

**“30 YEARS OF
STARTING
CONVERSATIONS
IS JUST THE
BEGINNING...”**

2010 – 2011
ANNUAL REPORT

Adcorp Australia

ABN 72 002 208 915

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“WANT TO FIND WHAT YOU’RE LOOKING FOR?”

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CONVERSATION STARTER #40

**“IS CHANGE
THE ONLY
CONSTANT?”**



Ian Rodwell, Adcorp Founder

INTRODUCTION

This year, Adcorp celebrates its 30th year of business. We've learnt a lot over the past three decades, weathering the changes in market conditions and embracing technological developments that continue to change the industry.

When we first opened our doors for business, we operated in the typesetter and bromide era dominated by printing presses. Today, there are numerous different channels that we continue to explore and evaluate when developing solutions for our clients.

Adcorp at 30 looks to the future with a mature mindset. We've been through several economic boom and bust cycles, learning a lot and we're all the better for it. Looking forward, it is this knowledge and experience, plus an enduring commitment to developing effective solutions for our clients, that will be the source of future success.

CHAIRMAN'S OVERVIEW



Bob Campbell, Adcorp Chairman

“WHAT SORT OF YEAR WAS IT?”

The year under review has seen both significant change and significant progress at Adcorp.

David Morrison was appointed CEO of Adcorp in March 2011 and moved to consolidate a number of positions and reporting lines.

Our management team have been focused on three key areas:

- Overall cost control and, where appropriate, cost reduction
- Increasing margins from existing business
- Winning new business

These sometimes conflicting objectives have enabled The Company to report:

- An overall reduction of \$2.9m in operating costs excluding impairment and finance charges
- While operating revenues reduced by 5.5% to \$29.2m, the Company maintained an operating revenue margin in line with prior year at 17% and is generating a higher mix of revenues from consulting work and projects
- A slower than anticipated level of new business, though during the period we continued to add blue-chip corporate clients to our portfolio
- A lift in earnings attributable to Adcorp's shareholders, from a loss in the prior year of \$(7.138m) after impairment charges, to a profit this year of \$1.392m. The impairment charges in the prior year amounted to \$7.975m

Australian Government, New South Wales, Western Australian and Northern Territory Government accounts provide a sound base of revenue for Adcorp and are proving to be a useful point of introduction for other government business.

Trading

The improved trading position has enabled the company to pay a two cent fully franked dividend for the year.

Outlook

The outlook for Adcorp in significant measure reflects the outlook for the Australian and New Zealand economy. It is best described as variable.

The core of our business continues to reside in employment and property advertising, which is stronger in the mineral rich states of Queensland and Western Australia.

The New Zealand economy, and as a consequence Adcorp's business, was in the early stages or recovery until it was hit by the unforeseen natural disasters of the Christchurch earthquake and the mine collapse at Pike River.

However with a tight rein on costs and a renewed vigour in the quest for new business, we are confident that the improved performance in 2010-11 will be emulated in 2011-12.

Our People

In these times economic restraint and structural change, our people are our greatest asset. The Board wishes to place on record our thanks for their hard work and dedication.

This leads us to the view, that with a continued focus to do the best possible for our clients Adcorp will continue to improve and provide value for our shareholders.

CEO'S REVIEW



David Morrison, Adcorp CEO

CONVERSATION STARTER #7

“WHAT’S OUR PLAN FOR THE FUTURE?”

Overview

The 2010/2011 financial year was a challenging one that saw a significant decline in advertising and marketing spend across most industry sectors. Coupled with this, the natural disasters in both Queensland and Christchurch affected performance in these regions.

These factors, combined with challenging trading conditions and the loss of clients in our Andrews Advertising subsidiary, saw our billings decrease by \$11.622m to \$170.952m and our operating revenues fall 5.5% or \$1.7m to \$29.2m.

Overall expenditure reduced by \$2.9m, of which \$1.2m is attributable to the cessation of trading at Andrews Advertising. The 2010 financial year included one-off restructuring and termination costs of \$0.5m and we have seen the benefit of ongoing cost saving initiatives flow through to this financial year.

Profit for the consolidated entity after tax and non-controlling interests grew to \$1.392m from the prior year’s loss of \$(7.138m).

At the end of the financial year we closed with a solid \$10.273m in cash and we had no drawings outstanding on our banking facilities at 30 June 2011.

Business Review

In late March 2011 we commenced a major review of the business in light of the challenging market conditions. This review instigated a program of change within our business that has seen a number of new, experienced, commercially-focused people appointed to the senior management team.

This new management team is focused on increasing efficiencies within our traditional business services, growing our mix of strategic and consulting services that attract higher margins, and increasing the volume of new business coming into the agency.

Investments

As markets continue to change, so do the needs of our clients. With current needs and an eye to the future, we are continuing to invest in our creative, media, consulting and digital services.

These changing needs require our people to have differing skill sets and as such, we are investing in training our people to be able to sell and manage projects that encompass these additional and improved service offerings.

Markets

One of the key competitive strengths of Adcorp is our Trans-Tasman network of offices that offer clients continuity of service on a regional basis.

I am pleased to say that in October 2010 with the win of the Northern Territory Government's Interstate and International advertising contract, we expanded our geographic footprint and opened a new office in Darwin. While the Government contract underpins our presence, this region also provides a number of commercial opportunities for marketing and advertising services that we are currently pursuing.

In these uncertain times, our network of offices allows us to reduce the impact of erratic local market activity that currently being experienced.

We are also combining with our global partners through our membership of the Hodes Global Network; delivering ground-breaking work for clients including Rio Tinto and ANZ Bank, and implementing recommendations in several countries throughout the world.

Government

Our Government Master Media contracts now comprise 37% of our total billings. In October 2010 we added to our portfolio the NT Government business and our contract with the Western Australian Government was extended a further two years. In addition, NSW Government exercised the extension option in our Media Placement and typesetting agreement, effective 1 January 2011 for 12 months. This contract provides for a further extension option in January 2012.

It was a common theme in our first year of appointment on all Government contracts, that advertising spend significantly declined in line with tightening economic conditions. As these contracts have matured, spend has stabilised allowing us to restructure our cost bases accordingly.

Government business represents a growing opportunity for more creative and strategic services and progress has been made in securing additional work including our appointment to the WA Police Creative and Marketing Services contract in August 2010.

Transactional Advertising

Despite the continuing decline in traditional media channels, potential growth in market share and the proliferation of new media options and channels support our belief there is still opportunities for revenue growth.

It is a focus of the business to rollout our proven and proprietary online advertising management system, Connect2™, to our commercial client base, to take advantage of further efficiencies it provides as demonstrated through its success in managing high volume Government contracts.

Consulting Services

This continues to be an area of growth for Adcorp. Revenue from consulting and digital services has grown from revenues of \$823k in FY10 to \$1.533m in FY11.

Clients utilising such services now include blue-chip organisations such as Rio Tinto, Telstra, ANZ Bank and Coles.

In New Zealand, where economic conditions remain subdued, we have managed to significantly grow our revenues generated from digital projects.

“Despite challenging economic conditions and natural disasters, Adcorp has grown EBITDA 54% over the previous year through a continued focus on cost management while maintaining revenue margins”

People

It is our people that make the difference and we are developing programs to train, develop and engage with our staff. Early indicators are that our staff turnover rate has reduced which allows us to keep Intellectual Property within the organisation.

Since my appointment to the role of CEO in March 2011, I would like to place on record my thanks and appreciation for the support that has been shown to me and the enthusiasm our people show for Adcorp's future.

Outlook

There is no doubt market conditions will remain challenging for the foreseeable future.

In response we have adopted a mantra amongst management of continually 'doing things better' and looking for ways to provide quality, results-driven advertising solutions for our clients.

Through continuing prudent cost management and an aggressive new business drive, we are confident of Adcorp's continuing success.



Craig McMenamin, Adcorp CFO

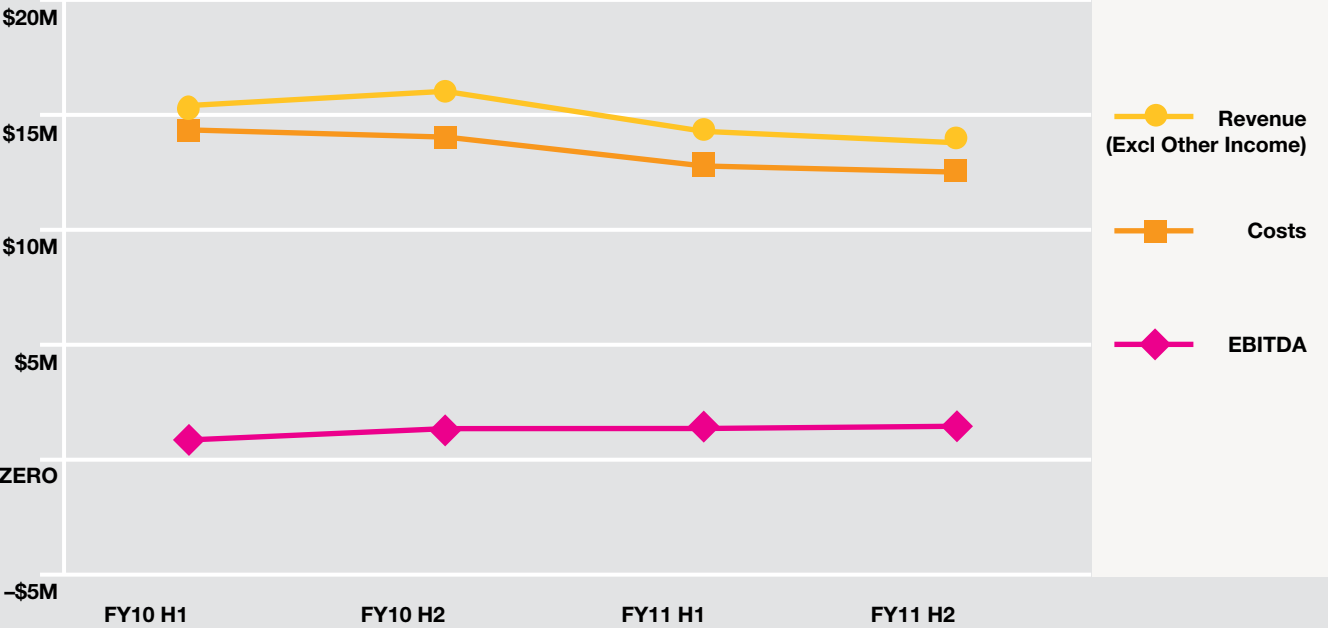
CONVERSATION STARTER #46

“WHAT DO THE NUMBERS MEAN?”

- Solid EBITDA growth and a focus on cost management
- Revenue margins similar to the prior period
- Billings mix includes increasing government business
- Solid cash balances of \$10.273m with Net Tangible assets per share up 14.6% to 8.6 cents
- Return to Dividends of 2 cents per share, fully franked.

