adcorp

Adcorp Australia Limited FY12 Final Results
Market Announcement

Billings	**$148.2m**
Revenue	**$28.6m**
Revenue Margin	**19%**
Net Profit After tax attributable to the owners of Adcorp Australia Ltd	**$1.6M**
Final dividend per Share Fully Franked	**0.75 cent**

The company delivered a profit for the year after tax and after non controlling interests of $1.562m, up 12% on the prior year.

Billings have decreased by 13% to $148.162m with a 4% drop in normal operating revenues (before sundry income items) from $29.18m to $27.98m

The billings reduction was mainly attributable to residential real estate accounts which we no longer service, plus significantly reduced spend by the Australian Government, construction and recruitment consultant clients. Partly offsetting these reductions was an increase in spend by commercial real estate, engineering, infrastructure and mining clients, bolstered by a full year's billings for Northern Territory Government that was won in October 2010.

Our revenue margins have improved from 17% in FY2011, to 19% in the current financial year. This is largely due to the decrease in residential real estate clients and a significant reduction in traditional print media spend, combined with the growth of digital and creative offerings, video production projects and strategic media services.

During the period, we implemented the following initiatives:

- Completed the formation of our core Digital team, implementing the findings of our 2011 review of this area. We are now experiencing a positive uptake of our digital marketing and social media solutions and platforms.
- Re-focused our media team to embrace the rapid changes in consumer media habits affecting our industry, and adapt our offerings accordingly, while continuing to work closely with our media partners.
- Expanded our television and video production capabilities that previously resided within our Western Australian office, to roll these out to the rest of Australia and New Zealand.
- In August 2012, we launched our new website and social media platforms to highlight not only our digital capabilities but also to showcase the diversity and quality of work we are producing across Australia and New Zealand.

Our overall expenses have reduced by 3% to $26.439m

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Administration overheads have reduced from $1.330m to $1.169m with lower legal fees in our 75% subsidiary Andrews Advertising, who have continued to prosecute the claim against the former director and former manager. There is an update on these proceedings in the statutory accounts.

Marketing expenses have reduced significantly from $1.846m to $1.352m. This includes substantial savings in travel and a significant reduction in bad debt charges due to streamlined billings and debtors processes.

Office and communications overheads have increased from $5.090m to $5.279m mainly as a result of annual increases in our premises leases, but such has been partly offset by reduced telephony and data communications costs, an area where we are continuing to drive efficiencies.

Client service overheads have reduced from $18.968m to $18.646m primarily in response to the reduced billings for the business. We also successfully implemented our new real estate marketing system "Breeze" in the latter half of FY2011 that has delivered efficiencies in processing and booking advertising and marketing collateral while also increasing reporting capabilities. To adapt to the challenges of a changing industry, we will continue to evaluate skills and capabilities within our teams, and ensure we are well positioned to seize growth opportunities in our markets.

Our balance sheet at the 30th June reflects a solid $9.314m in cash and an improvement in our outstanding debtor's position. Total trade receivables at 30 June were $17.228m (June 2011: $28.043m) and the balances past due but not impaired, have reduced from $11.449m at June 2011, to $5.967m at June 2012.

Given these improvements in receivables, we have reduced our commercial bill facility from $6.0m to $4.0m in June 2012, (June 2011: $6.0m) that will further reduce administration charges and bank fees.

The current economic uncertainty and the requirements of government and businesses alike to drive cost savings in response, are impacting Adcorp. Likewise the challenges faced in the media industry which is in a state of large scale transition from traditional to new media channels, continue to influence the markets in which we are operating.

Accordingly, we are experiencing substantial decreases in traditional print media spend by clients and are re-focusing our business on addressing these changes, as a matter of priority. The transition to online advertising, digital solutions and rapid growth of social media advertising is imperative and presents us with significant opportunities.

A full review of our technology platforms and online systems is currently underway to ensure we are meeting changing client needs, and enhancing accessibility to new media and advertising platforms.

The impact of these reductions in traditional spend and the significant challenge facing our business and our industry is not something we underestimate and we are taking steps to ensure we are adaptable, to seize the opportunities to grow the business in coming years.

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We are confident of our capabilities in servicing a broad range of clients from high volume government clients through to clients across any sector that require niche or specialty offerings that can include social media, video, digital, targeted research, consultative services and quality creative services.

In this uncertain environment, management and the Board are committed to transitioning the business and continuing to innovate and adapt to the market.

The board has accordingly declared a final dividend of 0.75 cents per share, fully franked, paid out of current profits. This takes our full year dividend to 1.75 cents per share, fully franked.

We thank our dedicated Adcorp team for all their efforts during this year.

~ends~

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

APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**Adcorp Australia Limited**
ABN:	ABN 72 002 208 915
Reporting period:	**Year ended 30 June 2012**
Previous corresponding period:	Year ended 30 June 2011

2. Results for announcement to the market

Revenues from ordinary activities	down	3.1%	to	$ 28,604,000
Profit from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	up	12.2%	to	$ 1,562,000
Profit for the period attributable to the owners of Adcorp Australia Limited	up	12.2%	to	$ 1,562,000

Dividends

	Amount per security	Franked amount per security
Final dividend for the year ended 30 June 2011 paid on 28 September 2011.	1.000 cents	1.000 cents
Interim dividend for the year ended 30 June 2012 paid on 31 March 2012.	1.000 cents	1.000 cents

On 31 August 2012 the directors declared a final dividend for the year ended 30 June 2012 of 0.75 cents per ordinary share to be paid on 28 September 2012. The dividend is fully franked.

Comments
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,562,000 (30 June 2011: $1,392,000).

For detailed commentary on results for the year, refer to the Full Year Results Announcement preceding this Appendix

3. NTA backing

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary security	9.01 cents	8.62 cents

4. Control gained over entities

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

5. Loss of control over entities

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

6. Dividends

Current period

	Amount per security	Franked amount per security
Final dividend for the year ended 30 June 2011 paid on 28 September 2011.	1.000 cents	1.000 cents
Interim dividend for the year ended 30 June 2012 paid on 31 March 2012.	1.000 cents	1.000 cents

On 31 August 2012 the directors declared a final dividend for the year ended 30 June 2012 of 0.75 cents per ordinary share to be paid on 28 September 2012. The dividend is fully franked.

Previous corresponding period

	Amount per security	Franked amount per security
Interim dividend for the year ended 30 June 2011 paid on 31 March 2011.	1.000 cents	1.000 cents

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

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

8. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	Current period	Previous corresponding period	Current period	Previous corresponding period
Not applicable.				
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit(loss) from ordinary activities before income tax			$ -	$ -
Income tax on operating activities			$ -	$ -

9. Foreign entities

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

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

10. Audit qualification or review

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

The accounts have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Detailed Financial Report of Adcorp Australia Limited for the year ended 30 June 2012 is attached.

