



adcorp

Friday 30 August 2013

Adcorp Preliminary Final Report FY2013

Adcorp Australia Limited today released its Preliminary Final Report for the financial year ended 30 June 2013. The company is continuing to restructure its operations in light of market conditions and the audit has not been completed. Accordingly the Appendix 4E and accompanying statements that follow are unaudited.

The second half of the financial year to June 2013 remained extremely challenging in a rapidly changing media landscape and uncertain economic climate.

Total billings continued to decline; down 10% on the first half figure of \$52.1m, mainly as a result of reduced spend in our state government contracts and significant reductions in spend by our mining and construction clients. By category, our Employment advertising billings declined sharply, most notably for our corporate recruitment clients. While we continued to experience growth in project work, video, digital and general corporate marketing and branding, this only partially mitigated overall declines.

Revenue margins firmed to 21.4% in the second half with growth in our digital and video production revenues and a higher proportion of service fees being billed. Second half revenues were 4% down on the first half, at \$10.14m

In addition to an increase in revenue margins, the cost savings implemented in the first half provided some buffer against this revenue decline and we continued to rationalise the business overheads in the second half with additional reductions in the labour and premises categories; the benefit of which will flow in the 2014 financial year. Second half overhead costs were down \$1.2m to \$11.5m.

The resultant operating loss in the second half, before Impairment and Losses in Associated Entities, was \$(1.3m), compared to the loss of \$(2.1m) in the first half.

Full year operating revenues were \$20.7m; down \$7.3m (26%) on the prior year.

Client service and labour costs of \$16.8m were \$1.9m (11%) down on the prior financial year. This important area of our business is constantly evaluated as we continue to improve our competencies in the rapidly growing areas of online, digital and video marketing, in

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order to respond to the changing market and provide our clients with innovative, highly effective marketing solutions.

We improved our systems and processes and tightened administrative spending, resulting in \$369k of savings across Administrative, Client and Marketing, and Office and Communications cost categories. Key cost savings included receivables provisions and collection costs, equipment costs, rent and outgoings, printing and stationery and corporate administration costs.

After including Impairment of \$3.2m and Loss in Associated entity of \$175k, the full year result before tax is a loss of \$(6.670m) (FY12: Profit \$2.159m)

The potential tax credits against these losses have not been brought to account until they are reasonably expected to be utilised.

A stronger New Zealand Dollar exchange rate has resulted in a foreign exchange translation improvement for our New Zealand segment, of \$191k (FY12: \$37k), disclosed separately to our underlying operating results.

Our 40% held associate, Limelight Group, provides an intrinsic component of our Digital solutions and products and we are integrating the operations of the business more closely in order to improve efficiencies, reduce costs and grow the pipeline of new business for both Limelight and Adcorp.

Limelight Group incurred losses for the 8 months to June 2013, of \$(435k) and a resultant \$175k loss attributable to Adcorp's 40% stake, was expensed against the investment value of \$175k.

Our outlook is for print advertising revenues to continue their decline, while digital channels, particularly those optimised with video and mobile capabilities, will experience substantial growth. We are investing accordingly in resources, skills and competencies in this area of our business.

The media placement and typesetting contract with NSW Government concludes at the end of September 2013 and will require additional restructuring while our contract with the Western Australian Government was renewed initially for another three years commencing 1 August 2013.

Adcorp continues to experience significant and widespread change in the media sector and significant challenges in providing leading marketing and advertising solutions amidst this

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transitory backdrop. We remain committed to this objective and extend a sincere thank you to all our Adcorp team for their efforts in the past year.

The management team and the Board, with the recent addition of new Directors Dean Capobianco and Garry Lemair, are totally committed to adapting our business to meet the challenges in the year ahead.

