Monday 28 August 2017

Adcorp Australia Ltd
Full Year Results to June 2017

Adcorp recorded a loss before income tax for the year to 30 June 2017 of $1,090,000 (2016: loss of $615,000) reflecting the impact of two significant events; the loss of the Australian Government account in September 2016 for which the company had been providing services through Dentsu Mitchell Media Australia Pty Ltd and the expiration of the service contract with the Northern Territory Government that occurred in April 2017. The previously announced restructuring initiatives implemented in the first half of the year have had a significant impact with the second half loss of $330,000 representing a substantial improvement on the first half loss of $760,000.

To further improve performance the company implemented a number of programs focused on increasing productivity, increasing the number and capability of our business development team, developing new products and services supported by internal and external marketing designed to deliver ongoing revenue streams. These initiatives are now gaining traction and delivering better performance.

The Australian Agency (excluding government) business improved performance with media revenues increasing after declining for the last several years, however new business in our service lines of digital development, creative services and video production were below expectations. After a promising start to the year managing Local Government election advertising, the company's New Zealand business saw a reduction in revenues in the second half after delivering significant digital projects for major brands in the first half. Quadrant Creative ("Quadrant"), a (75% owned) subsidiary of Adcorp focused on the East Coast property market saw significant growth in revenue. The company's revitalised business development team, supported by new products and services developed this year, is seeing significant growth in our pipeline of new business opportunities and the focus is now on successfully converting such opportunities.

Showrunner continued to specialise in factual documentary making and now has three series completed that are continually marketed by our distribution partners globally. Showrunner achieved a significant milestone and additional credibility by being commissioned to produce 24 factual documentary episodes for a global subscription broadcaster that will see additional revenues in FY2018 and these productions are now well under way. Additional investment was required in technology services and equipment to support the delivery of these programs and this will subsequently benefit other productions. Showrunner is continuing to negotiate a number of other program opportunities with local and global distributors.

Shootsta Holdings Pty Ltd (15% Investment)
On 22 July 2016 Adcorp acquired a 15% stake in the Shootsta for $965,000 consideration (a mix of cash and in kind services). Shootsta is an innovative start-up providing its clients with filming equipment and an editing hub that allows the rapid turnaround of high-quality video content. Shootsta continues to exceed expectations of sales projections, has established relationship with a number a large well known clients and brands and is entering new markets including Singapore, the UK and US earlier than planned.

Dentsu Mitchell Media Dispute
Dentsu's decision to terminate Adcorp in respect of the services that Adcorp provided to Dentsu in relation to the Australian Government Master Media Agency Contract has significantly impacted Adcorp's future earnings and all necessary steps are being taken to aggressively pursue the issue. On 28 April 2017, Adcorp lodged a Statement of Claim in the Supreme Court of New South Wales against Dentsu in relation to this termination of services. Dentsu has lodged a counter claim, however Adcorp maintains

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Canberra
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Darwin
Melbourne
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Sydney
Tauranga
Wellington

Dentsu's claim is largely unsubstantiated and will vigorously defend this position. The legal case is ongoing.

Financing
The Company has had a new debtor finance facility in place since December 2016. The facility has been operating effectively and will be maintained to fund working capital requirements over the next twelve months.

Financial Performance
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,506,000 (30 June 2016: loss of $615,000).

The loss before income tax and non-controlling interest amounted to $1,090,000 and whilst still in a loss position, the second half loss of $330,000 represents an improvement on the first half loss of $760,000.

The first half loss includes $226,000 costs attributable to restructuring and associated costs following the loss of the Australian Government account and the second half loss includes $66,000 costs attributable to further restructuring costs following the expiration of Northern Territory Government contract. In both cases, management took immediate steps to mitigate these losses and refocus the business on our existing clients and increase efforts in attracting new clients and revenue streams.

Billings of $51,210,000 were down 13.9% from $59,509,000. Net Operating Revenues (including Production Revenue, excluding rental income and interest) reduced 14.3% to $13,278,000 from $15,492,000 in the prior period however revenue margin remained steady at 26%. Taking into consideration the loss of Australia Government contract which was at a high margin (due to retainer model), this stable margin result demonstrates an increase in margin on revenue generated throughout the rest of the business.

Major cost savings were initiated and saw the removal of a number of positions including the General Manager of Corporate Services (previously reported as a Key Management Personnel) and the current non-replacement of the Head of Agency Australia role; although the savings from this role will be realised in the next financial year. Operating Expenses (excluding impairment) decreased 11.7% to $14,345,000 down from $16,247,000.

Administration, Office and Communication costs are down $527,000 (12.9%) from $4,098,000 to $3,571,000. This was achieved through ongoing initiatives to reduce unused or under-utilised office space, renegotiate IT service contracts and to implement a strict review and approval process for capital expenditure.

Client Service labour costs are down $1,552,000 (14.1%) from $10,997,000 to $9,445,000 on the prior period. This reduction is the result of ongoing analysis of existing resources to ensure efficient utilisation however the company recognises the importance of attracting new clients and revenue and is undertaking a greater investment in the business development team than ever before.

The company's cash balance as at 30 June 2017 of $3,329,000 declined from $4,639,000 as at 30 June 2016. This is in part a result of the $765,000 cash payments for the investment in Shootsta and investment in TV projects currently in production by Showrunner. Cash outflows from operating activities were $112,000 which demonstrates the company's focus on managing cash flow through ongoing cost reductions and rigour in cash collections.

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The next financial year is expected to see increased contributions to the company's revenues from our investments in both Showrunner and Shootsta and this along with a stabilisation of our Agency business through the series of initiatives designed to increase revenues and reduce costs, allows the company to be confident that financial performance will improve.

The board has determined that no dividends will be payable to shareholders for the year ended 30 June 2017 and will review this position once the company demonstrates sustained profit and cash flow growth.

The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2017.

~ends~

For further information, please contact:
David Morrison
Chief Executive Officer
Adcorp Australia Limited
+ 61 2 8524 8500
davidmorrison@adcorp.com.au

Adcorp Australia Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Adcorp Australia Limited
ABN:	72 002 208 915
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	15.0%	to	13,302
Loss from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	up	142.8%	to	(1,493)
Loss for the year attributable to the owners of Adcorp Australia Limited	up	142.8%	to	(1,493)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $1,493,000 (30 June 2016: $615,000).

For detailed commentary on results for the year, refer to the Full Year Results announcement preceding this Appendix 4E.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.36)	1.14

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4. Control gained over entities

Not applicable.

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5. Loss of control over entities

Not applicable.

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6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period $'000	Previous period $'000
Shootsta Holdings Pty Ltd (Associate)	15.00%	-	-	-
HR by the Hour Pty Ltd (Joint Venture)	50.00%	50.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	-

Shootsta Holdings Pty Ltd ('Shootsta'), is a 15% owned associated entity acquired on 22 July 2016 for a consideration of $965,000 using a mix of cash and services. Adcorp also took a seat on the Shootsta board as part of the transaction. Shootsta is a company that empowers companies to create their own professional videos using a Shootsta kit. This investment is accounted for under the equity accounting method. For the period ended 30 June 2017, the share of loss in Shootsta was $47,000.

HR by the Hour Pty Ltd ('HRBTH') is a 50% owned joint venture entity acquired on 14 January 2016. HRBTH provides Recruitment and HR related services. As at 30 June 2017, a $40,000 working capital loan had been advanced to HRBTH. The joint venture is accounted for under the equity accounting method, however as at 30 June 2017 the share of profits in HRBTH were not material.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of Adcorp Australia Limited for the year ended 30 June 2017 is attached.