PERFORMANCE HIGHLIGHTS

Performance Highlights P&L



PERFORMANCE HIGHLIGHTS

Profit & Loss Highlights

\$m	FY10			FY11		
	H1	H2	Total	H1	H2	Total
Billings	88.6	93.9	182.5	86.9	84.0	170.9
Operating Revenue	15.2	15.7	30.9	14.7	14.5	29.2
Margin	17.2%	16.7%	16.9%	17.0%	17.2%	17.1%
Operating Cost (Before Depreciation, Amortisation and impairment)	14.7	14.4	29.1	13.4	13.1	26.5
EBITDA (before impairment)	0.5	1.3	1.8	1.3	1.4	2.7

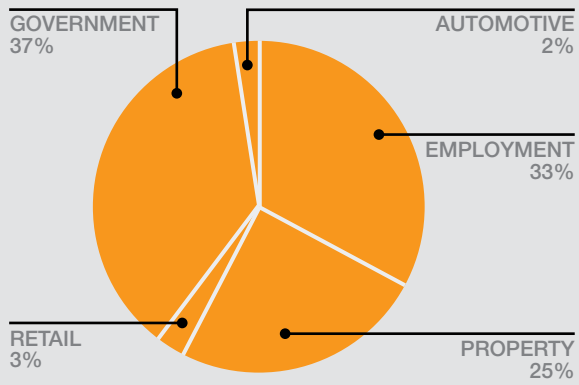
Balance Sheet Highlights

\$m	FY10		FY11	
	Current Assets			
Cash		10.9		10.3
Other		29.4		28.8
		40.3		39.1
Non-current assets		5.6		5.8
Total Liabilities		37.9		36.5
Total Net Assets		7.9		8.4
Net Tangible Assets \$ millions		4.6		5.2
Net Tangible Assets per Share (cents per share)		7.5		8.6

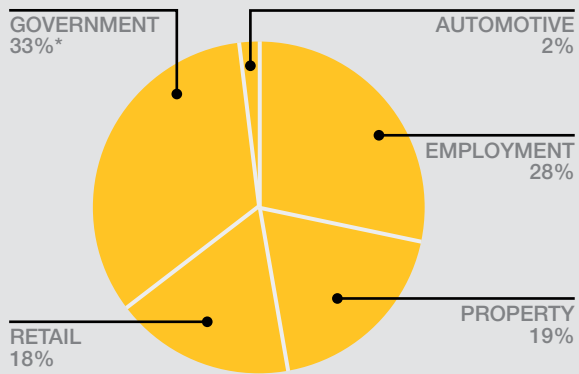
Margin Analysis

	FY07	FY08	FY09	FY10	FY11
Gross margin	16.6%	19.4%	20.3%	16.9%	17.1%

FY11



FY10



* Includes recategorised billings for Employment Category

Headcount

FY09	FY10	FY11
267	253	235

CONVERSATION STARTER #44

**“TELL ME
ABOUT THE
REAL YOU...”**

ABOUT ADCORP

Adcorp, Australia's largest locally-owned communications group with annual billings in excess of \$170 million, provides 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.

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. 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.



CONVERSATION STARTER #14

**“WHERE IN THE
WORLD DID YOU
LEARN TO DO
THAT?”**

OUR SERVICES

Marketing

Adcorp's marketing thinking

The whole point of communications is to surpass the competition's chatter, to reach the target individual and to stimulate the desired response.

In short, to make a difference.

That is where we believe Adcorp is uniquely positioned to plan, create and execute the distinctly different marketing programs to set our clients apart from – and ahead of – their competition.

Publicly listed on the ASX, Adcorp is Australasia's leading locally-owned full service marketing communications group. We are recognised as the leader in the specialist markets in which we operate.

With a track record encompassing 30 years and a network that spans Australia and New Zealand, our resources and infrastructure add immensely to the unique level of service, efficiency and volume we can provide. Adcorp offers fresh thinking, enthusiasm and innovation in every aspect of our business operations. From strategic development through to creative design, from media placement to technology solutions – our service is integrated, effective and proven.

We have the expertise, the streamlined procedures, the cost efficiencies and most importantly the highly talented and committed team of eclectic skills that can – and will – make the difference – distinctly!

Not only that, we apply this thinking to a range of specialist industry sectors – from recruitment advertising to property marketing, from government non-campaign requirements to retail campaigns, and from employer branding through to social marketing.

Our creative ethos

Creativity isn't based on subjectivity. Nor is it shackled to the notion of the "Big Idea". For us, creativity is about finding effective solutions for our clients.

At Adcorp, our approach to the creative process encompasses a combination of eclectic skills and – to put it simply – lots of hard work.

We work with the insights and information provided by our research and account specialists and we treat every project, large or small, as something very special. Because when it comes to spending our client's money, our clients deserve no less.

So, before we come up with the compelling concepts and the arresting imagery, we ask lots of questions and we listen even more. Experience has taught us that in the process of really crystallising what needs to be said to the target consumer, even the most innocuous questions can deliver the most amazing revelations – for the most outstanding results.

Our media impact

Our media specialists follow one simple rule – change is the only true constant. Because consumers are constantly facing new forms of media consumption, it's the role of our media specialists to harness the delivery power of every type of communication, from traditional media onwards.

We're proud of the unique capabilities and resources we've developed over 30 years of predominantly "traditional" media planning, but we're equally confident in our expanding portfolio of new media expertise.

Our understanding of "young" and "old" and how we augment one with the other, is a unique feature of Adcorp's approach to media identification, selection and of course expenditure. As with our creative approach, every communications project is developed and implemented according to its individual challenges and opportunities. Before any dollars are spent, all avenues are explored.



Strategic insights

As heightened consumer sophistication and interaction on a number of levels increasingly influence marketing planning, the strategy behind every communication is the telling difference.

Quite simply, even though we approach every communications project on its individual merits, we are fully cognisant of the importance every interaction has in the cumulative brand relationship.

That's why we invest heavily – in time and resources – in ensuring the strategic thinking and planning behind everything we do is integral to establishing, building and consistently reinforcing relationships between the brand and its target individuals. Every journey starts with the first step.

Our methodology in developing compelling, sustainable and honest employer brands for major clients is proven across all our markets, and all industry sectors.

Digital solutions

Communication never stops evolving, and nor do we. We have recently reviewed and bolstered our digital capability to bring the benefits of the digital landscape to our clients – and the results are already showing. Created by award winners and genuine leaders in their field, our team delivers results-driven strategy, thought provoking creativity, and online web and mobile solutions that put our clients in touch with their audience.

Our digital expertise is in:

- online analysis
- web solution strategy
- design and development
- online advertising
- hosting and support

Executions that may form part of your solution include campaign sites, custom web solution, static and rich media banners, social networking environments, and database marketing tools. Additionally, we specialise in content management systems, search engine optimisation, and the creation and execution of videos, podcasts, games and challenges.

The result of digital is the seamless extension and reinforcement of your branding, marketing and communications strategy that can deliver tracked results every click of the way.

Technology solutions

Adcorp has been a market leader in the development and provision of web-based software applications for the advertising and marketing industry for over a decade.

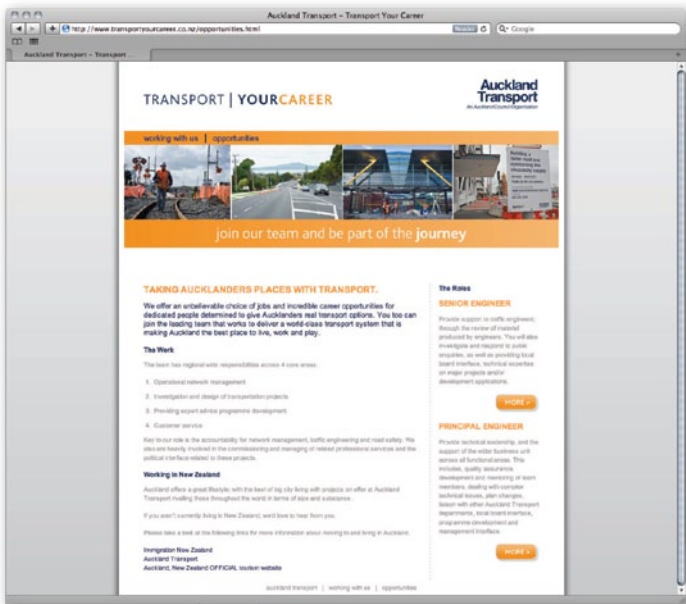
Our career.com.au application was the first Jobs Board ever built in Australia and our deep knowledge and experience in building job posting and applicant tracking technology solutions ensures we provide flexible, scalable, customisable recruitment marketing solutions to meet the specific needs of our recruitment marketing clients across all sectors.

Our Connect2 platform provides the most advanced advertising management system in Australasia. Connect2 enables you to achieve a reduction in the total cost of your communications, eliminates errors and drastically reduces turn-around times – all while you maintain the integrity of your brand and control the accountability of every marketing dollar.

CONVERSATION STARTER #18

**“HOW DO YOU
MATCH THE
MESSAGE TO
THE MEDIUM?”**

**“WHAT DID
YOU DO
AT WORK
TODAY?”**



Integrated campaign

Auckland Transport

Auckland Transport was formed as an organisation when the Auckland Councils joined together to become the "Supercity" or Auckland Council as it is known. It runs as a separate entity and once it was formed, needed its own identity.

Auckland Transport enlisted Adcorp to create an Employer Brand for them. As this was a completely new organisation, which much bigger projects than previous smaller transport agencies, there were a lot of benefits that needed to be portrayed as well as the feeling that the organisation was working to create a better Auckland.



Adcorp looked at the various types of transport that Auckland Transport was involved with, from buses to cycle lanes; and motorway upgrades to ferries. The client wanted people to be a major focus in the campaign, so we worked on people using the various modes of transport in Auckland to get to major Auckland destinations and having a good experience along the way.

We allocated a mode of transport, location and colour to each area of the organisation that would be recruiting, thus creating a suite of templates easily identifiable as being part of the same organisation, yet easily separated to use for a campaign for a particular area of the business.

We have for example created a microsite for the engineering part of the business, using the allocated imagery and colours. This microsite for Road Engineering was supported by print ads and online banner advertising, using the branding to link all parts of the campaign together.