12. Signed

Signed: ________________________________ Date: 31 August 2012

Craig McMenamin
Company Secretary
Sydney

Adcorp Australia Limited

ABN 72 002 208 915

Detailed Financial Report - 30 June 2012

Adcorp Australia Limited
Corporate directory
30 June 2012

Directors	Bob Campbell Ian Rodwell David Morrison
Company secretary	Craig McMenamin
Notice of annual general meeting	The annual general meeting of Adcorp Australia Limited: will be held at TBA time 11:00 AM date Friday 30 November 2012
Registered office	Level 1 7 Kelly Street Ultimo NSW 2007 Tel: +61 2 8524 8500 Fax: +61 2 8524 8700
Principal place of business	Level 1 7 Kelly Street Ultimo NSW 2007
Share register	Computershare Investor Services Pty Ltd Level 3 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 address	www.adcorp.com.au

Adcorp Australia Limited
Directors' report
30 June 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Adcorp Australia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors

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

Bob Campbell
Ian Rodwell
David Morrison

Principal activities

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

Dividends

Dividends paid during the financial year were as follows:

	2012 $'000	2011 $'000
Final dividend for the year ended 30 June 2011 of 1 cent per ordinary share paid on 28 September 2011	607	-
Interim dividend for the year ended 30 June 2012 (2011: 30 June 2011) of 1 cent (2011: 1 cent) per ordinary share paid on 31 March 2012 (2011: 31 March 2011)	607	607
	1,214	607

On 31 August 2012 the directors declared a final dividend for the year ended 30 June 2012 of 0.75 cents per ordinary share to be paid on 28 September 2012. As the dividend is fully franked, there are no income tax consequences for the owners of Adcorp Australia Limited relating to this dividend.

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,562,000 (30 June 2011: $1,392,000), an improvement of 12% on the prior year.

Trading conditions remained very challenging with a noticeable decrease in advertising activity in the final months of the second half.

Billings have decreased by 13% to $148.162m with a 3% drop in revenues to $28.604m.

This reduction was mainly attributable to large residential real estate accounts which we have decided to no longer service due to financial viability, plus significantly reduced spend in Australian Government, construction and recruitment consultant clients. Partly offsetting these reductions were an increase in spend by commercial real estate, engineering, infrastructure and mining clients, further bolstered by a full year’s billings for Northern Territory Government which we secured in October 2010.

During the period, following a 2011 review of our digital service offering, we commenced building a digital and social media team and are pleased to report a strong uptake of such services. We also undertook an internal review of our strategic media services and our video marketing capabilities, and have now identified opportunities to grow the business in these areas.

Our revenue margins have improved from 17% in FY2011, to 19% in the current financial year. This is largely due to the decrease in residential real estate clients and a significant reduction in traditional print media spend, combined with the growth of digital and creative offerings, video marketing projects and strategic media services.

Expenses
Overheads, excluding finance charges have reduced by 3% to $26.439m. Administration overheads have reduced from $1.330m to $1.169m with lower legal fees in our 75% subsidiary Andrews Advertising, who have continued to prosecute the claim against a former director and former manager. There is an update on these proceedings in the statutory accounts following this directors' report.

Our marketing expenses have reduced significantly from $1.846m to $1.352m and include substantial savings in travel, as we have now structured our agencies with a locally based agency head in each office, and a significant reduction in bad debt charges, with a re-organised billings and debtors function and improvements in the collection process.

We also completed the redesign of our website and successfully launched the new Adcorp website and social media platforms in August 2012.

Office and communications overheads have increased from $5.090m to $5.272m mainly as a result of premises lease annual increases, partly offset by reduced telephony and data communications costs, which is an area where we are continuing to drive efficiencies.

Client service overheads have reduced from $18.968m to $18.646m primarily in response to the reduced billings. We also successfully implemented our new real estate marketing system "Breeze" at the back-end of FY2011, which has delivered efficiencies in processing and booking.

To adapt to the challenges of a rapidly changing industry, we will continue to evaluate skills and capabilities within our teams, and ensure we are well positioned to seize growth opportunities in our markets.

Our balance sheet at the 30 June reflects a solid $9.314m in cash and an improvement in our outstanding debtor's position. Total trade receivables at 30 June were $17.228m (2011: $28.043m) and the balances past due but not impaired, have reduced from $11.449m at 30 June 2011 to $5.967m at 30 June 2012. Given these improvements in receivables, we have reduced our commercial bill facility from $6.0m at 30 June 2011 to $4.0m at 30 June 2012 which will further reduce administration charges and bank fees.

Looking forward, we are well aware of the challenges faced in the media industry which is in a state of large scale transition and we are re-focussing our business on addressing these changes.

The move to online advertising, digital solutions and rapid growth of social media advertising has presented us with significant opportunities to transition our business.

We have formed a strong digital team that have the capability and experience in developing online and social media solutions for our clients. We have also re-focussed our media team to embrace the changes in our industry and adapt our offerings accordingly. We continue to work closely with our media partners to maximise the opportunities of these new trends.

We are also undertaking a full review of our technology platforms and portals to ensure we are meeting changing client needs and enhancing accessibility to media and advertising platforms.

We are confident that the Adcorp team has the capability to drive these changes and continue to provide market leading solutions for our clients.

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

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2012 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

Except as already disclosed to the ASX, further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

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

Information on directors

Name:	Bob Campbell
Title:	Non-Executive Chairman
Qualifications:	BEc
Experience and expertise:	Bob Campbell has spent his career working in the media. He held senior management positions with Network TEN prior to being appointed Managing Director and Chief Executive Officer of The Seven Network from 1987 to 1995. He is a former Chairman of The Film Finance Corporation, the Sydney Dance Company and a director of The Australian Film Radio and Television School and the Australian Film Commission. He is currently a director of the Sydney Swans. In 1996 he formed, with Des Monaghan, the television production company, Screentime, which has operations in Australia, New Zealand and Ireland. Bob was appointed as Non-Executive Chairman in May 2005.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Member of the Audit Committee and Member of the Remuneration and Nomination Committee
Interests in shares:	None
Interests in options:	None

Name:	Ian Rodwell
Title:	Non-Executive Director
Qualifications:	BComm
Experience and expertise:	Ian Rodwell is the founder of the Adcorp Group and held the position of Managing Director from Adcorp’s inception until his retirement in January 2004. He is also a Director of the Diabetes Australia Research Trust ('DART'), an organisation responsible for the raising of funds for diabetes research and awarding of grants to medical researchers in Australia; Chairman of Optalert Ltd, a company developing an innovative technology product to measure both alertness and drowsiness, as an aid to the global transport and mining industries; Director of MND Australia, an organisation responsible for raising and funding medical research to find the cause and cure for motor neurone disease.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee and Chairman of the Remuneration and Nomination Committee
Interests in shares:	23,022,362 ordinary shares
Interests in options:	None