12. Signed

Signed ____________________________ Date: 28 August 2017

Febe McCrossen
Company Secretary
Sydney

Adcorp Australia Limited

ABN 72 002 208 915

Annual Report - 30 June 2017

Contents

Directors	Ian Rodwell David Morrison Garry Lemair Dean Capobianco
Company secretary	Febe McCrossen
Notice of annual general meeting	The annual general meeting will be held on 24 November 2017 at 12.00pm at: Grant Thornton Level 17 383 Kent Street Sydney NSW 2000
Registered office and principal place of business	Level 2 309 George Street Sydney NSW 2000 Tel: +61 2 8524 8500 Fax: +61 2 8524 8700
Share register	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Phone: 1300 787 272
Auditor	Grant Thornton Audit Pty Ltd Level 17 383 Kent Street Sydney NSW 2000
Stock exchange listing	Adcorp Australia Limited shares are listed on the Australian Securities Exchange (ASX code: AAU)
Website	www.adcorp.com.au
Corporate governance statement	The Company's directors and management are committed to conducting the Consolidated Entity's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Consolidated Entity's operations. The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations. The Company's Corporate Governance Statement and policies, which is approved at the same time as the Annual Report, can be found on its website: www.adcorp.com.au/investors

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity' or 'Adcorp') consisting of Adcorp Australia Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

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

Ian Rodwell
David Morrison
Garry Lemair
Dean Capobianco

Principal activities
During the financial year the principal continuing activities of the Consolidated Entity consisted of:
- Advertising agency services specialising in human resources, real estate, government, motor vehicle, education and retail;
- Website design, development and database support services;
- Digital marketing services and consulting, including supply of web-based products, and strategic employment solutions;
- Video production and marketing solutions; and
- Television production.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The financial year was impacted by two significant events; the loss of the Australian Government account in September 2016 for which the Company had been providing services through Dentsu Mitchell Media Australia Pty Ltd and the expiration of the service contract with the Northern Territory Government that occurred in April 2017. These events required substantial reductions in our expense base both from an operational service level and within our shared services business.

The Australian Agency business improved performance with our traditional media income base stabilising after declining for the last several years, however new business in our service lines of digital development, creative services and video production were below expectations. After a promising start to the year managing Local Government election services advertising, the Company's New Zealand business saw a reduction in revenues in the second half despite delivering significant digital projects for major brands. Quadrant Creative ("Quadrant"), a subsidiary of Adcorp saw significant growth in their results while Showrunner Productions ("Showrunner") expanded production with the securing of a contract to deliver 24 episodes of television for a global subscription video provider. The Company's 15% investment in Shootsta Holdings Pty Ltd ("Shootsta") continues to perform in line with expectations with significant growth being identified in a number of international markets.

As a result of overall business performance and following an independent review of our business, in the second half the Company implemented a number of programs focused on understanding and increasing productivity, increasing the number and improving the calibre of our business development team, developing new products and services supported by internal and external marketing designed to deliver ongoing revenue streams. These initiatives are backed by a continual review of all expense lines and the combination of all strategies saw a significant improvement in the second half.

Adcorp's non-Government business (predominantly eastern coast property project marketing) saw growth over the previous corresponding period, however a number of significant client projects in both Sydney and Perth were delayed due to market conditions or construction approvals issues.

The Company's core media business was restructured with a focus on developing and delivering insight-led media strategies along with providing live, transparent reporting direct to clients highlighting campaign performance.

Adcorp's in-house digital development team developed a number of new services including social media strategy and content development and management in addition to streamlining our production processes that allow us to offer cost-effective digital asset platforms within a short space of time.

Leveraging our New Zealand business's leadership in the field of employer branding and candidate attraction, we returned our focus to this service line in Australia and we are generating a number of opportunities for projects with leading Australian businesses.

The Company's new business development team along with our new products and services have seen significant growth in our pipeline of new business opportunities and the focus is now on successfully converting such opportunities.

Showrunner continued to specialise in factual documentary making and now has three series completed that are continually marketed by our distribution partners globally. Showrunner achieved a significant milestone and additional credibility by being commissioned to produce 24 factual documentary episodes for a global broadcaster that will see additional revenues in FY2018 and these productions are now well under way. Additional investment was required in technology services and equipment to support the delivery of these programs and this will subsequently benefit other productions. Showrunner is continuing to negotiate a number of other program opportunities with local and global distributors.

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On 22 July 2016 Adcorp acquired a 15% stake in the Shootsta for $965,000 consideration (a mix of cash and in kind services). Shootsta is an innovative start-up providing its clients with filming equipment and an editing hub that allows the rapid turnaround of high-quality video content. Shootsta continues to perform in line with expectations for sales projections, has established relationship with a number a large well known clients and brands and is entering new markets including Singapore, the UK and US.

Dentsu Mitchell Media Dispute
Dentsu's decision to terminate Adcorp in respect of the services that Adcorp provided to Dentsu in relation to the Australian Government Master Media Agency Contract has significantly impacted Adcorp's future earnings and all necessary steps are being taken to aggressively pursue the issue. On 28 April 2017, Adcorp lodged a Statement of Claim in the Supreme Court of New South Wales against Dentsu in relation to this termination of services. Dentsu has lodged a counter claim, however Adcorp maintains Dentsu's claim is largely unsubstantiated and will vigorously defend this position. The legal case is ongoing.

Financing
The Company has had a new debtor finance facility in place since December 2016. The facility has been operating effectively and will be maintained to fund working capital requirements over the next twelve months.

Financial Performance
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,493,000 (30 June 2016: loss of $615,000).

The loss before income tax and non-controlling interest amounted to $1,090,000 and whilst still in a loss position, the second half loss of $330,000 represents an improvement on the first half loss of $760,000.

The first half loss includes $226,000 costs attributable to restructuring and associated costs following the loss of the Australian Government account and the second half loss includes $66,000 costs attributable to further restructuring costs following the expiration of Northern Territory Government contract. In both cases, management took immediate steps to mitigate these losses and refocus the business on our existing clients and increase efforts in attracting new clients and revenue streams.

Billings of $51,210,000 were down 13.9% from $59,509,000. Net Operating Revenues (including Production Revenue, excluding rental income and interest) reduced 14.3% to $13,278,000 from $15,492,000 in the prior period however revenue margin remained steady at 26%. Taking into consideration the loss of Australia Government contract which was at a high margin (due to retainer model), this stable margin result demonstrates an increase in margin on revenue generated throughout the rest of the business.

Major cost savings were initiated and saw the removal of a number of positions including the General Manager of Corporate Services (previously reported as a Key Management Personnel) and the current non-replacement of the Head of Agency Australia role; although the savings from this role will be realised in the next financial year. Operating Expenses (excluding impairment) decreased 11.7% to $14,345,000 down from $16,247,000.

Administration, Office and Communication costs are down $527,000 (12.9%) from $4,098,000 to $3,571,000. This was achieved through ongoing initiatives to reduce unused or under-utilised office space, renegotiate IT service contracts and to implement a strict review and approval process for capital expenditure.

Client Service labour costs are down $1,552,000 (14.1%) from $10,997,000 to $9,445,000 on the prior period. This reduction is the result of ongoing analysis of existing resources to ensure efficient utilisation however the Company recognises the importance of attracting new clients and revenue and is undertaking a greater investment in the business development team than ever before.

The Company's cash balance as at 30 June 2017 of $3,055,000 declined from $4,639,000 as at 30 June 2016. This is in part a result of the $765,000 cash payments for the investment in Shootsta and investment in TV projects currently in production by Showrunner. Cash outflows from operating activities were $112,000 which demonstrates the Company's focus on managing cashflow through ongoing cost reductions and rigour in cash collections.

The next financial year is expected to see increased contributions to the Company's revenues from our investments in both Showrunner and Shootsta and this along with a stabilisation of our Agency business through the series of initiatives designed to increase revenues and reduce costs, allows the Company to be confident that financial performance will improve.

The Board has determined that no dividends will be payable to shareholders for the year ended 30 June 2017 and will review this position once the Company demonstrates sustained profit and cashflow growth.

The attached financial statements detail the performance and financial position of the consolidated entity for the year ended 30 June 2017.

Significant changes in the state of affairs

On 22 July 2016, Adcorp purchased a 15% investment in Shootsta Holdings Pty Ltd ('Shootsta'), a company that empowers companies to create their own professional videos using a Shootsta kit and cloud-based editing hub, for a consideration of $965,000 using a mix of cash and services. Adcorp took a seat on the Shootsta board as part of the transaction.

In September 2016 Adcorp received notice from Dentsu Mitchell Media Australia Pty Ltd that they were terminating the services Adcorp provided to Dentsu in the context of Dentsu's role as the principal contractor under the Australian Government's Master Media Agency Contract. On 28 April 2017, Adcorp lodged a Statement of Claim in the Supreme Court of New South Wales against Dentsu in relation to this termination of services. The legal case is ongoing.

Adcorp received notice in February 2017 that the Northern Territory Government contract for Interstate and International advertising due to expire will not be renewed, however was extended until 4 April 2017. The Company has completed plans for additional restructuring to transition out of the contract.

There were no other significant changes in the state of affairs of the Consolidated Entity during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2017 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

Print media continues to decline however this has been offset by growth in outdoor, radio and digital media advertising. The fundamental growth opportunities however remain in new digital and social media channels; particularly those optimised for mobile devices and with video capability and this is one of the areas of focus for our new national media team that is now supported by a number of research tools that allow us to develop and deliver focused media campaigns.