Integrated Campaign

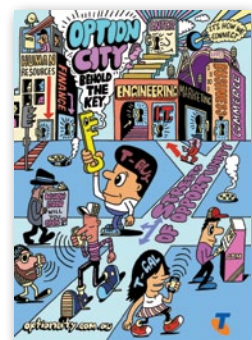
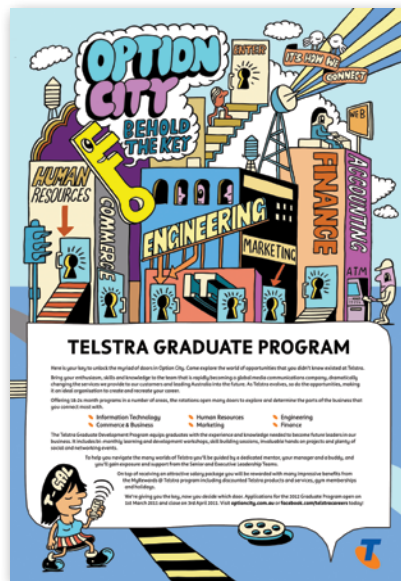
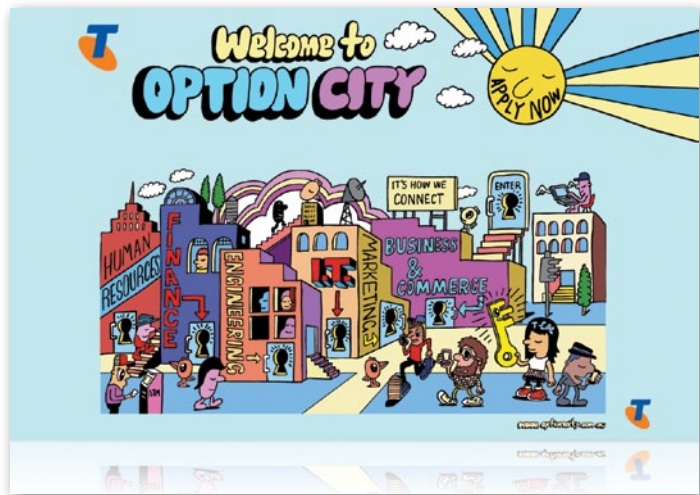
Telstra - Option City Graduate Recruitment

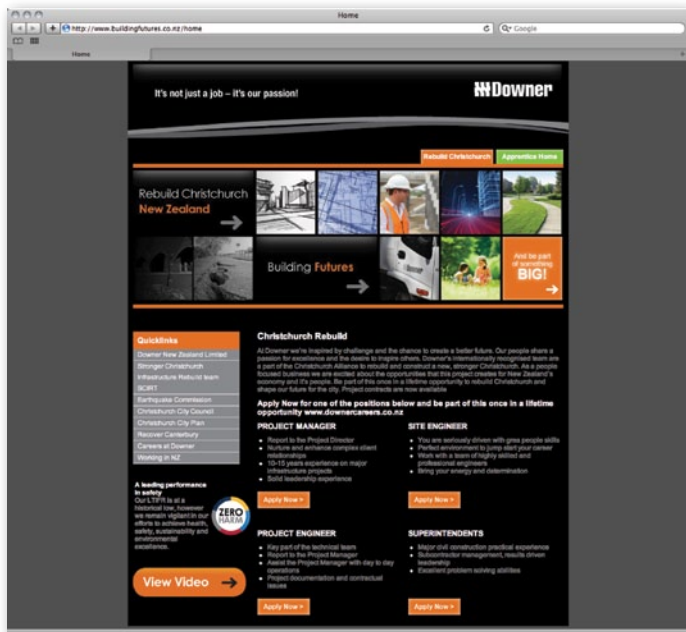
Our research indicated that in order to reach our desired demographic we needed to dramatically challenge the perception of Telstra as a graduate employer. The key insight from graduates working within Telstra was that they didn't realise how large and how many different career opportunities were available to them before joining. Taking this into consideration and the fact that the Telstra employee population is bigger than some towns and cities in Australia, we created "Option City".

The campaign had a large online presence including an interactive microsite – www.optioncity.com.au and social media channels in addition to the regular channels. For graduate career fairs, the Option City bag was a much sought-after item with the target audience.

Results

The campaign increased the quality of applicants to the program plus we saw an increase in the take up of first round offers. The campaign was also a finalist in the Fairfax Employment Media Awards (FEMAs) in three categories; Best Campaign, Best Integrated Campaign and Best Graduate Campaign. The campaign was also awarded 3rd place in the Online Media Category in the Creative Excellence Awards that recognise and celebrate the best recruitment initiatives globally.





Integrated Campaign

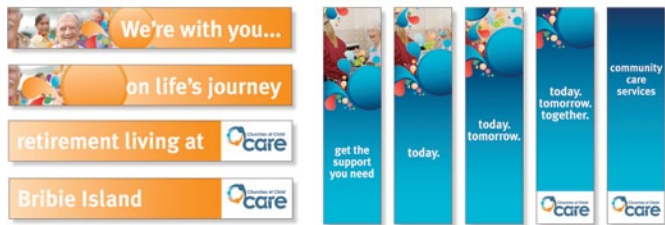
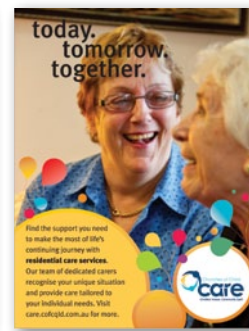
Downer New Zealand Rebuild Christchurch

As part of The Christchurch Alliance, bought together to rebuild and construct a new and stronger Christchurch, Downer New Zealand had an urgent need for experienced Project Managers and Engineers to assist with the rebuild. Following the results of a recruitment drive onshore in New Zealand and coupled with our knowledge of the New Zealand Engineering market, it became evident that this skill set was not available in the quantities required, and further search would need to occur offshore.

With this, a microsite and integrated campaign was developed with a message that would appeal. Targeting the UK market, Downer New Zealand were either looking for Project Managers and Engineers who wanted to come to New Zealand and be involved in this once in a lifetime project, or expats who could be swayed to come home and contribute to the rebuild effort. Due to the overseas audience, we needed to make a high quantity of information readily available to candidates at all hours of the day, and therefore the microsite was a perfect solution for this.

Targeted banner ads and job listings were placed on niche sites targeting Project Managers and Engineers, and as a result, Downer New Zealand filled the majority of roles advertised.

This great example of Downer New Zealand's Engineering work sparked the idea to develop the microsite into an online portal, showcasing the variety of projects Downer New Zealand is working on. As a result, we have now added: The Downer New Zealand Apprenticeship Programme, and The Downer New Zealand Telecommunication offering, attracting overseas candidates for roles within this sector.



Integrated Campaign

Church of Christ Care - Marketing Strategy

Church of Christ Care Aged Care approached Adcorp to help them develop a marketing strategy that would be used by their marketing team to position them as an Aged Care provider of choice now and in the future.

Adcorp developed a complete brand strategy that communicated the positive brand that was experienced by consumers.

The brand strategy has:

- Established the market position of Churches of Christ Care Aged Care products.
- Uniquely positioned our Aged Care products in the market to separate them from their nearest competitors.
- Identified primary and secondary target markets and their media consumption habits.

- Defined Churches of Christ Care Aged Care brand, and the hierarchy of its product messaging enabling growth of brand equity and brand awareness.
- Developed identifiable brand values in the market place.
- Contributed to the evaluation of marketing tactics including their effectiveness in achieving the intended objectives.
- Ensured that all marketing, advertising and promotional material accurately reflect the Church of Christ Care Aged Care brand.
- The marketing strategy aims to result in sustained business growth and is developed with a long-term vision in mind.



Integrated Campaign

WA Police

The challenge presented to Adcorp was simple – recruiting an additional 90 officers to meet security requirements of hosting CHOGM 2011. This was in addition to 60 officers to meet planned growth and attrition, requiring a total 150 to be recruited over three months to February 2011.

Using an integrated campaign approach across key media channels we encouraged passive job seekers to “step forward”. The campaign focusing on real aspects of the training and job, used traditional press advertising in the recruitment section, advertising in the news sections, a microsite and in a first in WA, we placed Ad-Notes (a form of post-it note advertising) onto the front page of newspapers.

For ongoing recruitment efforts, we’ve also produced a series of television commercials and continue to refine and develop the campaign.

Results

848 recruit applications were received between Dec 1, 2010 and March 31, 2011 - 98 applications more than required to meet our first recruitment target of 150 police officers. Based on a successful applicant ratio of 5:1, this meant that we are likely to recruit an additional 20 police officers.

NOW RECRUITING

WA Police - RECRUITING NOW

Do you have what it takes to make a difference?
If the answer is yes, then Step Forward and become a WA Police Officer. You will undergo an intensive 28 week paid training course at the Joondalup Police Academy. Upon graduation you have the opportunity to walk many different paths in your policing career. Coupled with competitive pay, ongoing training and development, medical benefits and six weeks annual leave, this challenging and rewarding career awaits.

For more information or to download an application form visit www.stepforward.wa.gov.au or for further enquiries phone Police Recruiting on (08) 9301 9607. Applications accepted now!

STEP FORWARD

www.stepforward.wa.gov.au

ADCORP PRODUCT

A first in the history of police recruiting in Western Australia was that this campaign saw a record number of applications (277) received in one month, eclipsing the previous best result of 146 applications during the last major recruitment drive in 2008.

Cabcharge - FASTCARD launch

Cabcharge engaged Adcorp to create the name and branding for their new taxi charge card. Cabcharge has revolutionised the way in which taxi fares are paid by introducing a contactless card – FASTCARD. Adcorp created the marketing campaign to launch the card including the name, design of the card, all associated application forms, terms and conditions booklets, website, online digital campaign including banners and SEM and competition.

Results

400 applications received via the website within a week of launching.



You need to be fast...

You don't want to wait around

Cabcharge FASTCARD leaves other cards behind

FASTCARD
No waiting. No signing.
Spent less time in a taxi with contactless technology that makes paying for your fare as easy as Tap & Go.
Cabcharge leaves other cards behind.

fastcard.com.au

Project Marketing

Landsborough - Projects Pathways

Pathways is a 15.66 Ha of land, 88 residential land lots, with Stage One a two-year project (23 lots), located on Lower Mount Mellum Road, Landsborough, on the Sunshine Coast.

Adcorp was asked to pitch for this project, the work encompassing the marketing strategy, design and media strategy for this long term project consisting of five stages.

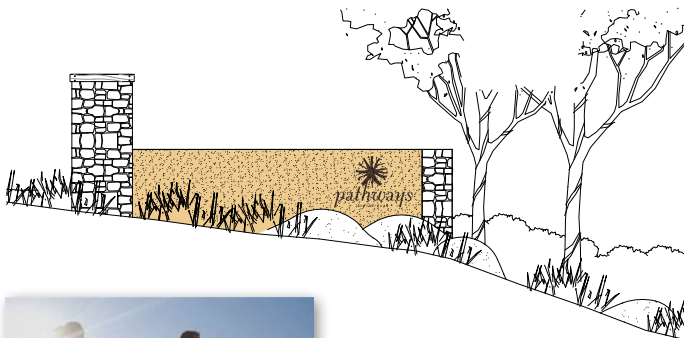
Release One consists of 23 lots of land being shaped and ready for a soft launch in October. Marketing development commenced at the end of June, with the completion of the website in late June and subsequent roll out of marketing to follow. Our main marketing objective is to generate enquiry to sell Stage One's 23 lots.

Pathways aim is to emphasis the attractiveness of its natural, semi rural setting, northerly aspect and hinterland location to differentiate this development from competing developments in nearby areas. The final project will have a natural feel with frontage to established bushland. Stage One pricing for land is from \$188,500, with a Stage Two, Three, Four and Five to be marketed in the future.

The lots allow buyers to build a home of their desire, with no restrictions of housing types in this open space development. The lots are also positioned to provide residents with the utmost privacy, with an outlook to bushland for each lot.

