

adcorp  
STARTING CONVERSATIONS



*2012-2013 Annual Report*



**Adcorp Australia**

ABN 72 002 208 915

**Directors**

I Rodwell  
*Chairman, Non-Executive Director*

D Morrison  
*Chief Executive Officer*

G Lemair  
*Non-Executive Director*

D Capobianco  
*Non-Executive Director*

**Company Secretary**

C McMenamin

**Registered Office**

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**Share Registry**

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Level 3, 60 Carrington Street  
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# Contents

Adcorp Overview .....	3
Chairman's Report .....	5
CEO's Review .....	7
Non-Executive Board Directors.....	9
Adcorp Digital Growth .....	13
Connect 2™ .....	15
Creative Conversations.....	17
<i>One Alfred Street Colliers International</i> .....	19
<i>Coomera Waters</i> .....	21
<i>Mercedes-Benz Gold Coast</i> .....	21
<i>Kingston Apartments</i> .....	23
<i>Funky Fryz</i> .....	23
<i>Fisher &amp; Paykel Finance</i> .....	25
<i>Census</i> .....	25
<i>Rio Tinto</i> .....	27
<i>Worldwide Printing Solutions</i> .....	29
<i>Showrunner Productions</i> .....	31
Financial Results.....	32
Directors' Report .....	34
Statement of Corporate Governance .....	47
Statement of Profit or Loss and other Comprehensive Income.....	54
Statement of Financial Position .....	55
Statement of Changes in Equity.....	56
Statement of Cash Flows.....	57
Notes to the Financial Statements .....	58
Directors' Declaration .....	97
Shareholder Information .....	101





# Adcorp Overview

Adcorp is Australasia's largest locally-owned communications group with annual billings around \$100million. We provide comprehensive agency services to all levels of business and government across Australia and New Zealand. In recent years we have become the largest supplier of non-campaign advertising services to Government, including; Federal, State and Local.

Our aim is to start conversations that lead our clients to an entirely new world of ideas and solutions; and it's not just talk. We listen, we share, we create and we deliver.

With a focus on developing effective strategies in all areas of marketing communications, Adcorp produces solutions for clients across both traditional and emerging media channels. Strong strategy, digital solutions, media knowledge and excellent creative, support efficient technology-driven high volume advertising across a network of 11 offices. We also provide content-driven solutions to our clients in order for them to engage with their target audiences, typically through either social or corporate online channels.

This has positioned Adcorp as a recognised leader in the markets in which we operate, through our single-minded focus towards those who matter most – our clients.

The conversation doesn't end with us – the best solutions are ones with measurable impact that get you the desired results.

**Start a conversation with us today.**

**IAN RODWELL**  
Chairman



# Chairman's Report

The financial year presented significant challenges for Adcorp, with a rapidly changing media and advertising environment and a lacklustre economy. These conditions created lower demand for employment advertising as companies rationalised their workforces and reduced operating costs. Likewise, governments implemented policies reducing advertising expenditure, resulting in substantial decreases to our volumes.

Press advertising continues to decline significantly, migrating online and, more recently, into the mobile arena. While we have pioneered employment advertising within tablet-based applications, online revenue streams are typically lower than those from traditional channels. As such we are required to change our revenue models and operating structure.

These factors resulted in a significant program of cost reductions across the agency, along with the re-negotiation of key client remuneration agreements.

## AREAS OF FOCUS

Emerging trends in our industry require constant innovation in order to provide the best value and products for clients.

This is driving fundamental change at Adcorp, with emphasis on:

- Diversification of our product and service offering including an increased focus on digital and online video production.
- New business from different market sectors that are showing resilience or growth in this challenging economy.
- Further reduction in operating expenses across all expense lines.
- Margin growth and appropriate charging for the value we provide clients.

- A review of all clients, including governments, to ensure adequate profitability is being achieved.

## OUR RESULT

- Operating Revenues declined 26% on prior year, to \$20.7 million.
- Costs were reduced by \$2.2 million to \$24.2 million for the year with substantial further cuts made in the new financial year and an ongoing cost reduction programme in place.
- Operating result before impairment, interest charges and loss in associate, was a Loss of (\$3.3 million) compared to the prior year profit of \$2.2 million.

No dividends have been declared for the year.

At the end of the financial year Bob Campbell resigned as Chairman to pursue other business interests. I would like to thank Bob for his counsel and service to Adcorp. My thanks also go to our people for their efforts in transitioning the business during such challenging times.

## OUTLOOK

The early months of the new financial year have remained challenging with the Federal election also causing uncertainty with government advertising volumes and consumer confidence.

We continue transitioning the business to return to profitability and provide a return to shareholders.

The new financial year saw the appointment of two new Directors to the Board. Garry Lemair and Dean Capobianco are experienced executives and I look forward to working with them and the senior management team to ensure Adcorp reshapes its business model in the wake of rapidly changing market conditions.

A black and white portrait of David Morrison, Chief Executive Officer. He is a middle-aged man with short, dark hair, smiling warmly at the camera. He is wearing a dark suit jacket over a light-colored, button-down shirt. The background is a dark, textured wall.

**DAVID MORRISON**  
Chief Executive Officer

*'We are emerging from a tumultuous year with resilience and a strong focus on the business moving forward'.*



# CEO's Review

As foreshadowed in last year's annual report, the 2012/2013 financial year was indeed a challenging one with depressed economic conditions leading to substantial declines in marketing budgets and large structural change across the media landscape brought about by changing consumer habits.

These factors saw Adcorp's billings fall from \$148.2million in 2011/2012 to \$99.5million. Operating revenues declined to \$20.7million from \$28.0million the previous year.

Most of these declines came from our Government contracts that typically saw the introduction of policies and guidelines restricting various forms of government advertising in order to reduce costs. As a result, we subsequently re-negotiated our pricing structures to reflect the changing nature of the contracts due to these guidelines and the rapid transition from print to online that had previously been quite gradual in the government sector.

In the commercial arena, advertising for employment opportunities decreased dramatically due to uncertain economic conditions and the requisite necessity for businesses to reduce operating costs.

This need to reduce costs was clearly evident in the mining and construction sectors where a number of large clients cancelled or deferred significant infrastructure or resource-based projects.

Pleasingly, the progress made in selling and delivering digital and video solutions, along with consulting services, saw growth in our margin line to 20.8%, up from 18.9% in 2011/2012.

Overall operating expenditure before depreciation and amortisation, reduced by \$2.18 million as a result of cost reduction programs implemented across the business. The benefit of some of these savings will not be fully felt until the new financial year.

The financial outcome of these factors was an operating loss of \$3.4 million (before impairment, loss in associate, interest cost and tax) compared to the prior year operating profit of \$2.2 million. In addition, the company incurred impairment charges of \$3.4 million and booked a \$175,000 share of loss in associated entity, Limelight Group Pty Ltd.

Including these charges plus tax and interest expense, the result for the year was a loss of \$6.9 million compared to prior year profit of \$1.5 million.

At the end of the financial year we closed with \$5.7 million in cash and we had no drawings outstanding on our banking facilities at 30 June 2013.

## **BUSINESS REVIEW**

In the wake of significant change in our markets and the requirements of our clients, we are continuing to look at ways to improve efficiencies and deliver cost savings while still providing superior strategies and services to our clients.

We have identified a number of initiatives in our client service and media service divisions that will help achieve these aims and these are currently being implemented within the business.

# CEO's Review

## **INVESTMENTS**

We continue to invest in our creative, media, consulting and digital services. In addition to people, this investment is also in systems and the new financial year will see the introduction of a new traffic management system for all creative, digital and video projects, that will allow accessibility to national resources and ensure accurate timekeeping of our professional service offerings.

Our 40% associate, Limelight Group, provides services and resources that are intrinsic to growing Adcorp's digital capabilities. Due to losses incurred by Limelight Group during the period, Adcorp has recognised a \$175,000 Loss in Associated Entity, in its results for the year. We have continued to improve efficiencies within Limelight Group, reducing costs significantly and combining our respective sales resources to drive new business opportunities with a view to returning the Limelight Group to profitability.

Demand for our video production services is also increasing as clients typically look to fill their digital and social media channels with quality content designed to engage with their target markets. We have now expanded these services into the production of television series with the hiring of experienced producers and other staff under a wholly-owned subsidiary, "Showrunner Productions". A catalogue of programs has already been developed and offered to broadcasters and distributors both in Australia and overseas.

## **GOVERNMENT**

Our Government Master Media contracts comprise 39% of our total billings. While some aspects of managing these contracts have been challenging, these clients are also showing a desire to move quickly to take advantage of new digital and social media channels.

We are making progress in expanding our range of services to governments, beyond the traditional services provided under the Master Media Agency service contracts.

## **SALES AND MARKETING**

As part of our focus on developing new revenue streams, we have formed a national team based across our offices, to focus on business development activities.

This team is supported by the implementation of a formal marketing plan that will drive our business development activities. A key part of this plan is increasing the number of 'Marketsmart' seminars that we hold on topics of interest for clients and business prospects alike and for which we have had continual positive feedback.

## **PEOPLE**

In challenging times, it is our people that make the difference. I would like to place on record my thanks and appreciation for the dedication and support of our staff in working together to transition the business.

## **OUTLOOK**

It is highly likely that market conditions will remain challenging for the foreseeable future.

We continue to review our operating costs and structure to optimise revenue generation and adapt to market conditions, while also focusing on business development in both our traditional and new media channels.

Our investments in digital and television production are showing favourable signs of growth and we are working to convert these opportunities to revenue and reposition the business for improved financial performance.

# Non-Executive Directors



**GARRY LEMAIR**

APPOINTED 1 JULY 2013

Garry Lemair is an experienced executive with a strong track record in leadership, having successfully worked with major global entities in a number of senior positions and directorships in Australia/Asia Pacific Europe, USA, Africa. Garry has held senior roles with Citibank, Diners Club International, KFC-PepsiCo, Fluor Daniels and Taubmans/Courtaulds.

Garry is currently the Chairman of Web Profits a leading online marketing company, Chairman of Telegate a VOIP and cloud telecommunication specialists and Chairman of an executive search and recruitment company Grenada International.



**DEAN CAPOBIANCO**

APPOINTED 1 JULY 2013

Dean Capobianco brings with him a wealth of experience in the online media environment having held senior roles with Ninemsn, Yahoo! Search Marketing and most recently as interim Chief Executive Officer with Careerone.

Dean is a director of The Trading Desk that is a licensee of China Search International; a paid search reseller for the largest search engine in China, BAIDU.

# The numbers at a glance



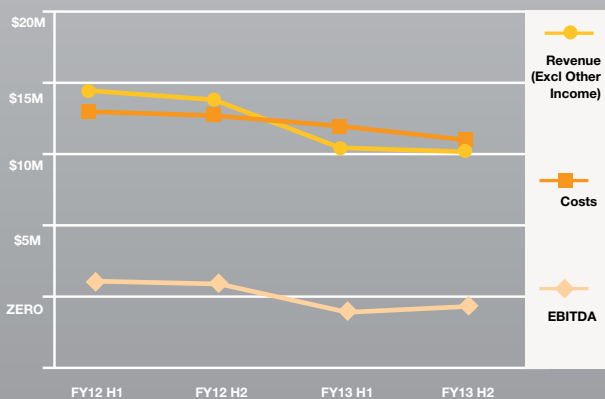
- Billings decline 33% year on year, to \$99.5m for FY13. The decline more pronounced in H1, declining by \$17m from \$69m in the six months to June 2012, to \$52m in the following six months to December 2012.
- Largely due to significant drop in advertising spend across State Government contracts and sharp reduction in recruitment spend, particularly mining and construction clients.

- Operating Revenue Margins continue to firm, up from prior year 18.9% to 20.8%, with growth in Digital, Creative and Video production billings, and increasing proportion of project and fee-based services. Updates to pricing models and margin reviews are being undertaken in light of the changing market.
- Operating overheads cut by \$2.2m to \$22.4m for the year. H2 operating overheads, excluding Depreciation and Amortisation, were down 9% on H1, to \$11.2m for the six months to June 2013. Programme in place to further reduce fixed costs base and align business structure and resources with the changing market.
- All Balance Sheet Goodwill has now been fully impaired, \$3.361m impairment expense charged in FY13 plus \$175k impairment of investments.
- Solid Cash balance of \$5.7m at 30 June 2013, robust credit control and cash management processes are in place.

Craig McMenamin  
Chief Financial Officer

## PERFORMANCE SUMMARY

### Profit & Loss



### Revenue margin



### Margin Analysis

	FY10	FY11	FY12	FY13
Gross Margin	16.9%	17.1%	18.9%	20.8%

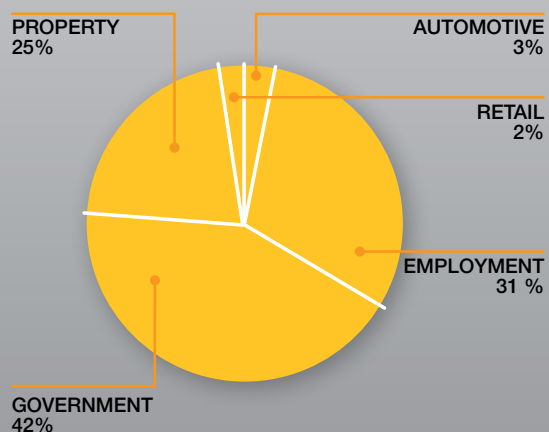


## Profit & Loss Summary

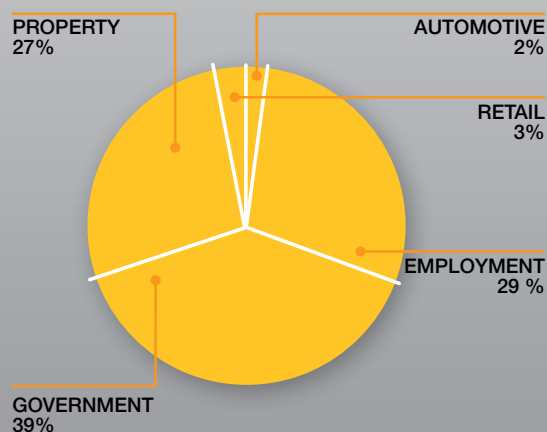
\$m	FY12			FY13		
	H1	H2	Total	H1	H2	Total
Billings	79.1	69.1	148.2	52.1	47.4	99.5
Revenue (Excl Other Income)	14.4	13.6	28.0	10.5	10.2	20.7
Margin	18.2%	19.7%	18.9%	20.2%	21.6%	20.8%
Operating Cost	13.4	13.1	26.4	12.7	11.5	24.22
Depreciation	(0.3)	(0.3)	(0.6)	(0.5)	(0.4)	(0.9)
Amortisation	(0.2)	(0.2)	(0.3)	(0.2)	(0.2)	(0.4)
Operating Cost (Before Depreciation, Amortisation and Impairment)	12.9	12.6	25.5	12.0	10.9	22.9
Other Income & One Off Items	0.0	0.3	0.4	0.1	0.1	0.2
EBITDA (before impairment)	1.5	1.3	2.8	(1.3)	(0.8)	(2.1)
				<b>FY10</b>	<b>FY12</b>	<b>FY13</b>
Basic EPS				2.29	2.57	(11.36)
Dividend Declared Per Share				2.00	1.75	0.00

## Billings by Type

### FY12



### FY13



## ADCORP DIGITAL METHODOLOGY

### Contents

<b>DISCOVER</b>	<b>MAKE</b>
06 Research	37 Development and Build
07 Insights	41 Quality Assurance
<b>THINK</b>	<b>ANALYSE</b>
13 Strategic Solutions	45 Re-evaluate Readiness
17	49 Reference Content set
<b>CREATE</b>	
23 Application Direction	
25	
<b>PRODUCE</b>	
30 Design Production	
33 Quality Assurance	

Because digital projects don't end when they go live, neither does our methodology. We're always looking at how we can maximise the effectiveness of your projects.

