisory and consulting services at an agreed-upon level of effort to accomplish the specified engagement. Our customer contracts are comprised of diverse arrangements involving fees based on an agreed fee or rate per hour for the level of effort expended by our employees and reimbursement for third-party costs that we are required to include in revenue when we control the vendor services related to these costs and we act as principal.

The transaction price of a contract is allocated to each distinct performance obligation based on its relative stand-alone selling price and is recognised as revenue when, or as, the customer receives the benefit of the performance obligation. Customers typically receive and consume the benefit of our services as they are performed. Substantially all our customer contracts provide that we are compensated for services performed to date and allow for cancellation by either party on short notice, typically 1 to 3 months, without penalty.

Generally, our short-term contracts, which normally take 1 to 3 months to complete, are performed by a single agency and consist of a single performance obligation. As a result, we do not consider the underlying services as separate or distinct performance obligations because our services are highly interrelated, occur in close proximity, and the integration of the various components of a marketing message is essential to overall service. In certain of our long-term customer contracts, which have a term of up to one year, the performance obligation is a stand-ready obligation, because we provide a constant level of similar services over the term of the contract.

Revenue recognition methods

A substantial portion of our revenue is recognised over time, as the services are performed, because the customer receives and consumes the benefit of our performance throughout the contract period, or we create an asset with no alternative use and are contractually entitled to payment for our performance to date in the event the customer terminates the contract for convenience. For these customer contracts, other than when we have a stand-ready obligation to perform services, revenue is recognised over time using input measures that correspond to the level of staff effort expended to satisfy the performance obligation on a rate per hour or equivalent basis or output measures that correspond to the stage of completion of the deliverables. For customer contracts when we have a stand-ready obligation to perform services on an ongoing basis over the life of the contract, typically for periods up to one year, where the scope of these arrangements is broad and there are no significant gaps in performing the services, we recognise revenue using a time-based measure resulting in a straight-line revenue recognition. From time to time, there may be changes in the customer service requirements during the term of a contract and the changes could be significant. These changes are typically negotiated as new contracts covering the additional requirements and the associated costs, as well as additional fees for the incremental work to be performed. As a result, the Group's customer arrangements do not typically include variable consideration provisions and therefore, variable consideration amounts do not need to be estimated when determining the transaction price for its contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

3. Revenue (continued)

Principal vs agent

The Group incurs a number of third party out-of-pocket costs on behalf of customers, including direct costs and incidental, or out-of-pocket costs. Third-party direct costs incurred in connection with the creation and delivery of advertising or marketing communication services include, among others: purchased media, studio production services, specialised talent, including artists and other freelance labour, event marketing supplies, materials and services, promotional items, market research and third-party data and other related expenditures. Out-of-pocket costs include, among others: transportation, hotel, meals and telecommunication charges incurred by us in the course of providing our services.

Billings related to out-of-pocket costs are included in revenue since we control the goods or services prior to delivery to the customer. However, the inclusion of billings related to third-party direct costs in revenue depends on whether we act as a principal or as an agent in the customer contract.

In substantially all of our customer arrangements, we act as principal when contracting for third-party services on behalf of our customers because we control the specified goods or services before they are transferred to the customer and we are responsible for providing the specified goods or services, or we are responsible for directing and integrating third-party vendors to fulfill our performance obligation at the agreed upon contractual price. In such arrangements, we also take pricing risk under the terms of the customer contract. When we act as principal, we include billable amounts related to third-party costs in the transaction price and record revenue over time at the gross amount billed, including out-of-pocket costs, consistent with the manner that we recognise revenue for the underlying services contract.

When we act as an agent and arrange, at the customer's direction, for third parties to perform certain services, we do not control the goods or services prior to the transfer to the customer. As a result, revenue is recorded net of these costs, equal to the amount retained for our fee or commission.

4. Finance costs

In thousands of AUD	2023	2022
Interest and finance costs	1,889	29
Contingent consideration present value interest	2,311	441
Lease present value interest	232	520
Finance costs	4,432	990

Foreign exchange loss of \$199,000 (2022: gain of \$376,000) 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

Finance costs are recognised in the consolidated 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 consolidated 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 consolidated 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 consolidated income statement

In thousands of AUD	2023	2022
Current tax expense		
Current year	14,821	14,370
Adjustments for prior years	(194)	(66)
	14,627	14,304
Deferred tax expense		
Origination and reversal of temporary differences	(159)	36
	(159)	36
Income tax expense in the consolidated income statement	14,468	14,340
Numerical reconciliation between tax expense and pre-tax accounting profit		
Profit for the year	81,476	42,221
Income tax expense	14,468	14,340
Profit before income tax	95,944	56,561
Income tax expense using the Company's domestic tax rate of 30% (2022: 30%)	28,783	16,968
Increase/(decrease) in income tax expense due to:		
Share-based payment expense	–	571
Unwind of present value interest	682	132
Contingent consideration fair value (gain)/loss	(10,399)	300
Incidental acquisition costs	65	397
Gain on disposal of controlled entities	–	(180)
Effect of lower tax rate on overseas incomes	(4,161)	(3,607)
Over provision for tax in previous years	(194)	(66)
Other non-assessable items	(308)	(175)
Income tax expense on pre-tax net profit	14,468	14,340

Current taxes

The Group has a net current tax receivable of \$3,137,000 (tax receivable \$3,298,000 and tax payable \$161,000) at 30 June 2023 (2022: net current tax payable \$1,576,000).

Deferred taxes

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

In thousands of AUD	2023	2022
Deferred tax assets		
Tax losses carried forward	3,653	3,653
Employee benefits	1,643	1,613
Accruals and income in advance	279	1,076
Leases	154	695
Plant and equipment	42	10
Others	519	66
Gross deferred tax assets before set-off	6,290	7,113
Set-off	(4,708)	(5,093)
Net deferred tax assets	1,582	2,020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

5. Income tax expense and deferred tax (continued)

In thousands of AUD	2023	2022
Deferred tax liabilities		
Fair value gain	(3,653)	(3,653)
Identifiable intangibles	(5,767)	(729)
Plant and equipment	(41)	(171)
Work in progress	(705)	(469)
Others	–	(71)
Gross deferred tax liabilities before set-off	(10,166)	(5,093)
Set-off	4,708	5,093
Net deferred tax liability	(5,458)	–

Movement in deferred tax balances

The movement in deferred tax balances during the year was all recognised in the consolidated 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	2023	2022
Revenue losses	2,745	3,152
Capital losses	235,324	235,324
Gross tax losses carried forward	238,069	238,476

These tax losses do not have an expiry date.

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 consolidated 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 judgements

The Group operates in multiple overseas jurisdictions and from time to time is subject to tax reviews, audits and investigations. The Group currently is not subject to any significant reviews, audits or investigations by a tax authority and there are no significant uncertain tax positions in any of the jurisdictions in which the Group operates.

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	2023	2022
Cash at bank and on hand	51,667	96,618
Bank short-term deposits	765	2,124
Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows	52,432	98,742

Included within cash and cash equivalents are funds held by ROI DNA in relation to the media advertising spend paid in advance by customers according to the contractual terms which amounted to \$6,500,000. As such, this balance is restrictive in use.