Pathways provides a unique opportunity for people/couples/families to relocate or set up in this beautiful location of Landsborough with is only approximately 82km north of Brisbane and 18km west of Caloundra.

Once appointed, Adcorp developed a marketing strategy in order to build a strong differentiated brand while strengthening the strengths and benefits of this site. The aim to achieve registrations of interest in order to sell 23 lots in 1-2 years. Adcorp has developed the complete design, website, search strategy, marketing collateral, press placement (local press) and outdoor signage (onsite and offsite).





Outdoor Advertising

SKG - Brand Recognition

SKG Radiology wanted to spice up their marketing and move away from the clutter in medical services advertising – positioning them in the market place as a high quality, high level service provider.



To achieve the cut through SKG was after, Adcorp proposed creative concepts which used humour to convey the messages and developed a cohesive and synergetic campaign – We See It.

The campaign plays on the idea that SKG Radiology has the high quality radiologists, equipment and experience – even the oddest situations patients could get themselves into – SKG has seen it.


The We See It campaign has run throughout an integrated media schedule including billboards, buses, press advertising and specialist magazines.



Results

The positive feedback SKG has received from the branding exercise both internally and externally has encouraged them to continue

and expand the campaign in the new financial year with two new characters being developed and the 'We See It' message being brought into all marketing materials including sales rep cars and the website redesign.



**We hire the best.
It's how we operate.**


At Cummins our products are so advanced that our dedicated team of specialists consider them to be the brains powering the machines that fuel our economy. As the world's largest designer and manufacturer of premium engines, we're totally committed to innovation and progress.

Our products are years ahead of the competition. Our commitment to worldwide clean air standards is unparalleled in the industry. Excellence in customer service, people safety and workforce diversity drive the decisions we make. Our staff are the best in the business. Our training programs are second to none and provide talented individuals with advancement and placement opportunities within our network.

Exciting career opportunities exist across all fields within Cummins South Pacific, from diesel technicians through to service, engineering, sales, finance, HR and more. If you want to work with the best and operate in a global theatre then visit careers.cummins.com or contact the **Cummins Recruitment Team** on **1300 766 442**.

Working Right. | careers.cummins.com

Cummins South Pacific is an awarded Equal Opportunity Employer.
Voted number one as 'The Most Ethical Company' of all Wall Street listed companies.



Advertising

Cummins

The challenge was to help Cummins attract and hire Diesel Mechanics and technicians. Our key insight from their current workforce was that they felt the engine was the brain of the machine. Using this idea, we positioned the role of Cummins mechanic as highly skilled and well regarded. The campaign includes numerous versions to accurately depict the diversity of the Cummins workforce.



A fresh and exciting start

Jupiter's Hotel and Casino rely on our people to deliver the '**F**' in **Fresh**. In fact, fresh is only one of our Five F's – the core values we look for in our candidates.

If you possess a Fresh, Fun, Friendly, Focussed and Fast approach to your life, then come and deliver it with us.

Join the show.



Advertising

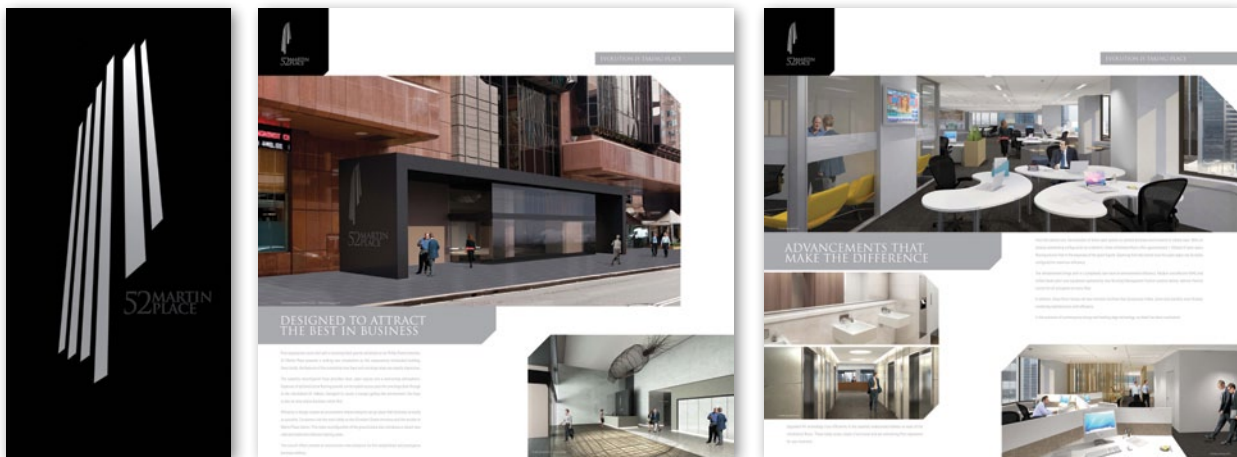
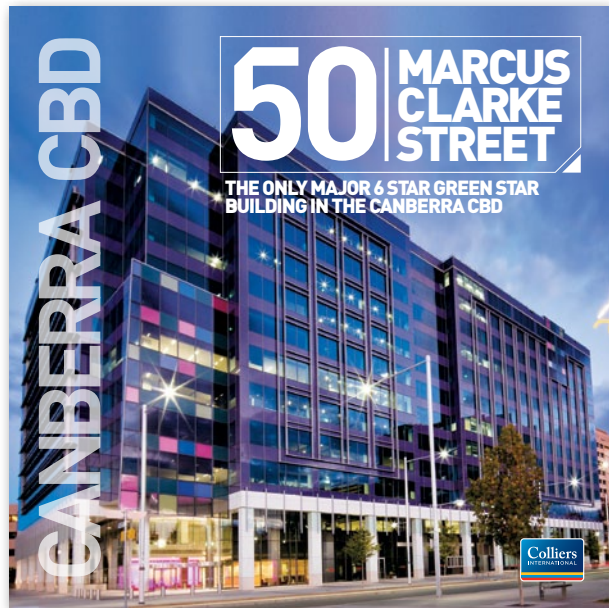
Jupiter's Casino

Jupiter's approached Adcorp to develop a refreshed look for their employment marketing templates. The brief was to use their employment values the five f's; Fresh, Fast, Focus, Fun, and Friendly as the basis for the message. Adcorp developed a creative look and feel that equips their in house recruitment team with the tools they need in the competitive Gold Coast entertainment market.

Design

Colliers - 50 Marcus-Clarke

Colliers International engaged Adcorp Melbourne to produce a large format Information Memorandum for the sale of 50 Markus Clarke Street, Canberra. The landmark building is state of the art and the only major 6 Star Green Star building in Canberra's CBD, with large floor plates, great tenancy (government), and sustainable attributes such as a bio filtration system with a living wall to filter air. With extremely short turn around times Adcorp produced a premium brochure with bold typography, stunning photography, quality paper stock and finished with a spot gloss print technique on the cover.



Design

Stockland and QIC - 52 Martin Place

52 Martin Place is an A-Grade landmark building, co-owned by QIC & Stockland. The building is about to undergo a significant refurbishment to evolve the building. In conjunction with Mark Lacey, CBD leasing and the co-agent, a marketing plan was developed to lease the 40,000sqm of quality office space available over the next couple of years.

Adcorp designed the new logo which was an evolution of the existing Colonial Centre logo and developed the tagline "Evolution is taking place" to reposition the building in the market.

A high quality, sophisticated brochure was designed accompanied with floor plan inserts, a wallet for sending the brochure out and a supporting technical specifications document.

External leasing signage was also installed and the branding of a purpose-built display suite at the Elizabeth Street entry. The leasing campaign is in progress with future activity planned to keep the market interested and informed.

Design

Parmalat - Pauls Recipe Books

The fresh dairy team at Parmalat needed a refresh to their current recipe books with an aim to build on their brand and increase appeal to their target market, as well as communicate the wonderful dishes people can make with the use of Pauls products.

After discussions with the marketing team at Parmalat, Adcorp developed some fantastic concepts and coordinated with a food stylist in order to create some delicious recipes incorporating the Parmalat product offerings.

All in all the four solid days of cooking and shooting was a success to create the new look Pauls recipe books.



FINANCIAL RESULTS

DIRECTORS' REPORT

30 June 2011

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 2011.

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:

Bob Campbell

Ian Rodwell

David Morrison (appointed on 21 March 2011)

Matthew Mellor (resigned on 18 March 2011)

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; and
- Digital marketing services and consulting, including supply of web-based products, and strategic employment solutions.

Dividends

Dividends paid during the financial year were as follows:

	2011 \$'000	2010 \$'000
Interim dividend for the year ended 30 June 2011 of 1 cent per ordinary share paid on 31 March 2011 fully franked based on a tax rate of 30%	607	-

The dividend payment of \$261,000 in the comparative year relates to the non-controlling interest.

DIRECTORS' REPORT

30 June 2011

Review of operations

The profit for the consolidated entity after tax and non-controlling interests has grown to \$1.392m from the prior year's loss of \$(7.138m).

Trading conditions remained challenging in the industry as a whole, compounded by the series of natural disasters both in Australia and New Zealand and indeed further afield in regions serviced by some of our clients. We successfully deployed our risk management action plans in response to the Queensland floods and the Christchurch earthquake to mitigate the potential losses to the business from these events.

Operating profit before tax, foreign currency translation, non-controlling interest and impairment, has more than doubled from \$0.943m in the prior year, to \$2.205m in this financial year. Profit in the six months to June 2011 of \$1.107m was similar to H1's \$1.098m (stated before foreign currency translation expense/income).

Despite a reduction in billings of \$11.622m to \$170.952m and a 5.5% (\$1.7m) reduction in operating revenues, the company has reduced expenses for the 3rd consecutive year to deliver solid growth in the bottom line.

The reduction in billings is primarily a result of the loss of clients from our subsidiary Andrews Advertising Pty Ltd, however this has been partially offset by new business including the Northern Territory Government and an increase in higher margin consultative services projects, equating to a resultant revenue margin for the group of 17.1% which is similar to prior year.

Overall expenditure reduced by \$2.9m, of which \$1.2m is attributable to the cessation of trading at Andrews Advertising Pty Ltd. The prior year included one-off restructuring and termination costs of \$0.5m and we have seen the benefit of ongoing cost saving initiatives flow through to this financial year.

The current year to June 2011 includes costs and expenses arising from the departure of staff from Andrews Advertising Pty Ltd and in relation to the ongoing case against the former director and former senior executive of Andrews Advertising Pty Ltd.

Client service expenditure reduced by \$2.2m to \$18.9m as a result of reduced costs in Andrews Advertising Pty Ltd, and a reduction in management labour after restructuring in May 2010.

Administration expenditure also reduced by \$0.2m with lower bank charges and insurance costs during the financial year.

Marketing expenses increased by \$0.2m to \$1.7m and include one-off project and travel costs for the implementation of a new property advertising system, and increased marketing expense as we commenced the process of refreshing the Adcorp Brand. That process was completed in August 2011 and most affiliated costs have been expensed in the year to June 2011. This category also includes an increase in the provision for client doubtful debts which we consider prudent as at the 30 June 2011.