## ADCORP DIGITAL METHODOLOGY



## WHAT'S HAPPENING IN MOBILE?

### Contents

Mobile Statistics in Australia	6
Smartphones	6
Tablets	6
Mobile Opportunities	10
A Presence on Mobile	10
Mobile Friendly Website	12
Mobile Optimised Site	14
Responsive Design	16
Mobile Apps	20
Mobile Advertising	22
Mobile Integration to Offline	23
QR codes	25
Print through Augmented Reality	25
Near Field Communication	25
Location Services	26
How to do Mobile	28
Why do Mobile	28
Examples of Costs for Mobile	33
How do you get involved?	34
References	36
Contact Us	



## ALL YOU NEED TO KNOW ABOUT MOBILE.

Find out the best way to reach and engage your mobile.

## WHAT'S HAPPENING IN SOCIAL MEDIA?

### Contents

Social Media Statistics	6
Why do Social Media?	10
The Big Picture	15
Social Media Opportunities	16
Social Media Strategy	20
Community Management	25
Platform Development	28
Social Media Monitoring	28
Campaign Development	33
Social Media Training	38
Reporting on Social Media Success	41
Examples of Costs for Social Media	42



# Adcorp Digital Growth

Digital marketing is always evolving and changing as users begin to understand more about how they can use technology to benefit their day to day activities. At Adcorp we look at how brands and consumers can be connected in an intuitive way using digital technologies. Some of the many tools that Adcorp uses to achieve this include:

*Our methodology* – Following a process beginning with DISCOVER (Research & Insights) and THINK (Strategy & Solutions), our teams are armed with awareness and understanding of the brand, the audience, the market/competitors and how we will measure success.

*Technology* – Using technology advances to reach the audience as well as being conscious of client's budgets. For example, many of Adcorp's websites are built using responsive design so that they can reach users on their desktop, mobile or tablet in the most effective way, while also being cost effective for our clients to execute.

*Understanding the end user* – Looking at who the communication is intended for is essential to determine the type of technology, the type of communication, the tone of voice and the content. Using our research tools and resources, we gain information in addition to what our clients already bring to the project.

*Listening to the conversations* – Some brands want to project their voice and message to the mass audience. This doesn't cut it these days as the audience is more savvy and expect a more personal and targeted communication. Listening to what customers are already talking about is essential to understanding how to join the conversation.

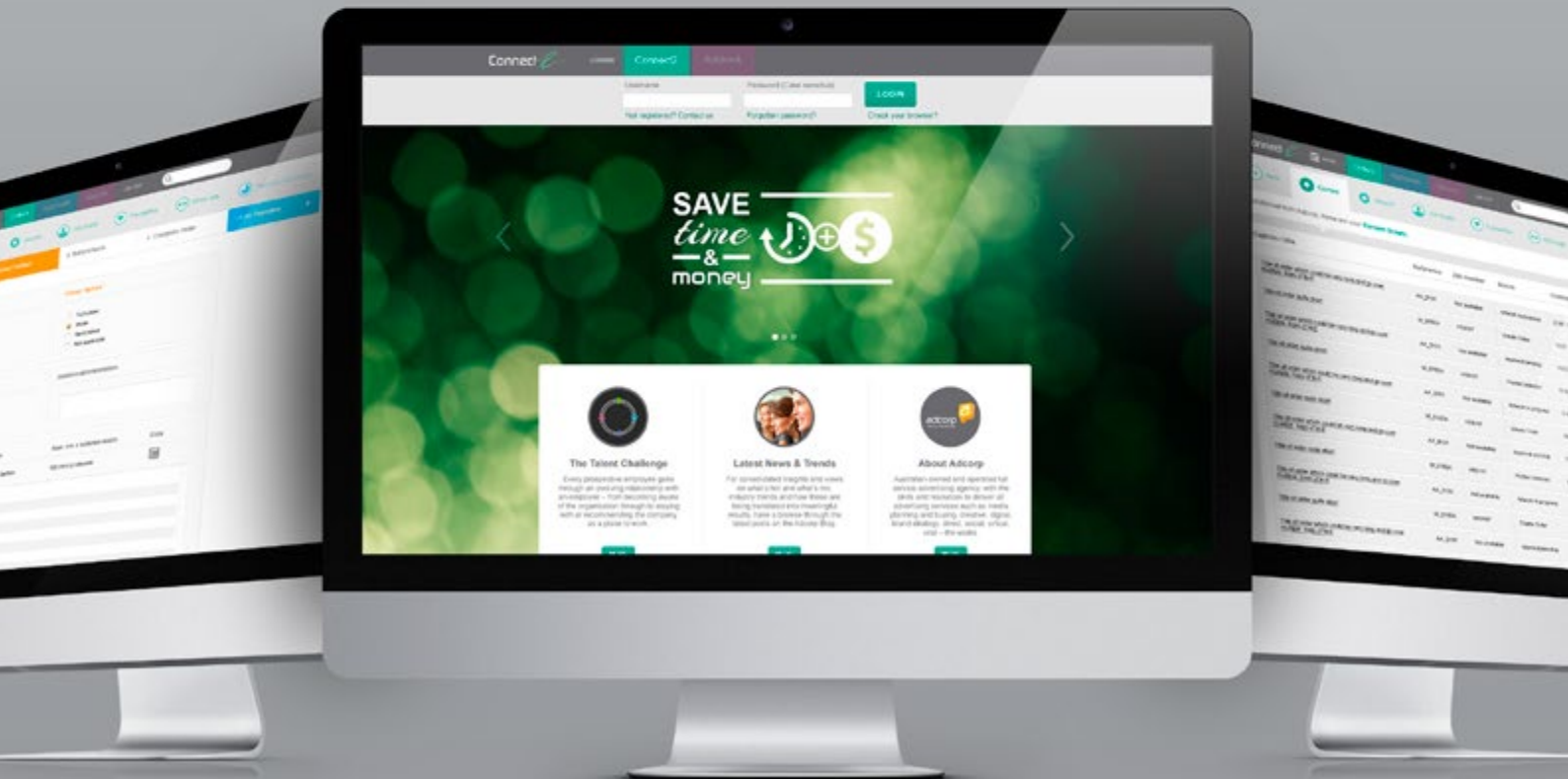
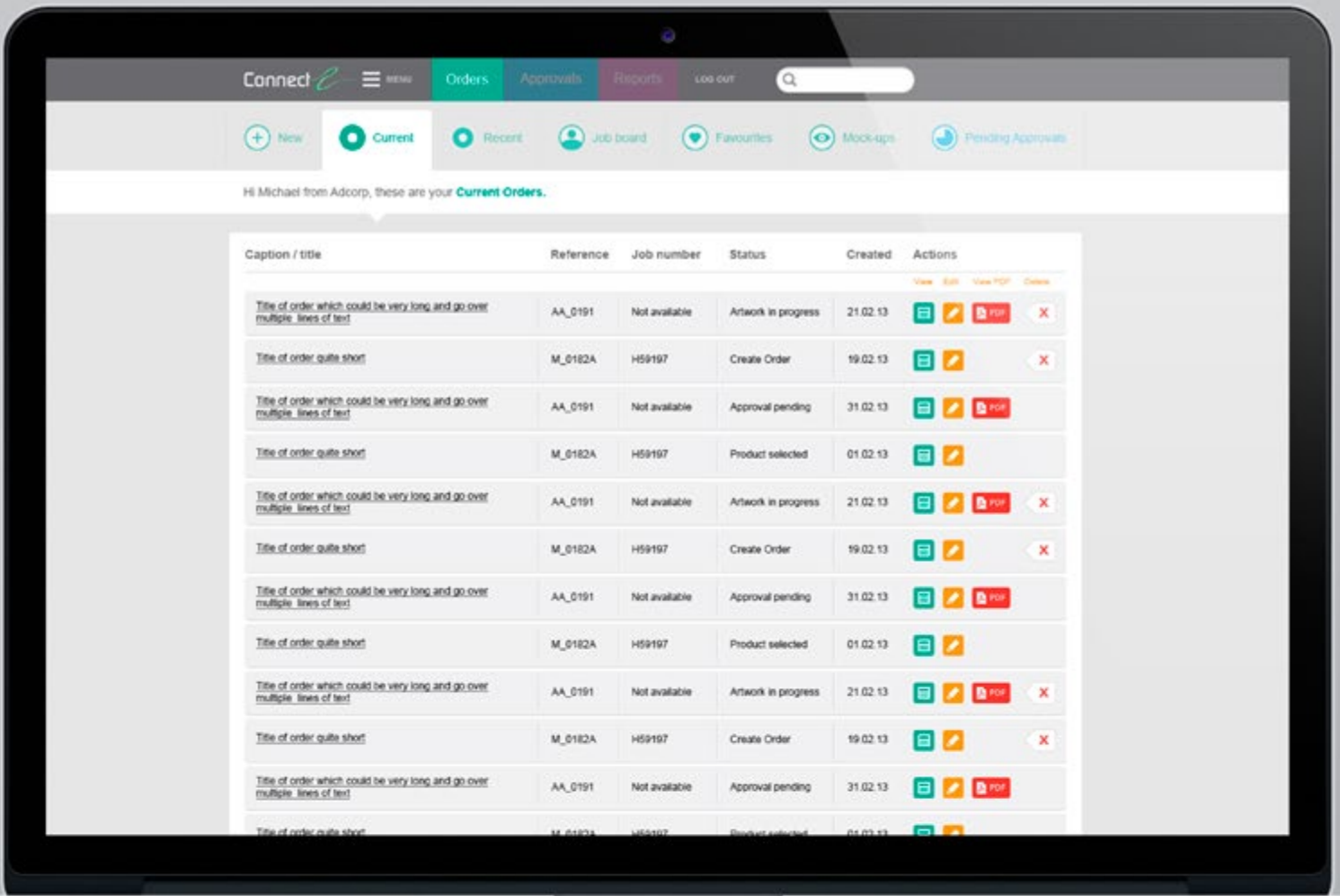
Adcorp has been listening to our clients and becoming part of their communities, building relationships for future benefit.

*Talent & expertise* – Our digital team are the best in the business with rich experience in project management, digital strategies and Social Media strategies. Our clients are constantly impressed with the insights and value that working with our team brings to any project.

The Adcorp Digital team has also worked hard in the last year to:

- Build our partnership with the Limelight team as we offer the most effective technology and creative options for our client's needs.
- Educate the Adcorp staff as well as our clients through training and seminars.
- Market Adcorp through our networking, blog posts and social media thought leadership.
- Produce resources such as the Social Media kit, Digital Methodology kit, Hosting and maintenance kit and the Mobile kit. These resources are full of statistics and information about the Australian and New Zealand markets and Adcorp's offering in these spaces.
- Improve our internal processes around client reporting, project management and reporting on profitability internally.

Moving forward into the new year, the Adcorp Digital team is expanding in numbers but maintaining our sense of creativity, quality and process. Our team will focus on research and strategy, creative executions, technology and development as well as delivering these services with a simple process that ensures projects are delivered on time and on budget. As we report on return on investment for our clients from projects over the past year, we look forward to using this success to build on those relationships and to prove our worth to win new clients into 2014.





# Connect2™

Adcorp's Connect2™, the most advanced advertising management system in Australasia, provides access to the world's leading and easy-to-use Automated Artwork Technology. It is the most streamlined order management process available and the smartest integrator of cross media advertising campaigns. In addition, unique features in our ROI (return of investment) reporting and ad annotation tools allow our clients to remain at the forefront of technological advances in advertising management.

To ensure Connect2™ remains the 'best of breed' online advertising management system, we recently engaged our clients to review the system from both a functional and cosmetic point of review. The result sees a new look for this proven product with a range of product enhancements also due to launch shortly.



# *Creative Conversations*

With the multitude of media channels now available, the strategically relevant and engaging creative solution is becoming even more important.

As the target audience's ability to filter or block marketing messages grows, the emphasis on creative solutions that feature solid consumer insights, striking visuals and pertinent content continues to grow in tandem with the development of new delivery channels.

As such Adcorp have invested in bringing new skills to our creative teams around our network and deployed sector specialists to train our existing design teams.

The following pages showcases some examples of creative campaigns we have developed for our clients along with a brief overview of the project.

number  
**one**  
alfred

**GOLD FIELDS HOUSE**

There are a number of reasons why this is the most sought after office space in Sydney. One of the reasons is the location. One Alfred Street is centrally located in the heart of the CBD, close to the Harbour Bridge and the Sydney Harbour Bridge. The building is a prime example of what it takes to be the number one office space in Sydney. To learn more, visit [www.numberonealfred.com.au](http://www.numberonealfred.com.au)



number  
**one** for business



number  
**one** office space



number  
**one** office space



number  
**one** office space



number  
**one** office space



number  
**one** for tenants

For over 40 years, Gold Fields House, 1 Alfred Street has been a number one business address for tenants. Take your front row seat to the harbour and share in the experience with our existing tenants.



“The location of Gold Fields House places us in the heart of the CBD, close to the Harbour Bridge and the Sydney Harbour Bridge. It is a prime location for tenants who want to be in the heart of the CBD. The building is a prime example of what it takes to be the number one office space in Sydney. To learn more, visit [www.numberonealfred.com.au](http://www.numberonealfred.com.au)”

Peter Manning  
2012 Australian Property Awards Winner

“As a tenant, you will benefit from the location of Gold Fields House. It is a prime location for tenants who want to be in the heart of the CBD. The building is a prime example of what it takes to be the number one office space in Sydney. To learn more, visit [www.numberonealfred.com.au](http://www.numberonealfred.com.au)”



number  
**one**  
alfred  
GOLD FIELDS HOUSE

first class views

**BRAND NEW OFFICE FITOUTS – LEASING NOW**

onealfred number  
**one** for your future



[www.onealfredstreet.com.au](http://www.onealfredstreet.com.au)

Colliers International CBRE

[www.onealfredstreet.com.au](http://www.onealfredstreet.com.au)

Panoramic views of Sydney Harbour  
Newly fitted out tenancies – from 110sqm  
Whole floors of 650sqm available  
Revitalised commercial entrance  
Longer lease terms now available  
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Leasing enquiries:

John Park  
0422 332 690  
Dan Walker  
0413 597 677



Stuart McGonry  
0404 034 819  
Ben Cohen  
0421 486 774



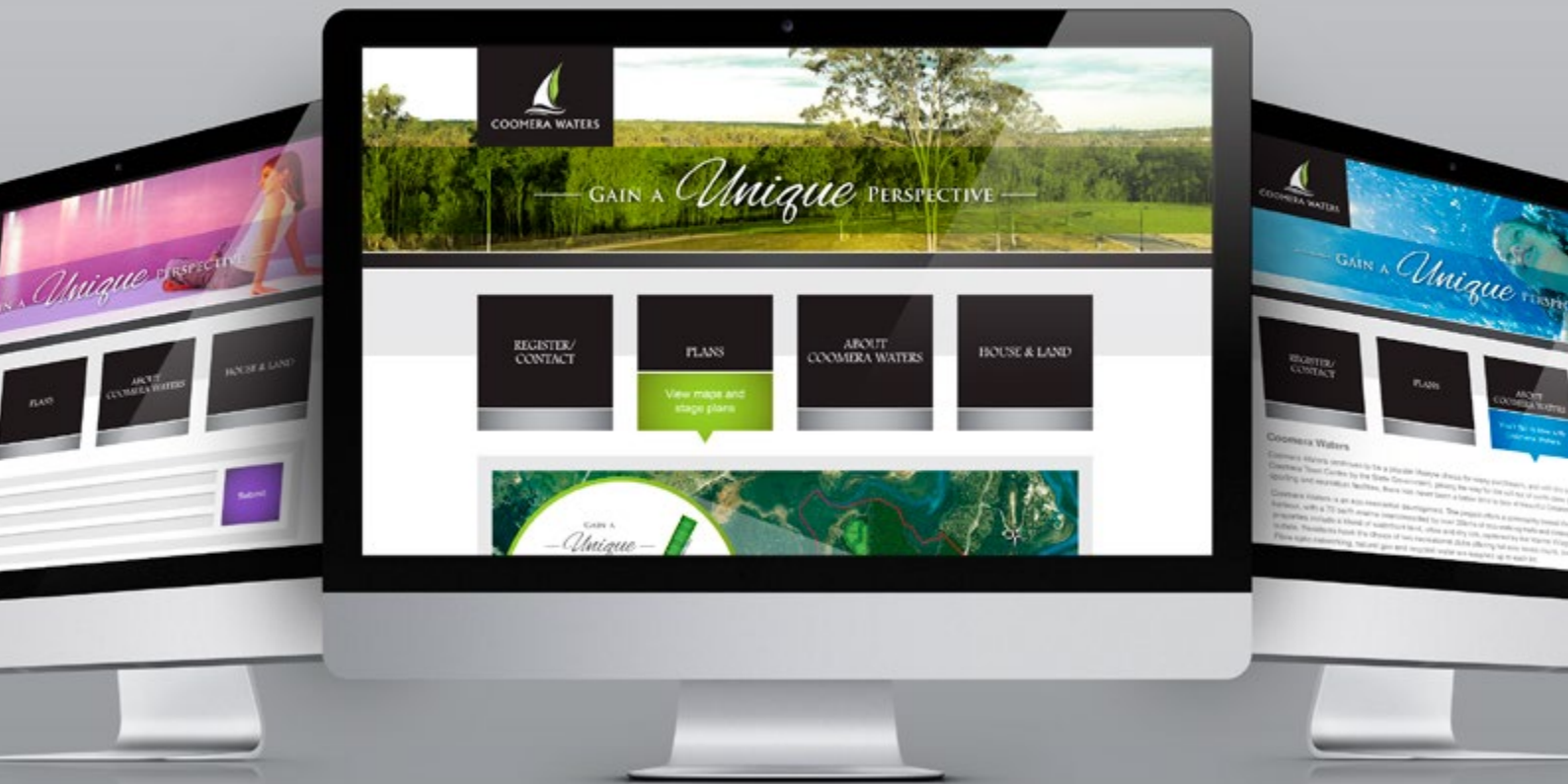


# One Alfred Street

Colliers and Valad approached Adcorp in the last week of December 2012 to create a leasing campaign and reposition One Alfred Street with a new logo identity and to promote its short to medium term leases. Due to time constraints, the brief was that the campaign had to be quick to market and generate immediate leads.

The main challenge was to overcome market perception that this building would become a residential development in the near future. We had to produce a strong brand positioning that clearly emphasised One Alfred as a 'business' address and available for lease now. Adcorp produced new property signage, a high quality leasing brochure with embossed cover and metallic gold accents, e-brochure, DL direct mailout, e-blast and a reskinned website [www.goldfieldshouse.com](http://www.goldfieldshouse.com)

Adcorp created a strong brand proposition 'Number One for Business' which we were able to campaign out across all the property's benefits (ie. number one for views, number one for office space, number one for amenities etc). The dual use of the number one logo (written in text and as a numeral) worked well especially as our proposition was not only that the address was No. 1 Alfred Street, but also that it ranks Number One in so many features. The timeline was very tightly and successfully managed. As a result, 10 deals were done in the first 8 weeks to market.



# Coomera Waters

Adcorp was appointed to develop a new identity and on-going marketing strategy for the exclusive sale of 44 sloping large land lots at Coomera Waters. Coomera Waters is a well-known and established brand in the Gold Coast market. The campaign was designed to excite buyers about the land types, the larger land sizes, about the type of product suitable for sloping land and strongly communicate the value for money on offer at Coomera Waters.

Operating in a competitive market Coomera Waters needed to distinguish themselves from their competition. The roll out of the campaign included a responsive design website, a Google Adwords campaign, banner advertising on various sites, press ads, lot signage, direct mailers and House & Land flyers.

The responsive design website gave users the required information in a format where they did not need to click, scroll or zoom to register interest in Coomera Waters. The total visits to site from January – June 2013 is 4,367, with 1,323 (30.2%) of those visits coming directly from either a tablet or a smartphone. The Google Adwords campaign ran over a 6 week period with search terms covering “Geographical, Lifestyle and Associations”. The click through rate (CTR) for this campaign was 0.54%.

This is a strong result as the standard CTR for a Google Adwords campaign is 0.07%.

# Mercedes-Benz Gold Coast

Adcorp was briefed to provide concepts and supportive marketing collateral for a 3 day sales event that Mercedes-Benz Gold Coast held in March to promote their demonstrator range.

With such a short sales period, we had to attract people to the dealership fast. On top of the 3 day sales event the launch of the new A-Class (nationally) was also running concurrently.

Whilst there were competing messages in the marketplace, the execution of the creative campaign through press, radio ads, advertising in the E-Publication that was sent to the Mercedes-Benz Gold Coast database, A4 flyers and SMS campaign showed through in the results.

What made this campaign successful was the creative and the strong emphasis on the “prices are falling” concept instead of having a specific product / price offer. Their sales for this specific week were 60% of their normal month’s car sales, with 40% of those being sold on the first day of the event (Thursday).





# Kingston Apartments

To date Australand have had significant success marketing Stage One of the Kingston Estate at Cockburn Central. In order for the development to maintain the momentum of sales and be able to move on to begin selling Stages 2, 3 & 4, we needed a quick, strong push to sell 30 apartments in the next three months.

Kingston required its own dedicated website that would successfully educate and inform investors seeking out information about the development and the Perth property market in general, leading to a higher rate of conversion to sale of visitors to the site and to the display apartment.

To drive traffic to the new website and to the display apartment, Kingston required a fully integrated communications campaign that would stress the unique investment opportunity that the development offers by highlighting all of the attractive features and benefits that are garnering excellent rental returns for existing purchasers.

# Funky Fryz

Funky Fryz is a retail fast food venture, focused on small franchised eateries, offering a range of potato chips and a variety of dipping sauces or toppings for purchase.

When Funky Fryz were ready to develop their idea they asked Adcorp to overview, research and develop the Funky Fryz brand and brand experience. Adcorp developed a funky 60's theme that created a point of difference in the fast food market, promoting a sense of fun and taking us back to a time when food was meant to be enjoyed. A range of colour schemes were tested for the brand colours, taking into account the psychology of colour and how this effects appetite and visual stimulation.

Through this project Adcorp has developed a full brand experience by creating a style guide, website, stationery, in-store characters and catch cries along with a range of design elements and backgrounds. Adcorp has been closely involved with Funky Fryz throughout this process overseeing and consulting on every element, even down to the store fit out with recommendations regarding finishes, lighting and the all important in-store branding.

Funky Fryz have plans to open a few stores across Australia with the first one opening in Perth, followed by a possible expansion into Asia next year.





# Fisher & Paykel Finance

History doesn't have to be boring - Adcorp was tasked with creating a new bespoke careers website for Fisher & Paykel Finance.

As part of this new website we had a history page to create, instead of going down the traditional dry path we saw this as an opportunity to show the company's history in an innovative way.

Fisher & Paykel Finance is a successful company with over 40 years of history, there was a great story to be told and we wanted to make sure it wasn't lost in long pages of text.

The solution was to create a history slider which covered 8 key events in the company's history from its humble beginnings in the early 70's as a TV rental company to the successful 2012 Haier takeover bid.

These 8 key events were then illustrated by Adcorp's designer by hand in vibrant watercolour creating a visually engaging journey through 40 years of success.

## Census

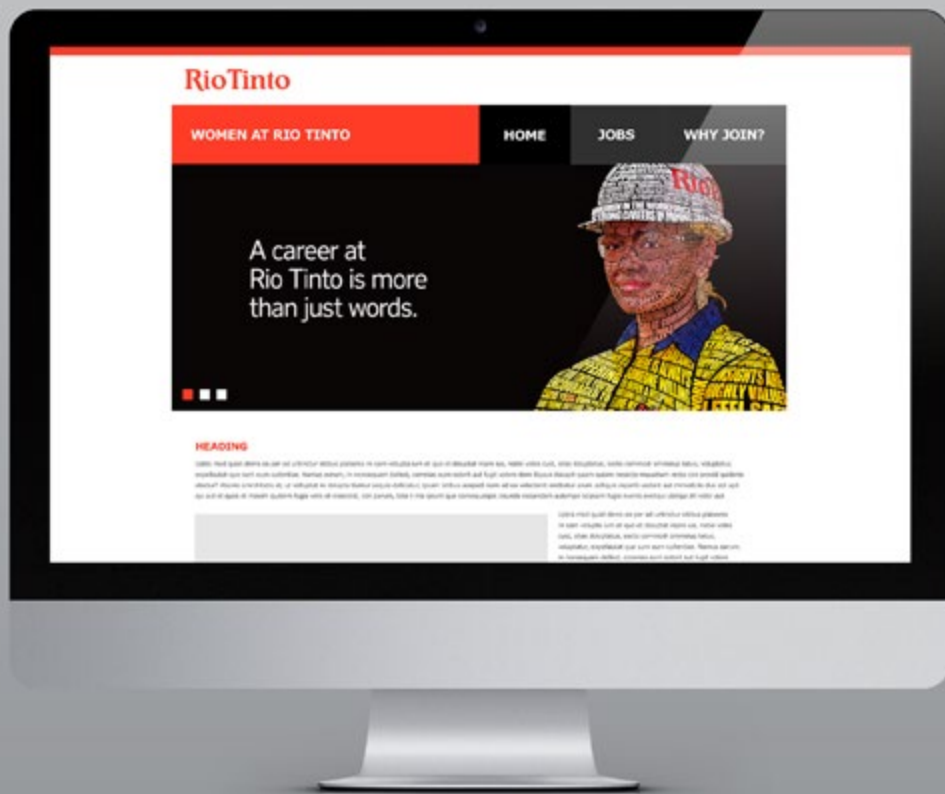
During February and March, around 7,000 temporary staff handed out and collected 6.4 million census forms. The project involved measuring New Zealand's total population (including visitors from abroad) and dwellings on Tuesday, 5 March. An estimated 4.46 million people completed forms.

Adcorp played an important role in attracting the employees to deliver the census. Over a six week period around 25,500 people applied for a Census Collector role. We staged an integrated campaign that netted a diverse audience of candidates at a cost of less than \$4 per applicant.

We wanted to interact with candidates. Using Facebook, Twitter and YouTube allowed us to instigate and conduct multiple audience conversations.

Adcorp managed and produced all content featured on these three channels. We also provided first line support in managing candidate enquiries on Facebook with 3,600 people 'liking' our page.





# Rio Tinto

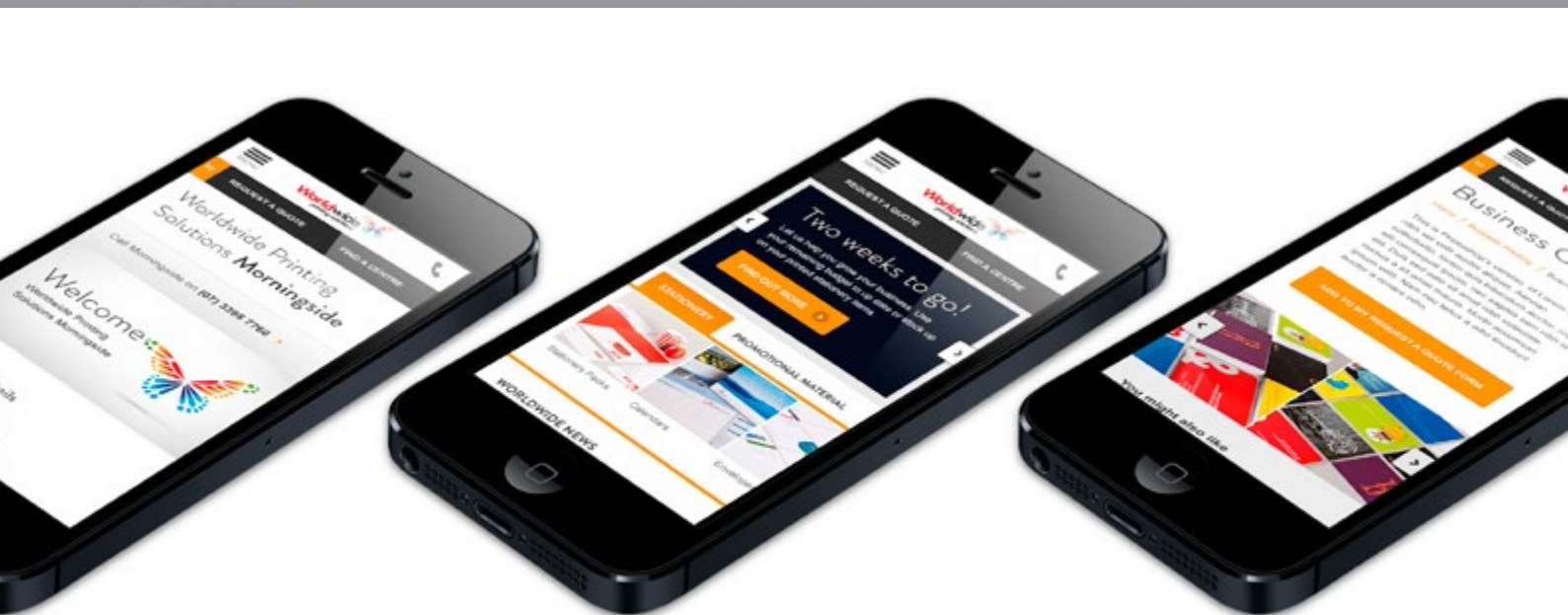
Adcorp was approached to put forward an advertising solution for the Rio Tinto 2013 Diversity Recruitment Drive aimed to attract qualified and experienced Women and Aboriginal and Torres Strait Islanders for various Operator/Maintainers as well as Technical/Professional roles in the Pilbara region.

The purpose of the campaign strategy resulted from audience insights gathered from internal research conducted by Rio Tinto – Why gender & cultural diversity matter – combined with Adcorp's internal research via Roy Morgan insights into the specified job families. In addition to this, data from the Australian Bureau of Statistics was used to determine geographic location, level of mobility and qualifications of a skilled workforce including Aboriginal and Torres Strait Islanders.

The key target areas for this campaign were New South Wales, Queensland, Victoria and Western Australia. The campaign strategy consisted of: four weeks of advertising in print (indigenous specific publications and referral cards) and online channels including display, search, mobile and video; the development of two specific landing pages providing relevant information and job openings for each of the target groups; response tracking was implemented by utilising Google Analytics and Adcorp Response Tracking tool to ensure accurate optimisation and data output.

The advertising campaign effectiveness was measured by response traffic to landing pages, tracking of media placement relevant to job family, number of qualified applicants and also number of clicks by role specified on the respective landing pages.

Combined, both landing pages received in excess of 18,000+ unique visitors throughout the campaign, with key hard-to-fill roles receiving a very high click engagement particularly to 'Find out more' section. Click-through-rates (CTR) for search and display were above and within the industry benchmarks - 0.07%+ for display, and 1–5% for search.