Adcorp continues to focus on bringing these opportunities and new channels to our clients, with the goal of delivering effective marketing and communications solutions that can be measured against campaign objectives and our creative, digital and media teams are collaborating to deliver results.

We are expanding the development of content solutions both for clients and through mainstream entertainment media through our television division Showrunner Productions and we expect to grow its contribution to earnings over the next several years. Showrunner has now completed four series of television and is rapidly gaining a reputation for quality productions globally. With the addition of the Shootsta service offering, we are now able to offer clients both long and short form video solutions.

The market and economic uncertainty remains challenging however our strategic focus on delivering marketing communications over digital platforms, continued infrastructure realignment and enhanced sales capability will start to deliver results that we need to build upon in order to achieve sustainable growth in our business and overall financial performance.

We would like to acknowledge and thank all of our staff for their dedication and support while we implemented significant change across the business to deliver operational efficiencies and a focus on business development. Adcorp's management team is committed to continue adapting to meet the challenges of a rapidly changing market within our heritage areas of business and to identify and prosecute revenue from new opportunities.

Environmental regulation
The Consolidated Entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on Directors

Name:	Ian Rodwell
Title:	Non-Executive Chairman
Qualifications:	B Com
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; Director of Optalert Holdings 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 (last 3 years):	None
Special responsibilities:	Member of the Audit Committee
Interests in shares:	135,312,960 ordinary shares

Name:	David Morrison
Title:	Executive Director and Chief Executive Officer
Qualifications:	B Bus (Hons)
Experience and expertise:	David Morrison has over 19 years experience in the advertising and marketing industry commencing with TMP Worldwide prior to joining Adcorp in 2003. In his 7 years managing the WA, SA and NT regions, David was responsible for diversifying the services provided by the company and expanding into new sectors. This diversification included the formation of Adcorp's in-house TV Production facility that is based in Perth. David has also been instrumental in Adcorp's push into Government advertising from both a strategic and operational perspective along with the winning and retention of some of our largest corporate clients. David was appointed by the Board to the role of Chief Executive Officer in March 2011.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee
Interests in shares:	3,677,081 ordinary shares

Name:	Garry Lemair
Title:	Non-Executive Director
Qualifications:	B Com, FAICD
Experience and expertise:	Garry Lemair is an experienced executive with a strong track record in leadership, having successfully worked with major global entities in a number of senior positions and directorships in Australia, Asia Pacific, Europe, USA and Africa. Garry has held senior roles with Citibank, Diners Club International, KFC-PepsiCo, Fluor Daniels and Taubmans/Courtaulds. Garry is currently the Chairman of Web Profits a leading online marketing company, Chairman of Telegate a voice over internet protocol ('VOIP') service provider and cloud telecommunication specialists and Chairman of an executive search and recruitment company Grenada International.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Director of Mariner Corporation Limited (ASX: MCX) and Non-Executive Director of InnovaDerma PLC (EU: MLIDP)
Special responsibilities:	Member of the Audit Committee
Interests in shares:	None

Name:	Dean Capobianco
Title:	Non-Executive Director
Qualifications:	GC Bus.Admin
Experience and expertise:	Dean Capobianco has a wealth of experience in the online media environment having held senior roles with Ninemsn, Yahoo! Search Marketing and most recently as interim Chief Executive Officer with CareerOne. Dean is a director of The Trading Desk that is a licensee of China Search International; a paid search reseller for the largest search engine in China, BAIDU.
Other current directorships:	Managing Director of Acxiom Corporation (NASDAQ: ACXM) and Non-Executive Director of InnovaDerma PLC (EU: MLIDP)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee
Interests in shares:	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

Febe McCrossen is an experienced accountant with over 14 years' experience in the Media, Retail, Entertainment and Publishing sectors, both locally and abroad. Febe's background includes financial reporting and analysis, compliance and operational process improvement whilst supporting the business and its leaders to achieve the business goals and growth. Febe holds a Bachelor of Commerce (Accounting and Marketing) and is a qualified Certified Practising Accountant ('CPA').

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each Director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Ian Rodwell	10	10	2	2
David Morrison	10	10	2	2
Garry Lemair	10	10	2	2
Dean Capobianco	10	10	2	2

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

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the Director and other key management personnel (executives) remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The principles of the Remuneration and Nomination Committee, which is currently undertaken by the full Board of Directors (the 'Board'), 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 Consolidated Entity.

The performance of the Consolidated Entity is dependent upon the attraction, motivation and retention of highly skilled and experienced directors and executives.

To achieve this, the Consolidated Entity may embody some or all of the following principles into its remuneration framework:
- Provide competitive remuneration packages to attract highly skilled and experienced executives;
- Significant proportion of executive remuneration 'at risk', dependent upon meeting predetermined performance benchmarks;
- Performance benchmarks are aligned to the creation of shareholder value; and
- Participation in Adcorp Employee Option Plan to create long term incentives.

Additionally, the reward framework should seek to enhance executives' interests by:
- Rewards capability and experience;
- Reflects competitive reward for contribution to growth in shareholder wealth; and
- Provides a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is 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.

Executive remuneration

The Consolidated Entity aims to remunerate and reward executives, based on their position and responsibility, with a level and mix of remuneration so as to:
- Reward executives for achievement of Company and Consolidated Entity, business unit and individual objectives against appropriate benchmarks;
- Align interest of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Remuneration consists of the following key elements:
- Fixed remuneration;
- Variable short term incentive remuneration; and
- Variable long term incentive remuneration.

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

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the 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 and provides additional value to the executive.

The variable short-term incentives ('STI') are set covering financial and operational measures of performance. Measures include business unit and overall 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 Consolidated Entity and so that the cost to the 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 Consolidated Entity's performance. No LTI grants were issued during the current financial year.

Consolidated Entity performance and link to remuneration
Executive fixed remuneration is not directly linked to the performance of the Company and Consolidated Entity. Bonus and incentive payments are at the discretion of the Board. Incentives have not been accrued to key management personnel during the financial year under review as the performance targets were not achieved.

Use of remuneration consultants
During the financial year ended 30 June 2017, the Company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')
At the last AGM 87.8% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2016. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
The key management personnel of the Consolidated Entity consisted of the following Directors of Adcorp Australia Limited:
- Ian Rodwell - Non-Executive Chairman
- David Morrison - Executive Director and Chief Executive Officer
- Garry Lemair - Non-Executive Director
- Dean Capobianco - Non-Executive Director

and the following person:
- Nicholas Kountouris - Company Secretary and General Manager, Corporate Services (resigned on 1 December 2016)

Details of the remuneration of the Directors and key management personnel are set out in the following tables:

2017	Short-term benefits: Cash salary and fees $	Short-term benefits: Bonus $	Short-term benefits: Other $	Post-employment benefits: Super-annuation $	Long-term benefits: Leave benefits $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
I Rodwell	-	-	-	-	-	-	-
G Lemair	43,800	-	-	-	-	-	43,800
D Capobianco	43,800	-	-	-	-	-	43,800
Executive Directors:							
D Morrison	323,530	-	-	19,616	-	-	343,146
Other Key Management Personnel:							
N Kountouris	72,532	-	20,064	8,292	-	-	100,888
	483,662	-	20,064	27,908	-	-	531,634

* Remuneration disclosed is for the period 1 July 2016 to 1 December 2016. Other short-term benefits include amounts paid out on end of employment.

2016	Short-term benefits: Cash salary and fees $	Short-term benefits: Bonus $	Short-term benefits: Other*** $	Post-employment benefits: Super-annuation $	Long-term benefits: Leave benefits $	Share-based payments: Equity-settled $	Total $
Non-Executive Directors:							
I Rodwell	-	-	-	-	-	-	-
G Lemair	43,800	-	-	-	-	-	43,800
D Capobianco	43,800	-	-	-	-	-	43,800
Executive Directors:							
D Morrison	323,530	-	-	19,308	-	-	342,838
Other Key Management Personnel:							
N Kountouris*	103,266	-	-	9,810	-	-	113,076
C McMenamin**	109,153	-	6,723	9,654	-	-	125,530
	623,549	-	6,723	38,772	-	-	669,044

* Remuneration disclosed is for the period from 4 January 2016 to 15 July 2016 (paid in the year ended 30 June 2016)
** Remuneration disclosed is for the period from 16 July 2015 to 15 January 2016 (paid in the year ended 30 June 2016)
*** Short-term benefits - other disclosed relates to Annual Leave paid on resignation.