Occupancy and Communications expense reduced by \$0.5m on the back of reduced asset depreciation charges as a result of the impairment of these assets at 30 June 2010. In addition we have reduced telecommunications charges though improved pricing with our service providers.

We have continued to improve the management of our receivables and are currently enhancing the processes and effectiveness of both billings and receivables functions.

At the end of the financial year we held \$10.273m in cash (30 June 2010: \$10.875m) and while we still have access to a \$6m working capital facility with the ANZ bank, we had no drawings outstanding on this facility at 30 June 2011 (30 June 2010: Nil drawings).

We have also restructured our client-facing functions to deliver a more local and specific 'targeted' service to our clients across Australia and New Zealand. As a result we have placed agency managers in our offices in New South Wales, Queensland and Victoria, effective July 2011, to focus on local client needs and solutions specific to their markets.

Adcorp starts the new financial year in a good position to seize opportunities to grow although the markets remain challenging and uncertain. We have a committed and engaged management team and skilled, passionate people to provide the best possible service and advertising solutions for our clients.

The directors are confident in the capabilities and continued success of the business and have declared a final dividend of 1cent per share fully franked, out of the current year profits (Interim dividend declared in February 2011: 1 cent per share fully franked, out of the current year profits).

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2011 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

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

DIRECTORS' REPORT

30 June 2011

Information on directors

Name:	Bob Campbell
Title:	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 prior to being appointed Managing Director and Chief Executive Officer of The Seven Network from 1987 to 1995. 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. He is currently a director of the Sydney Swans. In 1996 he formed, with Des Monaghan, the television production company, Screentime, which has operations in Australia, New Zealand and Ireland. Bob was appointed as Non-Executive Chairman in May 2005.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Member of the Audit Committee and the Remuneration and Nomination Committee
Interests in shares:	None
Interests in options:	None
Name:	Ian Rodwell
Title:	Non-Executive Director
Qualifications:	BComm
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 Pty 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 the Remuneration and Nomination Committee.
Interests in shares:	21,716,127 ordinary shares at 30 June 2011
Interests in options:	None

Name: **David Morrison (appointed on 21 March 2011)**

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: None

Interests in options: 150,000 options over ordinary shares

Name: **Matthew Mellor (resigned on 18 March 2011)**

Title: Former Executive Director and Former Chief Executive Officer

Qualifications: BA

Experience and expertise: Matthew Mellor joined Adcorp as General Manager, Victoria in 2006 and became General Manager Victoria/ Group Head of Solutions in 2009. He was appointed Chief Operating Officer by the Board in January 2010 and Chief Executive Officer in July 2010. Matthew resigned as Chief Executive Officer and director on 18 March 2011.

Other current directorships: None

Former directorships (in the last 3 years): None

Special responsibilities: None

Interests in shares: None

Interests in options: None

'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 commenced in April 2007 as Chief Financial Officer ('CFO') and Company Secretary and is an experienced CFO with over 17 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.

DIRECTORS' REPORT

30 June 2011

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Other	
	Attended	Held	Attended	Held	Attended	Held
Bob Campbell	12	12	3	3	2	2
Ian Rodwell	12	12	3	3	2	2
David Morrison	3	3	-	-	1	1
Matthew Mellor *	9	9	3	3	1	1

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

* Matthew Mellor attended the Audit Committee meetings by invitation

The Remuneration Committee meetings are incorporated into Board meetings.

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 Adcorp Australia Limited 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 embodies 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
- 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
- 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 2011 is detailed later in 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
- Ensure total remuneration is competitive by market standards

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable short term incentive remuneration
- 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 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.

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.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Adcorp Australia Limited are set out in the following tables.

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

- Craig McMenamin - Chief Financial Officer and Company Secretary

DIRECTORS' REPORT

30 June 2011

2011	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus	Termination payments	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<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>							
M Mellor *	232,357	27,523	121,095	13,088	-	-	394,063
D Morrison **	86,739	-	-	3,800	-	-	90,539
<i>Other Key Management Personnel:</i>							
C McMenamin	207,284	-	-	15,199	-	-	222,483
	638,380	27,523	121,095	42,167	-	-	829,165

* Remuneration paid was for the period to the date no longer a director or key management personnel.

** David Morrison was appointed as director and Chief Executive Officer on 21 March 2011. Remuneration was for the period from the date of appointment.

2010	Short-term benefits			Post employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees	Bonus	Termination payments	Super-annuation	Long service leave	Equity-settled	Total
	\$	\$	\$	\$	\$	\$	\$
<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>							
M Mellor **	136,308	-	-	12,795	-	-	149,103
P James *	166,078	-	237,852	8,520	-	-	412,450
<i>Other Key Management Personnel:</i>							
C McMenamin	192,163	-	-	20,280	-	-	212,443
K Twist *	162,790	-	204,910	29,693	-	-	397,393
A Burke *	159,240	-	35,801	14,007	-	-	209,048
	928,579	-	478,563	95,375	-	-	1,502,517

* Remuneration paid was for the period to the date no longer a director or key management personnel.

** Matthew Mellor was appointed as director and Chief Operating Officer on 4 January 2010 and appointed Chief Executive Officer on 1 July 2010. Remuneration was for the period from the date of appointment as Director.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2011	2010	2011	2010	2011	2010
<i>Non-Executive Directors:</i>						
B Campbell	100%	100%	- %	- %	- %	- %
I Rodwell	100%	100%	- %	- %	- %	- %
<i>Executive Directors:</i>						
M Mellor	100%	100%	- %	- %	- %	- %
D Morrison	100%	- %	- %	- %	- %	- %
P James	- %	100%	- %	- %	- %	- %
<i>Other Key Management Personnel:</i>						
C McMenamin	100%	100%	- %	- %	- %	- %
K Twist	- %	100%	- %	- %	- %	- %
A Burke	- %	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 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 2011

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 2011.

Options

The terms and conditions of each grant of options affecting remuneration 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 2007	1 July 2009	30 June 2012	\$0.39	\$0.39
1 July 2008	Conditional *	30 June 2013	\$0.40	\$0.40

* 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.

Of the 350,000 options on issue at 30 June 2011, 200,000 remained unvested.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2011.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2011 are set out below:

	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
Matthew Mellor	\$ -	\$ -	\$ 78,000	% -

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Adcorp Australia Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
1 July 2007	30 June 2012	\$0.39	150,000
1 July 2008	30 June 2013	\$0.40	200,000
			350,000

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 2011.

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.

Adcorp Australia Limited paid an insurance premium of \$15,880 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 27 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 27 to the financial statements do not compromise the external auditor's independence 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 Ernst & Young

There are no officers of the company who are former audit partners of Ernst & Young.

DIRECTORS' REPORT

30 June 2011

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

Ernst & Young 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



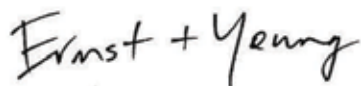
David Morrison
Director and Chief Executive Officer
26 August 2011
Sydney



Bob Campbell
Chairman

Auditor's Independence Declaration to the Directors of Adcorp Australia Limited

In relation to our audit of the financial report of Adcorp Australia Limited for the financial year ended 30 June 2011 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'John Robinson'.

John Robinson
Partner
26 August 2011

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors 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'. 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:

- 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
- 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
- the Board consists of Directors with an appropriate range of experience, skill and knowledge.

The Board currently comprises three Directors, of whom one is 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 three 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 three 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
- 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.

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 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, in addition, can effectively review and challenge the performance of management and exercise independent judgement.

Principle 3: Promote ethical and responsible decision making

Ethical Standards and Performance

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all Directors and employees. Adcorp is committed to meeting its legal and other obligations to stakeholders, including shareholders, employees and customers.

Adcorp has a Code of Conduct, which sets out the behaviour required of Directors and employees. The Code provides a mechanism to enable employees to report breaches of the Code without any fear of retribution.

A fundamental requirement of the Code is that all business affairs are conducted legally, ethically and with the strict observance of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view of maximising financial performance of the consolidated entity. This concerns the propriety of decision making in conflict of interest situations and quality of decision making for the benefit of shareholders.

Specifically, the position concerning the issue of Board and Employee trading in company securities is as follows:

Share Ownership and Dealing

The Company has a Share Trading Policy designed to assist Directors and employees to avoid insider trading and provide guidelines for trading in Adcorp securities.

The policy allows for the buying and selling of the Company's shares by Directors and senior management during a 30 day period following the release of the final and half-yearly results. Directors and senior management are precluded in trading in Adcorp shares at any time if they

are aware of price sensitive information that has not been made public.

In January 2011, the company released to market its updated share trading policy to comply with the updated listing rules of the ASX.

Principle 4: Safeguard integrity in financial reporting

Adcorp 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
- assessment of the 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
- 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

STATEMENT OF CORPORATE GOVERNANCE

Principle 5: Make timely and balanced disclosure

Shareholder Relations

Adcorp 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 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
- 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 Adcorp's strategy and performance
- encouraging participation at shareholder meetings
- having Auditors 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.

Adcorp 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 received 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.

Two Directors, Mr Bob Campbell (Chairman) and Mr Ian Rodwell are members of the Committee and 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
- review the size, range of skills, and composition of the Board.

Adcorp 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.

FINANCIAL REPORT

For the year ended 30 June 2011

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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 26 August 2011. The directors have the power to amend and reissue the financial report.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

		Consolidated	
	Note	2011 \$'000	2010 \$'000
Revenue	4	29,525	31,118
Other income	5	5	-
Expenses			
Client service expenses		(18,968)	(21,192)
Administrative expenses		(1,330)	(1,621)
Marketing expenses		(1,846)	(1,650)
Office and communication expenses		(5,090)	(5,685)
Finance costs	6	(86)	(27)
Impairment of goodwill		-	(7,099)
Impairment of fixed assets		(5)	(744)
Impairment of software		-	(132)
Profit/(loss) before income tax expense		2,205	(7,032)
Income tax expense	7	(935)	(69)
Profit/(loss) after income tax expense for the year		1,270	(7,101)
Other comprehensive income			
Foreign currency translation		(170)	90
Other comprehensive income for the year, net of tax		(170)	90
Total comprehensive income for the year		1,100	(7,011)
Profit/(loss) for the year is attributable to:			
Non-controlling interest		(122)	37
Owners of Adcorp Australia Limited	22	1,392	(7,138)
		1,270	(7,101)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(122)	37
Owners of Adcorp Australia Limited		1,222	(7,048)
		1,100	(7,011)
		Cents	Cents
Basic earnings per share	36	2.29	(11.76)
Diluted earnings per share	36	2.29	(11.76)