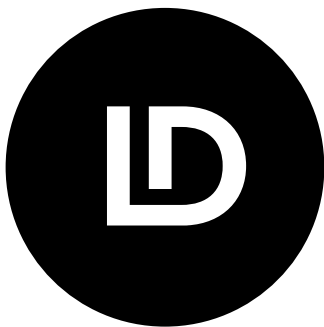


# *Worldwide Printing Solutions*

As one of Australia's largest franchised printing organisations, Worldwide Printing Solutions engaged us to design and develop their new online presence. Partnering with Limelight Digital, our solution however went beyond a simple redesign and build; working with the client we identified a number of key requirements and problems that needed to be addressed.

Uncovering these issues was achieved through a series of workshops that examined their customers journey online and highlighted critical points of concern. From this we were equipped with the information needed to redesign elements such as the online quoting process and how customers interact and find physical centres.

The result is a new online presence that provides Worldwide Printing Solutions customers with the tools and information they need to quickly turn around a print job, get pricing on a concept or find their nearest centre to name a few. This has been achieved through a comprehensive desktop website and a tailored mobile site that is accessible to all smart phone devices.



LIMELIGHT DIGITAL

# GT HUNTERS

Australia • Indonesia • Japan

There's plenty of fish in the sea.  
We want the BIG ones.

*Caranx Ignobilis* – The Giant Trevally, is the pinnacle of fishing. At over 200lbs it takes more than sheer guts to land this fish, you need to be hooked on the challenge. That is exactly what motivates Dean Zec and Scott Wooldridge, two keen anglers who not only love fishing but are also Marine Scientists.

CATCH the new season.



**SHOWRUNNER**  
PRODUCTIONS

- Looking
- Glass
- International

# 72 DANGEROUS ANIMALS AUSTRALIA

A close look at animals  
you DON'T want to get close to

# 72 DANGEROUS ANIMALS AUSTRALIA

FACTUAL  
HD 12 x 45'



You're in crystal clear waters, scuba diving, with fish all colours of the rainbow surrounding you. One small, beautiful shell grabs your attention, you pick it up, there's a tiny pinch...and congratulations, you have been stung by a cone shell, one of Australia's lesser-known nasties and, unless you get help, in one hour you're dead!

Welcome to 72 DANGEROUS ANIMALS AUSTRALIA. This is an unforgettable journey of horror and fascination. This enthralling series looks at all 72 of Australia's deadly animals, from the Platypus to the Great White Shark.

With explanatory graphics, animation, eye witness accounts, experts' opinions and real life victims, each animal is fully investigated to determine just how dangerous and life threatening it is.

Each creature competes for the title of most dangerous Australian animal and once it's been profiled is given a scoreboard ranking. The ranking is adjusted after each animal is slotted into order.

The countdown is covered using scoreboards, stadium graphics and exciting sports-style voice over.

72 DANGEROUS ANIMALS AUSTRALIA combines real life stories, beautifully filmed footage, and a host of characters who work and live with these unique Australian animals. From the desert to the snow, it brings us face-to-face with our deepest fears, and the creatures that we hope to never meet.

WRITERS Ray Pedretti, Trish Robinson  
SERIES PRODUCER Trish Robinson  
EXECUTIVE PRODUCER Ray Pedretti  
PRODUCTION COMPANY Showrunner Productions



# Showrunner Productions

Adcorp has long had the internal capability to deliver video and television production services focusing on the development of corporate profiles and television commercials. However with the growing number of electronic media channels, both traditional and online, increasing the demand for content, we formed Showrunner Productions to service this growing market.

Bringing in experienced television producers, we are currently developing television programming for the Australian and overseas markets. Our catalogue of concepts has already been presented at a number of local and international markets and we are currently in advanced discussions with parties to produce a number of television series.



**SHOWRUNNER**  
PRODUCTIONS







*Financial Results*

**2012-2013**



# Directors' report

**30 JUNE 2013**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Adcorp Australia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2013.

## Directors

The following persons were directors of Adcorp Australia Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Ian Rodwell

David Morrison

Garry Lemair (appointed on 1 July 2013)

Dean Capobianco (appointed on 1 July 2013)

Bob Campbell (resigned on 30 June 2013)

## Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Advertising agency services specialising in human resources, real estate, government, motor vehicle, education and retail;
- Website design, development and database support services;
- Digital marketing services and consulting, including supply of web-based products, and strategic employment solutions; and
- Video production and marketing solutions.

## Dividends

Dividends paid during the financial year were as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
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	–	607
	<b>455</b>	<b>1,214</b>

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

## Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$6,892,000 (30 June 2012: profit of \$1,562,000).

The second half of the financial year remained extremely challenging.

Billings continued to decline, down 10% on the first half figure of \$52.1 million, mainly a result of reduced spend by 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. Partially mitigating these declines was the growth in project work, video, digital and general corporate marketing and branding.

Revenue margins firmed to 21.4% in the second half of the financial year with growth in our digital and video production revenues and a higher proportion of service fees being billed. Second half financial year revenues were 4% down on the first half of the financial year, at \$10.24 million.

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 cuts to labour and premises, the benefit of which will flow in the 2014 financial year. Second half overhead costs were down \$1.1 million to \$11.5 million.

The resultant loss in the second half, before impairment and losses in associated entities, was \$(1.3) million, compared to the loss of \$(2.1) million in the first half of the financial year.

Full year revenues were \$20.9 million, down \$7.7 million (27%) on the prior year.

Client service and labour costs of \$16.8 million were \$1.9 million (10%) down on the prior financial year. This vital area of our business will be constantly evaluated as we continue to improve our competencies in the rapidly growing areas of online, digital and video marketing, in order to drive the changes in the market and provide our clients with innovative, highly effective marketing solutions.

We improved our systems and processes and tightened all administrative spending, resulting in \$349,000 of savings across administrative, client and marketing, and office and communications cost categories. Key areas of cost saving included receivables provisions and collection costs, equipment costs, rent and outgoings, printing and stationery and corporate administration costs.

After including impairment of \$3.4 million and loss in associated entity of \$175,000, the full year result before tax is a loss of \$(6.887) million (30 June 2012: profit \$2.159 million).

The potential tax credits against these losses are calculated only to the extent to which they are reasonably expected to be utilised in the next 12 months.

A stronger exchange rate for the NZ dollar has resulted in a foreign exchange translation of our New Zealand segment, of \$191,000 (30 June 2012: \$37,000), disclosed separately to our underlying operating results.

The 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 30 June 2013 of \$(451,000) with the resultant 40% share \$(180,000) loss attributable to Adcorp and expensed against the investment value of \$175,000. As a result of the losses and the lower than expected returns on this business in the initial 9 months since acquiring the 40% stake, Adcorp has also impaired \$195,000 of short term loan balances outstanding at 30 June 2013.

Our outlook is for newspaper 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.

Adcorp continues to experience widespread change in the industry and significant challenges in providing leading marketing and advertising solutions amidst this change. 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 addition of Dean Capobianco and Garry Lemair, are totally committed to adapting our business to meet the challenges in the year ahead.

# Directors' report

30 JUNE 2013

## Significant changes in the state of affairs

On 19 October 2012, the consolidated entity acquired the remaining 25% equity stake in Andrews Advertising Pty Ltd. Andrews Advertising Pty Ltd is a 100% subsidiary at 30 June 2013.

On 9 November 2012, the consolidated entity acquired a 40% equity stake in Limelight Group Pty Ltd. This investment provides additional digital capacity, specialist development services and unique product offerings for Adcorp clients.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

## Matters subsequent to the end of the financial year

On 28 August 2013, the company received notification that it had not been successful in retaining the NSW Government Media Placement and Typesetting services contract. The media placement and typesetting contract with NSW Government concludes at the end of September 2013, and the business commenced additional restructuring during September to transition out of the contract.

The contract with the Western Australian Government was renewed initially for another 3 years commencing 1 August 2013.

As a result of the losses for the year of \$6,887,000, the company's net tangible asset value at 30 June 2013 was below the threshold required under the company's financing facility covenants.

Subsequent to the financial year-end, the company renegotiated its financing facility with the ANZ Banking Corporation and is now fully compliant with all covenants. Further details of this facility are disclosed in note 26.

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.

## Likely developments and expected results of operations

Our outlook is for newspaper 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.

Adcorp continues to experience widespread change in the industry and significant challenges in providing leading marketing and advertising solutions amidst this change. We remain committed to this objective and extend a sincere thank you to all our Adcorp team for their efforts in the past year.

## Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

## Information on directors

Name:	<b>Ian Rodwell</b>
Title:	Non-Executive Chairman
Qualifications:	BCom
Experience and expertise:	Ian Rodwell is the founder of the Adcorp Group and held the position of Managing Director from Adcorp's inception until his retirement in January 2004. He is also a Director of the Diabetes Australia Research Trust ("DART"), an organisation responsible for the raising of funds for diabetes research and awarding of grants to medical researchers in Australia; Chairman of Optalert Ltd, a company developing an innovative technology product to measure both alertness and drowsiness, as an aid to the global transport and mining industries; Director of MND Australia, an organisation responsible for raising and funding medical research to find the cause and cure for motor neurone disease.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee and Chairman of the Remuneration and Nomination Committee
Interests in shares:	23,022,362 ordinary shares
Interests in options:	None
Name:	<b>David Morrison</b>
Title:	Executive Director and Chief Executive Officer
Qualifications:	B Bus (Hons)
Experience and expertise:	David Morrison has a wealth of advertising industry experience, most recently as the Head of Business for Adcorp's WA, SA and NT markets. In just over 7 years, David managed to near triple Adcorp's WA operation (by billings) and has been instrumental in Adcorp's appointment to a number of key accounts. He was appointed by the Board to the role of Chief Executive Officer in March 2011.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	623,932 ordinary shares
Interests in options:	None

# Directors' report

30 JUNE 2013

## Information on directors (continued)

Name:	<b>Garry Lemair</b> (appointed on 1 July 2013)
Title:	Non-Executive Director
Qualifications:	BComm, FAICD
Experience and expertise:	Garry Lemair is an experienced executive with a strong track record in leadership, having successfully worked with major global entities in a number of senior positions and directorships in Australia, Asia Pacific, Europe, USA and Africa. Garry has held senior roles with Citibank, Diners Club International, KFC-PepsiCo, Fluor Daniels and Taubmans/Courtaulds. Garry is currently the Chairman of Web Profits a leading online marketing company, Chairman of Telegate a voice over internet protocol ("VOIP") service provider and cloud telecommunication specialists and Chairman of an executive search and recruitment company Grenada International.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Name:	<b>Dean Capobianco</b> (appointed on 1 July 2013)
Title:	Non-Executive Director
Qualifications:	GC Bus.Admin
Experience and expertise:	Dean Capobianco has a wealth of experience in the online media environment having held senior roles with Ninemsn, Yahoo! Search Marketing and most recently as interim Chief Executive Officer with Careerone. Dean is a director of The Trading Desk that is a licensee of China Search International; a paid search reseller for the largest search engine in China, BAIDU.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None



## Information on directors (continued)

Name:	<b>Bob Campbell</b> (resigned on 30 June 2013)
Title:	Former Non-Executive Chairman
Qualifications:	BEC
Experience and expertise:	Bob Campbell has spent his career working in the media. He held senior management positions with Network TEN and The Seven Network. He is a former Chairman of The Film Finance Corporation, the Sydney Dance Company and a director of The Australian Film Radio and Television School and the Australian Film Commission. In 1996 he formed, with Des Monaghan, the television production company, Screentime, which has operations in Australia, New Zealand and Ireland. Bob resigned on 30 June 2013.
Other current directorships:	Not applicable as no longer a director
Former directorships (in the last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

## Company secretary

**Craig McMenamin** is an experienced Chief Financial Officer ('CFO') with over 19 years of financial leadership in the Media, Retail, Entertainment and Manufacturing sectors, both locally and abroad. Craig's track record includes leading the financial strategy of high-growth, transformational businesses, playing a key role in strategic development and growth, while driving improvements of underlying operational systems, processes and investments. Craig is a Chartered Accountant and member of the Australian Institute of Company Directors.

## Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Bob Campbell	10	10	2	2
Ian Rodwell	10	10	2	2
David Morrison	10	10	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The Remuneration and Nomination Committee meetings are incorporated into Board meetings.

From 1 July 2013, Garry Lemair and Dean Capobianco were eligible to attend Board and Audit Committee meetings.

# Directors' report

30 JUNE 2013

## Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

### A Principles used to determine the nature and amount of remuneration

The Remuneration and Nomination Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the Chief Executive Officer and the executive team. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company and consolidated entity.

The performance of the company and consolidated entity is dependent upon the attraction, motivation and retention of highly skilled and experienced directors and executives.

To achieve this, the company and consolidated entity may embody some or all of the following principles into its remuneration framework:

- Provide competitive remuneration packages to attract highly skilled and experienced executives;
- Significant proportion of executive remuneration 'at risk', dependent upon meeting predetermined performance benchmarks;

- Performance benchmarks are aligned to the creation of shareholder value; and
- Participation in Adcorp Employee Option Plan to create long term incentives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

### Non-executive directors remuneration

The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then allocated to the directors as agreed. The latest determination was at the Annual General Meeting held in October 2004 when the shareholders approved a maximum aggregate amount of \$250,000 per year. Non-executive directors are not entitled to performance-based bonuses.

The remuneration of non-executive directors for the financial year ended 30 June 2013 is Section B of this report.

### Executive remuneration

The company and consolidated entity aims to remunerate and reward executives with a level and mix of remuneration that is commensurate with their position, responsibilities and performance within the company and consolidated entity and so as to:

- Reward executives for achievement of company and consolidated entity, business unit and individual objectives against appropriate benchmarks;
- Align interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Remuneration consists of the following key elements:

- Fixed remuneration;
- Variable short term incentive remuneration; and
- Variable long term incentive remuneration.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the company and consolidated entity and comparable market remunerations.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity or company and adds additional value to the executive.

The variable short-term incentives ('STI') are set covering financial and operational measures of performance. Measures are set to cover business unit and overall company and consolidated entity performances. The total potential STI available is set at a level so as to provide a sufficient incentive for the executive to achieve the operational targets of the company and consolidated entity and so that the cost to the company and consolidated entity is reasonable in the circumstances. Actual STI payments are made subject to the extent that specific targets set at the beginning of the financial year are met. Payments made are usually delivered as a cash bonus.

The variable long-term incentives ('LTI') are designed to reward executives in a manner which aligns this element of the remuneration with the creation of shareholder value. LTI grants to executives are delivered in the form of options. LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the company and consolidated entity's performance. No LTI grants were issued during the current financial year.

### **Consolidated entity performance and link to remuneration**

Executive fixed remuneration is not directly linked to the performance of the company and consolidated entity. Bonus and incentive payments are at the discretion of the Board. Incentives have not been accrued to key management personnel ('KMP') during the year under review as the performance targets were not achieved.

### **Use of remuneration consultants**

During the financial year ended 30 June 2013, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') program and long-term incentives ('LTI') program.

## **Voting and comments made at the company's 2012 Annual General Meeting ('AGM')**

At the last AGM 81% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

## **B Details of remuneration**

### **Amounts of remuneration**

Details of the remuneration of the directors and key management personnel are set out in the following tables. Key management personnel are defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity.

The key management personnel of the consolidated entity consisted of the directors of Adcorp Australia Limited and the following person:

- Craig McMenamain - Chief Financial Officer and Company Secretary

# Directors' report

30 JUNE 2013

2013	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Termination payments	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
B Campbell	72,000	-	-	6,480	-	-	78,480
I Rodwell	40,000	-	-	3,600	-	-	43,600
<i>Executive Directors:</i>							
D Morrison	323,530	-	-	16,470	-	-	340,000
<i>Other Key Management Personnel:</i>							
C McMenamin	218,306	-	-	16,470	-	-	234,776
	653,836	-	-	43,020	-	-	696,856

There is no remuneration disclosed for Garry Lemair and Dean Capobianco as their appointments on 1 July 2013 fell outside the financial year.