Name:	David Morrison
Title:	Executive Director and Chief Executive Officer
Experience and expertise:	David Morrison has a wealth of advertising industry experience, most recently as the Head of Business for Adcorp's WA, SA and NT markets. In just over 7 years, David managed to near triple Adcorp's WA operation (by billings) and has been instrumental in Adcorp's appointment to a number of key accounts. He was appointed by the Board to the role of Chief Executive Officer in March 2011.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	170,000 ordinary shares
Interests in options:	150,000 options over ordinary shares expired on 30 June 2012

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

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

Company secretary

Craig McMenamin commenced in April 2007 as Chief Financial Officer ('CFO') and Company Secretary and is an experienced CFO with over 18 years of financial leadership in the Media, Retail, Entertainment and Manufacturing sectors, both locally and abroad. Craig's track record includes leading the financial strategy of high-growth, transformational businesses, playing a key role in strategic development and growth, while driving improvements of underlying operational systems, processes and investments. Craig is a Chartered Accountant and member of the Australian Institute of Company Directors.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Other	
	Attended	Held	Attended	Held	Attended	Held
Bob Campbell	11	11	2	2	-	1
Ian Rodwell	11	11	2	2	1	1
David Morrison	11	11	2	2	1	1

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

The Remuneration Committee meetings are incorporated into Board meetings.

Remuneration report (audited)

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

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

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

A Principles used to determine the nature and amount of remuneration

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

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

To achieve this, the company and consolidated entity embodies the following principles into its remuneration framework:

- Provide competitive remuneration packages to attract highly skilled and experienced executives
- Significant proportion of executive remuneration ‘at risk’, dependent upon meeting predetermined performance benchmarks
- Performance benchmarks are aligned to the creation of shareholder value
- Participation in Adcorp Employee Option Plan to create long term incentives

Alignment to program participants' interests:

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

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

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

The remuneration of non-executive directors for the financial year ended 30 June 2012 is detailed later in this report.

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

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

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable short term incentive remuneration
- Variable long term incentive remuneration

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

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

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

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

The variable long-term incentives ('LTI') are designed to reward executives in a manner which aligns this element of the remuneration with the creation of shareholder value. LTI grants to executives are delivered in the form of options. LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the company and consolidated entity’s performance.

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 KMP during the year under review as the performance targets were not achieved.

Use of remuneration consultants
During the financial year ended 30 June 2012, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the short-term incentives ('STI') program and long-term incentives ('LTI') program.

Voting and comments made at the company's 2011 Annual General Meeting ('AGM')
At the last AGM 97% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2011. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

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

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

- Craig McMenamin - Chief Financial Officer and Company Secretary

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

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

2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Bonus $	Termination payments $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
B Campbell	72,000	-	-	6,480	-	-	78,480
I Rodwell	40,000	-	-	3,600	-	-	43,600
Executive Directors:							
M Mellor *	232,357	27,523	121,095	13,088	-	-	394,063
D Morrison **	86,739	-	-	3,800	-	-	90,539
Other Key Management Personnel:							
C McMenamin	207,284	-	-	15,199	-	-	222,483
	638,380	27,523	121,095	42,167	-	-	829,165

* Remuneration paid was for the period to the date no longer a director or key management personnel.
** David Morrison was appointed as director and Chief Executive Officer on 21 March 2011. Remuneration was for the period from the date of appointment.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2012	2011	2012	2011	2012	2011
Non-Executive Directors:						
B Campbell	100%	100%	- %	- %	- %	- %
I Rodwell	100%	100%	- %	- %	- %	- %
Executive Directors:						
D Morrison	100%	100%	- %	- %	- %	- %
M Mellor *	- %	100%	- %	- %	- %	- %
Other Key Management Personnel:						
C McMenamin	100%	100%	- %	- %	- %	- %

* No longer a key management personnel

C Service agreements

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

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

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

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

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

D Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

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

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

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

Options granted carry no dividend or voting rights.

250,000 options expired on 30 June 2012. 100,000 options remain unvested.

There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2012 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
David Morrison	-	-	58,500	-

This concludes the remuneration report, which has been audited.

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

Grant date	Expiry date	Exercise price	Number under option
1 July 2008	30 June 2013	$0.40	100,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no shares of Adcorp Australia Limited issued on the exercise of options during the year ended 30 June 2012.

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

Adcorp Australia Limited paid an insurance premium of $19,636 in respect of a contract insuring each of the directors of the company named earlier in this report, and each director and secretary of the consolidated entity, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

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

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor’s independence for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor’s own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

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

Auditor's independence declaration

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

Auditor

Grant Thornton Audit Pty Ltd was appointed during the year and 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	Bob Campbell
Director and Chief Executive Officer	Chairman

31 August 2012
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 2012, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 31 August 2012

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

Principle 1: Lay solid foundations for management and oversight

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

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

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

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

Principle 2: Structure the Board to add value

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

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

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

The Board currently comprises three Directors, of whom one is an independent Director. An independent Director is a Non-Executive Director and;

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

The current Board structure is inconsistent with good practice recommendation 2.1 (the majority of the Board should be independent Directors). This structure, however, is considered appropriate to the extent and nature of Company operations. The current structure allows for more proactive communication between Directors and more effective decision making. All Directors have a full understanding and competence to deal with emerging issues of the business. The Non-Executive Directors, in addition, can effectively review and challenge the performance of management and exercise independent judgement.

Principle 3: Promote ethical and responsible decision making

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

Compliance with and respect for the law
All Employees shall have access to, and must understand, relevant operating rules and regulations in appropriate procedure manuals or policies.

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

Equal opportunity and employee discrimination
The Company actively promotes equal opportunity, equality and diversity, irrespective of race, ethnic or national origins, gender, sexuality, disability, marital status and religious belief. We recruit, train, evaluate and develop all our employees in a manner consistent with the principle.

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

Environment
The Company strives to operate in a manner which minimises waste and prevents pollution. We ensure that we are aware of and responsible for, upholding the relevant statutory and regulatory requirements;

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

Disclosure of company information
The Company's disclosure processes comply with the Australian Stock Exchange ('ASX') listing rules and we have a formal continuous disclosure policy.

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

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

The policy imposes restrictions on trading in the Company on
- Executive and Non-Executive Directors;
- Full-time, part-time and casual employees; and
- Contractors, consultants and advisors,

and any relevant persons or related entities that are considered to be in possession of inside information. Additional restrictions in the form of trading 'windows' are imposed on key management personnel and directors.