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	Consolidated	
		2011 \$'000	2010 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	10,273	10,875
Trade and other receivables	9	28,557	29,101
Income tax refund due	10	65	145
Other	11	168	150
Total current assets		39,063	40,271
Non-current assets			
Property, plant and equipment	12	1,350	957
Intangibles	13	3,154	3,330
Deferred tax	14	1,283	1,264
Total non-current assets		5,787	5,551
Total assets		44,850	45,822
Liabilities			
Current liabilities			
Trade and other payables	15	34,519	35,974
Income tax	16	424	471
Provisions	17	898	1,061
Total current liabilities		35,841	37,506
Non-current liabilities			
Deferred tax	18	4	33
Provisions	19	623	394
Total non-current liabilities		627	427
Total liabilities		36,468	37,933
Net assets		8,382	7,889
Equity			
Contributed equity	20	28,894	28,894
Reserves	21	(468)	(298)
Accumulated losses	22	(19,972)	(20,757)
Equity attributable to the owners of Adcorp Australia Limited		8,454	7,839
Non-controlling interest	23	(72)	50
Total equity		8,382	7,889

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 2011

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2009	28,894	(388)	(13,619)	274	15,161
Other comprehensive income for the year, net of tax	-	90	-	-	90
Profit/(loss) after income tax expense for the year	-	-	(7,138)	37	(7,101)
Total comprehensive income for the year	-	90	(7,138)	37	(7,011)
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid	-	-	-	(261)	(261)
Balance at 30 June 2010	28,894	(298)	(20,757)	50	7,889

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2010	28,894	(298)	(20,757)	50	7,889
Other comprehensive income for the year, net of tax	-	(170)	-	-	(170)
Profit/(loss) after income tax expense for the year	-	-	1,392	(122)	1,270
Total comprehensive income for the year	-	(170)	1,392	(122)	1,100
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid	-	-	(607)	-	(607)
Balance at 30 June 2011	28,894	(468)	(19,972)	(72)	8,382

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 2011

		Consolidated	
	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		171,686	175,859
Payments to suppliers (inclusive of GST)		(169,898)	(170,560)
		1,788	5,299
Interest received		259	187
Interest and other finance costs paid		(86)	(27)
Income taxes refunded		-	471
Income taxes paid		(950)	-
Net cash from operating activities	35	1,011	5,930
Cash flows from investing activities			
Payments for property, plant and equipment	12	(752)	(179)
Payments for intangibles	13	(292)	(415)
Payments for security deposits		(7)	-
Proceeds from sale of property, plant and equipment		36	4
Proceeds from sale of intangibles		9	-
Net cash used in investing activities		(1,006)	(590)
Cash flows from financing activities			
Dividends paid	24	(607)	(261)
Net cash used in financing activities		(607)	(261)
Net increase/(decrease) in cash and cash equivalents		(602)	5,079
Cash and cash equivalents at the beginning of the financial year		10,875	5,768
Effects of exchange rate changes on cash		-	28
Cash and cash equivalents at the end of the financial year	8	10,273	10,875

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 2011

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.

Except for AASB 2010-4, which was early adopted last year, all other 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 in the relevant accounting policy.

The adoption of these Accounting Standards and Interpretations did not have any 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 2 Share-based Payment Transactions – amendments for Group Cash-settled Share-based Payment Transactions

The consolidated entity has applied the amendments to AASB 2 from 1 July 2010. The amendments clarified the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the consolidated entity settles the transaction, and no matter whether the transaction is settled in shares or cash.

Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

The consolidated entity has applied Interpretation 19 from 1 July 2010. The interpretation clarified that equity instruments issued to a creditor to extinguish a financial

liability qualifies as consideration paid. The equity instruments issued are measured at their fair value, or if not reliably measured, at the fair value of the liability extinguished, with any gain or loss recognised in profit or loss.

AASB 2009-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2009-5 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 101 'Presentation of Financial Statements' – classification is not affected by the terms of a liability that could be settled by the issuance of equity instruments at the option of the counterparty;

AASB 107 'Statement of Cash Flows' – only expenditure that results in a recognised asset can be classified as a cash flow from investing activities;

AASB 117 'Leases' – removal of specific guidance on classifying land as a lease;

AASB 118 'Revenue' – provides additional guidance to determine whether an entity is acting as a principal or agent; and

AASB 136 'Impairment of Assets' – clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB8 'Operating Segments' before aggregation for reporting purposes.

AASB 2009-10 Amendments to AASB 132 – Classification of Rights Issues

The consolidated entity has applied AASB 2009-10 from 1 July 2010. The amendments clarified that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendment therefore provides relief to entities that issue

rights in a currency other than their functional currency from treating the rights as derivatives with fair value changes recorded in profit or loss.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The consolidated entity has applied AASB 2010-3 amendments from 1 July 2010. The amendments result in some accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes had no or minimal effect on accounting. The main changes were:

AASB 127 'Consolidated and Separate Financial Statements' and AASB 3 Business Combinations – clarifies that contingent consideration from a business combination that occurred before the effective date of revised AASB 3 is not restated; the scope of the measurement choices of non-controlling interest is limited to when the rights acquired include entitlement to a proportionate share of net assets in the event of liquidation; requires an entity in a business combination to account for the replacement of acquiree's share-based payment transactions, unreplaced and voluntarily replaced, by splitting between consideration and post combination expenses.

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. 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 31.

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 2011 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 and statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

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 approximates the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in 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.

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 investment properties 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.

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 and unused tax losses and under and over provision in 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.

Adcorp 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 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 2011.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

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.

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 basis to write off the net cost of each item of 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.

An item of 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.

Finance leases are capitalised. A lease asset and liability are established at 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. 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 intangibles 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.

Software licences

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2 to 3 years.

Customer lists

Costs in relation to customer lists of the consolidated entity are capitalised as an asset and amortised on a straightline basis over 3 years.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

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 other vesting 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.
- 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.

Contributed equity

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

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.

Comparative information

Certain comparatives have been reclassified to be consistent with current year presentation.

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 2011. 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.

IFRS 10 (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.

IFRS 11 (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, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

IFRS 12 (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 'Consolidation and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures', Interpretation 12 'Service Concession Arrangements' and Interpretation 13 'Customer Loyalty Programme'. 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 by the consolidated entity 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.

IFRS 13 (AASB 13) Fair Value Measurement

This standard is 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, but not liabilities. 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.

IAS 1 (AASB 101) Presentation of Financial Statements (Revised)

This revised standard is applicable to annual reporting periods beginning on or after 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. The change provides clarity about the nature of items presented as other comprehensive income and their future impact. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity's presentation of its statement of comprehensive income.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 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 2013 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. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be

classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. 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 2013 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 124 Related Party Disclosures (December 2009)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2011. This revised standard simplifies the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. The definition now identifies a subsidiary and an associate with the same investor as related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. This revised standard introduces a partial exemption of disclosure requirement for government-related entities. The adoption of this standard from 1 July 2011 will not have a material impact on the consolidated entity.

IAS 27 (AASB 127) Separate Financial Statements (Revised)

IAS 28 (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 IFRS 10, IFRS 11, IFRS 11 and IFRS 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1. Significant accounting policies (continued)

AASB 2009-12 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which have no major impact on the requirements of the amended pronouncements. The main amendment is to AASB 8 'Operating Segments' and requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity.

AASB 2010-5 Amendments to Australian Accounting Standards

These amendments are applicable to annual reporting periods beginning on or after 1 January 2011. These amendments makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. The adoption of these amendments from 1 July 2011 will not have a material impact on the consolidated entity..

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments from 1 July 2011 will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project and AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements

These amendments are applicable to annual reporting periods beginning on or after 1 July 2011. They make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with International Financial Reporting Standards but without any intention to change requirements. The adoption of these amendments from 1 July 2011 will not 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 2013 will remove the duplication of relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments may not have a material impact on 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 within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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 definite 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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.

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 both the expense or asset, if applicable, and provision.

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.

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.

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 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 (2010: 30%).

Major customers

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

Operating segment information

2011	Australia \$'000	New Zealand \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	26,092	3,085	-	29,177
Total sales revenue	26,092	3,085	-	29,177
Other income	475	42	(164)	353
Total revenue	26,567	3,127	(164)	29,530
Segment result	2,459	417	(164)	2,712
Depreciation and amortisation	(594)	(92)	-	(686)
Impairment of assets	(5)	-	-	(5)
Interest revenue	220	39	-	259
Finance costs	(86)	-	-	(86)
Other non-cash expenses	3	8	-	11
Profit/(loss) before income tax expense	1,997	372	(164)	2,205
Income tax expense				(935)
Profit after income tax expense				1,270
Assets				
Segment assets	38,853	4,584	130	43,567
<i>Unallocated assets:</i> Deferred tax asset				1,283
Total assets				44,850
Liabilities				
Segment liabilities	34,937	1,397	130	36,464
<i>Unallocated liabilities:</i> Deferred tax liability				4
Total liabilities				36,468

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 3. Operating segments (continued)

2010	Australia \$'000	New Zealand \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	27,508	3,371	-	30,879
Total sales revenue	27,508	3,371	-	30,879
Other income	449	33	(243)	239
Total revenue	27,957	3,404	(243)	31,118
Segment result	1,401	401	-	1,802
Depreciation and amortisation	(832)	(187)	-	(1,019)
Impairment of assets	(6,643)	(1,332)	-	(7,975)
Interest revenue	154	33	-	187
Finance costs	(27)	-	-	(27)
Loss before income tax expense	(5,947)	(1,085)	-	(7,032)
Income tax expense				(69)
Loss after income tax expense				(7,101)
Assets				
Segment assets	40,003	4,555	-	44,558
<i>Unallocated assets:</i> Deferred tax asset				1,264
Total assets				45,822
Liabilities				
Segment liabilities	36,441	1,459	-	37,900
<i>Unallocated liabilities:</i> Deferred tax liability				33
Total liabilities				37,933

Note 4. Revenue

	Consolidated	
	2011 \$'000	2010 \$'000
<i>Sales revenue</i>		
Operating revenues	29,177	30,880
<i>Other revenue</i>		
Interest	259	187
Rent	89	51
	348	238
Revenue	29,525	31,118

Note 5. Other income

	Consolidated	
	2011	2010
	\$'000	\$'000
Net gain on disposal of property, plant and equipment	5	-

Note 6. Expenses

	Consolidated	
	2011	2010
	\$'000	\$'000
Profit/(loss) before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	147	155
Plant and equipment	202	440
Total depreciation	349	595
<i>Amortisation</i>		
Software licences	332	351
Customer lists	54	73
Total amortisation	386	424
Total depreciation and amortisation	735	1,019
<i>Impairment</i>		
Office equipment	5	332
Plant and equipment	-	412
Goodwill	-	7,099
Software	-	132
Total impairment	5	7,975
<i>Finance costs</i>		
Bank loans and overdrafts	86	27
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	17	121
<i>Net loss on disposal</i>		
Net loss on disposal of property, plant and equipment	-	1
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	2,187	2,989
<i>Superannuation expense</i>		
Defined contribution superannuation expense	1,185	1,451
<i>Employee benefits expense</i>		
Employee benefits expense	14,346	16,442

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 7. Income tax expense

	Consolidated	
	2011 \$'000	2010 \$'000
<i>Income tax expense</i>		
Current tax	946	475
Deferred tax	(48)	(473)
Under provision in prior years	37	67
Aggregate income tax expense	935	69
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 14)	(19)	(505)
(Decrease)/increase in deferred tax liabilities (note 18)	(29)	32
	(48)	(473)
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Profit/(loss) before income tax expense	2,205	(7,032)
Tax at the Australian tax rate of 30%	662	(2,110)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment of assets	-	2,130
Write-back of Andrews losses	127	-
Expenditure non-deductible for tax purposes	33	30
Non-assessable items	76	(27)
	898	23
Under provision in prior years	37	67
Prior year tax losses not recognised now recouped	-	(21)
Income tax expense	935	69

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2011 \$'000	2010 \$'000
Cash at bank	10,273	10,875

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2011 \$'000	2010 \$'000
Trade receivables	28,043	28,490
Less: Provision for impairment of receivables	(510)	(519)
	27,533	27,971
Other receivables	1,024	1,130
	28,557	29,101

Trade debtors and other receivables are non-interest bearing.