2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Termination payments	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
B Campbell	72,000	-	-	6,480	-	-	78,480
I Rodwell	40,000	-	-	3,600	-	-	43,600
<i>Executive Directors:</i>							
D Morrison	324,225	-	-	15,775	-	-	340,000
<i>Other Key Management Personnel:</i>							
C McMenamin *	254,239	-	-	15,775	-	-	270,014
	690,464	-	-	41,630	-	-	732,094

\* Cash salary and fees for Craig McMenamin includes an amount of \$40,699 refund of excess salary sacrifice contribution for motor vehicle in prior years.



The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2013	2012	2013	2012	2013	2012
<i>Non-Executive Directors:</i>						
B Campbell	100%	100%	- %	- %	- %	- %
I Rodwell	100%	100%	- %	- %	- %	- %
<i>Executive Directors:</i>						
D Morrison	100%	100%	- %	- %	- %	- %
<i>Other Key Management Personnel:</i>						
C McMenamin	100%	100%	- %	- %	- %	- %

### C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	David Morrison
Title:	Executive Director and Chief Executive Officer
Agreement commenced:	21 March 2011
Term of agreement:	No fixed period
Details:	Remuneration package of \$340,000 with discretionary indexed CPI increase annually plus short term incentives based on financial performance of the company for the year.

Executives' employment contracts require employees to provide three months' notice or the company to provide a standard three months' notice. Other than the terms outlined, the employment contracts of key management personnel are consistent with normal employment contracts of the company.

In addition, all executives are entitled to annual bonuses payable upon the achievement of annual profitability measures and other KPI's including achievement of new business targets.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

# Directors' report

30 JUNE 2013

## D Share-based compensation

### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013.

### Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
1 July 2008	Conditional *	30 June 2013	\$0.40	\$0.400

\* Options vest no earlier than 1 July 2010 provided the earnings per share ('EPS') has grown by 10% per annum cumulative on the 30 June 2008 financial year EPS.

Options granted carry no dividend or voting rights.

100,000 (2012: 250,000) options expired on 30 June 2013 (2012: 30 June 2012).

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

Name	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Remuneration consisting of options for the year
Craig McMenamin	\$ -	\$ -	\$ 40,000	% -

**THIS CONCLUDES THE REMUNERATION REPORT, WHICH HAS BEEN AUDITED.**

### Shares under option

There were no unissued ordinary shares of Adcorp Australia Limited under option outstanding at the date of this report.

### Shares issued on the exercise of options

There were no shares of Adcorp Australia Limited issued on the exercise of options during the year ended 30 June 2013 and up to the date of this report.

### Indemnity and insurance of officers

The company has indemnified the directors of the company for costs incurred, in their capacity as a director, for which they may be held personally liable, except where there is a lack of good faith.

The company paid an insurance premium of \$19,519 in respect of a contract insuring each of the directors of the company named earlier in this report, and each director and secretary of the consolidated entity, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

## Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

## Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

## Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## Officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd

There are no officers of the company who are former audit partners of Grant Thornton Audit Pty Ltd.

## Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

## Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



David Morrison  
Director and Chief Executive Officer

30 September 2013  
Sydney



Ian Rodwell  
Chairman

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

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**Auditor's Independence Declaration  
To the Directors of Adcorp Australia Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Adcorp Australia Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P J Woodley  
Partner - Audit & Assurance

Sydney, 30 September 2013



# Statement of Corporate Governance

**30 JUNE 2013**

The Board of Directors (the 'Board') of Adcorp Australia Limited (the 'company') aim to achieve good practice in the area of corporate governance and business conduct. Consistent with this aim, the company has followed the good practice recommendations established in the ASX Corporate Governance Council 'Principles of Good Corporate Governance and Good Practice Recommendations', version 2. The following is a summary of the current position of the company.

## **Principle 1: Lay solid foundations for management and oversight**

The primary role of the Board is the protection and enhancement of shareholder value. The Board has established a Board Charter. Responsibility for the operation and administration of the consolidated entity is delegated by the Board to the Managing Director and the executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities.

The Board is responsible for ensuring that management objectives and activities are aligned with the expectations and risks identified by the Board. In addition to the Committees referred to below, the Board achieves this by:

- The approval of the strategic direction designed to meet stakeholders' needs and manage business risk;
- approving and monitoring financial reporting of the company;
- implementation of operating plans and budgets by management and monitoring progress against budget;
- monitoring senior management's performance and implementation of strategy, and ensuring the appropriate resources are available; and
- approving and monitoring the progress of acquisitions and major capital expenditure.

Subject to normal privacy requirements, directors have access to company records and information, to the Company Secretary and other relevant senior officers, and receive regular detailed reports on financial and operational aspects of the company's business. Each director has the added right to seek independent professional advice at the company's expense.

## **Principle 2: Structure the Board to add value**

### **Composition of the Board**

The Directors' Report contains details of the directors' skills, experience, education and length of service.

The composition of the Board is deemed appropriate and is determined in accordance with the following principles and guidelines:

- the Board should have effective composition, size and commitment to adequately discharge its responsibilities and duties;
- the Chairman must be an independent director; and
- the Board consists of directors with an appropriate range of experience, skill and knowledge.

The Board currently comprises 4 directors, 2 of whom are an independent director. An independent director is a non-executive director and;

- is not a substantial shareholder of the company, or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- within the last 3 years, has not been employed in an executive capacity by the consolidated entity or has been a director after ceasing to hold any such employment;
- within the last 3 years, has not been a principal or professional advisor to the consolidated entity;
- is not directly or indirectly a material supplier or customer, being 5% or greater, of the company;
- has no material contractual relationship, being of value greater than \$100,000, with the consolidated entity other than as director;
- has not served on the Board for a period greater than 10 years; and
- is free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

# Statement of Corporate Governance

30 JUNE 2013

The current Board structure is inconsistent with good practice recommendation 2.1 (the majority of the Board should be independent directors). This structure, however, is considered appropriate to the extent and nature of company's operations. The current structure allows for more proactive communication between directors and more effective decision making. All directors have a full understanding and competence to deal with emerging issues of the business. The non-executive directors also have extensive experience of broader industry issues and emerging trends, and can effectively review and challenge the performance of management and exercise independent judgement.

## Principle 3: Promote ethical and responsible decision making

### Code of conduct

The company has developed and implemented a Corporate Social Responsibility policy, which seeks to ensure a culture where we continually conduct our operations in a socially responsible manner. Through this policy, the company seeks to encourage and develop a culture of professionalism, honesty and responsibility in order to maintain and enhance our reputation as a valued employer, diligent business partner and an ethical corporate citizen. The Code of Conduct provides the guidelines for behaviours of directors, officers, employees and contractors of the company in carrying out their roles for the company and addresses the following key areas:

### Compliance with and respect for the law

All employees have access to, and must understand, relevant operating rules and regulations in appropriate procedure manuals or policies.

### Professional conduct

Employees have a responsibility to maintain high levels of professional conduct, ensuring all dealings with any parties are undertaken in an honest and fair manner, with integrity and respect.

### Equal opportunity and employee discrimination

The company actively promotes equal opportunity, equality and diversity, irrespective of race, ethnic or national origins, gender, sexuality, disability, marital status and religious belief.

The company shall recruit, train, evaluate and develop all our employees in a manner consistent with the principle.

Discrimination and harassment will not be tolerated under any circumstances and disciplinary action will be taken against any employee who breaches this policy.

### Environment

The company strives to operate in a manner which minimises waste and prevents pollution. The company ensures awareness of the relevant statutory and regulatory requirements;

### Occupational health and safety

The company is committed to providing a safe and healthy workplace, and to developing, maintaining and promoting safe and productive work practices in all aspects of its business. The company is committed to complying with all occupational health and safety laws and regulations governing its activities takes into account health and safety issues when making business decisions.

### Disclosure of company information

The company's disclosure processes comply with the Australian Stock Exchange ('ASX') listing rules and there is a formal continuous disclosure policy in place.

The Company Secretary makes any additional disclosures in accordance with relevant obligations and our senior management are aware of their obligations to alert the Company Secretary of any developments that may call for disclosure.

### Trading in securities

The company has a share trading policy (updated in line with ASX guidelines in January 2011). For the full disclosure of this policy visit: <http://www.asx.com.au/asxpdf/20110117/pdf/41w6pkj5nx8bxv.pdf>

The policy imposes restrictions on trading in the company on:

- Executive and non-executive directors;
- Full-time, part-time and casual employees; and
- Contractors, consultants and advisors; and
- any relevant persons or related entities that are considered to be in possession of inside information.

Additional restrictions in the form of trading 'windows' are imposed on key management personnel and directors.

### **Conflict of interest**

Employees should consistently maintain their integrity whilst carrying out their duties by avoiding situations in which their personal interests conflict or might appear to conflict with their duties to the company.

Employees may not use their position to obtain personal gain or benefit from those seeking to do business with the company. Procedures exist to evaluate the nature and reasonableness of gifts or entertainment offered by third parties.

### **Financial controls and records**

Accounting and financial records must be maintained which accurately reflect all company transactions, are appropriately reconciled, and are retained for the required period of time. Accounting and financial records must be adequately protected from destruction or tampering.

### **Confidential / private information**

Unless previously published under regulatory requirements, the company's records, reports, papers, processes, plans and methods are private and confidential. Employees should not reveal information concerning such matters without proper authorisation.

During the course of its activities, the company may collect or maintain information of a personal nature. Any personal information must be managed according to the law, in a professional and ethical manner and is not to be used for any purpose or disclosed outside the company, without the permission of the individual concerned, unless authorised or required by law.

### **Efficiency in employment**

Employees should carry out their roles in a cost effective and responsible manner. This includes:

- Using the company's property and equipment only for authorised company business;
- Avoiding waste of company resources; and
- Maintaining adequate security over the company's property and resources.

### **Alcohol and drug use**

Employees must not be under the influence of any drug, including alcohol, while at work or when conducting company business, including the driving of company vehicles.

In addition, the company prohibits the possession, transfer, or use of illegal substances on company premises, when engaged in company business, or at company functions.

All company buildings and sites are either non-smoking or have designated smoking and non-smoking areas. If smoking areas are provided they are sealed off from adjacent work areas, clearly marked and adequately ventilated.

Failure to comply with this policy is regarded as serious misconduct that may lead to dismissal.

### **Compliance and reporting breaches of the code**

Adherence to the Code of Conduct is fundamental to the company's reputation in the business community and any breach of the Code by employees is considered a serious misconduct.

All employees who are aware of any breaches of this Code must report the matter immediately to their manager, or if that is not feasible, the employee may report to senior management of the company or to the Company Secretary. Any employee who reports in good faith a breach or suspected breach of this Code will not be subject to retaliation, retribution or other recriminations for making that report.

Employees who breach the policies outlined in the Code may be subject to disciplinary action including, in the case of serious breaches, dismissal. If the situation involves a violation of law, the matter may also be referred to the appropriate law enforcement agency for consideration.

### **Diversity policy**

In addition to procedures under the Code of Conduct and Equal Opportunities, the company strives to embody the principles of Diversity in its business practices.

The participation of women in the company and consolidated entity is currently as follows:

<i>Women employees in the consolidated entity</i>	65%
<i>Women in senior management positions</i>	59%
<i>Women on the board</i>	0%

Periodically the skills among employees and management are evaluated, including a measurement of the proportion of male and female employees, in order to appropriately train and develop the teams. These metrics are made available to management and the Board. There is no formalised policy on gender diversification as the company believes that sufficient procedures are in place, appropriate to the scale of its operations to provide adequate measurement, reporting, evaluation and development of its employees.

# Statement of Corporate Governance

30 JUNE 2013

## Principle 4: Safeguard integrity in financial reporting

The company has a structure to verify and safeguard the integrity of the company's financial reporting independently. The principal components of this are the Audit Committee, external auditors and the certification provided to the Board by the Chief Executive Officer and the Chief Financial Officer.

### Audit Committee

The Audit Committee operates under a Charter approved by the Board. Their functions are as follows:

- to ensure compliance with statutory responsibilities relating to the accounting policy and disclosure by full review of half-yearly and annual financial statements;
- assesses management processes and operating controls supporting external reporting;
- liaise with, assesses the quality and reviews the scope of work and reports of the external auditors, and whether the Audit Committee is satisfied that independence of this function has been maintained, having regard to the provision of non-audit activities; and
- assesses the effectiveness of the management of business risk and the reliability of management reporting.

The Audit Committee consists only of non-executive directors.

The members of the Audit Committee during or since the end of the financial year are:

- Ian Rodwell (Chairman)
- Bob Campbell, up until his resignation on 30 June 2013
- Garry Lemair from 1 July 2013
- Dean Capobianco from 1 July 2013

## Principle 5: Make timely and balanced disclosure

### Shareholder relations

The company has policies in place in relation to shareholder communications. The Board seeks to inform shareholders of all major developments affecting the company by:

- preparing half-yearly and annual financial reports and making these available to all shareholders;
- advising shareholders of the key issues affecting the company;
- submitting proposed major changes in the company's affairs to a vote of shareholders, as required by the Corporations Act 2001;
- conducting shareholder information sessions to maintain the efficiency of the market;
- holding an Annual General Meeting each year to enable shareholders to receive reports by the Board of the company's activities. All shareholders who are unable to attend these meetings are encouraged to communicate issues or ask questions by writing to the company; and
- publishing regular news articles and performance updates on the company's website.

## Principle 6: Respect the rights of shareholders

The Board is committed to empowering shareholders by:

- communicating effectively with them;
- giving them ready access to accurate and understandable information about the company's strategy and performance;
- encouraging participation at shareholder meetings; and
- having the auditor attend the Annual General Meeting to be available to answer shareholder questions.



## **Principle 7: Recognise and manage risk**

The Audit Committee is responsible for monitoring the company's risk, exposures and compliance with statutory obligations.

The company has systems in place to identify, assess, monitor and manage risk. The company has documented its key risks and action plans to manage risk. Managers of all the company's business units report regularly to the Board on the key risks that may influence achievement of their business objectives.

The Board receives assurance from the Chief Executive Officer and Chief Financial Officer that the declaration in accordance with s295 of the Corporations Act is founded on a solid system of internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **Principle 8: Remunerate fairly and responsibly**

The Board has established a Remuneration and Nomination Committee to consider and report on, among other things, remuneration policies and packages applicable to Board members and senior management of the company.

Directors of the Remuneration and Nomination Committee were Bob Campbell (Chairman, until his resignation on 30 June 2013), Ian Rodwell (Member until 30 June 2013 and Chairman from 1 July 2013) and Garry Lemair and Dean Capobianco from 1 July 2013. The Committee meet at least annually. Specific activities include:

- remuneration of the Chief Executive Officer and his direct reports;
- proposals for incentive rewards;
- succession plans for senior management;
- proposals for issues under Employee Share Option Plans;
- performance of Chief Executive Officer and senior management; and
- review the size, range of skills, and composition of the Board.

The company has processes in place to review the performance of senior management and Board members. Each senior manager, including the Chief Executive Officer, has personal objectives as well as objectives related to business units and the company as a whole. They are assessed against these objectives on an annual basis.

The Board Charter provides for annual reviews of the performance of the Board in achieving shareholder and stakeholder expectations and identifies any particular goals and objectives for the next year.

## **Workplace Gender Equality Act 2012 – Reporting**

The Workplace Gender Equality Act 2012 ('WGEA') prescribes that all non-public employers with 100 or more staff are required to report on an annual basis and must continue to report until their workforce falls below 80 employees.

Adcorp has lodged the required report with the Workplace Gender Equality Agency and is compliant with the requirements of the Workplace Gender Equality Act 2012.