Conflict of interest
Employees should consistently maintain their integrity whilst carrying out their duties by avoiding situations in which their personal interests conflict or might appear to conflict with their duties to the Company.
Employees may not use their position to obtain personal gain or benefit from those seeking to do business with the Company. Procedures exist to evaluate the nature and reasonableness of gifts or entertainment offered by third parties.

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

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

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

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

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

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

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

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

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

Compliance and reporting breaches of the code
Adherence to the Code of Conduct is fundamental to our reputation in the business community and we view breaches of the Code by Employees as serious misconduct.

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

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

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

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

- Women employees in the consolidated entity 67%
- Women in senior management positions 64%
- Women on the board 0%

We periodically evaluate skills among our employees and management, including a measurement of the proportion of male and female employees, in order to appropriately train and develop our teams. These metrics are made available to management and the Board. We have not formalised a policy on gender diversification as we believe that we have sufficient procedures in place, appropriate to the scale of our operations that provide adequate measurement, reporting, evaluation and development of our employees.

Principle 4: Safeguard integrity in financial reporting

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

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

The Audit committee consists only of Non-Executive Directors.

The members of the Audit committee during or since the end of the financial year are:
- Ian Rodwell (Chairman)
- Bob Campbell

Principle 5: Make timely and balanced disclosure

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

Principle 6: Respect the rights of shareholders

The Board is committed to empowering shareholders by:
- communicating effectively with them;
- giving them ready access to accurate and understandable information about the Company's strategy and performance;
- encouraging participation at shareholder meetings; and
- having Auditors attend the Annual General Meeting to be available to answer shareholder questions.

Principle 7: Recognise and manage risk

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

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

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

Principle 8: Remunerate fairly and responsibly

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

Two Directors, Mr Bob Campbell (Chairman) and Mr Ian Rodwell are members of the Committee and meet at least annually. Specific activities include:

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

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

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

Contents

General information

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

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

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

Level 1
7 Kelly Street
Ultimo NSW 2007

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 31 August 2012. The directors have the power to amend and reissue the financial report.

Adcorp Australia Limited
Statement of comprehensive income
For the year ended 30 June 2012

	Note	Consolidated 2012 $'000	2011 $'000
Revenue	4	28,604	29,525
Other income	5	2	5
Expenses			
Client service expenses		(18,646)	(18,968)
Administrative expenses		(1,169)	(1,330)
Marketing expenses		(1,352)	(1,846)
Office and communication expenses		(5,272)	(5,090)
Finance costs	6	(8)	(86)
Impairment of fixed assets		-	(5)
Profit before income tax expense		2,159	2,205
Income tax expense	7	(670)	(935)
Profit after income tax expense for the year		1,489	1,270
Other comprehensive income			
Exchange differences on translating foreign operations		37	(170)
Other comprehensive income for the year, net of tax		37	(170)
Total comprehensive income for the year		1,526	1,100
Profit for the year is attributable to:			
Non-controlling interest		(73)	(122)
Owners of Adcorp Australia Limited	22	1,562	1,392
		1,489	1,270
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(73)	(122)
Owners of Adcorp Australia Limited		1,599	1,222
		1,526	1,100
		Cents	**Cents**
Basic earnings per share	37	2.57	2.29
Diluted earnings per share	37	2.57	2.29

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

Adcorp Australia Limited
Statement of financial position
As at 30 June 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Assets			
Current assets			
Cash and cash equivalents	8	9,314	10,273
Trade and other receivables	9	17,308	28,557
Income tax refund due	10	812	65
Other	11	252	168
Total current assets		27,686	39,063
Non-current assets			
Property, plant and equipment	12	2,399	1,350
Intangibles	13	3,229	3,154
Deferred tax	14	583	1,283
Total non-current assets		6,211	5,787
Total assets		33,897	44,850
Liabilities			
Current liabilities			
Trade and other payables	15	23,366	34,519
Income tax	16	-	424
Provisions	17	1,192	898
Total current liabilities		24,558	35,841
Non-current liabilities			
Deferred tax	18	12	4
Provisions	19	633	623
Total non-current liabilities		645	627
Total liabilities		25,203	36,468
Net assets		8,694	8,382
Equity			
Issued capital	20	28,894	28,894
Reserves	21	(721)	(468)
Accumulated losses	22	(19,334)	(19,972)
Equity attributable to the owners of Adcorp Australia Limited		8,839	8,454
Non-controlling interest	23	(145)	(72)
Total equity		8,694	8,382

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 2012

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

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

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 2012

	Note	Consolidated 2012 $'000	2011 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		198,928	171,686
Payments to suppliers (inclusive of GST)		(195,789)	(169,898)
		3,139	1,788
Interest received		259	259
Interest and other finance costs paid		(8)	(86)
Income taxes paid		(1,133)	(950)
Net cash from operating activities	36	2,257	1,011
Cash flows from investing activities			
Payments for property, plant and equipment	12	(1,831)	(752)
Payments for intangibles	13	(383)	(292)
Payments for security deposits		-	(7)
Proceeds from sale of property, plant and equipment		202	36
Proceeds from sale of intangibles		3	9
Proceeds from release of security deposits		7	-
Net cash used in investing activities		(2,002)	(1,006)
Cash flows from financing activities			
Dividends paid	24	(1,214)	(607)
Net cash used in financing activities		(1,214)	(607)
Net decrease in cash and cash equivalents		(959)	(602)
Cash and cash equivalents at the beginning of the financial year		10,273	10,875
Cash and cash equivalents at the end of the financial year	8	9,314	10,273

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

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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

AASB 2009-12 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2009-12 from 1 July 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which had no major impact on the requirements of the amended pronouncements. The main amendment was to AASB 8 'Operating Segments' and required an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

AASB 2010-5 Amendments to Australian Accounting Standards
The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)
The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets
The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

AASB 1054 Australian Additional Disclosures
The consolidated entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

Note 1. Significant accounting policies (continued)

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

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-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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

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

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adcorp Australia Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Adcorp Australia Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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.

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 1. Significant accounting policies (continued)

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. The company has a trade credit policy in place at 30 June 2012.

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.

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

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

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

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangibles are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Where an entity or operation is acquired in a business combination, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of the acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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

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

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and not discounted. The amounts are unsecured and are usually paid within 30 days of recognition except for media creditors who are on 45 day terms. Other payables have repayment terms of less than 12 months.

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

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

Note 1. Significant accounting policies (continued)

Employee benefits

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Issued capital
Ordinary shares are classified as equity.

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

Earnings per share

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

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

Note 1. Significant accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2012. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity’s own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. With the proposed deferral of the adoption date being considered by the AASB, the consolidated entity anticipates adoption from 1 July 2015.

AASB 2010-8 Amendments to Australian Accounting Standards- Deferred Tax: Recovery of Underlying Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The consolidated entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

Note 1. Significant accounting policies (continued)

AASB 10 Consolidated Financial Statements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee’s returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 may have an impact where the consolidated entity has a holding of less than 50% in an entity, has de facto control, and is not currently consolidating that entity.