There is no remuneration disclosed for Ian Rodwell in either 2017 or 2016 as he waived his Directors fees from 1 July 2013.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2017	2016	2017	2016	2017	2016
Non-Executive Directors:						
I Rodwell	-	-	-	-	-	-
G Lemair	100%	100%	-	-	-	-
D Capobianco	100%	100%	-	-	-	-
Executive Directors:						
D Morrison	100%	100%	-	-	-	-
Other Key Management Personnel:						
N Kountouris	100%	100%	-	-	-	-
C McMenamin	100%	100%	-	-	-	-

Service agreements

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

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

Executives' employment contracts require employees to provide three months' notice or the Consolidated Entity 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 Consolidated Entity.

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.

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 2017.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company 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:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Ian Rodwell	135,312,960	-	-	-	135,312,960
David Morrison	3,677,081	-	-	-	3,677,081
	138,990,041	-	-	-	138,990,041

This concludes the remuneration report, which has been audited.

Indemnity and insurance of officers

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

The Company paid an insurance premium of $22,520 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 29 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 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with the Corporations Instruments 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 immediately after this Directors' report.

Auditor

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

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

On behalf of the Directors

David Morrison
Director and Chief Executive Officer

28 August 2017
Sydney

Grant Thornton

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Adcorp Australia Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A G Rigele
Partner - Audit & Assurance

Sydney, 28 August 2017

Adcorp Australia Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue	5	13,302	15,650
Share of losses of associates accounted for using the equity method		(47)	-
Expenses			
Client service expenses		(9,445)	(10,997)
Administrative expenses		(909)	(932)
Marketing expenses		(736)	(816)
Office and communication expenses		(2,662)	(3,166)
Production expenses		(580)	(316)
Impairment of assets	6	-	(4)
Finance costs	6	(13)	(20)
Loss before income tax (expense)/benefit		(1,090)	(601)
Income tax (expense)/benefit	7	(321)	9
Loss after income tax (expense)/benefit for the year		(1,411)	(592)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(1)	66
Other comprehensive income for the year, net of tax		(1)	66
Total comprehensive income for the year		(1,412)	(526)
Loss for the year is attributable to:			
Non-controlling interest		82	23
Owners of Adcorp Australia Limited		(1,493)	(615)
		(1,411)	(592)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		82	23
Owners of Adcorp Australia Limited		(1,494)	(549)
		(1,412)	(526)
		Cents	Cents
Basic earnings per share	38	(0.82)	(0.48)
Diluted earnings per share	38	(0.82)	(0.48)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Adcorp Australia Limited
Statement of financial position
As at 30 June 2017

	Note	Consolidated 2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	8	3,055	4,639
Trade and other receivables	9	5,108	7,470
Intangibles	10	1,007	617
Other financial assets	11	482	382
Income tax refund due	7	8	31
Other	12	729	424
Total current assets		10,389	13,563
Non-current assets			
Investments accounted for using the equity method	13	962	-
Property, plant and equipment	14	642	725
Intangibles	15	383	65
Deferred tax	7	770	1,199
Total non-current assets		2,757	1,989
Total assets		13,146	15,552
Liabilities			
Current liabilities			
Trade and other payables	16	10,487	11,740
Borrowings	17	30	-
Income tax	7	90	52
Provisions	18	831	780
Other	19	374	-
Total current liabilities		11,812	12,572
Non-current liabilities			
Payables	20	93	57
Borrowings	21	58	-
Deferred tax	7	103	305
Provisions	22	343	469
Total non-current liabilities		597	831
Total liabilities		12,409	13,403
Net assets		737	2,149
Equity			
Issued capital	23	32,353	32,353
Purchased controlling interest reserve		(113)	(113)
Foreign currency reserve		(346)	(345)
Accumulated losses		(31,264)	(29,771)
Equity attributable to the owners of Adcorp Australia Limited		630	2,124
Non-controlling interest	24	107	25
Total equity		737	2,149

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

Adcorp Australia Limited
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Issued capital $'000	Purchased controlling interest reserve $'000	Foreign currency reserve $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	28,894	(113)	(411)	(29,156)	2	(784)
Profit/(loss) after income tax benefit for the year	-	-	-	(615)	23	(592)
Other comprehensive income for the year, net of tax	-	-	66	-	-	66
Total comprehensive income for the year	-	-	66	(615)	23	(526)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 23)	3,459	-	-	-	-	3,459
Balance at 30 June 2016	32,353	(113)	(345)	(29,771)	25	2,149

Consolidated	Issued capital $'000	Purchased controlling interest reserve $'000	Foreign currency reserve $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2016	32,353	(113)	(345)	(29,771)	25	2,149
Profit/(loss) after income tax expense for the year	-	-	-	(1,493)	82	(1,411)
Other comprehensive income for the year, net of tax	-	-	(1)	-	-	(1)
Total comprehensive income for the year	-	-	(1)	(1,493)	82	(1,412)
Balance at 30 June 2017	32,353	(113)	(346)	(31,264)	107	737

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

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

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

Adcorp Australia Limited
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		58,470	66,603
Payments to suppliers and employees (inclusive of GST)		(58,563)	(65,861)
		(93)	742
Interest received		24	35
Interest and other finance costs paid		(13)	(20)
Income taxes refunded		25	19
Income taxes paid		(55)	-
Net cash from/(used in) operating activities	36	(112)	776
Cash flows from investing activities			
Payments for investments	13	(765)	-
Payment for expenses relating to acquisitions		(45)	-
Payments for property, plant and equipment		(197)	(292)
Payments for intangibles		(196)	(259)
Payments for security deposits		(274)	-
Proceeds from disposal of property, plant and equipment		4	11
Net cash used in investing activities		(1,473)	(540)
Cash flows from financing activities			
Proceeds from issue of shares	23	-	3,762
Share issue transaction costs	23	-	(303)
Payments for invoice financing		(44,600)	(50,548)
Proceeds from invoice financing		44,513	49,665
Proceeds from financing		98	-
Repayment of borrowings		(10)	-
Net cash from financing activities		1	2,576
Net increase/(decrease) in cash and cash equivalents		(1,584)	2,812
Cash and cash equivalents at the beginning of the financial year		4,639	1,827
Cash and cash equivalents at the end of the financial year	8	3,055	4,639

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

Note 1. General information

The financial statements cover Adcorp Australia Limited as a Consolidated Entity consisting of Adcorp Australia Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (collectively referred to as 'Consolidated Entity' or 'Adcorp'). The financial statements are presented in Australian dollars, which is Adcorp Australia Limited's functional and presentation currency.

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 2
309 George Street
Sydney NSW 2000

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 statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 August 2017. The Directors have the power to amend and reissue the financial statements.

Note 2. 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 or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

Going concern

As at 30 June 2017, the Consolidated Entity had cash and cash equivalents of $3,055,000 (2016: $4,639,000) and has a net current liability position of $1,423,000 (2016: net current asset position of $991,000). Loss for the year after non-controlling interest and other comprehensive income was $1,411,000 (2016: $592,000) and net cash outflows from operating activities were $112,000 (2016: inflows $776,000).

The investment in Shootsta Holdings Pty Ltd (‘Shootsta’) has contributed to the net current liability position; however this was a strategic investment decision that is expected to generate profits for the Company within the future and enhance our service offering to current clients and future prospects.

Whilst the second half shows an improvement on the first half for the current period, overall the Company has reported a loss for the current period, and as a result the Company continues to review the structure and resourcing to ensure substantial focus on attracting new business and increase revenues whilst maintaining control over costs.

The Company has had a new debtor finance facility in place since December 2016. The facility has been operating effectively however there has been minimal use of the facility to date. Our current cash flow models show there will be a reliance on the facility within the next twelve months to fund working capital requirements and we will continue to manage this arrangement to ensure financing is available when needed.

Our cash flow models for the next twelve months are based on detailed financial models that indicate the Company will be able to pay its commitments as they fall due provided we achieve our sales estimates and manage costs. Furthermore, we maintain a high level of rigour in cash flow management, prompt collection of receivables and will maintain a finance facility to support working capital or finance strategic investments.

The directors are of a view that the Consolidated Entity is a going concern based on the current level of cash balances, the availability of the debtor finance facility and ongoing initiatives to increase revenues whilst managing the cost base. Therefore the Consolidated Entity will be able to meet its debts as they fall due and accordingly the financial statements have been prepared on a going concern basis.