For 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 \$683,000 for indemnity guarantee facilities (see Note 16 Interest bearing liabilities). 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 consolidated statement 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 Consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

In thousands of AUD	2023	2022
Cash assets	52,432	98,742
(ii) Reconciliation of profit after income tax to net cash provided by operating activities		
Profit after income tax	81,476	42,221
Add/(less) non-cash items:		
Gain on disposal of controlled entities	–	(600)
Loss on sale of plant and equipment	16	8
Share-based payments expense	2,501	1,902
Depreciation of plant and equipment	2,077	1,722
Depreciation of right-of-use assets	4,253	3,996
Amortisation of identifiable intangibles	3,739	1,222
Contingent consideration fair value (gain)/loss	(34,648)	1,001
Contingent consideration present value interest	2,311	441
Lease present value interest	232	520
Accrued interest and fees on bank loan	37	–
Decrease in income taxes payable (net)	(3,285)	(579)
(Increase)/decrease in deferred tax (net)	(172)	18
Net cash provided by operating activities before changes in assets and liabilities	58,537	51,872
Changes in assets and liabilities:		
Increase in trade and other receivables	(4,661)	(17,275)
Increase in work in progress	(213)	(535)
Increase in prepayments	(948)	(692)
Decrease in other assets	233	24
Increase in payables and accruals	14,177	13,040
(Decrease)/Increase in unearned income	(5,122)	1,030
(Decrease)/Increase in employee benefits	(523)	1,356
Net cash from operating activities	61,480	48,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

7. Trade and other receivables

In thousands of AUD	Note	2023	2022
Current			
Trade receivables		72,423	64,196
Less: provision for impairment loss	19	(617)	(225)
		71,806	63,971
Other receivables		2,995	24
Total trade and other receivables		74,801	63,995

No interest is charged on trade receivables. 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	2023	2022
Current		
Work in progress	3,506	3,293
Prepayments	3,760	2,812
Other current assets	478	7
	7,744	6,112
Non-current		
Deposits	169	162
	169	162

9. Plant and equipment

In thousands of AUD	Computer equipment	Office furniture and equipment	Plant and equipment	Leasehold improvements	Total
2023					
Cost	5,243	2,136	174	4,672	12,225
Accumulated depreciation	(3,691)	(1,713)	(174)	(4,080)	(9,658)
Net carrying amount	1,552	423	–	592	2,567
Reconciliations of the carrying amounts of each class of plant and equipment:					
Carrying amount at the beginning of the year	1,575	266	7	1,352	3,200
Additions	690	301	–	96	1,087
Acquired through business combinations (Note 22)	259	4	–	17	280
Depreciation	(1,038)	(163)	(1)	(875)	(2,077)
Effect of movements in exchange rates	66	17	–	21	104
Disposals	–	(2)	(6)	(19)	(27)
Carrying amount at the end of the year	1,552	423	–	592	2,567
2022					
Cost	4,528	2,055	228	6,302	13,113
Accumulated depreciation	(2,953)	(1,789)	(221)	(4,950)	(9,913)
Net carrying amount	1,575	266	7	1,352	3,200
Reconciliations of the carrying amounts of each class of plant and equipment:					
Carrying amount at the beginning of the year	1,254	445	9	2,088	3,796
Additions	1,041	52	–	55	1,148
Transfers	33	(33)	–	–	–
Disposal of controlled businesses (Note 23)	(17)	–	–	–	(17)
Depreciation	(736)	(201)	(3)	(782)	(1,722)
Effect of movements in exchange rates	8	3	1	(4)	8
Disposals	(8)	–	–	(5)	(13)
Carrying amount at the end of the year	1,575	266	7	1,352	3,200

Accounting policy

(i) Recognition and measurement

Plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Note 20 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 consolidated 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 consolidated income statement.

(iii) Depreciation

Depreciation is charged to the consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

10. Right-of-use assets

In thousands of AUD	2023	2022
Property leases		
Cost	24,196	17,300
Accumulated depreciation	(11,216)	(11,350)
Net carrying amount	12,980	5,950
Reconciliations of the carrying amounts of right-of-use assets:		
Carrying amount at the beginning of the year	5,950	7,979
Additions	5,129	–
Acquisition through business combinations (Note 22)	239	–
Re-measurement of lease liabilities	5,536	1,945
Depreciation	(4,253)	(3,996)
Effect of movements in exchange rates	379	22
Carrying amount at the end of the year	12,980	5,950

During the current year, the Group recognised \$61,000 (2022: \$91,000) occupancy costs in the consolidated income statement in relation short-term leases that have a lease term of 12 months or less.

Accounting policy

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 20 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 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 a 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 consolidated 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	Website	Total
2023				
Cost	206,246	30,011	1,519	237,776
Accumulated amortisation	(954)	(9,094)	(45)	(10,093)
Net carrying amount	205,292	20,917	1,474	227,683
Reconciliations of the carrying amounts of intangibles:				
Carrying amount at the beginning of the year	112,236	2,428	–	114,664
Acquired through business combinations	88,297	22,183	1,519	111,999
Amortisation	–	(3,694)	(45)	(3,739)
Effect of movements in exchange rates	4,759	–	–	4,759
Carrying amount at the end of the year	205,292	20,917	1,474	227,683
2022				
Cost	112,236	7,759	–	119,995
Accumulated amortisation	–	(5,331)	–	(5,331)
Net carrying amount	112,236	2,428	–	114,664
Reconciliations of the carrying amounts of intangibles:				
Carrying amount at the beginning of the year	114,506	3,650	–	118,156
Disposal of controlled entities	(856)	–	–	(856)
Amortisation	–	(1,222)	–	(1,222)
Effect of movements in exchange rates	(1,414)	–	–	(1,414)
Carrying amount at the end of the year	112,236	2,428	–	114,664

Amortisation charge

The amortisation charge of \$3,739,000 (2022: \$1,222,000) is recognised in the depreciation and amortisation expense in the consolidated income statement.

Goodwill CGU group allocation

In thousands of AUD	2023	2022
Cash Generating Unit (CGU):		
Brand Transformation	101,074	96,315
Creative Technology and Data	15,921	15,921
ROI DNA	80,603	–
GetIT	7,694	–
Net carrying amount	205,292	112,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

11. Intangible assets (continued)

Accounting policy

(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) 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.

(iii) 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 to six-year period.

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

(iv) Impairment

Refer to Note 20 Impairment of non-financial assets for further details on impairment.

12. Trade and other payables

In thousands of AUD	2023	2022
Current		
Trade payables	53,633	41,026
Other payables and accrued expenses	24,461	18,030
Unearned revenue	20,222	17,440
	98,316	76,496

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	2023	2022
Current		
Contingent consideration payable	4,316	2,711
Non-current		
Contingent consideration payable	26,424	7,402
Total	30,740	10,113

Reconciliations of the carrying amounts of contingent consideration payable:

Carrying amount at the beginning of the year	10,113	20,126
Recognised in business combinations (Note 22)	53,467	–
Re-assessment of contingent consideration	(34,648)	1,001
Unwind of present value interest	2,311	441
Effect of movements in exchange rates	2,168	(455)
Contingent consideration paid	(2,671)	(11,000)
Carrying amount at the end of the year	30,740	10,113

During the current year, the Group recognised a contingent consideration fair value gain of \$34,648,000 (2022: loss of \$1,001,000) relating to a change in the best estimate of future contingent consideration payable to the vendors of McDonald Butler Associates, ROI DNA and GetIT.

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 consolidated income statement as the discount unwinds. Any change in estimate of contingent consideration payable is recognised in the consolidated income statement as a fair value gain or loss during the period when the estimate is revised.

Key estimates

There is uncertainty around the actual payments that will be made as the payments are subject to the performance of McDonald Butler Associates (MBA), ROI DNA and GetIT subsequent to the reporting date. Factors which could vary the amount of contingent consideration payable due include a net revenue, EBITDA and EBIT threshold for future payments, the basis of the average net revenue over the contingent consideration period and 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.