Impairment of receivables

The consolidated entity has recognised a net gain of \$9,000 (2010: \$185,000) in respect of doubtful debt provision for the year ended 30 June 2011.

The ageing of the impaired receivables recognised above are as follows:

	Consolidated	
	2011 \$'000	2010 \$'000
Over 3 months overdue	510	519

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

	Consolidated	
	2011 \$'000	2010 \$'000
Opening balance	519	704
Additional provisions recognised	184	17
Unused amounts reversed	(193)	(202)
Closing balance	510	519

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$11,449,000 as at 30 June 2011 (\$11,624,000 as at 30 June 2010). The consolidated entity did not consider a credit risk on the aggregate balances after reviewing agency credit information and credit terms of customers based on recent collection practices.

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

	Consolidated	
	2011 \$'000	2010 \$'000
1 to 3 months overdue	9,123	10,025
Over 3 months overdue	2,326	1,599
	11,449	11,624

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 10. Current assets - income tax refund due

	Consolidated	
	2011 \$'000	2010 \$'000
Income tax refund due	65	145

Note 11. Current assets - other

	Consolidated	
	2011 \$'000	2010 \$'000
Prepayments	161	150
Security deposits	7	-
	168	150

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2011 \$'000	2010 \$'000
Office equipment - at cost	1,955	1,693
Less: Accumulated depreciation	(1,224)	(1,077)
Less: Impairment	(337)	(332)
	394	284
Plant and equipment - at cost	3,793	3,308
Less: Accumulated depreciation	(2,425)	(2,223)
Less: Impairment	(412)	(412)
	956	673
	1,350	957

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
Consolidated			
Balance at 1 July 2009	509	1,614	2,123
Additions	163	16	179
Disposals	(1)	(3)	(4)
Exchange differences	(2)	-	(2)
Impairment of assets	(332)	(412)	(744)
Transfers in/(out)	102	(102)	-
Depreciation expense	(155)	(440)	(595)
Balance at 30 June 2010	284	673	957
Additions	247	505	752
Disposals	(21)	(10)	(31)
Exchange differences	36	(10)	26
Impairment of assets	(5)	-	(5)
Depreciation expense	(147)	(202)	(349)
Balance at 30 June 2011	394	956	1,350

Note 13. Non-current assets - intangibles

	Consolidated	
	2011 \$'000	2010 \$'000
Goodwill - at cost	10,443	10,522
Less: Impairment	(7,555)	(7,555)
	2,888	2,967
Software licences - at cost	2,278	2,076
Less: Accumulated amortisation	(1,890)	(1,635)
Less: Impairment	(122)	(132)
	266	309
Customer lists - at cost	133	133
Less: Accumulated amortisation	(133)	(79)
	-	54
	3,154	3,330

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 13. Non-current assets - intangibles (continued)

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	Customer list \$'000	Total \$'000
Consolidated				
Balance at 1 July 2009	10,048	500	2	10,550
Additions	-	290	125	415
Exchange differences	18	2	-	20
Impairment of assets	(7,099)	(132)	-	(7,231)
Amortisation expense	-	(351)	(73)	(424)
Balance at 30 June 2010	2,967	309	54	3,330
Additions	-	292	-	292
Disposals	-	(9)	-	(9)
Revaluation increments	-	10	-	10
Exchange differences	(79)	(4)	-	(83)
Amortisation expense	-	(332)	(54)	(386)
Balance at 30 June 2011	2,888	266	-	3,154

Goodwill acquired through business combinations is allocated to cash generating units 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. The cash flow projections are based on budgets approved by the Board for the year ending 30 June 2012 plus four years of extrapolated results plus a terminal value. The average revenue growth rate is approximately 3.6% (2010: 3.0%) per annum. The discount rate applied to cash flows is approximately 20% (2010: 18%).

During the current financial year there was no significant impairment. During the comparative period, the carrying value of goodwill was written down \$7,099,000, the most significant portion being a \$4.3 million write-down of the goodwill in 75% owned subsidiary, Andrews Advertising Pty Limited ('Andrews'). A further \$0.9 million write down of goodwill related to the value of the Quadrant investment.

A range of scenarios has been applied to test the sensitivity of the figures used to evaluate future sustainable cash flows in the cash generating units. Using financial year 30 June 2012 budgets for these CGU's at 0% growth in future years, and a conservative WACC of 23%, no impairment indicators exist.

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

	Consolidated	
	2011 \$'000	2010 \$'000
Victoria	358	358
Queensland	785	785
New Zealand	1,745	1,824
	2,888	2,967

Note 14. Non-current assets - deferred tax

	Consolidated	
	2011 \$'000	2010 \$'000
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Property, plant and equipment	141	325
Employee benefits	358	400
Other provisions	784	539
Deferred tax asset	1,283	1,264
Movements:		
Opening balance	1,264	759
Credited to profit or loss (note 7)	19	505
Closing balance	1,283	1,264

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2011 \$'000	2010 \$'000
Trade payables	27,304	30,741
Other payables	7,215	5,233
	34,519	35,974

Refer to note 25 for detailed information on financial instruments.

Note 16. Current liabilities - income tax

	Consolidated	
	2011 \$'000	2010 \$'000
Provision for income tax	424	471

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 17. Current liabilities - provisions

	Consolidated	
	2011 \$'000	2010 \$'000
Employee benefits	853	984
Deferred consideration	-	52
Decommissioning	45	25
	898	1,061

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:

	Deferred consideration \$'000	Decom- missioning \$'000
Consolidated - 2011		
Carrying amount at the start of the year	52	25
Additional provisions recognised	-	45
Amounts used	-	(25)
Foreign exchange	(3)	-
Unused amounts reversed	(49)	-
Carrying amount at the end of the year	-	45

Note 18. Non-current liabilities - deferred tax

	Consolidated	
	2011 \$'000	2010 \$'000
<i>The balance comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Accrued interest income	-	6
Accrued income	-	2
Work in progress	-	21
Other	4	4
Deferred tax liability	4	33
<i>Movements:</i>		
Opening balance	33	1
Charged/(credited) to profit or loss (note 7)	(29)	32
Closing balance	4	33

Note 19. Non-current liabilities - provisions

	Consolidated	
	2011 \$'000	2010 \$'000
Employee benefits	344	185
Decommissioning	279	209
	623	394

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
Consolidated - 2011	
Carrying amount at the start of the year	209
Additional provisions recognised	133
Payments	(61)
Foreign exchange	(2)
Carrying amount at the end of the year	279

Note 20. Equity - contributed

	Consolidated		Consolidated	
	2011 Shares	2010 Shares	2011 \$'000	2010 \$'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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 21. Equity - reserves

	Consolidated	
	2011 \$'000	2010 \$'000
Foreign currency reserve	(758)	(588)
Employee equity benefits reserve	290	290
	(468)	(298)

	Foreign currency \$'000	Employee equity benefits \$'000	Total \$'000
Consolidated			
Balance at 1 July 2009	(678)	290	(388)
Foreign currency translation	90	-	90
Balance at 30 June 2010	(588)	290	(298)
Foreign currency translation	(170)	-	(170)
Balance at 30 June 2011	(758)	290	(468)

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 is used to record the value of equity benefits provided to employees and directors as part of their remuneration. These plans are detailed in note 37.

Note 22. Equity - accumulated losses

	Consolidated	
	2011 \$'000	2010 \$'000
Accumulated losses at the beginning of the financial year	(20,757)	(13,619)
Profit/(loss) after income tax expense for the year	1,392	(7,138)
Dividends paid (note 24)	(607)	-
Accumulated losses at the end of the financial year	(19,972)	(20,757)

Note 23. Equity - non-controlling interest

	Consolidated	
	2011 \$'000	2010 \$'000
Contributed equity	202	202
Reserves	36	36
Accumulated losses	(310)	(188)
	(72)	50

The non-controlling interest has 25% (2010: 25%) equity holdings in Andrews Advertising Pty Limited and Quadrant Creative Pty Limited.

Note 24. Equity - dividends

Dividends

	Consolidated	
	2011 \$'000	2010 \$'000
Interim dividend for the year ended 30 June 2011 of 1 cent per ordinary share paid on 31 March 2011 fully franked based on a tax rate of 30%	607	-

The dividend payment of \$261,000 in the comparative year relates to the non-controlling interest.

Franking credits

	Consolidated	
	2011 \$'000	2010 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	6,070	5,642

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 25. 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 2011 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 2011

Note 25. 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Consolidated				
US dollars	-	-	72	70
Pound Sterling	-	-	41	70
New Zealand dollars	1,164	641	2	24
Canadian dollars	-	-	9	1
South African Rand	-	-	8	10
Singapore Dollars	-	-	17	27
Papua New Guinea Tina	-	-	-	1
Soloman Island Dollars	-	-	1	-
	1,164	641	150	203

Interest rate risk

The consolidated entity's exposure to the risk of changes in market interest rates relates primarily to the consolidated entity's cost of borrowing amounts for working capital requirements which are at market interest rates. As noted below, the impact on the consolidated entity is small, given the consolidated entity has no long-term borrowings.

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 exposed to interest rate risk through financial assets and liabilities.

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

	2011		2010	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Consolidated				
Cash at bank	3.90	10,273	4.10	10,875
Net exposure to cash flow interest rate risk		10,273		10,875

An analysis by remaining contractual maturities in shown is 'liquidity and interest rate risk management' below.

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

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 2011, the consolidated entity had a commercial bill facility of \$6 million (2010: \$6 million) with the ANZ Banking Corporation for working capital purposes, but had no bills outstanding and continues to generate positive operating cash flows.