Note 2. Significant accounting policies (continued)

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

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

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adcorp Australia Limited as at 30 June 2017 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. 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. 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 profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Consolidated Entity. Losses incurred by the Consolidated Entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Consolidated Entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Consolidated Entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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

Foreign currency translation
The financial statements are presented in Australian dollars, which is Adcorp Australia Limited's functional and presentation currency.

Note 2. Significant accounting policies (continued)

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

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

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

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

Operating revenues
Media, media related production, creative, digital and video production revenue, net of direct costs which are collected on behalf of third parties, 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.

Production revenues – Royalties
Royalties (and Advances of royalties) received from the distribution of television productions are brought to account as gross revenue upon delivery of the production where substantiated by contractual terms and on a monthly or quarterly basis where ongoing royalties are earned accordingly.

Production revenues – Grants
Grants received from government agencies for the development or producing of a television series are brought to account as gross revenue upon fulfilment of the contractual obligations for the grants received.

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.

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 the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied 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 interests in subsidiaries, associates or 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.

Note 2. Significant accounting policies (continued)

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax assets are recognised for unused tax losses if it is probable that future taxable amounts will be available to utilise those losses; however where a tax entity has consecutive periods of losses, the tax losses are only recognised if there is convincing evidence.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at 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 entities which intend to settle simultaneously.

Adcorp Australia Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary 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 each subsidiary 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.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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.

Note 2. Significant accounting policies (continued)

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

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

Associates
Associates are entities over which the Consolidated Entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost, plus costs directly attributable to the acquisition and plus post-acquisition changes in the Consolidated Entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

The Consolidated Entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

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

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

Office equipment	3-5 years
Furniture and fittings	over lease term

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Production asset
Production assets include the unamortised cost of completed television series, series currently in production or series where management has determined the project is commercially viable and will generate sufficient future net cash flows. Production assets are capitalised in accordance with AASB 138 Intangible Assets. Production assets are stated at the lower of cost, less accumulated amortisation, or fair value.

Production assets begin amortisation when the asset is available for use, that is, when it has been delivered in accordance with any contractual agreement or is in a condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date it is derecognised. The amortisation method used reflects the pattern in which the asset’s future economic benefits are expected to received. If that pattern cannot be determined reliably, the straight-line method is used.

Production assets will be impaired at any point in which management determine the carrying amount exceeds its recoverable amount.

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 of disposal 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.

Note 2. Significant accounting policies (continued)

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits
Employee benefits not expected to be settled wholly within 12 months of the reporting date 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 high quality corporate 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.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital
Ordinary shares are classified as equity.

Note 2. Significant accounting policies (continued)

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.

Earnings per share

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

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

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

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

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

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

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

Comparative information

Certain comparatives have been restated to reflect current year disclosure. No changes to profit or loss and net assets has occurred for any restatement.

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with the Corporations Instruments 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 2017. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance.The Consolidated Entity will adopt this standard from 1 July 2018 but has determined the standard will not have a significant impact.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
This standard is currently applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services). The Consolidated Entity will adopt this standard from 1 January 2018 but has determined the standard will not have a significant impact.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.The Consolidated Entity will adopt this standard from 1 July 2019. Management has reviewed the impact and recognises there will be a material change in relation to the accounting treatment for leases for rental properties. Whilst this will result in recognising both an asset and liability, it will not impact the overall net asset position nor will it affect any financial covenants for financiers (for which there presently are none). Management has reviewed the impact of other leases (primarily computer equipment) and has determined it will not have a significant impact with respect to these leases.

Other amending accounting standards
Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the Consolidated Entity as their amendments provide either clarification of existing accounting treatment or editorial amendments. Accordingly, these standards have not been detailed as they are not material to the operations of the entity.

Note 3. Critical accounting judgements, estimates and assumptions

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

Recognition, amortisation and impairment of Production Assets
Production assets are recognised when management determine that a project or television series will generate sufficient future net cash flows. Production assets includes cost directly related to television series, executive salaries and employee costs directly attributable to a project to the extent they can be reliably measured, legal and consultant fee directly related to the project and other expenses to the extent permissible by AASB 138 and can be demonstrated they are directly attributable to preparing the asset for use.

In determining the period of amortisation, management will refer to any contractual agreement which stipulate the period of revenue streams; in the absence of a contractual agreement management will rely on its own knowledge taking into consideration historical performance of similar productions, general market trends and any other information deemed to be relevant.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Production assets will be impaired at any point in which management determine the carrying amount exceeds its recoverable amount. In making this decision, management will consult with its Distributors and rely on its own knowledge taking into consideration historical performance of similar productions, general market trends and any other information deemed to be relevant.

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 debtor's financial position.

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

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 of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax assets are recognised for unused tax losses if it is probable that future taxable amounts will be available to utilise those losses; however where a tax entity has consecutive periods of losses, the tax losses are only recognised if there is convincing evidence.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are 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.

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

Significant influence over associates
Management have determined that the Consolidated Entity has significant influence over the associate Shootsta Holdings Pty Ltd, based on its 15% ownership interest and Adcorp taking a seat on the board as part of the acquisition.

Note 4. 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.

Segment information is reported to the CODM on the basis of geographical region. The Consolidated Entity's products and services are the same within both geographical segments.

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

Note 4. Operating segments (continued)

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

Operating segment information

Consolidated - 2017	Australia $'000	New Zealand $'000	Total $'000
Revenue			
Sales to external customers	10,777	2,501	13,278
Other revenue	19	5	24
Total revenue	10,796	2,506	13,302
Adjusted EBITDA *	(286)	(83)	(369)
Depreciation and amortisation			(685)
Interest revenue			24
Finance costs			(13)
Share of losses of associate			(47)
Loss before income tax expense			(1,090)
Income tax expense			(321)
Loss after income tax expense			(1,411)
Assets			
Segment assets	10,601	1,775	12,376
Unallocated assets:			
Deferred tax asset			770
Total assets			13,146
Liabilities			
Segment liabilities	11,238	1,068	12,306
Unallocated liabilities:			
Deferred tax liability			103
Total liabilities			12,409

* Earnings before interest, tax, depreciation, amortisation, impairment and share of losses of associate.

Note 4. Operating segments (continued)

Consolidated - 2016	Australia $'000	New Zealand $'000	Total $'000
Revenue			
Sales to external customers	12,977	2,515	15,492
Other revenue	144	14	158
Total revenue	13,121	2,529	15,650
Adjusted EBITDA *	(49)	110	61
Depreciation and amortisation			(673)
Impairment of assets			(4)
Interest revenue			35
Finance costs			(20)
Loss before income tax benefit			(601)
Income tax benefit			9
Loss after income tax benefit			(592)
Assets			
Segment assets	12,260	2,093	14,353
Unallocated assets:			
Deferred tax asset			1,199
Total assets			15,552
Liabilities			
Segment liabilities	11,861	1,237	13,098
Unallocated liabilities:			
Deferred tax liability			305
Total liabilities			13,403

* Earnings before interest, tax, depreciation, amortisation, impairment and share of losses of associate.

Note 5. Revenue

	Consolidated 2017 $'000	Consolidated 2016 $'000
Sales revenue		
Operating revenues	12,979	15,364
Production revenues - Royalties	287	128
Production revenues - Grants	12	-
	13,278	15,492
Other revenue		
Interest	24	35
Sundry	-	123
	24	158
Revenue	13,302	15,650

Note 6. Expenses

	Consolidated	
	2017	2016
	$'000	$'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Office equipment	102	106
Furniture and fittings	166	329
Total depreciation	268	435
Amortisation		
Software licences	176	238
Trademarks and other intellectual property	1	-
Production asset	240	-
Total amortisation	417	238
Total depreciation and amortisation	685	673
Impairment		
Impairment expense	-	205
Reversal of impairment	-	(201)
Total impairment	-	4
Finance costs		
Bank loans, overdrafts and interest on invoices financed	13	20
Net loss/(gain) on disposal		
Net loss/(gain) on disposal of property, plant and equipment	8	(60)
Rental expense relating to operating leases		
Minimum lease payments	1,267	1,510
Superannuation expense		
Defined contribution superannuation expense	560	676
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	9,065	10,513