Level 3 fair values

Refer to Note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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	2023	2022
Current		
Lease liabilities	4,264	5,841
Non-current		
Lease liabilities	9,878	2,756
Total	14,142	8,597

Reconciliations of the carrying amounts of lease liabilities:

Carrying amount at the beginning of the year	8,597	11,851
Additions	5,139	–
Acquired controlled entities	239	–
Re-measurement of lease liabilities	5,535	1,945
Repayments	(6,053)	(5,732)
Present value interest relating to lease liabilities	232	520
Effect of movements in exchange rates	453	13
Carrying amount at the end of the period	14,142	8,597

Accounting policy

Refer to Note 10.

15. Employee benefits

In thousands of AUD	2023	2022
Aggregate liability for employee benefits, including on-costs		
Current		
Annual leave	4,677	4,442
Long service leave	1,180	1,237
	5,857	5,679
Non-current		
Long service leave	1,027	783

The Group has recognised \$2,532,000 (2022: \$2,315,000) as an expense in the consolidated 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 consolidated 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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

16. Interest bearing liabilities

In thousands of AUD	2023	2022
Non-current		
Unsecured bank loan	8,735	36,275

Financing arrangements

The Group has access to the following lines of credit:

In thousands of AUD	2023 Available	2023 Utilised	2022 Available	2022 Utilised
Bank loan (cash advance)	50,000	8,735	50,000	36,275
Indemnity guarantee	3,351	2,031	3,618	2,103
Credit card	1,345	306	1,575	321
	54,696	11,072	55,193	38,699

The Group was in compliance with all covenants as at 30 June 2023.

All finance facilities are negotiated by the Company on behalf of the Group. The carrying amount of amounts drawn on facilities as at the reporting date equates to face value.

Cash advance facility

The cash advance facility is an unsecured revolving multi-currency general-purpose facility with Westpac Banking Corporation (Westpac). The bank loan matures in June 2025 at a commercial interest rate. In the case of funds drawn in AUD, the interest rate is Bank Bill Swap rate (BBSY) plus margin. In the case of funds drawn in USD, the interest rate is Secured Overnight Funding Rate (SOFR) plus a credit adjustment spread.

Indemnity guarantee facility

The indemnity guarantee facility is in place to support financial guarantees for property rental and other obligations. The indemnity guarantees issued by banks other than Westpac are secured by cash deposits held by the issuing bank. The Group has pledged short-term deposits amounting to \$683,000 for indemnity guarantee facilities at 30 June 2023.

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.

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.

Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

17. Capital and reserves

In thousands of AUD	2023	2022
Share capital		
Ordinary shares, fully paid	117,815	104,861

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

Movement in ordinary shares

	2023 Shares	2023 In thousands of AUD	2022 Shares	2022 In thousands of AUD
Balance at beginning of year	88,045,107	104,861	86,655,518	100,456
Shares issued to the employees of the Group on exercise of Share Appreciation Rights ⁽ⁱ⁾	820,120	2,690	1,389,589	4,405
Shares issued to vendors of ROI DNA and GetIT ⁽ⁱⁱ⁾	3,855,147	10,857	-	-
Share buy-back	(386,059)	(593)	-	-
Balance at end of year	92,334,315	117,815	88,045,107	104,861

(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 \$3.28 (2022: \$3.17).

(ii) Share capital recognised on shares issued to vendors of ROI DNA and GetIT.

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.

Share buy-back

When the Company re-acquires its own ordinary shares as the result of a share buy-back, those shares are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the consolidated income statement and the consideration paid including any directly attributable incremental costs is recognised directly in equity.

On 4 April 2023, the Company announced an on-market buy-back of shares with a maximum number of ordinary Eneo shares to be acquired of 8,804,510 which commenced on 1 May 2023. From 1 May 2023 to 30 June 2023 the Company purchased and cancelled 386,059 ordinary shares at a total cost of \$592,931 including brokerage costs at an average of \$1.54 excluding brokering costs.

Profit appropriation reserve

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

Foreign currency 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 share capital on exercise of options, rights and equity plans.

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 2023			
Fully franked final dividend – 2022	6.5	6,027	4 October 2022
Fully franked interim dividend – 2023	6.5	6,027	15 March 2023
Subsequent to the balance sheet date, at the date of this report			
Fully franked final dividend – 2023	4.5	4,149	3 October 2023
During the year ended 30 June 2022			
Fully franked final dividend – 2021	4.4	3,874	6 October 2021
Fully franked interim dividend – 2022	6.0	5,283	16 March 2022

Dividend franking account

In thousands of AUD	2023	2022
Franking credits available for future years at 30% to shareholders of Eneo Group Limited	5,273	9,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

17. Capital and reserves (continued)

The above amounts represent the balance of the franking account at the 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	2023	2022
Profit for the year	81,476	42,221
Non-controlling interests	(25,002)	(16,834)
Profit/(loss) for the year attributable to equity holders of the parent	56,474	25,387

Weighted average number of ordinary shares

In thousands of shares	2023	2022
Weighted average number of ordinary shares – basic	92,485	87,756
Shares issuable under equity-based compensation plans	619	2,257
Weighted average number of ordinary shares – diluted	93,104	90,013

Earnings per share

In AUD cents	2023	2022
Basic	61.1	28.9
Diluted	60.7	28.2

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 2023, the Group entered into transactions with approximately 470 unique customers. The 10 largest customers accounted for 56% of Net Revenue for the year ended 30 June 2023, with no one customer accounting for more than 20% 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 consolidated statement of financial position.

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

In thousands of AUD	Note	Carrying amount	
		2023	2022
Cash and cash equivalents	6	52,432	98,742
Trade and other receivables	7	74,801	63,995
Work in progress	8	3,506	3,293
Deposits	8	169	162
		130,908	166,192

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

In thousands of AUD	Note	Carrying amount	
		2023	2022
Trade receivables	7	71,806	63,971

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	2023	2022
Balance at 1 July	225	232
Impairment loss recognised in the consolidated income statement	255	19
Provision raised during year	137	–
Provision used during year	–	(26)
Balance at 30 June	617	225

	2023	2022
Average credit loss for year ⁽ⁱ⁾	–	–
Credit loss provision at balance date ⁽ⁱⁱ⁾	0.9%	0.4%

(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.

The average credit loss was assessed at 30 June 2023 and the Group continues to provide for 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	2023	2022
Not past due	63,872	61,318
Past due and less than 90 days	7,042	2,430
Past due and more than 90 days	892	223
Past due, more than 90 days and impaired	617	225
Gross trade receivables	72,423	64,196
Less: Impairment ⁽ⁱ⁾	(617)	(225)
Net trade receivables	71,806	63,971

(i) Impairment includes trade receivables specifically impaired of \$427,000 (2022: \$35,000) plus expected credit losses of \$190,000 (2022: \$190,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. Financial risk management/financial instruments (continued)

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 businesses generated approximately 74% of their Net Revenue and 87% of their EBITDA from international markets. 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 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 as the relevant transaction. Additionally, as at 30 June 2023, the Group held USD denominated banks loans of 8,735,000 (USD 5,800,000 (2022: 36,275,000 (USD 25,000,000))) which were drawn in order to fund the acquisition of ROI DNA Inc., a USA based agency. In future financial reporting periods, the Group intends to hedge its exposure to changes in the value of its net investment in its US foreign operations through these borrowings as they are denominated in the same currency as the foreign operation's functional currency.