~ends~

For further information, please contact:
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APPENDIX 4E

PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	Adcorp Australia Limited
ABN:	72 002 208 915
Reporting period:	Year ended 30 June 2013
Previous corresponding period:	Year ended 30 June 2012

2. Results for announcement to the market

Revenues from ordinary activities	down 27.0%	to	\$ 20,885,000
Loss from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	down 535.1%	to	\$(6,797,000)
Loss for the period attributable to the owners of Adcorp Australia Limited	down 535.1%	to	\$(6,797,000)

Dividends

No dividends are proposed for the current financial year ending 30 June 2013.

During the year a payment was made in relation to the prior financial year. A final dividend totalling \$455,000 for the financial year ended 30 June 2012 paid on 28 September 2012 at 0.75 cents per ordinary share fully franked at a tax rate of 30%.

Comments

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$6,797,000 (30 June 2012: profit of \$1,562,000).

3. Net tangible assets

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	2.48 cents	9.01 cents

4. Control gained over entities

Name of entities (or group of entities)	Not applicable
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Date control gained

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	\$ -
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Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material)	\$ -
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5. Loss of control over entities

Name of entities (or group of entities)	Not applicable	
Date control lost		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities after income tax during the period (where material)		\$ -
Profit/(loss) from ordinary activities after income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)		\$ -

6. Dividends

Current period

No dividends are proposed for the current financial year ending 30 June 2013.

During the year a payment was made in relation to the prior financial year. A final dividend totalling \$455,000 for the financial year ended 30 June 2012 paid on 28 September 2012 at 0.75 cents per ordinary share fully franked at a tax rate of 30%.

Previous corresponding period

Final dividend totalling \$607,000 for the financial year ended 30 June 2011 paid on 28 September 2011 at 1 cent per ordinary share fully franked at a tax rate of 30%.

Interim dividend totalling \$607,000 for the financial year ended 30 June 2012 paid on 31 March 2012 at 1 cent per ordinary share fully franked at a tax rate of 30%.

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Limelight Group Pty. Ltd.	40.00%	0.00%	\$(175,000)	\$ -
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			\$(175,000)	\$ -
Income tax on operating activities			\$ -	\$ -

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

International Financial Reporting Standards have been used in relation to all foreign entities in compiling this financial report.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):


The accounts are currently in the process of being audited.

11. Attachments

Details of attachments (if any):

The Preliminary Detailed Financial Report of Adcorp Australia Limited for the year ended 30 June 2013 is attached.

12. Signed

Signed:  _____

Date: 30 August 2013

Craig McMenamin
Company Secretary
Sydney

Adcorp Australia Limited

ABN 72 002 208 915

Preliminary Detailed Financial Report - 30 June 2013

Adcorp Australia Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2013

	Note	Consolidated (unaudited)	
		2013 \$'000	2012 \$'000
Revenue	2	20,885	28,604
Other income		3	2
Expenses			
Client service expenses		(16,780)	(18,646)
Administrative expenses		(1,152)	(1,169)
Marketing expenses		(1,219)	(1,352)
Office and communication expenses		(5,053)	(5,272)
Share of loss of associate		(175)	-
Impairment of assets		(3,166)	-
Finance costs		(13)	(8)
Profit/(loss) before income tax expense		(6,670)	2,159
Income tax expense		(122)	(670)
Profit/(loss) after income tax expense for the year		(6,792)	1,489
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		191	37
Other comprehensive income for the year, net of tax		191	37
Total comprehensive income for the year attributable to the owners of Adcorp Australia Limited		<u>(6,601)</u>	<u>1,526</u>
Profit/(loss) for the year is attributable to:			
Non-controlling interest		5	(73)
Owners of Adcorp Australia Limited		(6,797)	1,562
		<u>(6,792)</u>	<u>1,489</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		5	(73)
Owners of Adcorp Australia Limited		(6,606)	1,599
		<u>(6,601)</u>	<u>1,526</u>
		Cents	Cents
Basic earnings per share	10	(11.20)	2.57
Diluted earnings per share	10	(11.20)	2.57

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Adcorp Australia Limited
Statement of financial position
As at 30 June 2013