Note 7. Income tax

	Consolidated 2017 $'000	Consolidated 2016 $'000
Income tax expense/(benefit)		
Current tax	111	31
Deferred tax - origination and reversal of temporary differences	227	(40)
Adjustment recognised for prior periods	(17)	-
Aggregate income tax expense/(benefit)	321	(9)
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	429	(149)
Increase/(decrease) in deferred tax liabilities	(202)	109
Deferred tax - origination and reversal of temporary differences	227	(40)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit	(1,090)	(601)
Tax at the statutory tax rate of 30%	(327)	(180)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure non-deductible for tax purposes	(167)	(7)
Non-assessable items	187	(64)
	(307)	(251)
Adjustment recognised for prior periods	(17)	-
Current year tax losses not recognised	182	239
Difference in overseas tax rates	2	3
Prior year tax losses now impaired	461	-
Income tax expense/(benefit)	321	(9)

	Consolidated 2017 $'000	Consolidated 2016 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,445	798
Potential tax benefit @ 30%	434	239

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 7. Income tax (continued)

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	69	493
Property, plant and equipment	1	1
Employee benefits	247	271
Black hole legal deductions	88	136
Other	365	298
Deferred tax asset	770	1,199
Movements:		
Opening balance	1,199	1,050
Credited/(charged) to profit or loss	(429)	149
Closing balance	770	1,199

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Work in progress	15	190
Other	88	115
Deferred tax liability	103	305
Movements:		
Opening balance	305	196
Charged/(credited) to profit or loss	(202)	109
Closing balance	103	305

	Consolidated 2017 $'000	Consolidated 2016 $'000
Income tax refund due		
Income tax refund due	8	31

	Consolidated 2017 $'000	Consolidated 2016 $'000
Provision for income tax		
Provision for income tax	90	52

Note 8. Current assets - cash and cash equivalents

	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash at bank	2,576	4,129
Cash on deposit	479	510
	3,055	4,639

Note 9. Current assets - trade and other receivables

	Consolidated 2017 $'000	Consolidated 2016 $'000
Trade receivables	5,119	7,278
Less: Provision for impairment of receivables	(77)	(73)
	5,042	7,205
Other receivables	66	265
	5,108	7,470

Impairment of receivables
The Consolidated Entity has recognised an expense of $44,000 (2016: $61,000) in respect of doubtful debt provision for the year ended 30 June 2017.

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Over 3 months overdue	77	73

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Opening balance	73	54
Additional provisions recognised	34	56
Receivables written off during the year as uncollectable	-	(14)
Unused amounts reversed	(30)	(23)
Closing balance	77	73

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $1,776,000 as at 30 June 2017 ($1,191,000 as at 30 June 2016).

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

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

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

	Consolidated	
	2017 $'000	2016 $'000
1 to 3 months overdue	942	914
Over 3 months overdue	834	277
	1,776	1,191

Note 10. Current assets - intangibles

	Consolidated	
	2017 $'000	2016 $'000
Production asset	1,247	617
Less: accumulated amortisation	(240)	-
	1,007	617

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

Consolidated	Production asset $'000
Balance at 1 July 2015	-
Additions	617
Amortisation expense	-
Balance at 30 June 2016	617
Additions	630
Disposals	-
Amortisation expense	(240)
Balance at 30 June 2017	1,007

Note 11. Current assets - other financial assets

	Consolidated	
	2017 $'000	2016 $'000
Invoice financing	482	382

Note 12. Current assets - other

	Consolidated 2017 $'000	Consolidated 2016 $'000
Prepayments	455	424
Security deposits	274	-
	729	424

Note 13. Non-current assets - investments accounted for using the equity method

	Consolidated 2017 $'000	Consolidated 2016 $'000
Investment in associate - Shootsta Holdings Pty Ltd	962	-

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

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Shootsta Holdings Pty Ltd	Australia	15.00%	-

On 22 July 2016, Adcorp purchased a 15% investment in Shootsta Holdings Pty Ltd ('Shootsta'), a company that empowers companies to create their own professional videos using a Shootsta kit. Adcorp also took a seat on the Shootsta board as part of the transaction.

Note 13. Non-current assets - investments accounted for using the equity method (continued)

Summarised financial information

	Shootsta Holdings Pty Ltd 2017 $'000	Shootsta Holdings Pty Ltd 2016 $'000
Summarised statement of financial position		
Current assets	727	-
Non-current assets	579	-
Total assets	1,306	-
Current liabilities	360	-
Non-current liabilities	658	-
Total liabilities	1,018	-
Net assets	288	-
Summarised statement of profit or loss and other comprehensive income		
Revenue	2,081	-
Expenses	(2,393)	-
Loss before income tax	(312)	-
Other comprehensive income	-	-
Total comprehensive income	(312)	-
Reconciliation of the Consolidated Entity's carrying amount		
Opening carrying amount	-	-
Share of loss after income tax	(47)	-
Purchase price - cash	765	-
Purchase price - in-kind services	200	-
Acquisition costs	44	-
Closing carrying amount	962	-

Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Consolidated Entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
HR by the Hour Pty Ltd	Australia	50.00%	50.00%

HR by the Hour Pty Ltd ('HRBTH') is a 50% owned joint venture entity incorporated on 14 January 2016. HRBTH provides Recruitment and HR related services. As at 30 June 2017, a $40,000 working capital loan had been advanced to HRBTH. The working capital loan has been impaired in full as at 30 June 2017. The joint venture is accounted for under the equity accounting method, however as at 30 June 2017 the share of profits in HRBTH was not material (2016: not material).

Note 14. Non-current assets - property, plant and equipment

	Consolidated 2017 $'000	Consolidated 2016 $'000
Office equipment - at cost	3,673	3,498
Less: Accumulated depreciation	(2,987)	(2,885)
Less: Impairment	(373)	(373)
	313	240
Furniture and fittings - at cost	3,610	3,601
Less: Accumulated depreciation	(2,781)	(2,615)
Less: Impairment	(500)	(501)
	329	485
	642	725

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

Consolidated	Office equipment $'000	Furniture and fittings $'000	Total $'000
Balance at 1 July 2015	221	462	683
Additions	150	491	641
Disposals	(25)	(142)	(167)
Exchange differences	-	3	3
Depreciation expense	(106)	(329)	(435)
Balance at 30 June 2016	240	485	725
Additions	186	12	198
Disposals	(11)	(2)	(13)
Depreciation expense	(102)	(166)	(268)
Balance at 30 June 2017	313	329	642

Note 15. Non-current assets - intangibles

	Consolidated 2017 $'000	Consolidated 2016 $'000
Software licences - at cost	3,358	3,660
Less: Accumulated amortisation	(3,152)	(3,470)
Less: Impairment	(126)	(126)
	80	64
Trademarks and other intellectual property - at cost	3	1
Less: Accumulated amortisation	(1)	-
	2	1
Production asset - at cost	301	-
	383	65

Note 15. 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:

Consolidated	Software licences $'000	Trademarks and other intellectual property $'000	Production asset* $'000	Total $'000
Balance at 1 July 2015	43	1	-	44
Additions	259	-	-	259
Amortisation expense	(238)	-	-	(238)
Balance at 30 June 2016	64	1	-	65
Additions	194	2	301	497
Disposals	(2)	-	-	(2)
Amortisation expense	(176)	(1)	-	(177)
Balance at 30 June 2017	80	2	301	383

Note 16. Current liabilities - trade and other payables

	Consolidated 2017 $'000	Consolidated 2016 $'000
Trade payables	6,376	8,265
Deferred consideration	167	-
Other payables	3,944	3,475
	10,487	11,740

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities - borrowings

	Consolidated 2017 $'000	Consolidated 2016 $'000
Chattel mortgage	30	-

Refer to note 21 for further information on assets pledged as security and financing arrangements.

Refer to note 26 for further information on financial instruments.

Note 18. Current liabilities - provisions

	Consolidated 2017 $'000	Consolidated 2016 $'000
Employee benefits	737	680
Decommissioning	94	100
	831	780

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.

Refer to note 22 for details of the movements in provision.

Note 19. Current liabilities - other

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred revenue	374	-

Note 20. Non-current liabilities - payables

	Consolidated 2017 $'000	Consolidated 2016 $'000
Other payables	93	57

Refer to note 26 for further information on financial instruments.