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 (refer to Note 16); and re-estimating the value of contingent consideration liabilities semi-annually.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

2023 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	14,142	15,385	4,827	10,528	30
Trade and other payables (excluding unearned revenue)	78,094	78,094	78,094	–	–
Contingent consideration payable	30,740	30,349	4,516	25,833	–
Interest bearing liabilities	8,735	9,149	547	8,602	–
	131,711	132,977	87,984	44,963	30

2022 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	8,597	9,045	5,899	2,985	161
Trade and other payables (excluding unearned revenue)	59,056	59,056	59,056	–	–
Contingent consideration payable	10,113	10,575	2,732	7,843	–
Interest bearing liabilities ¹	36,275	40,060	1,262	38,798	–
	114,041	118,736	68,949	49,626	161

¹ Interest in respect of interest-bearing liabilities was not significant as at 30 June 2022 given the close proximity of entering into the financing arrangement relative to balance date.

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 payable for further details.

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

19. Financial risk management/financial instruments (continued)

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's borrowings which have a variable interest rate attached give rise to cash flow interest rate risk, as do the Group's lease liabilities. Whilst there is no formal policy in place mandating hedging levels, the Group may hedge the interest rate risk by taking out floating to fixed rate swaps on drawn debt. Such interest rate swaps have the economic effect of converting borrowings from variable rates to fixed rates.

The following considerations are made to material interest rate transactions to ensure that the Group:

- is afforded some protection from significant increases in interest rates, thereby adding some degree of certainty to the financial budgeting process; and
- maintains sufficient interest rate flexibility to participate in normal yield curve environments without unduly paying up for term interest rate hedges; repay debt without significant swap (fixed rate) break costs; and undertake interest rate maturity extension trades as appropriate.

As at 30 June 2023, the Group has not entered into any interest rate swaps to convert the borrowings from variable rate to fixed rates. Accordingly, the Group's interest-bearing liabilities of \$8,735,000 at 30 June 2023 (30 June 2022: \$36,275,000) are variable rate financial instruments.

Cash flow sensitivity analysis for variable-rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting dates would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rate, remain constant.

2023 In thousands of AUD	Profit or Loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Interest-bearing liabilities	313	(313)	313	(313)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. Financial risk management/financial instruments (continued)

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 payable as described in Note 13 Contingent consideration payable.

Fair values

Fair values versus carrying amounts

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

Consolidated In thousands of AUD	Note	2023		2022	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash at bank and on hand	6	51,667	51,667	96,618	96,618
Bank short-term deposits	6	765	765	2,124	2,124
Trade receivables	7	71,806	71,806	63,971	63,971
Trade and other payables (excluding unearned revenue)	12	(78,094)	(78,094)	(59,056)	(59,056)
Contingent consideration payable	13	(30,740)	(30,740)	(10,113)	(10,113)
Lease liabilities	14	(14,142)	(14,142)	(8,597)	(8,597)
Interest bearing liabilities	16	(8,735)	(8,735)	(36,275)	(36,275)

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 consolidated statement of financial position, as well as the significant unobservable inputs used. There is uncertainty around the actual payments that will be made as the payments are subject to the performance of McDonald Butler Associates (MBA), ROI DNA and GetIT subsequent to the reporting date. Factors which could vary the amount of contingent consideration payable due include a net revenue, EBITDA and EBIT threshold for future payments, the basis of the average net revenue over the contingent consideration period and purchase price cap. Actual future payments may differ from the estimated liability.

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 capped payments (payable over 3 years), discounted using a risk-adjusted discount rate. The expected payment is determined by considering forecast performance indicators, the amount to be paid under each scenario and the probability of each scenario.	<ul style="list-style-type: none"> – Forecast performance indicator. – Risk-adjusted discount rate: 4.28% - 5.52% 	<ul style="list-style-type: none"> – The estimated fair value would increase (decrease) if: – the forecast performance indicators are higher (lower); or – the risk-adjusted discount rates were lower (higher).

19. Financial risk management/financial instruments (continued)

Reconciliation of Level 3 fair values

Refer to Note 13 Contingent consideration payable for a reconciliation of the opening and closing carrying amounts of contingent consideration payable.

Sensitivity analysis

Reasonably possible changes after 30 June 2023 to one of the significant unobservable inputs, holding other inputs constant, would have the following effects on the fair values of contingent consideration:

In thousands of AUD	Increase	Decrease
Movement of 5% in forecast performance indicator	1,957	(1,863)
Movement of 7.5% in forecast performance indicator	2,935	(2,730)
Movement of 0.5% in risk-adjusted discount rate	(513)	522

Other items

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, interest bearing liabilities 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 the Group's incremental borrowing rate on 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 consolidated 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) 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 consolidated 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

19. Financial risk management/financial instruments (continued)

Non-derivative financial liabilities (continued)

The Group has the following non-derivative financial liabilities: lease liabilities, 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 consolidated income statement as the discount unwinds. Any change in estimate of contingent consideration payable is recognised in the consolidated income statement as a fair value gain or loss during the period when the estimate is revised.

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 consolidated 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 consolidated 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. 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 consolidated income statement whenever the carrying amount of those assets exceeds the recoverable amount.

Impairment tests for cash-generating units (CGUs) goodwill

For 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 continues to be based upon the interdependency of the cash inflows generated from the service offering and synergies obtained by the business unit. ROI DNA and GetIT were acquired on 1 July 2022. Goodwill arising from the acquisition of these new businesses is required to be tested independently of other goodwill amounts as this represents the lowest level at which the performance of the respective businesses is monitored due to the terms of the earn-out agreements.

The recoverable amount of the CGUs 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 CGUs 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 projected cash flows, the discount rates 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 next financial year's Board approved budgets. This reflects the best estimate of the CGU's future cash flows at the reporting date. Projected cash flows can differ from future actual cash flows and results of operations.

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

Projected cash flows for the first forecast year reflect the growth each CGU is expected to achieve over the current year's actual Net Revenue and EBITDA results. Projected cash flows for year two onwards have then been built off Net Revenue and EBITDA growth for each CGU.

Long-term growth rate into perpetuity

Long-term growth rate is used into perpetuity, based on the expected long-range growth rate for the industry.

Impairment testing key assumptions:

CGU Groups 2023	Brand Transformation	Creative Technology and Data	ROI DNA	GetIT
Post-tax discount rate %	10.5 – 11.8	11.0	10.5	10.2
Growth rate (CAGR) %	12.0	14.9	34.4	46.2
Long-term perpetuity growth rate %	2.5	2.5	2.5	2.5

CGU Groups 2022	Brand Transformation	Creative Technology and Data
Post-tax discount rate %	9.1 – 10.5	10.5
Growth rate (CAGR) %	4.9	8.0
Long-term perpetuity growth rate %	2.5	2.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

20. Impairment of non-financial assets (continued)

Sensitivity range for impairment testing assumptions

Whilst it is management's view that the assumptions used for growth rates over the forecast period and the long-term and discount rates are reasonable, a sensitivity analysis was performed for each CGU taking into consideration the possible impacts of adverse economic conditions over the forecast period. Specifically, the impact that severe and sustained inflation in key geographies, supply chain issues affecting the distribution of customers' products, or a disruption in the credit markets may have on the key assumptions used in determining each CGU's recoverable amount, being:

- lower projected cash inflows as result of reductions, deferrals or cancellations by customers in terms of their spending on advertising, marketing and corporate communications projects;
- increased operating costs, including those to attract and retain the talent needed to grow revenues at forecast levels; or
- higher discount rates.