This year's report is under transitional reporting requirements with the reporting focus on a statistical workplace profile, effectively a snapshot in time of the composition of the workforce.

The key components to this reporting period are the requirements to inform employees, members and shareholders of the lodgement of the report and provide access.

In terms of staff notification and access the company has provided this via the intranet as this is a normal means of communication, which is acceptable under the guidelines.

In terms of members, the company operates in a non-unionised environment and does not have any member organisation to advise.

The report is available at [www.adcorp.com.au/investors](http://www.adcorp.com.au/investors).



# *Financial report*

**30 JUNE 2013**

## **General information**

The financial report covers Adcorp Australia Limited as a consolidated entity consisting of Adcorp Australia Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Adcorp Australia Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Adcorp Australia Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 1  
7 Kelly Street  
Ultimo NSW 2007

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 30 September 2013. The directors have the power to amend and reissue the financial report.

# Statement of profit or loss and other comprehensive income

## FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2013 \$'000	2012 \$'000
<b>Revenue</b>	4	20,885	28,604
Other income	5	3	2
<b>Expenses</b>			
Client service expenses		(16,780)	(18,646)
Administrative expenses		(1,152)	(1,169)
Marketing expenses		(1,219)	(1,352)
Office and communication expenses		(5,073)	(5,272)
Share of loss of associate		(175)	-
Impairment of assets	6	(3,361)	-
Finance costs	6	(13)	(8)
<b>Profit/(loss) before income tax expense</b>		(6,885)	2,159
Income tax expense	7	(2)	(670)
<b>Profit/(loss) after income tax expense for the year</b>		(6,887)	1,489
<b>Other comprehensive income</b>			
<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
<b>Total comprehensive income for the year</b>		(6,696)	1,526
Profit/(loss) for the year is attributable to:			
Non-controlling interest		5	(73)
Owners of Adcorp Australia Limited	23	(6,892)	1,562
		(6,887)	1,489
Total comprehensive income for the year is attributable to:			
Non-controlling interest		5	(73)
Owners of Adcorp Australia Limited		(6,701)	1,599
		(6,696)	1,526
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	39	(11.36)	2.57
Diluted earnings per share	39	(11.36)	2.57

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



# Statement of financial position

**AS AT 30 JUNE 2013**

	Note	Consolidated	
		2013 \$'000	2012 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	5,711	9,314
Trade and other receivables	9	12,361	17,308
Income tax refund due	10	265	812
Other current assets	11	209	252
Total current assets		18,546	27,686
<b>Non-current assets</b>			
Investments accounted for using the equity method	12	-	-
Property, plant and equipment	13	1,823	2,399
Intangibles	14	133	3,229
Deferred tax	15	956	583
Total non-current assets		2,912	6,211
<b>Total assets</b>		21,458	33,897
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	18,219	23,366
Provisions	17	1,006	1,192
Total current liabilities		19,225	24,558
<b>Non-current liabilities</b>			
Deferred tax	18	6	12
Provisions	19	684	633
Total non-current liabilities		690	645
<b>Total liabilities</b>		19,915	25,203
<b>Net assets</b>		1,543	8,694
<b>Equity</b>			
Issued capital	20	28,894	28,894
Purchased controlling interest reserve	21	(113)	-
Reserves	22	(530)	(721)
Accumulated losses	23	(26,681)	(19,334)
Equity attributable to the owners of Adcorp Australia Limited		1,570	8,839
Non-controlling interest	24	(27)	(145)
<b>Total equity</b>		1,543	8,694

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

# 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
<b>Consolidated</b>						
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)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>1,562</b>	<b>(73)</b>	<b>1,526</b>
<i>Transactions with owners in their capacity as owners:</i>						
Transfers	-	-	(290)	290	-	-
Dividends paid (note 25)	-	-	-	(1,214)	-	(1,214)
<b>Balance at 30 June 2012</b>	<b>28,894</b>	<b>-</b>	<b>(721)</b>	<b>(19,334)</b>	<b>(145)</b>	<b>8,694</b>

	Issued capital \$'000	Purchased controlling interest reserve \$'000	Reserves \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>Consolidated</b>						
Balance at 1 July 2012	28,894	-	(721)	(19,334)	(145)	8,694
Profit/(loss) after income tax expense for the year	-	-	-	(6,892)	5	(6,887)
Other comprehensive income for the year, net of tax	-	-	191	-	-	191
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>191</b>	<b>(6,892)</b>	<b>5</b>	<b>(6,696)</b>
<i>Transactions with owners in their capacity as owners:</i>						
Transfers	-	(113)	-	-	113	-
Dividends paid (note 25)	-	-	-	(455)	-	(455)
<b>Balance at 30 June 2013</b>	<b>28,894</b>	<b>(113)</b>	<b>(530)</b>	<b>(26,681)</b>	<b>(27)</b>	<b>1,543</b>

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

# Statement of cash flows

**FOR THE YEAR ENDED 30 JUNE 2013**

	Note	Consolidated	
		2013 \$'000	2012 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		114,695	198,928
Payments to suppliers and employees (inclusive of GST)		(117,271)	(195,789)
		(2,576)	3,139
Interest received		128	259
Interest and other finance costs paid		(13)	(8)
Income taxes refunded		194	-
Income taxes paid		-	(1,133)
Net cash from/(used in) operating activities	38	(2,267)	2,257
<b>Cash flows from investing activities</b>			
Payments for investments		(175)	-
Payments for property, plant and equipment	13	(512)	(1,831)
Payments for intangibles	14	(205)	(383)
Proceeds from sale of property, plant and equipment		11	202
Proceeds from sale of intangibles		-	3
Proceeds from release of security deposits		-	7
Net cash used in investing activities		(881)	(2,002)
<b>Cash flows from financing activities</b>			
Dividends paid	25	(455)	(1,214)
Net cash used in financing activities		(455)	(1,214)
Net decrease in cash and cash equivalents		(3,603)	(959)
Cash and cash equivalents at the beginning of the financial year		9,314	10,273
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>5,711</b>	<b>9,314</b>

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

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New, revised or amending Accounting Standards and Interpretations adopted**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

*AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income*

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation.

#### **Going concern**

As a result of the operating losses for the year of \$6,887,000, the statement of financial position at 30 June 2013 reflects a shortfall of net current assets to net current liabilities of \$679,000. Consequently, the net tangible asset value of the business did not meet the threshold required under the financing facility covenants at 30 June 2013.

Management has continued to restructure the business and is making significant reductions in the cost base to mitigate against further losses and to improve the underlying net asset value of the business over the next twelve months. Adcorp has renegotiated terms of its financing facility with ANZ Banking Corporation, effective 26 September 2013, with an annual review date of 23 March each year. The company now complies with all the covenants of the revised facility. There are further details of the facility disclosed in note 26, financial instruments. The amended banking arrangements include a continuation of the company's \$2.5 million overdraft facility. This facility, complemented by robust processes for cash and debtors management, is considered adequate to support short term cash needs during restructuring and transition. Accordingly the directors are of the opinion that the business is a going concern and the financial statements have been prepared on a going concern basis.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.



## **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adcorp Australia Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Adcorp Australia Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity.

The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

## **Foreign currency translation**

The financial report is presented in Australian dollars, which is Adcorp Australia Limited's functional and presentation currency.

### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

## **Operating revenues**

Media, production and creative revenue, net of direct costs, are brought to account when billed to the client once an advertisement has appeared or published material produced. For cash flow purposes the amounts are shown as gross receipts and gross payments.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 1. Significant accounting policies (continued)

#### *Dividends*

Dividends revenue is recognised when received or when the right to receive payment is established.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Rent*

Rent revenue from sub-leasing is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

#### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established and receipt of payment is probable.

#### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Acorp Australia Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within a group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group.

The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments 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 changes in value.

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. The company has a trade credit policy in place at 30 June 2013.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### **Associates**

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income.

Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line and diminishing value basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Office equipment:	3-5 years
Plant and equipment:	over lease term

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date, and reflect the pattern of consumption of the assets future economic benefit.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 1. Significant accounting policies (continued)

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

#### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### Goodwill

Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill.

Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. At 31 December 2012 a review was undertaken and goodwill was fully impaired in all cash generating units.

#### Software licences

Significant costs associated with software are deferred and amortised on a straight-line and diminishing value basis over the period of their expected benefit, being their finite life of 2 to 3 years. The method of amortisation reflects the pattern of consumption of the assets future economic benefit.

#### Customer lists

Costs in relation to customer lists of the consolidated entity are capitalised as an asset and amortised on a straight-line basis over 3 years. Customer lists were fully written down in the prior year.

#### Impairment of non-financial assets

Goodwill and other 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. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

#### Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted.



The amounts are unsecured and are usually paid within 30 days of recognition except for media creditors who are on 45 day terms. Other payables have repayment terms of less than 12 months.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

#### *Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *Long service leave*

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

#### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees. There is currently an employee share option plan ('ESOP') in place which provides benefits to directors and senior executives.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any vesting conditions other than market conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 1. Significant accounting policies (continued)

- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Equity-settled awards by the parent to employees of subsidiaries are recognised in the parent's individual financial statements as an increase in investment in the subsidiary with a corresponding credit to equity and not as a charge to profit or loss. The investment in subsidiary is reduced by any contribution by the subsidiary.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Adcorp Australia Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### **Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2015 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 1. Significant accounting policies (continued)

The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The consolidated entity will adopt this standard from 1 July 2015 but the impact of its adoption is yet to be assessed by the consolidated entity.

#### *AASB 10 Consolidated Financial Statements*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity. The directors are currently assessing the impact the adoption of this standard will have on the consolidated entity.

#### *AASB 11 Joint Arrangements*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting.

Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, in accordance with the standards applicable to the particular assets, liabilities, revenues and expenses. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

#### *AASB 12 Disclosure of Interests in Other Entities*

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

#### *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13*

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.



*AASB 127 Separate Financial Statements (Revised)*

*AASB 128 Investments in Associates and Joint Ventures (Reissued)*

These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12.

The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

*AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. This will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is not expected to have a material impact on the consolidated entity.

*AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement*

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2014 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No. 1) now specify the KMP disclosure requirements to be included within the directors report for annual reporting periods beginning 1 July 2013.

*AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128.

The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

*AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

*AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

*AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1;

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 1. Significant accounting policies (continued)

Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments:

Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

*AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039*

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

*AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

*AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets*

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of the amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

### Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### Share-based payment transactions

The consolidated entity operates equity-settled share-based remuneration plans for its employees. None of the consolidated entity's plans feature any options for a cash settlement. The consolidated entity has not invoked this or undertaken any share based remuneration plans during the financial year ended 30 June 2013 (2012: None).

### **Provision for impairment of receivables**

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

### **Estimation of useful lives of assets**

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### **Goodwill and other indefinite life intangible assets**

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

### **Impairment of non-financial assets other than goodwill and other indefinite life intangible assets**

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### **Income tax**

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### **Recovery of deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. No deferred tax assets have been recognised with regard to carried forward tax losses.

### **Long service leave provision**

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### **Lease make good provision**

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

## **Note 3. Operating segments**

### **Identification of reportable operating segments**

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board (the chief operating decision maker ('CODM')) in assessing performance and determining the allocation of resources.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 3. Operating segments (continued)

The operating segments are identified based on the comparative geographical products and services, production process, regulatory environment and the separate identification of assets reported to the Board on a monthly basis. The consolidated entity's products and services are the same within both geographical segments.

The information reported to the CODM is on at least a monthly basis.

A further assessment is conducted based on the revenue and profit contribution by each segment to the consolidated entity's result. Segments identified as meeting any of the 3 thresholds below, have been separately reported:

Reported revenue	Greater than or equal to 10% of total combined revenues of the consolidated entity
Reported profit or loss	Greater than or equal to 10% of the greater of (i) total profitable entities or (ii) total loss-making entities
Assets	Greater than or equal to 10% of combined assets of the consolidated entity

### Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

### Corporate charges

Corporate charges comprise non-segmental expenses such as Head Office expenses and are allocated to each segment in proportion to the activity and labour cost of that segment.

### Inter-entity sales

Inter-entity sales are recognised based on a set standard cost.

### Intersegment loans

Loans between Australia and New Zealand operating segments arise through transfer of funds to meet respective working capital payments, are non-interest bearing and do not have any other transaction charges attached.

### Income tax expense

Income tax expense is calculated based on the segment operating profit using a notional 30% rate (2012: 30%).

### Major customers

There are no significant customers in any reported segment that comprise greater than 10% of the segments aggregated revenues.

### Note 3. Operating segments (continued)

#### Operating segment information

Consolidated 2013	Australia \$'000	New Zealand \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
<b>Revenue</b>				
Sales to external customers	18,191	2,469	-	20,660
Total sales revenue	18,191	2,469	-	20,660
Other revenue	187	38	-	225
<b>Total revenue</b>	18,378	2,507	-	20,885
<b>EBITDA *</b>	(1,936)	(250)	-	(2,186)
Depreciation and amortisation				(1,278)
Impairment of assets				(3,361)
Interest revenue				128
Finance costs				(13)
Share of losses of associate				(175)
<b>Loss before income tax expense</b>				(6,885)
Income tax expense				(2)
<b>Loss after income tax expense</b>				(6,887)
<b>Assets</b>				
Segment assets	18,177	2,325	-	20,502
<i>Unallocated assets:</i>				
Deferred tax asset				956
<b>Total assets</b>				21,458
<b>Liabilities</b>				
Segment liabilities	18,864	1,045	-	19,909
<i>Unallocated liabilities:</i>				
Deferred tax liability				6
<b>Total liabilities</b>				19,915

\* EBITDA is earnings before interest, tax, depreciation and amortisation.



# Notes to the financial statements

**FOR THE YEAR ENDED 30 JUNE 2013**

## Note 3. Operating segments (continued)

### Operating segment information

Consolidated 2012	Australia \$'000	New Zealand \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
<b>Revenue</b>				
Sales to external customers	25,202	2,773	-	27,975
Total sales revenue	25,202	2,773	-	27,975
Other revenue	587	42	-	629
<b>Total revenue</b>	25,789	2,815	-	28,604
<b>EBITDA *</b>	2,519	281	-	2,800
Depreciation and amortisation				(892)
Interest revenue				259
Finance costs				(8)
<b>Profit before income tax expense</b>				2,159
Income tax expense				(670)
<b>Profit after income tax expense</b>				1,489
<b>Assets</b>				
Segment assets	28,562	4,752	-	33,314
<i>Unallocated assets:</i>				
Deferred tax asset				583
<b>Total assets</b>				33,897
<b>Liabilities</b>				
Segment liabilities	23,825	1,366	-	25,191
<i>Unallocated liabilities:</i>				
Deferred tax liability				12
<b>Total liabilities</b>				25,203

\* EBITDA is earnings before interest, tax, depreciation and amortisation.

### Note 3. Operating segments (continued)

#### Geographical information

	Sales to external customers		Geographical non-current assets	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Australia	18,191	25,202	1,889	3,863
New Zealand	2,469	2,773	67	1,765
	20,660	27,975	1,956	5,628

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post employment benefits assets and rights under insurance contracts.