	Note	Consolidated (unaudited)	
		2013	2012
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	3	5,711	9,314
Trade and other receivables	4	12,556	17,308
Income tax refund due		267	812
Other		209	252
Total current assets		<u>18,743</u>	<u>27,686</u>
Non-current assets			
Investments accounted for using the equity method	5	-	-
Property, plant and equipment		1,823	2,399
Intangibles		133	3,229
Deferred tax		836	583
Total non-current assets		<u>2,792</u>	<u>6,211</u>
Total assets		<u>21,535</u>	<u>33,897</u>
Liabilities			
Current liabilities			
Trade and other payables	6	18,194	23,366
Income tax		3	-
Provisions		1,006	1,192
Other		4	-
Total current liabilities		<u>19,207</u>	<u>24,558</u>
Non-current liabilities			
Deferred tax		6	12
Provisions		684	633
Total non-current liabilities		<u>690</u>	<u>645</u>
Total liabilities		<u>19,897</u>	<u>25,203</u>
Net assets		<u>1,638</u>	<u>8,694</u>
Equity			
Issued capital	7	28,894	28,894
Purchased controlling interest reserve		(113)	-
Reserves		(530)	(721)
Accumulated losses		(26,586)	(19,334)
Equity attributable to the owners of Adcorp Australia Limited		<u>1,665</u>	<u>8,839</u>
Non-controlling interest		(27)	(145)
Total equity		<u>1,638</u>	<u>8,694</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Adcorp Australia Limited
Statement of changes in equity
For the year ended 30 June 2013

	Issued capital \$'000	Purchased controlling interest reserve \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Consolidated (unaudited)						
Balance at 1 July 2011	28,894	-	(468)	(19,972)	(72)	8,382
Profit/(loss) after income tax expense for the year	-	-	-	1,562	(73)	1,489
Other comprehensive income for the year, net of tax	-	-	37	-	-	37
Total comprehensive income for the year	-	-	37	1,562	(73)	1,526
<i>Transactions with owners in their capacity as owners:</i>						
Transfers	-	-	(290)	290	-	-
Dividends paid (note 8)	-	-	-	(1,214)	-	(1,214)
Balance at 30 June 2012	<u>28,894</u>	<u>-</u>	<u>(721)</u>	<u>(19,334)</u>	<u>(145)</u>	<u>8,694</u>

	Issued capital \$'000	Purchased controlling interest reserve \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Consolidated (unaudited)						
Balance at 1 July 2012	28,894	-	(721)	(19,334)	(145)	8,694
Profit/(loss) after income tax expense for the year	-	-	-	(6,797)	5	(6,792)
Other comprehensive income for the year, net of tax	-	-	191	-	-	191
Total comprehensive income for the year	-	-	191	(6,797)	5	(6,601)
<i>Transactions with owners in their capacity as owners:</i>						
Transfers	-	(113)	-	-	113	-
Dividends paid (note 8)	-	-	-	(455)	-	(455)
Balance at 30 June 2013	<u>28,894</u>	<u>(113)</u>	<u>(530)</u>	<u>(26,586)</u>	<u>(27)</u>	<u>1,638</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Adcorp Australia Limited
Statement of cash flows
For the year ended 30 June 2013

	Note	Consolidated (unaudited)	
		2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		114,153	174,919
Payments to suppliers and employees (inclusive of GST)		<u>(117,077)</u>	<u>(171,780)</u>
		(2,924)	3,139
Interest received		128	259
Interest and other finance costs paid		(13)	(8)
Income taxes refunded		542	-
Income taxes paid		<u>-</u>	<u>(1,133)</u>
Net cash from/(used in) operating activities		<u>(2,267)</u>	<u>2,257</u>
Cash flows from investing activities			
Payments for investments		(175)	-
Payments for property, plant and equipment		(512)	(1,831)
Payments for intangibles		(205)	(383)
Proceeds from sale of property, plant and equipment		11	202
Proceeds from sale of intangibles		-	3
Proceeds from release of security deposits		<u>-</u>	<u>7</u>
Net cash used in investing activities		<u>(881)</u>	<u>(2,002)</u>
Cash flows from financing activities			
Dividends paid	8	<u>(455)</u>	<u>(1,214)</u>
Net cash used in financing activities		<u>(455)</u>	<u>(1,214)</u>
Net decrease in cash and cash equivalents		(3,603)	(959)
Cash and cash equivalents at the beginning of the financial year		<u>9,314</u>	<u>10,273</u>
Cash and cash equivalents at the end of the financial year	3	<u><u>5,711</u></u>	<u><u>9,314</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Adcorp Australia Limited
Notes to the financial statements
30 June 2013