The results of this sensitivity analysis were such that any reasonably possible change in these key assumptions upon which each CGU's recoverable amounts were based would not cause any of the CGU's carrying amount to exceed its recoverable amount with the exception of the GetIT CGU. The estimated recoverable amount of the GetIT CGU exceeded its carrying amount by approximately \$63,000. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount as shown below:

GetIT CGU	Change required for carrying amount to equal recoverable amount
Discount rate	0.5%
Budgeted EBITDA growth rate	(0.4%)

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').

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.

21. Controlled entities

Particulars in relation to controlled entities:

Name	2023 %	2022 %	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 (Trustee of The BMF Unit Trust)	100	100	Australia
The BMF Unit Trust	100	100	Australia
Hotwire Integrated Communications Pty Limited (Dormant)	100	100	Australia
Naked Communications Australia Pty Limited (Dormant)	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
Enero Group Finance 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 (Dormant)	100	100	Australia
– Hotwire Global Communications Pte Ltd	100	100	Singapore
- GetIT Pte Ltd (Acquired July 2022)	100	-	Singapore
- GetIT Japan G.K. (Acquired July 2022)	100	-	Japan
- GetIT Comms Sdn Bhd (Acquired July 2022)	100	-	Malaysia
- GetIT Communications Private Limited (Acquired July 2022)	100	-	India
The Digital Edge Online Consultants Pty Limited (Dormant)	100	100	Australia
Brigade Pty Limited (Dormant)	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
– McDonald Butler Associates Limited	100	100	UK
OBMedia LLC	51	51	USA
– OBMedia Network 1 L.T.D	51	-	Israel
Domain Active LLC	51	51	USA
IdealAds LLC	51	51	USA
SiteMath LLC	51	51	USA
– Clicksciences.com LLC	51	51	USA
Orchard Creative Technology Inc.	100	100	USA
Hotwire Public Relations Group LLC	100	100	USA
ROI DNA, Inc (Acquired July 2022)	100	-	USA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

21. Controlled entities (continued)

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 statements.

22. Acquisitions

2023

On 1 July 2022, the Group acquired 100% of the issued capital of ROI DNA Inc. ("ROI DNA"), a USA based strategic B2B sales and marketing agency. The purchase consideration was an upfront payment of \$38,306,000 (US\$26,400,000) in cash and \$9,014,000 (US\$6,600,000) of Enero Group Limited shares. The Group agreed to pay the selling shareholders over three years additional consideration up to \$82,707,000 based on the acquiree's EBITDA each year. The Group has included \$47,887,000 as contingent consideration related to the estimated additional earn-out payments, which represents its fair value at the date of acquisition. At 30 June 2023, the contingent consideration had decreased to \$21,556,000 due to lower earnings expectations.

On 1 July 2022, the Group acquired 100% of the issued capital of GetIT Pte Ltd ("GetIT"), a Singapore based specialist B2B technology marketing agency with presence in India, Malaysia and Japan. The purchase consideration was an upfront payment of \$2,816,000 (S\$2,700,000) in cash and \$1,843,000 (S\$1,800,000) of Enero Group Limited shares. The Group agreed to pay the selling shareholders over three years additional consideration up to \$10,952,000 based on the acquiree's EBIT each year. The Group included \$5,580,000 as contingent consideration related to the estimated additional earn-out payments, which represents its fair value at the date of acquisition. At 30 June 2023, the contingent consideration had decreased to \$2,969,000 due to lower earnings expectations.

The acquisition of both ROI DNA and GetIT and introduction of revenue services to complement the reputation and relationship services will enable the Group to strategically reposition the Hotwire agency and provide a unique marketplace offering. The acquisitions will also expand its footprint into Asia Pacific and provide further opportunities to support global technology clients.

For the 12 months ended 30 June 2023, ROI DNA contributed net revenue of \$27,700,000 and EBITDA of \$2,900,000 to the Group's results. GetIT Pte Ltd contributed net revenue of \$2,200,000 and EBITDA of \$200,000 to the Group's results. In the prior year's subsequent event disclosure, these acquisitions were still subject to further review by management as the Group had 12 months from the date of acquisition to finalise its purchase price accounting. The accounting for these business combinations have now been finalised in the current year, including the allocation of the purchase price to goodwill and any other qualifying intangible assets.

Fair value of the net identifiable assets and liabilities acquired at the date of acquisition for ROI DNA were:

In thousands of AUD	Fair value recognition on acquisition
Cash and cash equivalents	12,108
Trade and other receivables	5,396
Current tax asset	1,415
Other assets	423
Property, plant and equipment	196
Other intangible assets	19,223
Trade and other payables	(2,274)
Unearned revenue	(7,510)
Deferred tax liability	(5,618)
Employee benefits	(810)
Net assets acquired	22,549

Value of goodwill

In thousands of AUD	
Initial consideration	47,320
Estimate of contingent consideration payable	47,887
Total consideration	95,207
Less: Working capital adjustment	(17)
Less: fair value of net assets acquired	(22,549)
Effect of movement in exchange rate	7,962
Value of goodwill	80,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

22. Acquisitions (continued)

Fair value of the net identifiable assets and liabilities acquired at the date of acquisition for GetIT were:

In thousands of AUD	Fair value recognition on acquisition
Cash and cash equivalents	866
Trade and other receivables	934
Other assets	86
Property, plant and equipment	83
Other intangible assets	2,960
Trade and other payables	(833)
Unearned revenue	(341)
Deferred tax liability	(468)
Bank loans	(315)
Net assets acquired	2,972

Value of goodwill

In thousands of AUD	
Initial consideration	4,659
Estimate of contingent consideration payable	5,580
Total consideration	10,239
Less: Working capital adjustment	(352)
Less: fair value of net assets acquired	(2,972)
Effect of movement in exchange rate	779
Value of goodwill	7,694

23. Disposals

2023

There were no disposals in the year ended 30 June 2023.

2022

On 6 May 2022, the Group entered into a sale agreement to sell the business assets of its strategic data consultancy businesses, The Leading Edge (TLE) and The Digital Edge (TDE), for consideration of \$1,350,000. The Group recognised an accounting gain on sale of \$600,000 in the consolidated income statement for the year ended 30 June 2022.

Assets and liabilities and cash flow of disposed entities

The major classes of assets and liabilities of the disposed businesses are as follows:

In thousands of AUD	Carrying amounts
Assets	
Trade and other receivables	220
Other assets	18
Plant and equipment	17
Total assets disposed	255
Liabilities	
Trade and other payables	(458)
Employee benefits	(235)
Total liabilities disposed	(693)
Net liabilities disposed	(438)

Gain on sale

In thousands of AUD	
Consideration received, net of working capital adjustment	1,144
Less: relative value of goodwill	(856)
Add: net liabilities disposed	438
Less: incidental cost	(126)
Gain on sale in the consolidated income statement	600

Net cash received

In thousands of AUD	
Total consideration	1,350
Less: working capital adjustment	(206)
Less: incidental cost	(126)
Reflected in the consolidated statement of cash flows	1,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

24. Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2023, the parent company of the Group was Enero Group Limited.