### Note 4. Revenue

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

### Note 5. Other income

	Consolidated	
	2013 \$'000	2012 \$'000
Net foreign exchange gain	3	-
Net gain on disposal of property, plant and equipment	-	2
Other income	3	2

# Notes to the financial statements

**FOR THE YEAR ENDED 30 JUNE 2013**

## Note 6. Expenses

	Consolidated	
	2013	2012
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	374	229
Plant and equipment	523	356
<b>Total depreciation</b>	<b>897</b>	<b>585</b>
<i>Amortisation</i>		
Software licences	381	307
<b>Total depreciation and amortisation</b>	<b>1,278</b>	<b>892</b>
<i>Impairment</i>		
Office equipment (note 13)	36	-
Plant and equipment (note 13)	163	-
Goodwill (note 14)	2,963	-
Software licences (note 14)	4	-
Other receivables (note 9)	195	-
<b>Total impairment</b>	<b>3,361</b>	<b>-</b>
<i>Finance costs</i>		
Bank loans and overdrafts	13	8
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	2,238	2,373
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,066	1,175
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	15,738	17,463
<i>Bad debt expense</i>		
Bad debt expense	3	36

## Note 7. Income tax expense

	Consolidated	
	2013	2012
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	(961)	84
<i>Deferred tax - origination and reversal of temporary differences</i>	(349)	586
Adjustment recognised for prior periods	350	-
Derecognition of tax losses previously recognised	962	-
Aggregate income tax expense	2	670
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 15)	(343)	578
Increase/(decrease) in deferred tax liabilities (note 18)	(6)	8
Deferred tax - origination and reversal of temporary differences	(349)	586
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit/(loss) before income tax expense	(6,885)	2,159
Tax at the statutory tax rate of 30%	(2,066)	648
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Derecognition of losses	962	88
Expenditure non-deductible for tax purposes	752	11
Non-assessable items	(33)	(77)
	(385)	670
Adjustment recognised for prior periods	350	-
Difference in overseas tax rates	37	-
Income tax expense	2	670
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 15)	(26)	122

## Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2013	2012
	\$'000	\$'000
Cash at bank	1,911	9,314
Cash on deposit	3,800	-
	5,711	9,314

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 9. Current assets - trade and other receivables

	Consolidated	
	2013 \$'000	2012 \$'000
Trade receivables	12,481	17,228
Less: Provision for impairment of receivables	(194)	(291)
	12,287	16,937
Other receivables	74	371
	12,361	17,308

#### Impairment of receivables

The consolidated entity has recognised a write-back of \$97,000 (2012: \$219,000) in respect of doubtful debt provision for the year ended 30 June 2013.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2013 \$'000	2012 \$'000
Over 3 months overdue	194	291

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2013 \$'000	2012 \$'000
Opening balance	291	510
Additional provisions recognised	36	21
Receivables written off during the year as uncollectable	(103)	(240)
Unused amounts reversed	(30)	-
Closing balance	194	291

#### Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$1,822,000 as at 30 June 2013 (\$5,967,000 as at 30 June 2012).

The consolidated entity did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.



## Note 9. Current assets - trade and other receivables (continued)

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2013 \$'000	2012 \$'000
1 to 3 months overdue	1,566	5,372
Over 3 months overdue	256	595
	1,822	5,967

## Note 10. Current assets - income tax refund due

	Consolidated	
	2013 \$'000	2012 \$'000
Income tax refund due	265	812

## Note 11. Current assets - other current assets

	Consolidated	
	2013 \$'000	2012 \$'000
Prepayments	209	252

## Note 12. Non-current assets - investments accounted for using the equity method

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

Refer to note 35 for further information on investments in associates.

# Notes to the financial statements

**FOR THE YEAR ENDED 30 JUNE 2013**

## Note 13. Non-current assets - property, plant and equipment

	Consolidated	
	2013 \$'000	2012 \$'000
Office equipment - at cost	3,406	2,502
Less: Accumulated depreciation	(2,433)	(1,431)
Less: Impairment	(373)	(337)
	600	734
Plant and equipment - at cost	4,930	4,750
Less: Accumulated depreciation	(3,132)	(2,673)
Less: Impairment	(575)	(412)
	1,223	1,665
	1,823	2,399

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Office Equipment \$'000	Plant and Equipment \$'000	Total \$'000
<b>Consolidated</b>			
Balance at 1 July 2011	394	956	1,350
Additions	603	1,228	1,831
Disposals	(28)	(172)	(200)
Exchange differences	(6)	9	3
Depreciation expense	(229)	(356)	(585)
Balance at 30 June 2012	734	1,665	2,399
Additions	279	233	512
Disposals	(7)	(4)	(11)
Exchange differences	4	9	13
Impairment of assets	(36)	(163)	(199)
Transfers in/(out)	-	6	6
Depreciation expense	(374)	(523)	(897)
Balance at 30 June 2013	600	1,223	1,823

## Note 14. Non-current assets - intangibles

	Consolidated	
	2013 \$'000	2012 \$'000
Goodwill - at cost	10,518	10,465
Less: Impairment	(10,518)	(7,555)
	-	2,910
Software licences - at cost	3,084	2,715
Less: Accumulated amortisation	(2,825)	(2,274)
Less: Impairment	(126)	(122)
	133	319
Customer lists - at cost	133	133
Less: Accumulated amortisation	(133)	(133)
	-	-
	133	3,229

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$'000	Software licences \$'000	Total \$'000
<b>Consolidated</b>			
Balance at 1 July 2011	2,888	266	3,154
Additions	22	361	383
Disposals	-	(3)	(3)
Exchange differences	-	2	2
Amortisation expense	-	(307)	(307)
Balance at 30 June 2012	2,910	319	3,229
Additions	-	205	205
Exchange differences	53	-	53
Impairment of assets	(2,963)	(4)	(2,967)
Transfers in/(out)	-	(6)	(6)
Amortisation expense	-	(381)	(381)
Balance at 30 June 2013	-	133	133

Goodwill acquired through business combinations is allocated to cash generating units ('CGU's') for impairment testing by office location. The recoverable amount is determined based on value-in-use calculations using a discounted cash flow model with an adjusted Weighted Average Cost of Capital ('WACC') discount rate.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 14. Non-current assets - intangibles (continued)

The carrying amount of goodwill allocated to each cash generating unit is:

	Consolidated	
	2013 \$'000	2012 \$'000
Victoria	-	358
Queensland	-	785
New Zealand	-	1,767
	-	2,910

#### Impairment of goodwill and assets at 30 June 2013

At 30 June 2012, the goodwill in each of the Cash Generating Units ('CGU's') was assessed against budgets for the 2013 financial year and appropriate extrapolations.

A range of growth and sensitivity indicators were applied to the future discounted cash flows to determine carrying value, which in all cases exceeded the goodwill carrying value at the 30 June 2012. These goodwill balances arose on acquisition of business divisions in Victoria, Queensland and New Zealand.

During the first six months of the 2013 financial year however, significant decline in business activity across most client sectors led to a re-assessment of the carrying value of goodwill in the statement of financial position. As a result, goodwill was fully impaired at 31 December 2012 in all cash generating units.

The impairment charged to profit and loss in relation to goodwill was \$2,963,000 (2012: \$nil). A breakdown of total impairment for the year, including goodwill, is disclosed in Note 6.

### Note 15. Non-current assets - deferred tax

	Consolidated	
	2013 \$'000	2012 \$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	67	86
Employee benefits	362	363
Other provisions	527	134
Deferred tax asset	956	583
<i>Movements:</i>		
Opening balance	583	1,283
Credited/(charged) to profit or loss (note 7)	343	(578)
Credited/(charged) to equity	26	(122)
Foreign currency differences	4	-
Closing balance	956	583

## Note 16. Current liabilities - trade and other payables

	Consolidated	
	2013	2012
	\$'000	\$'000
Trade payables	13,275	20,174
Other payables	4,944	3,192
	18,219	23,366

Refer to note 26 for further information on financial instruments.

## Note 17. Current liabilities - provisions

	Consolidated	
	2013	2012
	\$'000	\$'000
Employee benefits	949	1,100
Decommissioning	57	92
	1,006	1,192

### *Decommissioning*

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

### *Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Decommissioning
	\$'000
<b>Consolidated - 2013</b>	
Carrying amount at the start of the year	92
Amounts transferred from non-current	20
Amounts used	(46)
Amounts transferred to non-current	(26)
New Zealand provision not previously disclosed	17
Carrying amount at the end of the year	57



# Notes to the financial statements

**FOR THE YEAR ENDED 30 JUNE 2013**

## Note 18. Non-current liabilities - deferred tax

	Consolidated	
	2012 \$'000	2011 \$'000
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Other	6	12
Deferred tax liability	6	12
<i>Movements:</i>		
Opening balance	12	4
Charged/(credited) to profit or loss (note 7)	(6)	8
Closing balance	6	12

## Note 19. Non-current liabilities - provisions

	Consolidated	
	2013 \$'000	2012 \$'000
Employee benefits	262	266
Decommissioning	422	367
	684	633

### *Decommissioning*

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

### *Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Decommissioning \$'000
<b>Consolidated - 2013</b>	
Carrying amount at the start of the year	367
Amounts transferred to current	(20)
Amounts transferred from current	26
New Zealand provision not previously disclosed	49
Carrying amount at the end of the year	422

## Note 20. Equity - issued capital

	Consolidated		Consolidated	
	2013 Shares	2012 Shares	2013 \$'000	2012 \$'000
Ordinary shares - fully paid	60,676,602	60,676,602	28,894	28,894

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Share buy-back

There is no current on-market share buy-back.

### Capital risk management

When managing capital, management's objective is to ensure the company and consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders. Management are constantly reviewing the capital structure of the company and consolidated entity in light of any expected changes in market conditions. Management has no current plans to issue further shares on the market or to reduce the capital structure by conducting share buybacks.

Management aim to return a high level of profits to shareholders as dividend payments, whilst maintaining sufficient cash in the business for meeting working capital requirements.

The capital risk management policy remains unchanged from the 30 June 2012 Annual Report.

## Note 21. Equity - purchased controlling interest reserve

	Consolidated	
	2013 \$'000	2012 \$'000
Purchased controlling interest reserve	(113)	-

The purchased controlling interest reserve reflects the change in non-controlling interest due to changing levels of ownership of controlled assets.

## Note 22. Equity - reserves

	Consolidated	
	2013 \$'000	2012 \$'000
Foreign currency reserve	(530)	(721)

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 22. Equity - reserves (continued)

	Foreign currency \$'000	Employee equity benefits \$'000	Total \$'000
<b>Consolidated</b>			
Balance at 1 July 2011	(758)	290	(468)
Foreign currency translation	37	-	37
Transfer to accumulated losses	-	(290)	(290)
Balance at 30 June 2012	(721)	-	(721)
Foreign currency translation	191	-	191
Balance at 30 June 2012	(530)	-	(530)

#### Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of assets.

#### Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

#### Employee equity benefit reserve

The employee share option and share plan reserve was used to record the value of equity benefits provided to employees and directors as part of their remuneration.

### Note 23. Equity - accumulated losses

	Consolidated	
	2013 \$'000	2012 \$'000
Accumulated losses at the beginning of the financial year	(19,334)	(19,972)
Profit/(loss) after income tax expense for the year	(6,892)	1,562
Dividends paid (note 25)	(455)	(1,214)
Transfer from employee equity benefits reserve	-	290
Accumulated losses at the end of the financial year	(26,681)	(19,334)

## Note 24. Equity - non-controlling interest

	Consolidated	
	2013	2012
	\$'000	\$'000
Contributed equity	202	202
Reserves	32	32
Accumulated losses	(261)	(379)
	(27)	(145)

The non-controlling interest has 25% (2012: 25%) equity holding in Quadrant Creative Pty Ltd (2012: Andrews Advertising Pty. Ltd. and Quadrant Creative Pty Ltd).

## Note 25. Equity - dividends

### Dividends

	Consolidated	
	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	-	607
	455	1,214

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

### Franking credits

	Consolidated	
	2013	2012
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	5,134	5,835

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

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## Note 26. Financial instruments

### Financial risk management objectives

The consolidated entity's principal financial liabilities comprise trade payables. These financial liabilities arise directly from the consolidated entity's operations. The consolidated entity has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

At 30 June 2013 and 30 June 2012 the consolidated entity did not have financial instruments or derivatives other than those disclosed in these notes.

The main risks arising from the consolidated entity's financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews the management of each of these risks which are summarised below.

### Market risk

#### Foreign currency risk

The consolidated entity has transactional foreign currency exposures. Such exposure arises from purchases by the consolidated entity in currencies other than the functional currency of the operating units. Approximately 2% of the consolidated entity's purchases are denominated in currencies other than the functional currency of the operating unit making the sale. These amounts include the payables of foreign creditors, which are not effectively hedged by other foreign currency denominated items.

The consolidated entity's main foreign currency exposure is New Zealand Dollars, as shown below. Based on this exposure, had the Australian Dollar weakened by 10% or strengthened by 10% against the New Zealand Dollar with all other variables held constant, the movement would have an immaterial impact on the consolidated entity. The consolidated entity is not sensitive to movements in other currencies.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 26. Financial instruments (continued)

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Consolidated</b>				
US dollars	-	-	72	38
Euros	-	-	-	1
Pound Sterling	-	-	117	73
New Zealand dollars	1,707	4,752	1,046	1,377
Canadian dollars	-	-	-	3
South African Rand	-	-	-	6
Singapore dollars	-	-	16	12
Hong Kong dollars	-	-	2	1
	<b>1,707</b>	<b>4,752</b>	<b>1,253</b>	<b>1,511</b>

#### Price risk

The consolidated entity is not exposed to any significant price risk.

#### Interest rate risk

The consolidated entity's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to finance the consolidated entity's operations.

The consolidated entity has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The consolidated entity is not exposed to any significant interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate cash balances:

	2013		2012	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Cash at bank	1.86	1,911	3.08	9,314
Cash on deposit	2.94	3,800	-	-
Net exposure to cash flow interest rate risk		<b>5,711</b>		<b>9,314</b>

An official increase or decrease in interest rates would have no significant impact on profit before tax.



## Note 26. Financial instruments (continued)

### Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating and financial position. Some customer credit risk within the consolidated entity is managed by the use of debtors insurance.

In addition, receivable balances are monitored on an ongoing basis with the result that the consolidated entity's exposure to bad debts is not considered to be significant.

### Liquidity risk

Liquidity risk is the risk that the consolidated entity will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The consolidated entity's objective is to maintain a balance between continuity of funding and flexibility through effective management of working capital and the use of available bank credit lines. To limit this risk, management has arranged bank credit facilities, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

As at 30 June 2013, the consolidated entity had a variable overdraft facility of \$2.5 million (2012: commercial bill facility of \$4.0 million) with the ANZ Banking Corporation for working capital purposes, but had no drawings outstanding (2012: nil).

As a result of ongoing improvements in trade receivables and collections, the company reduced its facility from \$4.0 million in the prior financial year, to \$2.5 million in the financial year ended 30 June 2013.

As a result of the operating losses for the year of \$6,887,000, the net tangible asset value of the business did not meet the threshold required under the financing facility covenants at 30 June 2013. Management has continued to restructure the business and is making significant reductions in the cost base to mitigate against further losses and to improve the underlying net asset value of the business over the next twelve months. Adcorp has now renegotiated terms of the financing facility with ANZ Banking Corporation, effective 26 September 2013, with an annual review date of 23 March each year. Adcorp now complies with all the covenants of the revised facility. The existing \$2.5 million variable overdraft facility, complemented by robust processes for cash and debtors management, is considered adequate to support short term cash needs during restructuring and transition.

### Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2013	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	13,275	-	-	-	13,275
Other payables	-	4,944	-	-	-	4,944
Total non-derivatives		18,219	-	-	-	18,219

Consolidated - 2012	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	20,174	-	-	-	20,174
Other payables	-	3,192	-	-	-	3,192
Total non-derivatives		23,366	-	-	-	23,366

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 26. Financial instruments (continued)

#### Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

### Note 27. Key management personnel disclosures

#### Directors

The following persons were directors of Adcorp Australia Limited during the financial year:

Ian Rodwell	Non-Executive Chairman
David Morrison	Executive Director and Chief Executive Officer
Bob Campbell (resigned on 30 June 2013)	Former Non-Executive Chairman

#### Other key management personnel

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Craig McMenamin Chief Financial Officer and Company Secretary

#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2013	2012
	\$	\$
Short-term employee benefits	653,836	690,464
Post-employment benefits	43,020	41,630
	<b>696,856</b>	<b>732,094</b>

#### Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Ian Rodwell	23,022,362	-	-	-	23,022,362
Craig McMenamin	2,900	-	-	-	2,900
David Morrison	170,000	-	453,932	-	623,932
	<b>23,195,262</b>	<b>-</b>	<b>453,932</b>	<b>-</b>	<b>23,649,194</b>

2012	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Ian Rodwell	21,716,127	-	1,306,235	-	23,022,362
Craig McMenamin	2,900	-	-	-	2,900
David Morrison	-	-	170,000	-	170,000
	21,719,027	-	1,476,235	-	23,195,262

#### Option holding

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

2013	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Craig McMenamin	100,000	-	-	(100,000)	-
	100,000	-	-	(100,000)	-

2014	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
David Morrison	150,000	-	-	(150,000)	-
Craig McMenamin	200,000	-	-	(100,000)	100,000
	350,000	-	-	(250,000)	100,000

2012	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
<i>Options over ordinary shares</i>			
Craig McMenamin	100,000	-	100,000
	100,000	-	100,000

#### Related party transactions

Related party transactions are set out in note 32.

## Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the company, and its network firms:

	Consolidated	
	2013	2012
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	120,000	110,000
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Taxation compliance	30,500	37,000
Other advisory	-	10,000
	30,500	47,000
	150,500	157,000
<i>Audit services - network firms</i>		
Audit or review of the financial statements	30,000	27,500

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 29. Contingent assets

Andrews Advertising Pty Ltd ('AAPL') continues to prosecute its claim for damages in the Supreme Court of NSW. AAPL has negotiated a confidential settlement against one of the defendants, David Andrews who was a former director of AAPL. AAPL continues its claim against a former executive of AAPL, Dean Andrews and a number of parties and companies associated with him.

### Note 30. Contingent liabilities

The consolidated entity has various guarantees over premises

	Consolidated	
	2013	2012
	\$'000	\$'000
Premises	1,310	1,310

### Note 31. Commitments

	Consolidated	
	2013	2012
	\$'000	\$'000
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	56	-
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,282	2,629
One to five years	4,164	6,617
	6,446	9,246

Operating leases are entered into as a means of acquiring access to retail property and IT equipment. Rental payments are generally fixed, but with future inflation escalation clauses. Adcorp Australia Limited is a sub-lessor in three properties. The future minimum sub-lease payments expected to be received is \$460,000 (2012: \$348,000) within one year and \$1,021,000 (2012: \$792,000) between one to five years.

### Note 32. Related party transactions

#### Parent entity

Adcorp Australia Limited is the parent entity.

#### Subsidiaries

Interests in subsidiaries are set out in note 34.

#### Associates

Interests in associates are set out in note 35.

#### Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the directors' report.

#### Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

#### Receivable from and payable to related parties

The company carries a provision (raised in the 2011 financial year) of \$37,000 for a discretionary incentive for David Morrison, related to performance in the 2011 financial year in his capacity as head of WA, SA and NT regions.

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

### Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) after income tax	(1,515)	1,916
Total comprehensive income	(1,515)	1,916

*Statement of financial position*

	<b>Parent</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	35,497	39,866
Total assets	38,470	43,747
Total current liabilities	30,865	34,074
Total liabilities	31,645	34,952
Equity		
Issued capital	28,894	28,894
Accumulated losses	(22,069)	(20,099)
Total equity	6,825	8,795

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2013 and 30 June 2012.

*Contingent liabilities*

	<b>Parent</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank guarantees	1,310	882

*Lease commitments*

The parent entity had lease commitments of \$3,415,000 (2012: \$6,412,000) at 30 June 2013.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2013 and 30 June 2012.



# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 33. Parent entity information (continued)

#### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries and associates are accounted for at cost, less any impairment. Impairment is based on value in use calculation using cash flow projections based on budgets approved by the Board for the year ending 30 June 2014 plus a further four years of forecast results plus a terminal value.
- Dividends and income received from subsidiaries and associates are recognised as other income by the parent entity and their receipt may be an indicator of an impairment of the investment.
- Management fees are charged to subsidiaries to recover costs of functions performed by the head office. Revenue is recognised as earned.

### Note 34. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding	
		2013 %	2012 %
Adcorp Australia (QLD) Pty Ltd	Australia	100.00	100.00
Adcorp Australia (VIC) Pty Ltd	Australia	100.00	100.00
Adcorp D&D Pty Ltd	Australia	100.00	100.00
Adcorp New Zealand Limited	New Zealand	100.00	100.00
Adcorp SWA Pty Ltd *	Australia	100.00	100.00
Adcorp Technologies Pty Limited	Australia	100.00	100.00
Andrews Advertising Pty Ltd	Australia	100.00	75.00
Austpac Media Pty Ltd *	Australia	100.00	100.00
Donald & Donald (Victoria) Pty Ltd *	Australia	100.00	100.00
Employment Opportunities in Australia Pty Ltd	Australia	100.00	100.00
Nancarrow Marketing Company Pty Ltd	Australia	100.00	100.00
Quadrant Creative Pty Ltd	Australia	75.00	75.00
R&L Advertising Pty Ltd	Australia	100.00	100.00
Showrunner Productions Pty Ltd **	Australia	100.00	-

\* These entities are controlled entities of Adcorp D&D Pty Ltd

\*\* Entity was incorporated on 29 January 2013

### Note 35. Investments in associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

Associate	Principal activities	Consolidated Percentage interest	
		2013 %	2012 %
Limelight Group Pty. Ltd.	Boutique digital media agency	40.00	-

## Note 35. Investments in associates (continued)

Information relating to the associates is set out below.

	Consolidated	
	2013	2012
	\$'000	\$'000
<i>Share of assets and liabilities</i>		
Current assets	94	-
Non-current assets	14	-
<b>Total assets</b>	<b>108</b>	<b>-</b>
<i>Share of revenue, expenses and results</i>		
Current liabilities	284	-
Non-current liabilities	14	-
<b>Total liabilities</b>	<b>298</b>	<b>-</b>
<b>Net liabilities</b>	<b>(190)</b>	<b>-</b>
<i>Share of revenue, expenses and results</i>		
Revenue	228	-
Expenses	(408)	-
<b>Loss before income tax</b>	<b>(180)</b>	<b>-</b>

The share of associates loss not recognised and to be offset against future profits is \$5,000.

## Note 36. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Adcorp Australia Limited  
 Adcorp Australia (QLD) Pty Ltd  
 Adcorp Australia (VIC) Pty Ltd  
 Adcorp D&D Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Adcorp Australia Limited, they also represent the 'Extended Closed Group'.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2013	2012
	\$'000	\$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	16,683	23,506
Other income	196	476
Client service expenses	(12,532)	(14,455)
Administrative expenses	(783)	(927)
Marketing expenses	(885)	(1,023)
Office and communication expenses	(3,939)	(4,142)
Share of loss of associate	(175)	-
Finance costs	(12)	(6)
<b>Profit/(loss) before income tax expense</b>	<b>(1,447)</b>	<b>3,429</b>
Income tax expense	(590)	(852)
<b>Profit/(loss) after income tax expense</b>	<b>(2,037)</b>	<b>2,577</b>
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>(2,037)</b>	<b>2,577</b>

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 36. Deed of cross guarantee (continued)

	2013	2012
	\$'000	\$'000
<b>Equity - accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(25,995)	(27,358)
Profit/(loss) after income tax expense	(2,037)	2,577
Dividends paid	(455)	(1,214)
Accumulated losses at the end of the financial year	(28,487)	(25,995)
	2013	2012
	\$'000	\$'000
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,836	7,899
Trade and other receivables	10,747	14,864
Income tax refund due	417	460
Other current assets	153	149
	16,153	23,372
<b>Non-current assets</b>		
Other financial assets	1,824	1,824
Property, plant and equipment	1,838	2,125
Intangibles	135	315
Deferred tax	-	470
	3,797	4,734
<b>Total assets</b>	19,950	28,106
<b>Current liabilities</b>		
Trade and other payables	15,476	21,099
Provisions	3,086	3,074
	18,562	24,173
<b>Non-current liabilities</b>		
Deferred tax	66	3
Provisions	915	1,031
	981	1,034
<b>Total liabilities</b>	19,543	25,207
<b>Net assets</b>	407	2,899
<b>Equity</b>		
Issued capital	28,894	28,894
Accumulated losses	(28,487)	(25,995)
<b>Total equity</b>	407	2,899

In the 30 June 2012 financials the deed of cross guarantee was prepared and included an entity which was not included in the deed. The 2012 comparatives shown in the above tables for the deed of cross guarantee have been restated to reflect the correct entities.

## Note 37. Events after the reporting period

On 28 August 2013, the company received notification that it had not been successful in retaining the NSW Government Media Placement and Typesetting services contract. The media placement and typesetting contract with NSW Government concludes at the end of September 2013, and the business commenced additional restructuring during September to transition out of the contract.

The contract with the Western Australian Government was renewed initially for another 3 years commencing 1 August 2013.

As a result of the losses for the year of \$6,887,000, the company's net tangible asset value at 30 June 2013 was below the threshold required under the company's financing facility covenants. Subsequent to the financial year-end, the company renegotiated its financing facility with the ANZ Banking Corporation and is now fully compliant with all covenants. Further details of this facility are disclosed in note 26.

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.

## Note 38. Reconciliation of profit/(loss) after income tax to net cash from/ (used in) operating activities

	Consolidated	
	2013	2012
	\$'000	\$'000
Profit/(loss) after income tax expense for the year	(6,887)	1,489
Adjustments for:		
Depreciation and amortisation	1,278	892
Impairment of non-current assets	3,361	-
Net gain on disposal of property, plant and equipment	-	(2)
Share of profit - joint ventures	175	-
Foreign exchange differences	125	32
Change in operating assets and liabilities:		
Decrease in trade and other receivables	4,752	11,249
Decrease/(increase) in income tax refund due	547	(747)
Decrease/(increase) in deferred tax assets	(373)	700
Decrease/(increase) in prepayments	43	(91)
Decrease in trade and other payables	(5,147)	(11,153)
Decrease in provision for income tax	-	(424)
Increase/(decrease) in deferred tax liabilities	(6)	8
Increase/(decrease) in employee benefits	(155)	169
Increase in other provisions	20	135
Net cash from/(used in) operating activities	(2,267)	2,257

## Note 39. Earnings per share

	Consolidated	
	2013	2012
	\$'000	\$'000
Profit/(loss) after income tax	(6,887)	1,489
Non-controlling interest	(5)	73
Profit/(loss) after income tax attributable to the owners of Adcorp Australia Limited	6,892	1,562

# Notes to the financial statements

## FOR THE YEAR ENDED 30 JUNE 2013

### Note 39. Earnings per share (continued)

	2013 Number	2012 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	60,676,602	60,676,602
Weighted average number of ordinary shares used in calculating diluted earnings per share	60,676,602	60,676,602
	Cents	Cents
Basic earnings per share	(11.36)	2.57
Diluted earnings per share	(11.36)	2.57

Nil options (2012: 100,000) are not included in the calculation of diluted earnings per share due to the exercise price exceeding the average share price throughout the year.

### Note 40. Share-based payments

#### Employee share option plan

The consolidated entity has an Employee Share Option Plan ('ESOP') for the granting of non-transferable options to certain directors and senior executives.

Options issued under the ESOP will vest as follows:

- i) on the second anniversary of the grant date - 30% of the options granted;
- ii) on the third anniversary of the grant date - a further 30% of the options granted; and
- iii) on the fourth anniversary of the grant date - the remaining 40% of the options granted.

Nil (2012: 100,000) options have not yet vested as the vesting is conditional on a cumulative 10% growth in earnings per share ('EPS') on the 2008 financial year EPS, this growth has not yet been achieved.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- i) The exercise price of the options is equal to Adcorp Australia Limited's weighted average share price for the five days prior to the grant date;
- ii) any options that are unvested on the fifth anniversary of their grant date will lapse;
- iii) upon exercise, these options will be settled in ordinary shares of Adcorp Australia Limited; and
- (iv) options are cancelled 3 months after the employee departs the company.

The fair value of the options is estimated at the date of the grant using the Black-Scholes model.

Set out below are summaries of options granted under the plan:

#### 2013

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
01/07/08	30/06/13	\$0.40	100,000	-	-	(100,000)	-
			100,000	-	-	(100,000)	-

#### 2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
01/07/07	30/06/12	\$0.39	250,000	-	-	(250,000)	-
01/07/08	30/06/13	\$0.40	100,000	-	-	-	100,000
			350,000	-	-	(250,000)	100,000

# Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group 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 described in note 36 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Morrison  
Director and Chief Executive Officer

30 September 2013  
Sydney



Ian Rodwell  
Chairman



Grant Thornton Audit Pty Ltd  
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## **Independent Auditor's Report To the Members of Adcorp Australia Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Adcorp Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's

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judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of Adcorp Australia Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date;
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 6 to 10 of the directors' report for the year ended 30 June 2013. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Adcorp Australia Ltd for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P J Woodley  
Partner - Audit & Assurance

Sydney, 30 September 2013

# Shareholder information

**30 JUNE 2013**

The shareholder information set out below was applicable as at 19 September 2013.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	159
1,001 to 5,000	342
5,001 to 10,000	150
10,001 to 100,000	318
100,001 and over	53
	1,022
Holding less than a marketable parcel	541

## Equity security holders

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Number held	Ordinary shares % of total shares issued
Sovote Pty Ltd <Rodwell (New Millennium) A/C>	23,022,362	37.94
UBS Wealth Management Australia Nominees Pty Ltd	6,658,899	10.97
Mr Victor John Plummer	5,312,343	8.76
Global Equity Management (SA) Pty Ltd	1,000,000	1.65
Mr Frederick Benjamin Warmbrand <FB & LJ Warmbrand Super A/C>	937,345	1.54
Mr David Herbert George Morrison	623,932	1.03
Mark S Campbell Pty Ltd <Mark Campbell Prov Fund A/C>	520,901	0.86
Mr John Maxwell Inglis + Mrs Bernadette Joan Inglis	500,000	0.82
K B J Investments Pty Ltd <Jarry Family Super Fund A/C>	500,000	0.82
Lozotu Pty Limited <Superannuation Fund A/C>	480,753	0.79
Muzbird Pty Ltd <Bird Super Fund A/C>	399,453	0.66
Yaffa Syndicate Pty Limited	390,000	0.64
Teedon Pty Ltd <Donohue Group S/F A/C>	371,320	0.61
Maria Czarnocki	300,000	0.49
Miralanco Investments Pty Ltd	300,000	0.49
Lindway Investments Pty Ltd	293,493	0.48
Bond Street Custodians Limited <Drayne - I20149 A/C>	275,000	0.45
Mr Matthew John Koorey + Mrs Belinda Christine Koorey	242,746	0.40
Mr Christian Lucien Merlot	237,600	0.39
Mr Peter Howells	228,000	0.38
	42,594,147	70.17

# Shareholder information

**30 JUNE 2013**

## *Unquoted equity securities*

There are no unquoted equity securities.

## **Substantial holders**

Substantial holders in the company are set out below:

	<b>Number held</b>	<b>Ordinary shares % of total shares issued</b>
Sovote Pty Ltd (Rodwell (New Millennium) A/C)	23,022,362	37.94
UBS Wealth Management Australia Nominees Pty Ltd	6,658,899	10.97
Mr Victor John Plummer	5,312,343	8.76

## **Voting rights**

The voting rights attached to ordinary shares are set out below:

### *Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

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