AASB 11 Joint Arrangements
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities
This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirement associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
These standards are applicable to annual reporting periods beginning on or after 1 January 2013. They have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12. The adoption of these revised standards from 1 July 2013 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The amendments also change the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months and will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of the revised standard from 1 July 2013 is expected to reduce the reported annual leave liability and increase disclosures of the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the consolidated entity.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11, AASB 12 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income
These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the consolidated entity’s presentation of its statement of comprehensive income.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of comprehensive information requirements when an entity provides a third balance sheet in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; AASB 132 'Financial Instruments: Presentation' Clarification of the tax effect of distributions to holders of an equity instrument is recognised in the income statement; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions
The consolidated entity operates equity-settled share-based remuneration plans for its employees. None of the consolidated entity's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employee's services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense resognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

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

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

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

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

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

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

Note 3. Operating segments

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

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

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

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

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

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

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

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

Income tax expense
Income tax expense is calculated based on the segment operating profit using a notional 30% rate (2011: 30%).

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

Note 3. Operating segments (continued)

Operating segment information

2012	Australia $'000	New Zealand $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Revenue				
Sales to external customers	25,202	2,773	-	27,975
Total sales revenue	25,202	2,773	-	27,975
Other revenue	589	42	-	631
Total revenue	25,791	2,815	-	28,606
EBITDA *	2,519	281	-	2,800
Depreciation and amortisation				(892)
Interest revenue				259
Finance costs				(8)
Profit before income tax expense				2,159
Income tax expense				(670)
Profit after income tax expense				1,489
Assets				
Segment assets	28,562	4,752	-	33,314
Unallocated assets:				
Deferred tax asset				583
Total assets				33,897
Liabilities				
Segment liabilities	23,825	1,366	-	25,191
Unallocated liabilities:				
Deferred tax liability				12
Total liabilities				25,203

Note 3. Operating segments (continued)

2011	Australia $'000	New Zealand $'000	Intersegment eliminations/ unallocated $'000	Consolidated $'000
Revenue				
Sales to external customers	26,092	3,085	-	29,177
Total sales revenue	26,092	3,085	-	29,177
Other revenue	475	42	(164)	353
Total revenue	26,567	3,127	(164)	29,530
EBITDA *	2,459	417	(115)	2,761
Depreciation and amortisation				(735)
Impairment of assets				(5)
Interest revenue				259
Finance costs				(86)
Other non-cash expenses				11
Profit before income tax expense				2,205
Income tax expense				(935)
Profit after income tax expense				1,270
Assets				
Segment assets	38,853	4,584	130	43,567
Unallocated assets:				
Deferred tax asset				1,283
Total assets				44,850
Liabilities				
Segment liabilities	34,937	1,397	130	36,464
Unallocated liabilities:				
Deferred tax liability				4
Total liabilities				36,468

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

Note 4. Revenue

	Consolidated 2012 $'000	**Consolidated 2011 $'000**
Sales revenue		
Operating revenues	27,975	29,177
Other revenue		
Interest	259	259
Rent	93	89
Other revenue	277	-
	629	348
Revenue	28,604	29,525

Note 5. Other income

	Consolidated 2012 $'000	Consolidated 2011 $'000
Net gain on disposal of property, plant and equipment	2	5

Note 6. Expenses

	Consolidated 2012 $'000	Consolidated 2011 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Office equipment	229	147
Plant and equipment	356	202
Total depreciation	585	349
Amortisation		
Software licences	307	332
Customer lists	-	54
Total amortisation	307	386
Total depreciation and amortisation	892	735
Impairment		
Office equipment	-	5
Finance costs		
Bank loans and overdrafts	8	86
Net foreign exchange loss		
Net foreign exchange loss	-	17
Rental expense relating to operating leases		
Minimum lease payments	2,373	2,187
Superannuation expense		
Defined contribution superannuation expense	1,175	1,185
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	17,463	14,346
Bad debt expense		
Bad debt expense	36	193

Note 7. Income tax expense

	Consolidated 2012 $'000	Consolidated 2011 $'000
Income tax expense		
Current tax	84	946
Deferred tax - origination and reversal of temporary differences	586	(48)
Adjustment recognised for prior periods	-	37
Aggregate income tax expense	670	935
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 14)	578	(19)
Increase/(decrease) in deferred tax liabilities (note 18)	8	(29)
Deferred tax - origination and reversal of temporary differences	586	(48)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	2,159	2,205
Tax at the statutory tax rate of 30%	648	662
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Derecognition of Andrews losses	88	127
Expenditure non-deductible for tax purposes	11	33
Non-assessable items	(77)	76
	670	898
Adjustment recognised for prior periods	-	37
Income tax expense	670	935
Amounts charged directly to equity		
Deferred tax assets (note 14)	122	-

Note 8. Current assets - cash and cash equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash at bank	9,314	10,273

Note 9. Current assets - trade and other receivables

	Consolidated	
	2012	2011
	$'000	$'000
Trade receivables	17,228	28,043
Less: Provision for impairment of receivables	(291)	(510)
	16,937	27,533
Other receivables	371	1,024
	17,308	28,557

Impairment of receivables
The consolidated entity has recognised a net gain of $219,000 (2011: $9,000) in respect of doubtful debt provision for the year ended 30 June 2012.

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

	Consolidated	
	2012	2011
	$'000	$'000
Over 3 months overdue	291	510

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

	Consolidated	
	2012	2011
	$'000	$'000
Opening balance	510	519
Additional provisions recognised	21	184
Receivables written off during the year as uncollectable	(240)	(193)
Closing balance	291	510

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $5,967,000 as at 30 June 2012 ($11,449,000 as at 30 June 2011).