Note 21. Non-current liabilities - borrowings

	Consolidated 2017 $'000	Consolidated 2016 $'000
Chattel mortgage	58	-

Refer to note 26 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2017 $'000	Consolidated 2016 $'000
Chattel mortgage	88	-

Note 21. Non-current liabilities - borrowings (continued)

Assets pledged as security
The chattel mortgage is secured through the Consolidated Entity's debt financier who holds security over all the Consolidated Entity's assets.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2017 $'000	2016 $'000
Total facilities		
Chattel mortgage	88	-
Used at the reporting date		
Chattel mortgage	88	-
Unused at the reporting date		
Chattel mortgage	-	-

Note 22. Non-current liabilities - provisions

	Consolidated	
	2017 $'000	2016 $'000
Employee benefits	91	223
Decommissioning	252	246
	343	469

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 (current and non-current) during the current financial year, other than employee benefits, are set out below:

Consolidated - 2017	Decom-missioning $'000
Carrying amount at the start of the year	346
Carrying amount at the end of the year	346

Note 23. Equity - issued capital

	Consolidated			
	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Ordinary shares - fully paid	182,029,806	182,029,806	32,353	32,353

Note 23. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2015	60,676,602		28,894
Rights issue	7 December 2015	121,353,204	$0.031	3,762
Share issue transaction costs		-		(303)
Balance	30 June 2016	182,029,806		32,353
Balance	30 June 2017	182,029,806		32,353

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

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

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

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Note 24. Equity - non-controlling interest

	Consolidated	
	2017 $'000	2016 $'000
Contributed equity	202	202
Reserves	32	32
Accumulated losses	(127)	(209)
	107	25

The non-controlling interest has 25% (2016: 25%) equity holding in Quadrant Creative Pty Ltd.

Note 25. Equity - dividends

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Note 25. Equity - dividends (continued)

Franking credits

	Consolidated 2017 $'000	Consolidated 2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	5,043	4,986

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 26. Financial instruments

Financial risk management objectives

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

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Consolidated Entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Consolidated Entity's operating units. Finance reports to the Board on a monthly basis.

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 subsequent 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.

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Pound Sterling	-	-	-	12
New Zealand dollars	1,657	1,951	947	1,125
	1,657	1,951	947	1,137

Price risk

The Consolidated Entity is not exposed to any significant price risk.

Interest rate risk

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

Note 26. Financial instruments (continued)

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

The Consolidated Entity is not exposed to any significant interest rate risk.

As at the reporting date, the Consolidated Entity had the following variable rate borrowings and funds on deposit outstanding:

	2017		2016	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash at bank	0.86%	2,576	1.00%	4,129
Cash on deposit	2.25%	753	2.62%	510
Net exposure to cash flow interest rate risk		3,329		4,639

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

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 invoice financing facilities, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

Note 26. Financial instruments (continued)

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 - 2017	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						
Non-interest bearing						
Trade payables	-	6,376	-	-	-	6,376
Other payables	-	4,111	93	-	-	4,204
Interest-bearing - fixed rate						
Chattel mortgage	11.00%	38	38	25	-	101
Total non-derivatives		10,525	131	25	-	10,681

Consolidated - 2016	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						
Non-interest bearing						
Trade payables	-	8,265	-	-	-	8,265
Other payables	-	3,475	57	-	-	3,532
Total non-derivatives		11,740	57	-	-	11,797

Note 27. Fair value measurement

The carrying amounts of trade and other receivables and trade and other 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 liabilities.

Note 28. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Entity is set out below:

	Consolidated 2017 $	Consolidated 2016 $
Short-term employee benefits	503,726	630,272
Post-employment benefits	27,908	38,772
	531,634	669,044

Note 29. Remuneration of auditors

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

	Consolidated 2017 $	Consolidated 2016 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	100,000	90,000
Other services - Grant Thornton Audit Pty Ltd		
Taxation compliance	18,000	17,500
	118,000	107,500
Audit services - network firms		
Audit or review of the financial statements	33,725	36,500
Other services - network firms		
Other professional services	587	3,600
	34,312	40,100
Other services - unrelated firms		
Tax compliance	3,972	5,200

Note 30. Contingent liabilities

The Consolidated Entity has various guarantees over premises.

	Consolidated 2017 $'000	Consolidated 2016 $'000
Premises	567	907

On 11 November 2016, Adcorp received a letter from Dentsu Mitchell Media Australia Pty Ltd (‘Dentsu’) claiming amounts owing by Adcorp. This letter was in response one from Adcorp dated 9 November 2016 demanding payment of outstanding invoices for services rendered. Adcorp considers Dentsu’s letter dated 11 November 2016 to be largely unsubstantiated claims and will vigorously defend this position.

On 22 December 2016, Adcorp responded again demanding payment for outstanding invoices for services rendered and in addition claiming damages for wrongful termination of agreement and engaging in misleading and deceptive conduct.

On 28 April 2017, Adcorp lodged a Statement of Claim in the Supreme Court of New South Wales against Dentsu in relation to this termination of services. Dentsu has lodged a counter claim, however Adcorp maintains Dentsu’s claim is largely unsubstantiated and will vigorously defend this position. The legal case is ongoing.

Note 31. Commitments

	Consolidated	
	2017	2016
	$'000	$'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	68	46
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,053	957
One to five years	2,242	2,158
	3,295	3,115

Operating leases are entered into as a means of acquiring access to retail property and IT equipment. Rental payments are generally fixed, but with future inflation escalation clauses. Adcorp Australia Limited is a sub-lessor in one property (2016: one property). The future minimum sub-lease payments expected to be received is $115,000 (2016: $135,000) within one year and $nil (2016: $109,000) between one to five years.

Note 32. Related party transactions

Parent entity
Adcorp Australia Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Associates
Interests in associates are set out in note 13.

Joint ventures
Interests in joint ventures are set out in note 13.

Key management personnel
Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the Directors' report.

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

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

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

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

Note 33. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2017 $'000	2016 $'000
Profit/(loss) after income tax	822	(7,362)
Total comprehensive income	822	(7,362)

Statement of financial position

	Parent	
	2017 $'000	2016 $'000
Total current assets	24,309	13,465
Total assets	27,504	15,356
Total current liabilities	23,845	12,790
Total liabilities	24,509	13,183
Equity		
Issued capital	32,353	32,353
Accumulated losses	(29,358)	(30,180)
Total equity	2,995	2,173

Contingent liabilities
The parent entity has various guarantees over premises:

	Parent	
	2017 $'000	2016 $'000
Premises	293	633

Commitments
The parent entity had capital commitments for property, plant and equipment:

	Parent	
	2017 $'000	2016 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	58	46
Operating lease commitments:		
Within one year	495	420
One to 5 years	1,040	1,162
	1,535	1,582

Note 33. Parent entity information (continued)

Operating leases are entered into as a means of acquiring access to retail property and IT equipment. Rental payments are generally fixed, but with future inflation escalation clauses. Adcorp Australia Limited is a sub-lessor in one property (2016: one property). The future minimum sub-lease payments expected to be received is $115,000 (2016: $135,000) within one year and $nil (2016: $109,000) between one to five years.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries and associates are accounted for at cost, less any impairment, in the parent entity.
- 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.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2017 %	Ownership interest 2016 %
Adcorp Australia (QLD) Pty. Limited	Australia	100.00%	100.00%
Adcorp Australia (VIC) Pty. Limited	Australia	100.00%	100.00%
Adcorp D&D Pty Ltd	Australia	100.00%	100.00%
Adcorp New Zealand Limited	New Zealand	100.00%	100.00%
Adcorp SWA Pty Ltd *	Australia	100.00%	100.00%
Adcorp Technologies Pty Ltd	Australia	100.00%	100.00%
Andrews Advertising Pty. Limited	Australia	100.00%	100.00%
Austpac Media Pty Limited *	Australia	100.00%	100.00%
Donald & Donald (Victoria) Pty. Limited *	Australia	100.00%	100.00%
Employment Opportunities in Australia Pty Limited	Australia	100.00%	100.00%
Nancarrow Marketing Company Pty Ltd **	Australia	100.00%	100.00%
Quadrant Creative Pty Ltd	Australia	75.00%	75.00%
R&L Advertising Pty Ltd	Australia	100.00%	100.00%
Showrunner Productions Pty Ltd	Australia	100.00%	100.00%
72 Dangerous Animals Asia Pty Ltd ***	Australia	100.00%	-
72 Dangerous Animals Latin America Pty Ltd ***	Australia	100.00%	-

* These entities are controlled entities of Adcorp D&D Pty Ltd
** This entity is a controlled entity of Donald & Donald (Victoria) Pty Ltd
*** These entities are controlled entities of Showrunner Productions Pty Ltd

Note 35. Deed of cross guarantee

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

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

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

Note 35. Deed of cross guarantee (continued)

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Adcorp Australia Limited, they also represent the 'Extended Closed Group'.