Note 1. Basis of preparation

This report is based on the consolidated financial statements of Adcorp Australia Limited and its subsidiaries for the year ending 30 June 2013. These financial statements are in the process of being audited.

This report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

The principle accounting policies adopted in the preparation of this report are consistent with those disclosed in the Detailed Financial Report of Adcorp Australia Limited and its subsidiaries for the year ending 30 June 2012.

Note 2. Revenue

	Consolidated (unaudited)	
	2013	2012
	\$'000	\$'000
<i>Sales revenue</i>		
Operating revenues	20,660	27,975
<i>Other revenue</i>		
Interest	128	259
Rent	97	93
Other revenue	-	277
	<u>225</u>	<u>629</u>
Revenue	<u>20,885</u>	<u>28,604</u>

Note 3. Current assets - cash and cash equivalents

	Consolidated (unaudited)	
	2013	2012
	\$'000	\$'000
Cash at bank	1,911	9,314
Cash on deposit	3,800	-
	<u>5,711</u>	<u>9,314</u>

Note 4. Current assets - trade and other receivables

	Consolidated (unaudited)	
	2013	2012
	\$'000	\$'000
Trade receivables	12,481	17,228
Less: Provision for impairment of receivables	(194)	(291)
	<u>12,287</u>	<u>16,937</u>
Other receivables	<u>269</u>	<u>371</u>
	<u>12,556</u>	<u>17,308</u>

Adcorp Australia Limited
Notes to the financial statements
30 June 2013

Note 5. Non-current assets - investments accounted for using the equity method

	Consolidated (unaudited)	
	2013	2012
	\$'000	\$'000
Investment in associate - Limelight Group Pty. Ltd.	175	-
Less: share of loss of associate	(175)	-
	<u>-</u>	<u>-</u>

Note 6. Current liabilities - trade and other payables

	Consolidated (unaudited)	
	2013	2012
	\$'000	\$'000
Trade payables	13,275	20,174
Other payables	4,919	3,192
	<u>18,194</u>	<u>23,366</u>

Note 7. Equity - issued capital

	Consolidated (unaudited)		Consolidated (unaudited)	
	2013	2012	2013	2012
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>60,676,602</u>	<u>60,676,602</u>	<u>28,894</u>	<u>28,894</u>

Note 8. Equity - dividends

	Consolidated (unaudited)	
	2013	2012
	\$'000	\$'000
Final dividend for the year ended 30 June 2012 (2012: 30 June 2011) of 0.75 cents (2012: 1 cent) per ordinary share	455	607
Interim dividend for the year ended 30 June 2012 of 1 cent per ordinary share	<u>-</u>	<u>607</u>
	<u>455</u>	<u>1,214</u>

Note 9. Events after the reporting period

On 28 August 2013, the company received notification that it has not been successful in retaining the NSW Government Media Placement and Typesetting services contract. The services we provide under the existing contract are expected to cease at the end of September 2013.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Adcorp Australia Limited
Notes to the financial statements
30 June 2013

Note 10. Earnings per share

	Consolidated (unaudited)	
	2013	2012
	\$'000	\$'000
Profit/(loss) after income tax	(6,792)	1,489
Non-controlling interest	(5)	73
	<u>(6,797)</u>	<u>1,562</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>60,676,602</u>	<u>60,676,602</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>60,676,602</u>	<u>60,676,602</u>
	Cents	Cents
Basic earnings per share	(11.20)	2.57
Diluted earnings per share	(11.20)	2.57