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

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

	Consolidated	
	2012	2011
	$'000	$'000
1 to 3 months overdue	5,372	9,123
Over 3 months overdue	595	2,326
	5,967	11,449

Note 10. Current assets - income tax refund due

	Consolidated 2012 $'000	Consolidated 2011 $'000
Income tax refund due	812	65

Note 11. Current assets - other

	Consolidated 2012 $'000	Consolidated 2011 $'000
Prepayments	252	161
Security deposits	-	7
	252	168

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
Office equipment - at cost	2,502	1,955
Less: Accumulated depreciation	(1,431)	(1,224)
Less: Impairment	(337)	(337)
	734	394
Plant and equipment - at cost	4,750	3,793
Less: Accumulated depreciation	(2,673)	(2,425)
Less: Impairment	(412)	(412)
	1,665	956
	2,399	1,350

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

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

	Office equipment $'000	Plant and equipment $'000	Total $'000
Consolidated			
Balance at 1 July 2010	284	673	957
Additions	247	505	752
Disposals	(21)	(10)	(31)
Exchange differences	36	(10)	26
Impairment of assets	(5)	-	(5)
Depreciation expense	(147)	(202)	(349)
Balance at 30 June 2011	394	956	1,350
Additions	603	1,228	1,831
Disposals	(28)	(172)	(200)
Exchange differences	(6)	9	3
Depreciation expense	(229)	(356)	(585)
Balance at 30 June 2012	734	1,665	2,399

Note 13. Non-current assets - intangibles

	Consolidated	
	2012 $'000	**2011 $'000**
Goodwill - at cost	10,465	10,443
Less: Impairment	(7,555)	(7,555)
	2,910	2,888
Software licences - at cost	2,715	2,278
Less: Accumulated amortisation	(2,274)	(1,890)
Less: Impairment	(122)	(122)
	319	266
Customer lists - at cost	133	133
Less: Accumulated amortisation	(133)	(133)
	-	-
	3,229	3,154

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

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

	Goodwill $'000	Software licences $'000	Customer list $'000	Total $'000
Consolidated				
Balance at 1 July 2010	2,967	309	54	3,330
Additions	-	292	-	292
Disposals	-	(9)	-	(9)
Revaluation increments	-	10	-	10
Exchange differences	(79)	(4)	-	(83)
Amortisation expense	-	(332)	(54)	(386)
Balance at 30 June 2011	2,888	266	-	3,154
Additions	22	361	-	383
Disposals	-	(3)	-	(3)
Exchange differences	-	2	-	2
Amortisation expense	-	(307)	-	(307)
Balance at 30 June 2012	2,910	319	-	3,229

Goodwill acquired through business combinations is allocated to cash generating units for impairment testing by office location. The recoverable amount is determined based on value-in-use calculations using a discounted cash flow model with an adjusted Weighted Average Cost of Capital ('WACC') discount rate. The cash flow projections are based on budgets approved by the Board for the year ending 30 June 2013 plus four years of extrapolated results plus a terminal value. The average revenue growth rate is approximately 2.5% (2011: 3.6%) per annum. The discount rate applied to cash flows is approximately 22% (2011: 20%).

A range of scenarios has been applied to test the sensitivity of the figures used to evaluate future sustainable cash flows in the cash generating units. Using financial year 30 June 2013 budgets for these CGU's at 2.5% (2011: 6%) growth in future years, and a conservative WACC of 22% (2011: 23%), no impairment indicators exist.

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

	Consolidated	
	2012 $'000	**2011 $'000**
Victoria	358	358
Queensland	785	785
New Zealand	1,767	1,745
	2,910	2,888

Note 14. Non-current assets - deferred tax

	Consolidated	
	2012	2011
	$'000	$'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	86	141
Employee benefits	363	358
Other provisions	134	784
Deferred tax asset	583	1,283
Movements:		
Opening balance	1,283	1,264
Credited/(charged) to profit or loss (note 7)	(578)	19
Charged to equity	(122)	-
Closing balance	583	1,283

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2012	2011
	$'000	$'000
Trade payables	20,174	27,304
Other payables	3,192	7,215
	23,366	34,519

Refer to note 25 for further information on financial instruments.

Note 16. Current liabilities - income tax

	Consolidated	
	2012	2011
	$'000	$'000
Provision for income tax	-	424

Note 17. Current liabilities - provisions

	Consolidated 2012 $'000	Consolidated 2011 $'000
Employee benefits	1,100	853
Decommissioning	92	45
	1,192	898

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

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

	Decom-missioning $'000
Consolidated - 2012	
Carrying amount at the start of the year	45
Additional provisions recognised	47
Carrying amount at the end of the year	92

Note 18. Non-current liabilities - deferred tax

	Consolidated 2012 $'000	Consolidated 2011 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Other	12	4
Deferred tax liability	12	4
Movements:		
Opening balance	4	33
Charged/(credited) to profit or loss (note 7)	8	(29)
Closing balance	12	4

Note 19. Non-current liabilities - provisions

	Consolidated	
	2012	2011
	$'000	$'000
Employee benefits	266	344
Decommissioning	367	279
	633	623

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

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

	Decom-missioning $'000
Consolidated - 2012	
Carrying amount at the start of the year	279
Additional provisions recognised	88
Carrying amount at the end of the year	367

Note 20. Equity - issued capital

	Consolidated		Consolidated	
	2012	2011	2012	2011
	Shares	Shares	$'000	$'000
Ordinary shares - fully paid	60,676,602	60,676,602	28,894	28,894

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

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

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

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

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

Note 21. Equity - reserves

	Consolidated 2012 $'000	Consolidated 2011 $'000
Foreign currency reserve	(721)	(758)
Employee equity benefits reserve	-	290
	(721)	(468)

	Foreign currency $'000	Employee equity benefits $'000	Total $'000
Consolidated			
Balance at 1 July 2010	(588)	290	(298)
Foreign currency translation	(170)	-	(170)
Balance at 30 June 2011	(758)	290	(468)
Foreign currency translation	37	-	37
Transfer to accumulated losses	-	(290)	(290)
Balance at 30 June 2012	(721)	-	(721)

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

Employee equity benefit reserve
The employee share option and share plan reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration. These plans are detailed in note 37.

Note 22. Equity - accumulated losses

	Consolidated 2012 $'000	Consolidated 2011 $'000
Accumulated losses at the beginning of the financial year	(19,972)	(20,757)
Profit after income tax expense for the year	1,562	1,392
Dividends paid (note 24)	(1,214)	(607)
Transfer from employee equity benefits reserve	290	-
Accumulated losses at the end of the financial year	(19,334)	(19,972)

Note 23. Equity - non-controlling interest

	Consolidated 2012 $'000	Consolidated 2011 $'000
Contributed equity	202	202
Reserves	32	32
Accumulated losses	(379)	(306)
	(145)	(72)

The non-controlling interest has 25% (2011: 25%) equity holdings in Andrews Advertising Pty Limited and Quadrant Creative Pty Limited.

Note 24. Equity - dividends

Dividends

	Consolidated 2012 $'000	Consolidated 2011 $'000
Final dividend for the year ended 30 June 2011 of 1 cent per ordinary share paid on 28 September 2011	607	-
Interim dividend for the year ended 30 June 2012 (2011: 30 June 2011) of 1 cent (2011: 1 cent) per ordinary share paid on 31 March 2012 (2011: 31 March 2011)	607	607
	1,214	607

On 31 August 2012 the directors declared a final dividend for the year ended 30 June 2012 of 0.75 cents per ordinary share to be paid on 28 September 2012. As the dividend is fully franked, there are no income tax consequences for the owners of Adcorp Australia Limited relating to this dividend.