In thousands of AUD	The Company	
	2023	2022
Result of the parent entity		
Loss for the year	(5,572)	(15,624)
Other comprehensive income	–	–
Total comprehensive loss for the year	(5,572)	(15,624)
Financial position of the parent entity at year end		
Current assets	17,164	15,553
Total assets	132,849	129,144
Current liabilities	28,183	23,539
Total liabilities	37,229	28,663
Net assets	95,620	100,481
Total equity of the parent entity comprising:		
Share capital	117,815	104,861
Share-based payment reserve	7,900	8,089
Profit appropriation reserve	15,636	27,690
Accumulated losses	(45,731)	(40,159)
Total equity	95,620	100,481

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 25 Deed of Cross Guarantee.

Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect of third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit applied to these agreements and there are no known obligations outstanding at 30 June 2023.

25. Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785, the wholly owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgment of financial statements and a Directors' Report.

It is a condition of the Instrument 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 2023, is set out as follows:

In thousands of AUD	2023	2022
Income statement		
Gross revenue	64,213	55,995
Directly attributable costs of sales	(32,721)	(22,283)
Gross profit	31,492	33,712
Other income	2	–
Employee expenses	(30,743)	(31,733)
Occupancy costs	(244)	(205)
Travel expenses	(572)	(505)
Communication expenses	(398)	(388)
Compliance expenses	(1,419)	(799)
Depreciation and amortisation expenses	(2,084)	(2,055)
Administration expenses	(1,983)	(2,608)
Gain on disposal of business	–	535
Incidental acquisition costs	(50)	(89)
Restructuring costs	(374)	–
Finance income	275	18
Finance costs	(389)	(466)
Management fees received from subsidiaries	3,879	4,402
Loan receivable impairment	–	(4,144)
Dividends received from subsidiaries	–	2,088
Loss before income tax	(2,608)	(2,237)
Income tax benefit/(expense)	820	(482)
Loss for the year	(1,788)	(2,719)
Attributable to:		
Equity holders of the Company	(1,788)	(2,719)

Statement of financial position

In thousands of AUD	2023	2022
Assets		
Cash and cash equivalents	9,162	14,930
Trade and other receivables	12,209	7,354
Income tax receivable	2,950	–
Other assets	1,295	1,131
Total current assets	25,616	23,415
Receivables	45,330	53,752
Other financial assets	35,013	30,493
Deferred tax assets	5,378	1,945
Plant and equipment	921	1,626
Right-of-use assets	7,296	2,800
Intangible assets	16,333	15,531
Total non-current assets	110,271	106,147
Total assets	135,887	129,562
Liabilities		
Trade and other payables	17,066	17,230
Lease liabilities	2,640	3,375
Employee benefits	2,447	2,484
Total current liabilities	22,153	23,089
Lease liabilities	5,557	1,347
Deferred tax liabilities	3,966	–
Employee benefits	550	389
Total non-current liabilities	10,073	1,736
Total liabilities	32,226	24,825
Net assets	103,661	104,737
Equity		
Issued capital	117,815	104,861
Share-based payment reserve	7,900	8,089
Profit appropriation reserve	15,637	27,690
Accumulated losses	(37,691)	(35,903)
Total equity	103,661	104,737

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

26. Commitments

Leases

Leases as lessee

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

In thousands of AUD	2023	2022
Less than one year	68	96
Between one and five years	9	11
Over five years	–	–
	77	107

The Group leases many assets, including properties and office equipment, under non-cancellable low value leases generally expiring in two to 10 years. Amounts disclosed in the above table relate only to leases exempt from AASB 16 recognition.

27. Contingencies

Contingent liabilities

Indemnities

Indemnities have been provided to Directors and certain Executive Officers of the Company in respect of third parties arising from their positions, except where the liability arises out of conduct involving lack of good faith. No monetary limit has been applied to these agreements and there are no known obligations outstanding at 30 June 2023.

28. Subsequent events

Transactions or events subsequent to the balance date, were:

- the Directors have declared a final dividend, with respect to ordinary shares, of 4.5 cents per share, fully franked. The final dividend will have a record date of 19 September 2023 and a payment date of 3 October 2023.

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

29. 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
Carla Webb-Sear	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.

During the year ended 30 June 2023, the CEO of ROI DNA, Matt Quirie entered into a transaction for US \$247,000 for ROI DNA to build a website for Matt Quirie's company.

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 related party transactions with any Director during the current or prior reporting period.

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

In AUD	2023	2022
Short-term employee benefits	2,969,498	3,242,268
Other long-term benefits	14,100	7,810
Post-employment benefits	75,876	73,621
Termination benefits	–	–
Share-based payments – Share Appreciation Rights	1,326,097	984,885
Total Key Management Personnel compensation	4,385,571	4,308,584

30. 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 (SARP) in the current and prior financial years.

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.

Summary of Share Appreciation Rights on issue:

Issue date	21 October 2020	21 October 2021	21 October 2022
SARs issued	3,900,000	4,525,000	4,425,000
Participants	Senior Executives	Senior Executives	Senior Executives
VWAP for the 20 business days prior to the grant (B)	\$1.52	\$3.02	\$2.85
Vesting dates: 20 business days after the release of the Group financial report for the year ended:			
Tranche 1 (1/3)	30 June 2021	30 June 2022	30 June 2023
Tranche 2 (1/3)	30 June 2022	30 June 2023	30 June 2024
Tranche 3 (1/3)	30 June 2023	30 June 2024	30 June 2025
Last expiry date	30 September 2023	30 September 2024	30 September 2025
Outstanding SARs as at 30 June 2023	908,340	3,016,670	4,425,000

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.

The number of shares to be granted will equal the number of SARs awarded multiplied by the above conversion formula.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

30. 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)
2023														
24 Oct 2019	30 Sep 2022	\$2.13	-	416,670	-	416,670	-	-	-	-	-	-	146,087	0.9-2.9
21 Oct 2020	30 Sept 2023	\$1.52	-	2,066,670	-	1,033,330	-	125,000	908,340	-	-	-	554,472	0.9-2.9
21 Oct 2021	30 Sept 2024	\$3.02	-	4,525,000	-	1,508,330	-	-	3,016,670	-	-	-	119,561	0.9-2.9
21 Oct 2022	30 Sep 2025	\$2.85	-	-	4,425,000	-	-	-	4,425,000	-	-	-	-	0.9-2.9
				7,008,340	4,425,000	2,958,330	-	125,000	8,350,010	-	-	-	820,120	
2022														
18 Oct 2018	30 Sep 2021	\$1.23	-	900,000	-	900,000	-	-	-	-	-	-	550,788	0.9-2.9
24 Oct 2019	30 Sep 2022	\$2.13	-	1,083,336	-	599,998	-	66,668	416,670	-	-	-	196,848	0.9-2.9
21 Oct 2020	30 Sept 2023	\$1.52	-	3,633,333	-	1,233,329	-	333,334	2,066,670	-	-	-	641,953	0.9-2.9
21 Oct 2021	30 Sept 2024	\$3.02	-	-	4,525,000	-	-	-	4,525,000	-	-	-	-	0.9-2.9
				5,616,669	4,525,000	2,733,327	-	400,002	7,008,340	-	-	-	1,389,589	

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

	VWAP (for the 20 business days prior to the grant) 2023	Weighted average exercise price 2023	Number of rights 2023	VWAP (for the 20 business days prior to the grant) 2022	Weighted average exercise price 2022	Number of rights 2022
Outstanding at 1 July	2.52	-	7,008,340	1.59	-	5,616,669
Forfeited during the period	1.52	-	(125,000)	1.62	-	(400,002)
Exercised during the period	2.37	-	(2,958,330)	1.56	-	(2,733,327)
Granted during the period	2.85	-	4,425,000	3.02	-	4,525,000
Outstanding at 30 June	-	-	8,350,010	2.52	-	7,008,340
Exercisable at 30 June	-	-	-	-	-	-

The SARs outstanding at 30 June 2023 have a VWAP (for the 20 business days prior to the grant) range of \$1.52 to \$3.02 (30 June 2022: \$1.23 to \$3.02).