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

Statement of profit or loss and other comprehensive income	2017 $'000	2016 $'000
Revenue	8,402	11,213
Share of losses of associates accounted for using the equity method	(47)	-
Other income	163	332
Client service expenses	(6,351)	(7,888)
Administrative expenses	(752)	(776)
Marketing expenses	(565)	(586)
Office and communication expenses	(1,964)	(2,574)
Finance costs	(13)	(19)
Loss before income tax expense	(1,127)	(298)
Income tax expense	-	-
Loss after income tax expense	(1,127)	(298)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(1,127)	(298)

Equity - retained profits	2017 $'000	2016 $'000
Accumulated losses at the beginning of the financial year	(29,511)	(29,213)
Loss after income tax expense	(1,127)	(298)
Accumulated losses at the end of the financial year	(30,638)	(29,511)

Note 35. Deed of cross guarantee (continued)

Statement of financial position	2017 $'000	2016 $'000
Current assets		
Cash and cash equivalents	2,219	3,860
Trade and other receivables	19,697	21,234
Other financial assets	482	382
Other	344	381
	22,742	25,857
Non-current assets		
Investments accounted for using the equity method	962	-
Other financial assets	1,824	1,824
Property, plant and equipment	466	591
Intangibles	87	67
	3,339	2,482
Total assets	26,081	28,339
Current liabilities		
Trade and other payables	19,565	20,764
Borrowings	30	-
Income tax	1,114	1,114
Provisions	2,916	2,971
	23,625	24,849
Non-current liabilities		
Payables	93	-
Borrowings	58	57
Provisions	590	591
	741	648
Total liabilities	24,366	25,497
Net assets	1,715	2,842
Equity		
Issued capital	32,353	32,353
Accumulated losses	(30,638)	(29,511)
Total equity	1,715	2,842

Note 36. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated 2017 $'000	Consolidated 2016 $'000
Loss after income tax (expense)/benefit for the year	(1,411)	(592)
Adjustments for:		
Depreciation and amortisation	685	673
Net loss/(gain) on disposal of property, plant and equipment	12	(60)
Net loss on disposal of intangibles	2	-
Share of loss - associates	47	-
Foreign exchange differences	(1)	63
Landlord contribution	-	250
Non-cash lease make good capitalised	-	99
Non-cash investment (note 13)	(200)	-
Non-cash expenses	(16)	-
Non-cash intangibles (notes 10 and 15)	(931)	(617)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,359	730
Decrease in income tax refund due	23	29
Decrease/(increase) in deferred tax assets	429	(149)
Increase in prepayments	(31)	(329)
Increase/(decrease) in trade and other payables	(1,217)	814
Increase in provision for income tax	41	21
Increase/(decrease) in deferred tax liabilities	(202)	109
Decrease in employee benefits	(75)	(49)
Decrease in other provisions	-	(216)
Increase in other operating liabilities	374	-
Net cash from/(used in) operating activities	(112)	776

Note 37. Non-cash investing and financing activities

	Consolidated 2017 $'000	Consolidated 2016 $'000
Landlord contribution	-	250
Lease make good capitalised	-	99
Acquisition of intangibles	931	617
	931	966

Note 38. Earnings per share

	Consolidated 2017 $'000	Consolidated 2016 $'000
Loss after income tax	(1,411)	(592)
Non-controlling interest	(82)	(23)
Loss after income tax attributable to the owners of Adcorp Australia Limited	(1,493)	(615)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	182,029,806	129,310,791
Weighted average number of ordinary shares used in calculating diluted earnings per share	182,029,806	129,310,791
	Cents	**Cents**
Basic earnings per share	(0.82)	(0.48)
Diluted earnings per share	(0.82)	(0.48)

Note 39. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 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.

In the Directors' opinion:

- the attached financial statements and notes 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 comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 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 35 to the financial statements.

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

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

On behalf of the Directors

David Morrison
Director and Chief Executive Officer

28 August 2017
Sydney

Grant Thornton

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Independent Auditor's Report
To the Members of Adcorp Australia Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Adcorp Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Going concern (Note 1)	
In accordance with ASA 570 *Going Concern*, the material uncertainty regarding going concern considers the period of at least 12 months from the date of signing the financial statements. The evaluation of the Group's assessment of going concern requires significant management judgement. The assumptions applied by management are used to support the sufficiency of working capital. If it had been concluded that it was inappropriate for the financial statements to be prepared on a going concern basis, the values of certain assets and liabilities as set out in the financial statements might have been significantly different. This area is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern.	Our procedures included, amongst others: • An assessment of management's going concern assumptions and supporting information. Forecasts and the model used were discussed with management. The main procedures performed on the model and the areas where we challenged management were as follows: – Checking the mathematical accuracy of the forecasts and the model; – Testing the quality of management forecasting by comparing cash flow forecasts for prior periods to actual outcomes; – Testing the appropriateness of the assumptions that had the most material impact. In challenging these assumptions we took account of actual results, scenarios which management had provided, current pipeline of contracts and previous periods; – Agreeing the sources of liquidity and funds to supporting documentation; and – Testing the appropriateness of disclosures made in the Group financial statements in respect of going concern.
Recoverability of intangible relating to production costs (Note 10)	
The Group capitalises costs in relation to TV production in accordance with AASB 138: *Intangible assets.* Revenue recognised from royalties and grants received is dependent on completing certain milestones in the distribution contract. The recoverability of the deferred costs is dependent on the realisation of future cash flows relating to royalties and grants earned on the productions for which the costs were incurred. The realisation of future cash flows requires significant management judgement. This is a key audit matter due to the degree of complexity and management judgement involved in estimating the recoverability of the deferred costs.	Our procedures included, amongst others: • Understanding the controls over the process to approve expenses incurred in TV productions; • Understanding the key controls over the process to record and process royalty revenue from TV productions; • Agreeing a sample of revenue to royalty statements received relating to the programmes; • Agreeing a sample of costs capitalised in accordance with the criteria under AASB 138; • Using previous history, determining the reasonableness of management's judgements regarding timing and recoverability of the WIP from future expected royalty revenues in accordance with AASB 138; • Reviewing contracts with media distributors to corroborate the assumptions used by management where possible; and • Reviewing the appropriateness of the accounting policy and disclosures relating to the recoverability of the intangible production asset.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Adcorp Australia Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

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GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

A G Rigele

Partner - Audit & Assurance

Sydney, 28 August 2017

The shareholder information set out below was applicable as at 22 August 2017.

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	146
1,001 to 5,000	255
5,001 to 10,000	118
10,001 to 100,000	215
100,001 and over	77
	811
Holding less than a marketable parcel	698

Equity security holders

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

	Ordinary shares Number held	% of total shares issued
MCO Nominees Pty Ltd (AAU Unit A/C)	122,400,489	67.24
Rodwell Super Pty Ltd (The Rodwell Family S/F A/C)	12,912,471	7.09
Ego Pty Ltd	5,312,343	2.92
Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)	5,022,404	2.76
Navigator Australia Ltd (MLC Investment Sett A/C)	3,677,081	2.02
Jetan Pty Ltd	2,650,660	1.46
United Family Enterprise Pty Ltd	1,327,813	0.73
Lozotu Pty Limited (Superannuation Fund A/C)	993,753	0.55
Craig G Treasure Pty Ltd (Treasure Super Fund A/C)	704,916	0.39
Mr Peter Howells	684,000	0.38
Mr Christian Merlot	664,827	0.37
Mr Dong Rong Lun + Miss Dan Yan Lun (Lun Superannuation Fund A/C)	648,209	0.36
Ms Christine Dan Yan Lun	630,000	0.35
Mr Alexander James Green	572,000	0.31
Cyberloom Pty Ltd	534,730	0.29
Mark S Campbell Pty Ltd (Mark Campbell Prov Fund A/C)	520,901	0.29
Mr Konstantinos Lazos	510,000	0.28
K B J Investments Pty Ltd (Jarry Family Super Fund A/C)	493,039	0.27
Mr Anthony David Scott	480,000	0.26
Mr Ole Tang Olesen + Mr Esper John Olesen (Olesen Super Fund A/C)	425,000	0.23
	161,164,636	88.55

Unquoted equity securities
There are no unquoted equity securities.

Adcorp Australia Limited
Shareholder information
30 June 2017

Substantial holders
Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
MCO Nominees Pty Ltd (AAU Unit A/C)	122,400,489	67.24
Rodwell Super Pty Ltd (The Rodwell Family S/F A/C)	12,912,471	7.09

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.