Franking credits

	Consolidated 2012 $'000	Consolidated 2011 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	5,835	6,070

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

Note 25. Financial instruments

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

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

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

Market risk

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

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

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

	Assets		Liabilities	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Consolidated				
US dollars	-	-	38	72
Euros	-	-	1	-
Pound Sterling	-	-	73	41
New Zealand dollars	4,752	1,164	1,377	2
Canadian dollars	-	-	3	9
South African Rand	-	-	6	8
Singapore dollars	-	-	12	17
Hong Kong dollars	-	-	1	-
Soloman Island dollars	-	-	-	1
	4,752	1,164	1,511	150

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

Note 25. Financial instruments (continued)

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

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

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

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

	2012		2011	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Consolidated				
Cash at bank	3.08	9,314	3.90	10,273
Net exposure to cash flow interest rate risk		9,314		10,273

An analysis by remaining contractual maturities in shown in 'remaining contractual maturity' section below

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

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

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

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

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

As at 30 June 2012, the consolidated entity had a commercial bill facility of $4 million (2011: $6 million) with the ANZ Banking Corporation for working capital purposes, but had no bills outstanding and continues to generate positive operating cash flows.

Due to current levels of working capital and ongoing improvements in trade receivables and collections, the company has reduced its commercial bill facility and will realise considerable savings as a result.

Note 25. 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 - 2012	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	20,174	-	-	-	20,174
Other payables	-	3,192	-	-	-	3,192
Total non-derivatives		23,366	-	-	-	23,366

Consolidated - 2011	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	27,304	-	-	-	27,304
Other payables	-	7,215	-	-	-	7,215
Total non-derivatives		34,519	-	-	-	34,519

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

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

Note 26. Key management personnel disclosures

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

Bob Campbell	Non-Executive Chairman
Ian Rodwell	Non-Executive Director
David Morrison	Executive Director and Chief Executive Officer

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

Craig McMenamin	Chief Financial Officer and Company Secretary

Note 26. Key management personnel disclosures (continued)

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

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	690,464	665,903
Post-employment benefits	41,630	42,167
Termination benefits	-	121,095
	732,094	829,165

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

2012	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	21,716,127	-	1,306,235	-	23,022,362
Craig McMenamin	2,900	-	-	-	2,900
David Morrison	-	-	170,000	-	170,000
	21,719,027	-	1,476,235	-	23,195,262

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

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

2012	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
David Morrison	150,000	-	-	(150,000)	-
Craig McMenamin	200,000	-	-	(100,000)	100,000
	350,000	-	-	(250,000)	100,000

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

Note 26. Key management personnel disclosures (continued)

2011	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
David Morrison	150,000	-	-	-	150,000
Matthew Mellor *	200,000	-	-	(200,000)	-
Craig McMenamin	200,000	-	-	-	200,000
	550,000	-	-	(200,000)	350,000

* Expired/forfeited/other represents individual no longer being a key management personnel not necessarily expiry/forfeiture/other

2011	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
Options over ordinary shares			
David Morrison	-	150,000	150,000
Craig McMenamin	100,000	-	100,000
	100,000	150,000	250,000

Related party transactions
Related party transactions are set out in note 31.

Note 27. Remuneration of auditors

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

	Consolidated	
	2012	**2011**
	$	**$**
Audit services - Grant Thornton Audit Pty Ltd (2011: Ernst & Young)		
Audit or review of the financial statements	110,000	255,589
Other services - Grant Thornton Audit Pty Ltd (2011: Ernst & Young)		
Taxation compliance	37,000	30,000
Other advisory	10,000	-
	47,000	30,000
	157,000	285,589
Audit services - related practices		
Audit or review of the financial statements	27,500	-

Note 28. Contingent assets

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

Note 29. Contingent liabilities

The consolidated entity has various guarantees over premises.

	Consolidated	
	2012 $'000	2011 $'000
Premises	1,310	1,276

During the year, the Australian Taxation Office ('ATO') conducted a desktop review of Adcorp's GST and BAS submissions and has subsequently conducted a full audit of the company's GST transactions. Adcorp has lodged all necessary reconciliations and workings with the ATO, however as at the reporting date the matter has not been finalised. The directors believe there is no obligation to pay any material amount in respect of this matter and therefore do not expect any material adverse financial impact on the company.

Note 30. Commitments

	Consolidated	
	2012 $'000	2011 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	2,629	2,557
One to five years	6,617	7,168
More than five years	-	142
	9,246	9,867

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 two properties. The future minimum sub-lease payments expected to be received is $348,000 (2011: $93,000) within one year and $792,000 (2011: $121,000) between one to five years.

Note 31. Related party transactions

Parent entity
Adcorp Australia Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 33.

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

Note 31. Related party transactions (continued)

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

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

Note 32. Parent entity information

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

Statement of comprehensive income

	Parent	
	2012	**2011**
	$'000	**$'000**
Profit after income tax	1,916	1,095
Total comprehensive income	1,916	1,095

Statement of financial position

	Parent	
	2012	**2011**
	$'000	**$'000**
Total current assets	39,866	47,198
Total assets	43,747	50,342
Total current liabilities	34,074	41,861
Total liabilities	34,952	42,249
Equity		
Issued capital	28,894	28,894
Employee equity benefits reserve	-	290
Accumulated losses	(20,099)	(21,091)
Total equity	8,795	8,093

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2012 and 30 June 2011.

Contingent liabilities

	Parent	
	2012	**2011**
	$'000	**$'000**
Bank guarantees	882	750

Lease commitments
The parent entity had lease commitments of $6,412,000 (2011: $6,254,000) at 30 June 2012.

Note 32. Parent entity information (continued)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2012 and 30 June 2011.

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

- Investments in subsidiaries are accounted for at cost, less any impairment. Impairment is based on value in use calculation using cash flow projections based on budgets approved by the Board for the year ending 30 June 2013 plus a further four years of forecast results plus a terminal value.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.
- Management fees are charged to subsidiaries to recover costs of functions performed by the head office. Revenue is recognised as earned.