The SARs outstanding at 30 June 2023 have a weighted average contractual life of 0.96 years (30 June 2022: 1.05 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 2023 for share-based payment transactions were \$2,501,000 (2022: \$1,902,000).

The VWAP for the 20 business days prior the date of exercise of SARs on 15 September 2022 was \$3.28.

30. Share-based payments (continued)

Inputs for measurement of grant date fair value

The following factors and key 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)
21 Oct 2020 ⁽ⁱ⁾	30 Sept 2023	0.35 – 0.40	1.52	1.70	35-55	0.07-0.25	4.7	0.9-2.9
21 Oct 2021 ⁽ⁱⁱ⁾	30 Sept 2024	0.64 – 0.85	3.02	3.38	40-50	0.01-0.36	5.0	0.9-2.9
21 Oct 2022 ⁽ⁱⁱⁱ⁾	30 Sept 2025	0.41 – 0.68	2.85	2.80	40-45	0.03-0.04	4.0	0.9-2.9

(i) Grant is in relation to SARs provided to senior employees of the Group which were issued on 21 October 2020. 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 2023, which is estimated to be around 30 September 2023.

(ii) Grant is in relation to SARs provided to senior employees of the Group which were issued on 21 October 2021. 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 2024, which is estimated to be around 30 September 2024.

(iii) Grant is in relation to SARs provided to senior employees of the Group which were issued on 21 October 2022. 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 2025, which is estimated to be around 30 September 2025.

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's 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 methodology used by the expert and make enquiries with management to satisfy themselves that the factual information used by the expert is correct prior to relying on the expert's opinion.

31. Auditor's remuneration

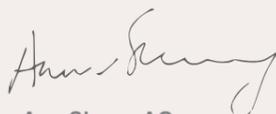
In AUD	2023	2022
Audit services – auditors of the Company		
KPMG Australia	565,000	357,000
Overseas KPMG firm	335,632	136,000
	900,632	493,000
Other services – auditors of the Company		
Taxation compliance services:		
KPMG Australia	-	-
Overseas KPMG firm	144,000	295,000
	144,000	295,000

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Enero Group Limited (the **Company**):
 - (a) the consolidated financial statements and notes that are set out on pages 72 to 113 and the Remuneration Report set out on pages 58 to 66 in the Directors' Report, 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 2023 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 25 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 Corporations (Wholly owned Companies) Instrument 2016/785*.
3. The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2023 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 18 day of August 2023.

Signed in accordance with a resolution of the Directors:



Ann Sherry AO

Chair

INDEPENDENT AUDITOR'S REPORT



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 2023 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 2023
- 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 (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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INDEPENDENT AUDITOR'S REPORT



Key Audit Matters

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

- Revenue recognition
- Annual impairment testing of goodwill
- Acquisition accounting

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 (\$740.2 million)

Refer to Note 3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group derives the majority of its revenue from marketing and communication service fees from customers, which requires analysis of recognition over the related contractual term. The Group's policy is for consideration received from advance billings to customers prior to the satisfaction of performance obligations are recognised as a contract liability and classified as unearned revenue \$20.2 million).</p> <p>Revenue from contracts with customers was a key audit matter due to:</p> <ul style="list-style-type: none"> • The quantum of service revenue earned during the year and contract liabilities recognised at the end of the year; • The different revenue recognition policies for rendering of search marketing services (point in time) and all other services (over time); and • The advanced billing arrangements for the rendering of services that require an adjustment for contract liabilities at year end to comply with the Group's revenue recognition policy. The contract liabilities adjustment is prepared manually and is prone to greater risk for bias, error 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the nature of the various revenue streams and the related revenue recording processes, systems and key controls. • We evaluated the appropriateness of the Group's accounting policies for revenue recognition for each significant revenue stream against the requirements of Australian Accounting Standards (AASB 15) and our understanding of the business. • We read a sample of signed customer contracts for search marketing and consulting services to understand the key terms of the arrangements and the performance obligations. • We tested completeness and accuracy of the underlying data within the Group's revenue and billing systems by tracing a sample of contract information in the systems to signed customer contracts and invoices. • We tested point in time revenue transactions recognised throughout the year by: <ul style="list-style-type: none"> • assessing existence of an underlying arrangement with the customer; • comparing the timing of revenue recognition and amounts invoiced to customers to external reports provided by search engines to the Group; and • checking customer receipts to the Group's bank statements. • We tested, on a sample basis, over time revenue transactions with performance obligations completely satisfied during the year. This included:



<p>and inconsistent application. Additional audit effort was required to evaluate the revenue recognised.</p>	<ul style="list-style-type: none"> • assessing the relevant features of the underlying contracts, including what the Group identified as performance obligations; • testing the amounts billed to customers to underlying documentation such as signed customer contracts, signed customer statements of work, and/or signed customer purchase orders; and • assessing the timing of revenue recognition for each revenue contract based on completed performance obligations (evidence of completed marketing or communication deliverables such as a podcast, billboard materials, press release) and the Group's stated revenue recognition policy. • We assessed the manual contract liabilities adjustment prepared by the Group for compliance with Australian Accounting Standards. On a sample basis, we tested the accuracy of key inputs to the contract liabilities adjustment by: <ul style="list-style-type: none"> • checking an underlying arrangement with the customer existed; • checking the customer's billing cycle and pricing to customer agreed contractual terms; and • obtaining evidence of the estimated measure of progress of the contract (such as timesheet reports or third-party invoices for reimbursable purchases) to assess the allocation between revenue and unearned revenue liability. • We assessed the disclosures in the Financial Report against the requirements of Australian Accounting Standards and using our understanding obtained from our testing.
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Annual impairment testing of goodwill (\$205.3 million)

Refer to Notes 11 and 20 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group's annual testing of goodwill for impairment is a key audit matter, given the size of the balance (being 54% of total assets) and the degree of judgement involved in the significant forward-looking assumptions the Group</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • 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.

INDEPENDENT AUDITOR'S REPORT



applied in their value in use models, including:

- Forecast 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 due to volatile economic conditions, supply chain issues, rising interest rates, and increasing employee benefits costs. These conditions increase the risk of inaccurate forecasts or a significantly wider range of possible outcomes for us to consider.
- Forecast growth rates, including long-term growth rates into perpetuity – in addition to the uncertainties described above, the Group's models are highly 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.
- Discount rates – these are complex in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. We involve our valuations specialists with the assessment.

The Group uses complex models to perform their annual testing of goodwill for impairment. The models are largely manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling, particularly those containing judgemental allocations of corporate assets and costs to CGUs, 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

- We assessed the integrity of the value in use models used, including the accuracy of underlying calculation formulas.
- We compared the forecast cash flows contained in the value in use models to Board-approved forecasts.
- We assessed the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. We noted previous trends, where volatile conditions existed which impacted businesses which were recently disposed of, for use in further testing.
- We assessed the Group's underlying methodology and documentation for the allocation of corporate costs to the forecast cash flows contained in the value in use model, for consistency with our understanding of the business and the criteria in the accounting standards.
- We assessed the Group's allocation of corporate assets to CGUs for reasonableness and consistency based on the requirements of the accounting standards.
- We considered the Group's determination of their CGUs based on our understanding of the operations of the Group's business, impact of the ROI DNA Inc. acquisition, and how independent cash inflows were generated against the requirements of the accounting standards.
- We analysed the significant acquisition of ROI DNA Inc. during the year and the Group's internal reporting to assess the Group's monitoring and management of activities, and the consistency of the allocation of goodwill to the ROI DNA CGU.
- We checked the consistency of the growth rates to the Group's latest Board-approved forecasts, past performance of the Group, and our experience regarding the feasibility of these in the industry and economic environments in which the CGUs operate.
- Working with our valuation specialists, we challenged the Group's significant forecast cash flow and growth assumptions in light of the expected continuation of volatile economic conditions in key geographies, supply chain issues affecting the Group's customers, rising interest rates, and increasing employee benefits costs. We assessed how the Group had considered the impacts of these possible events in the Board-



assumptions, and their consistent application.