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 - 2011	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
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	26,960	-	-	-	26,960
Other payables	-	7,101	-	-	-	7,101
Total non-derivatives		34,061	-	-	-	34,061

Consolidated - 2010	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
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	33,874	-	-	-	33,874
Other payables	-	2,100	-	-	-	2,100
Total non-derivatives		35,974	-	-	-	35,974

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 26. Key management personnel disclosures

Directors

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

Bob Campbell	Non-Executive Chairman
Ian Rodwell	Non-Executive Director
David Morrison (appointed on 21 March 2011)	Executive Director and Chief Executive Officer
Matthew Mellor (resigned on 18 March 2011)	Former Executive Director and Former Chief Executive Officer

Other key management personnel

The following persons 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	
	2011	2010
	\$	\$
Short-term employee benefits	665,903	928,579
Post-employment benefits	42,167	95,375
Termination benefits	121,095	478,563
	829,165	1,502,517

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:

2011	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	21,309,127	-	407,000	-	21,716,127
Craig McMenamin	2,900	-	-	-	2,900
	21,312,027	-	407,000	-	21,719,027

2010	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>					
Peter James *	275,000	-	-	(275,000)	-
Ian Rodwell	20,951,470	-	357,657	-	21,309,127
Keith Twist *	25,000	-	-	(25,000)	-
Craig McMenamin	2,900	-	-	-	2,900
	21,254,370	-	357,657	(300,000)	21,312,027

* Disposals/other represents no longer a director or key management personnel, not necessarily a disposal of shareholding.

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:

2011	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>					
Matthew Mellor *	200,000	-	-	(200,000)	-
David Morrison	150,000	-	-	-	150,000
Craig McMenamin	200,000	-	-	-	200,000
	550,000	-	-	(200,000)	350,000

* Expired/forfeited/other represents individual no longer being a key management personnel

2010	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>					
Peter James *	4,000,000	-	-	(4,000,000)	-
Matthew Mellor	200,000	-	-	-	200,000
Kevin Lodge *	400,000	-	-	(400,000)	-
Keith Twist	300,000	-	-	(300,000)	-
Craig McMenamin	200,000	-	-	-	200,000
David Morrison	150,000	-	-	-	150,000
Annette Burke	50,000	-	-	(50,000)	-
	5,300,000	-	-	(4,750,000)	550,000

* Expired/forfeited/other represents individual no longer being a key management personnel

Related party transactions

Related party transactions are set out in note 30.

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company, and its related practices:

	Consolidated	
	2011	2010
	\$	\$
<i>Audit services - Ernst & Young</i>		
Audit or review of the financial report	255,589	216,000
<i>Other services - Ernst & Young</i>		
Other services	30,000	30,000
	285,589	246,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 28. Contingent liabilities

	Consolidated	
	2011	2010
	\$'000	\$'000
Premises	1,276	1,101

Note 29. Commitments for expenditure

	Consolidated	
	2011	2010
	\$'000	\$'000
<i>Lease commitments - operating</i> Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,557	2,563
One to five years	7,168	8,427
More than five years	142	-
	9,867	10,990

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. No renewal or purchased options exist in relation to operating leases for retail property and no operating leases contain restrictions on financing or other leasing activities.

Note 30. Related party transactions

Parent entity

Adcorp Australia Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report in the directors' report.

Transactions with related parties

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

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties

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

Note 31. Parent entity information

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

Statement of comprehensive income

	Parent	
	2011	2010
	\$'000	\$'000
Profit/(loss) after income tax	1,095	(3,862)
Total comprehensive income	1,095	(3,862)

Statement of financial position

	Parent	
	2011	2010
	\$'000	\$'000
Total current assets	47,198	43,223
Total assets	50,342	47,136
Total current liabilities	41,861	39,264
Total liabilities	42,249	39,531
Equity		
Contributed equity	28,894	28,894
Reserves	290	290
Accumulated losses	(21,091)	(21,579)
Total equity	8,093	7,605

Contingent liabilities

	Parent	
	2011	2010
	\$'000	\$'000
Bank guarantees	750	575

Lease commitments

The parent entity had lease commitments of \$6,254,000 at 30 June 2011.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2011 and 30 June 2010.

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 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 2012 plus a further four years of forecast results plus a terminal value.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 32. 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	
		2011 %	2010 %
Adcorp Australia (Vic) Pty Ltd	Australia	100.00	100.00
Adcorp Australia (Qld) Pty Ltd	Australia	100.00	100.00
R&L Advertising Pty Ltd	Australia	100.00	100.00
Adcorp D&D Pty Ltd	Australia	100.00	100.00
Austpac Media Pty Ltd *	Australia	100.00	100.00
Adcorp SWA Pty Ltd *	Australia	100.00	100.00
Donald & Donald (Victoria) Pty Ltd *	Australia	100.00	100.00
Nancarrow Marketing Company Pty Ltd	Australia	100.00	100.00
Adcorp New Zealand Limited	New Zealand	100.00	100.00
Cutriss Dye Limited **	New Zealand	-	100.00
Adcorp Technologies Pty Limited	Australia	100.00	100.00
Employment Opportunities in Australia Pty Ltd	Australia	100.00	100.00
Connect2One Pty Ltd ***	Australia	-	100.00
Andrews Advertising Pty Ltd	Australia	75.00	75.00
Quadrant Creative Pty Ltd	Australia	75.00	75.00

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

** Cutriss Dye Limited was deregistered on 16 July 2010

*** Connect2One Pty Ltd was deregistered on 20 May 2011

Note 33. 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 (Vic) Pty Ltd

Adcorp Australia (Qld) 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'.

Note 33. Deed of cross guarantee (continued)

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

Statement of comprehensive income	2011 \$'000	2010 \$'000
Revenue	23,691	23,318
Other income	293	5,123
Client service expenses	(14,858)	(15,772)
Administrative expenses	(938)	(2,236)
Marketing expenses	(1,518)	(1,216)
Office and communication expenses	(3,851)	(4,135)
Finance costs	(81)	(23)
	2,738	5,059
Profit before income tax expense		
Income tax expense	(498)	(399)
	2,240	4,660
Profit after income tax expense	2,240	4,660
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	2,240	4,660

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 33. Deed of cross guarantee (continued)

Statement of financial position	2011 \$'000	2010 \$'000
Current assets		
Cash and cash equivalents	8,810	10,032
Trade and other receivables	25,933	24,959
Other	116	118
	34,859	35,109
Non-current assets		
Other financial assets	10,135	6,861
Property, plant and equipment	992	591
Intangibles	255	976
Deferred tax	1,041	849
	12,423	9,277
Total assets	47,282	44,386
Current liabilities		
Trade and other payables	31,545	32,853
Income tax	48	396
Provisions	3,372	612
	34,965	33,861
Non-current liabilities		
Deferred tax	36	8
Provisions	431	300
	467	308
Total liabilities	35,432	34,169
Net assets	11,850	10,217
Equity		
Contributed equity	28,894	28,894
Reserves	290	290
Accumulated losses	(17,334)	(18,967)
Total equity	11,850	10,217

Note 34. Events occurring after the reporting date

No matter or circumstance has arisen since 30 June 2011 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 35. Reconciliation of profit/(loss) after income tax to net cash from operating activities

	Consolidated	
	2011 \$'000	2010 \$'000
Profit/(loss) after income tax expense for the year	1,270	(7,101)
Adjustments for:		
Depreciation and amortisation	686	1,019
Write off of non-current assets	49	-
Net gain on disposal of property, plant and equipment	(5)	-
Foreign exchange differences	(123)	44
Impairment of assets	5	7,975
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	768	(6,955)
Decrease in income tax refund due	80	-
(Increase)/decrease in deferred tax assets	(19)	135
(Increase)/decrease in prepayments	(11)	4
Increase/(decrease) in trade and other payables	(1,679)	10,509
Increase/(decrease) in provision for income tax	(47)	256
Increase/(decrease) in deferred tax liabilities	(29)	32
Increase/(decrease) in employee benefits	53	(66)
Increase in other provisions	13	78
Net cash from operating activities	1,011	5,930

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 36. Earnings per share

	Consolidated	
	2011 \$'000	2010 \$'000
Profit/(loss) after income tax	1,270	(7,101)
Non-controlling interest	122	(37)
Profit/(loss) after income tax attributable to the owners of Adcorp Australia Limited	1,392	(7,138)
	Number	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	2.29	(11.76)
Diluted earnings per share	2.29	(11.76)

350,000 options (2010: 550,000) 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 37. 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.

Options vest no earlier than 1 July 2010. Of the total 350,000 options on issue, 150,000 vested at 1 July 2010. The remaining 200,000 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.

Note 37. Share-based payments (continued)

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

2011

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	450,000	-	-	(300,000)	150,000
01/07/08	30/06/13	\$0.40	200,000	-	-	-	200,000
			650,000	-	-	(300,000)	350,000

2010

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
29/10/04	28/10/09	\$1.25	3,000,000	-	-	(3,000,000)	-
01/07/07	30/06/12	\$0.39	1,400,000	-	-	(950,000)	450,000
01/07/08	30/06/13	\$0.40	1,050,000	-	-	(850,000)	200,000
			5,450,000	-	-	(4,800,000)	650,000

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 2011 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 33 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) of the Corporations Act 2001.

On behalf of the directors



David Morrison
Director and Chief Executive Officer



Bob Campbell
Chairman

26 August 2011
Sydney

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, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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 responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that 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 that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

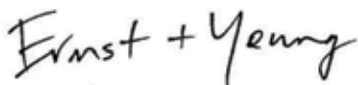
- a. the financial report of Adcorp Australia Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 38 to 42 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Adcorp Australia Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



John Robinson
Partner
Sydney
26 August 2011

SHAREHOLDER INFORMATION

30 June 2011

The shareholder information set out below was applicable as at 18 August 2011.

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	164
1,001 to 5,000	380
5,001 to 10,000	177
10,001 to 100,000	338
100,001 and over	53
	1,112
Holding less than a marketable parcel	420

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)	21,716,127	35.79
UBS Wealth Management Australia Nominees Pty Ltd	6,454,535	10.64
Mr Victor John Plummer	5,312,343	8.76
J P Morgan Nominees Australia Limited	1,799,065	2.97
Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)	937,345	1.54
Mr Richard Mews + Mrs Wee Khoon Mews (Mews Super Fund A/C)	756,832	1.25
Mr Anthony Mark Van Der Steeg	755,877	1.25
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
Mrs Lilian Jeanette Warmbrand	460,000	0.76
Yaffa Syndicate Pty Limited	390,000	0.64
Gemac Investments Pty Ltd	378,000	0.62
Teedon Pty Ltd (Donohue Group S/F A/C)	371,320	0.61
Mrs Nelly Michelle Cunningham	358,950	0.59
Lozotu Pty Limited	314,011	0.52
Mark S Campbell Pty Ltd (Mark Campbell Prov Fund A/C)	310,038	0.51
Mr John Maxwell Inglis + Mrs Bernadette Joan Inglis	300,000	0.49
Miralanco Investments Pty Ltd	300,000	0.49
Bond Street Custodians Limited (Drayne - 120149 A/C)	275,000	0.45
Lindway Investments Pty Limited	243,493	0.40
	42,413,689	69.89

SHAREHOLDER INFORMATION (continued)

30 June 2011

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
Sovote Pty Ltd (Rodwell (New Millennium) A/C)	21,716,127	35.79
UBS Wealth Management Australia Nominees Pty Ltd	6,454,535	10.64
Mr Victor John Plummer	5,312,243	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.