Note 33. Subsidiaries

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

		Equity holding	
	Country of	2012	2011
Name of entity	**incorporation**	**%**	**%**
Adcorp Australia (Vic) Pty Ltd	Australia	100.00	100.00
Adcorp Australia (Qld) Pty Ltd	Australia	100.00	100.00
R&L Advertising Pty Ltd	Australia	100.00	100.00
Adcorp D&D Pty Ltd	Australia	100.00	100.00
Austpac Media Pty Ltd *	Australia	100.00	100.00
Adcorp SWA Pty Ltd *	Australia	100.00	100.00
Donald & Donald (Victoria) Pty Ltd *	Australia	100.00	100.00
Nancarrow Marketing Company Pty Ltd	Australia	100.00	100.00
Adcorp New Zealand Limited	New Zealand	100.00	100.00
Adcorp Technologies Pty Limited	Australia	100.00	100.00
Employment Opportunities in Australia Pty Ltd	Australia	100.00	100.00
Andrews Advertising Pty Ltd	Australia	75.00	75.00
Quadrant Creative Pty Ltd	Australia	75.00	75.00

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

Note 34. Deed of cross guarantee

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

Adcorp Australia Limited
Adcorp Australia (Vic) Pty Ltd
Adcorp Australia (Qld) Pty Ltd
Adcorp D&D Pty Ltd

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

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

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

Statement of comprehensive income	**2012 $'000**	**2011 $'000**
Revenue	24,324	23,691
Other income	475	293
Client service expenses	(14,628)	(14,858)
Administrative expenses	(927)	(938)
Marketing expenses	(1,052)	(1,518)
Office and communication expenses	(4,287)	(3,851)
Finance costs	(7)	(81)
Profit before income tax expense	3,898	2,738
Income tax expense	(852)	(498)
Profit after income tax expense	3,046	2,240
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	3,046	2,240

Note 34. Deed of cross guarantee (continued)

Statement of financial position	2012 $'000	2011 $'000
Current assets		
Cash and cash equivalents	7,947	8,810
Trade and other receivables	17,402	25,933
Other	149	116
	25,498	34,859
Non-current assets		
Other financial assets	10,635	10,135
Property, plant and equipment	2,004	992
Intangibles	292	255
Deferred tax	721	1,041
	13,652	12,423
Total assets	39,150	47,282
Current liabilities		
Trade and other payables	21,744	31,545
Income tax	(460)	48
Provisions	3,074	3,372
	24,358	34,965
Non-current liabilities		
Deferred tax	161	36
Provisions	1,031	431
	1,192	467
Total liabilities	25,550	35,432
Net assets	13,600	11,850
Equity		
Issued capital	28,894	28,894
Reserves	-	290
Accumulated losses	(15,294)	(17,334)
Total equity	13,600	11,850

Note 35. Events after the reporting period

Apart from the dividend declared as disclosed in note 24, no other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 36. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2012 $'000	Consolidated 2011 $'000
Profit after income tax expense for the year	1,489	1,270
Adjustments for:		
Depreciation and amortisation	892	735
Net gain on disposal of property, plant and equipment	(2)	(5)
Foreign exchange differences	32	(123)
Impairment of assets	-	5
Change in operating assets and liabilities:		
Decrease in trade and other receivables	11,249	768
Decrease/(increase) in income tax refund due	(747)	80
Decrease/(increase) in deferred tax assets	700	(19)
Increase in prepayments	(91)	(11)
Decrease in trade and other payables	(11,153)	(1,679)
Decrease in provision for income tax	(424)	(47)
Increase/(decrease) in deferred tax liabilities	8	(29)
Increase in employee benefits	169	53
Increase in other provisions	135	13
Net cash from operating activities	2,257	1,011

Note 37. Earnings per share

	Consolidated 2012 $'000	Consolidated 2011 $'000
Profit after income tax	1,489	1,270
Non-controlling interest	73	122
Profit after income tax attributable to the owners of Adcorp Australia Limited	1,562	1,392
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	60,676,602	60,676,602
Weighted average number of ordinary shares used in calculating diluted earnings per share	60,676,602	60,676,602
	Cents	**Cents**
Basic earnings per share	2.57	2.29
Diluted earnings per share	2.57	2.29

100,000 options (2011: 350,000) are not included in the calculation of diluted earnings per share due to the exercise price exceeding the average share price throughout the year.

Note 38. Share-based payments

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

Options issued under the ESOP will vest as follows:
i) on the second anniversary of the grant date - 30% of the options granted;
ii) on the third anniversary of the grant date - a further 30% of the options granted; and
iii) on the fourth anniversary of the grant date - the remaining 40% of the options granted.

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

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

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

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

2012

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

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/07	30/06/12	$0.39	550,000	-	-	(300,000)	250,000
01/07/08	30/06/13	$0.40	100,000	-	-	-	100,000
			650,000	-	-	(300,000)	350,000

Adcorp Australia Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 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 34 to the financial statements.

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

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

On behalf of the directors

David Morrison	Bob Campbell
Director and Chief Executive Officer	Chairman

31 August 2012
Sydney

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

Report on the financial report

We have audited the accompanying financial report of Adcorp Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors responsibility for the financial report

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Adcorp Australia Limited is in accordance with the Corporations Act 2001, including:

 i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

 ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 4 to 9 of the directors' report for the year ended 30 June 2012. 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.

Grant Thornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Adcorp Australia Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 31 August 2012

Adcorp Australia Limited
Shareholder information
30 June 2012

The shareholder information set out below was applicable as at 15 August 2012.

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	158
1,001 to 5,000	365
5,001 to 10,000	162
10,001 to 100,000	309
100,001 and over	53
	1,047
Holding less than a marketable parcel	326

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
Sovote Pty Ltd <Rodwell (New Millennium) A/C>	23,022,362	37.94
HSBC Custody Nominees (Australia) Limited	7,390,399	12.18
Mr Victor John Plummer	5,312,343	8.76
Mr Frederick Benjamin Warmbrand <FB & LJ Warmbrand Super A/C>	937,345	1.54
Mr Richard Mews + Mrs Wee Khoon Mews <Mews Super Fund A/C>	756,832	1.25
K B J Investments Pty Ltd <Jarry Family Super Fund A/C>	500,000	0.82
Mark S Campbell Pty Ltd <Mark Campbell Prov Fund A/C>	489,901	0.81
Lozotu Pty Limited <Superannuation Fund A/C>	480,753	0.79
Mrs Lilian Jeanette Warmbrand	460,000	0.76
Mr John Maxwell Inglis + Mrs Bernadette Joan Inglis	400,000	0.66
Yaffa Syndicate Pty Limited	390,000	0.64
Gemac Investments Pty Ltd	378,000	0.62
Teedon Pty Ltd <Donohue Group S/F A/C>	371,320	0.61
Mrs Nelly Michelle Cunningham	358,950	0.59
Lozotu Pty Limited	314,011	0.52
Mr Edward Marian Czarnocki	300,000	0.49
Miralanco Investments Pty Ltd	300,000	0.49
Mr Peter Russell Simpson <Simpson S/F A/C>	300,000	0.49
Belabula Consolidated Pty Ltd	280,270	0.46
Bond Street Custodians Limited <Drayne - I20149 A/C>	275,000	0.45
	43,017,486	70.87

Unquoted equity securities
There are no unquoted equity securities.

Adcorp Australia Limited
Shareholder information
30 June 2012

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Sovote Pty Ltd <Rodwell (New Millennium) A/C>	23,022,362	37.94
HSBC Custody Nominees (Australia) Limited	7,390,399	12.18
Mr Victor John Plummer	5,312,343	8.76

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.