The Group made a significant acquisition of ROI DNA Inc. during the year, necessitating our consideration of the Group's allocation of goodwill to the CGU to which it belongs based on the management and monitoring of the business.

approved plan and strategy. We compared forecast growth rates and long-term growth rates into perpetuity to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience.

- 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 considered the sensitivity of the models by varying key assumptions, such as forecast growth rates, long-term growth rates into perpetuity, and discount rates, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at a higher risk of bias or inconsistency in application and to focus our further procedures.
- We assessed the Group's reconciliation of differences between the year-end market capitalisation and the carrying amount of the net assets, by comparing the implicit earnings multiples from the Group's valuation model to market multiples of comparable entities.
- We assessed the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the Australian Accounting Standards.

Acquisition accounting

Refer to Note 22 to the Financial Report

The key audit matter

On 1 July 2022, the Group acquired 100% of ROI DNA Inc. for consideration of \$95.2 million, resulting in the recognition of customer relationships and other intangible assets, and goodwill. These transactions are considered to be a key audit matter due to:

How the matter was addressed in our audit

- Our procedures included:
- We evaluated the acquisition accounting by the Group against the requirements of Australian Accounting Standards.
 - We read the underlying transaction agreements to understand the terms of the acquisition and nature of

INDEPENDENT AUDITOR'S REPORT



<ul style="list-style-type: none"> • The size of the acquisition having a significant impact on the Group's financial statements. • The Group's judgement relating to the estimate of fair value of the contingent consideration. We focused on the forecast cash flows assumptions, which are forward-looking and tend to be prone to greater risk for potential bias. • The Group's judgement and complexity relating to the determination of the fair values of assets and liabilities acquired in the transaction requiring significant audit effort. The Group engaged an external valuation expert to assess the fair value of customer relationships and other intangible assets. • The Group's valuation model used to determine the fair value of acquired intangible assets is complex and sensitive to changes in a number of key assumptions. This drives additional audit effort specifically on the feasibility of these key assumptions and consistency of applicable to the Group's strategy. <p>The key assumptions we focused on in the valuation of intangible assets included forecast earnings, attrition rates, discount rates and useful lives.</p>	<p>the assets and liabilities acquired.</p> <ul style="list-style-type: none"> • We assessed the accuracy of the calculation and measurement of consideration paid to acquire ROI DNA Inc. based on the underlying transaction agreements, the Group's bank statements, and issued share certificates. • We challenged the forecast cash flows assumptions for the entity acquired, as it forms the basis of contingent consideration fair value. We assessed the feasibility of these assumptions and consistency of application to industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, past performance, business and customers, and our industry experience. • Working with our valuation specialists, we assessed the Group's external expert reports and: <ul style="list-style-type: none"> • Considered the objectivity, competence and scope of the Group's external valuation experts. • Evaluated the valuation methodology used to determine the fair value of assets and liabilities acquired, considering accounting standard requirements and observed industry practices. • Assessed the key assumptions in the Group's external expert valuation report prepared in relation to the identification and valuation of customer relationships and other intangible assets, including checking forecast earnings assumptions for consistency with the Group's valuation model used as part of the pre-acquisition due diligence process. • 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 recalculated the goodwill balance recognised as a result of the transaction and compared it to the goodwill amount recorded by the Group. • We assessed the adequacy of disclosures in the Financial Report using our understanding obtained from our testing and against the requirements of Australian Accounting Standards.
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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.

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

INDEPENDENT AUDITOR'S REPORT



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Eneo Group Limited for the year ended 30 June 2023, 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 58 to 66 of the Directors' Report for the year ended 30 June 2023.

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

KPMG

Kristen Peterson

Partner

Sydney

18 August 2023

LEAD AUDITOR'S INDEPENDENCE DECLARATION



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Eneo Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Eneo Group Limited for the financial year ended 30 June 2023 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

Kristen Peterson

Partner

Sydney

18 August 2023

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ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below. The shareholder information set out below was applicable at 4 July 2023.

Substantial shareholders

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

Shareholder	Number
Regal Funds Management Pty Limited	16,556,578
Perpetual Limited	12,892,915
Perennial Value Management	12,377,983
Irish Global Equity	6,002,926
UBS Group	5,547,706
RG Capital Multimedia Limited	5,220,342
Merrill Lynch International	4,847,328

Unquoted equity securities

As at 4 July 2023 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	% of issued capital
1 – 1,000	595	294,469	0.32
1,001 – 5,000	578	1,508,410	1.63
5,001 – 10,000	238	1,799,210	1.95
10,001 – 100,000	253	7,620,168	8.25
100,001 and over	47	81,112,058	87.85
	1,711	92,334,315	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 33.

Twenty largest shareholders

Rank	Name	Units	% of issued capital
1	CITICORP NOMINEES PTY LIMITED	19,735,538	21.37
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,404,597	17.77
3	NATIONAL NOMINEES LIMITED	8,465,536	9.17
4	IRISH GLOBAL EQUITY LIMITED	4,335,901	4.70
5	J P MORGAN NOMINEES AUSTRALIA PTY LTD	3,947,412	4.28
6	ESCROWED HOLDERS	3,855,147	4.18
7	RG CAPITAL MULTIMEDIA LIMITED	3,269,079	3.54
8	CH GLOBAL PTY LTD	2,548,301	2.76
9	UBS NOMINEES PTY LTD	2,148,769	2.33
10	IRISH GLOBAL EQUITY LIMITED	1,667,025	1.81
11	MR FELICE TESTINI	1,630,102	1.77
12	NEWECONOMY COM AU NOMINEES PTY LIMITED	1,604,964	1.74
13	BETA GAMMA PTY LTD	1,500,000	1.62
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	1,200,578	1.30
15	RG CAPITAL MULTIMEDIA LIMITED	1,159,020	1.26
16	BNP PARIBAS NOMS PTY LTD	1,154,915	1.25
17	MRS ANTONIA CAROLINE COLLOPY	788,637	0.85
18	RG CAPITAL MULTIMEDIA LIMITED	511,945	0.85
19	BNP PARIBAS NOMINEES PTY LTD	501,057	0.54
20	MUTUAL TRUST PTY LTD	474,804	0.51
Total		76,903,327	83.29

CORPORATE DIRECTORY

Company Secretary

Catherine Hoyle

Principal Registered Office

Enero Group Limited
Level 2, 100 Harris Street
Pyrmont NSW 2009 Australia
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Email: companysecretary@enero.com

Share Registry

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Deutsche Bank, Tower Level 5
126 Phillip St
Sydney NSW 2000

Email: hello@automicgroup.com.au
Telephone: 1300 288 664
Outside Australia: +61 2 9698 5414

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

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International Towers Sydney 3
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