Adcorp Australia Limited

ABN 72 002 208 915

Annual Report - 30 June 2014

Directors	Ian Rodwell David Morrison Garry Lemair Dean Capobianco
Company secretary	Craig McMenamin
Notice of annual general meeting	The annual general meeting of Adcorp Australia Limited will be held at: Level 1 7 Kelly Street Ultimo NSW 2007 at 12:00pm on Friday 28 November 2014
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	www.adcorp.com.au

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 at the end of, or during, the year ended 30 June 2014.

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

Ian Rodwell
David Morrison
Garry Lemair (appointed on 1 July 2013)
Dean Capobianco (appointed on 1 July 2013)

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.
- Video production and marketing solutions

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2014	2013
	$'000	$'000
Final dividend for the year ended 30 June 2012 of 0.75 cents per ordinary share	-	455

No dividends are proposed for the current financial year ending 30 June 2014.

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $2,608,000 (30 June 2013: $6,892,000).

Adcorp continued to be affected by decreasing advertising revenues however our cost cutting and efficiency initiatives have resulted in a lower rate of operating loss in the second half.

Annual billings declined by 13.9% from $99,565,000 to $85,728,000. This is a slower rate of decline than the prior year in which billings dropped by 32.8% from $148,162,000 to $99,565,000. The reduction in the current financial year included material decreases in WA Government spend, the expiry of the NSW Government media placement contract in August 2013, plus reductions in mining, automotive and recruitment spend. Conversely, we saw solid growth in activity for the commercial property sector and added several large new client accounts in consumer goods and retail.

Revenue in the twelve months to 30 June 2014 was $18,535,000, 11% down on the $20,885,000 in the prior financial year. Cost cutting initiatives reduced our expense base (before impairment, finance costs and losses in associates) by 12% from $24,224,000 in the prior financial year, to $21,286,000 in the financial year to 30 June 2014.

Operating Revenue margin (excluding interest and rent income) lifted from 20.7% in the prior financial year, to 21.5% in the current year, with growth in digital project work. Further revenue growth in television production and creative projects also contributed to the improved margin however we continued to experience a decrease in traditional print media activity, particularly from our Government contracts.

We continued to reduce expenses during the year to mitigate decreased revenues. Our second half operating overheads of $10.251m were down $784,000 from $11,035,000 in the 6 months to 31 December 2013. The full year operating overheads (before impairment, finance costs and losses in associates) of $21,286,000 were down $2,938,000 on the prior year’s $24,224,000, largely as a result of rationalising our labour costs (down $2,203,000 (13%) from $16,780,000 in the prior financial year to $14,577,000 in the current year.)

We continued to rigorously review all costs across the business, securing additional savings in Office and Communications expenses including premises, equipment and software licensing costs, down $454,000 (9%) from $5,073,000 in the prior year.

We also continued to apply our internal expense policies rigidly across the business, generating further savings in our Marketing expense category which includes travel, promotions, office supplies and postage. This category also includes doubtful debts expense which has been further reduced in the current year as we centralised our debtors function and continue to proactively manage billings and collections. Total spend in the Marketing expenses category is down by $375,000 (31%) from $1,219,000 in the prior year.

Our administrative expense increased by $94,000 over the prior year's $1,152,000; largely a result of the legal fees incurred in the prosecution of a former executive of Andrews Advertising Pty Ltd. The company was successful in this case, with damages and costs awarded in favour of Andrews Advertising Pty Ltd and we have commenced recovery actions against Dean Andrews and related defendants.

During the year we implemented a new timekeeping and campaign quoting system across Australia and New Zealand, improving traffic management and utilisation of our studio resources which in turn, has improved return on billable resources.

In Australia we completed the consolidation of our traditional media services and will continue to seek efficiencies through this pillar which remains a core element of our service offering. We have managed the delicate balance of traditional media decline, with continued support and resourcing of our key client accounts where traditional media remains core to their strategy; plus we are building momentum and resource around new media opportunities.

We managed costs decisively in our government pillars to mitigate reduced government spend during the year, yet we were credited with delivering a consistent high quality service to our Government clients under these respective contracts, stemming the losses and improving returns. During the period we were awarded extensions of our WA Government and NT Government contract and in association with Mitchell & Partners, the Mitchells Adcorp Alliance was awarded the new Australian Government Master Media Services contract in April 2014 that commenced on 1 July 2014. Under the new agreement, Mitchell & Partners is the principal contractor with Adcorp the sub-contractor.

Adcorp New Zealand recovered from the losses of the prior year to deliver a profit in the twelve months to June 2014. We exceeded our New Zealand business development targets for the year to 30 June 2014 and grew our revenue and margins. In addition we reduced costs; largely in labour and office and communications overheads.

We continued to invest in growth areas of the business including our Television and Video Production business, Showrunner Productions Pty Ltd. The company completed production of our first international television series; "72 Dangerous Animals Australia" which is being distributed by ABC Commercial globally and commenced screening on the National Geographic subscription channel in Australia during September. A number of other productions are currently in development and we are working with a range of distributors on program development.

We have also commenced evaluation of our business banking and financing requirements into FY2015 and beyond, in order to replace our current bank overdraft facility with a facility more appropriate to the needs of the business. With our robust billings and debtors processes, we consider debtor financing as a suitable alternative to bank overdraft facilities and we have signed an indicative agreement with a preferred provider of debtor financing, who is currently conducting pre-implementation reviews.

Subsequent to the year-end in June 2014, we implemented our Business Plan for 2015, boosting our Sales and Marketing capacity with the re-organisation of the executive team to focus on growth. In August 2014, we appointed an Executive Director, Sales & Marketing with a focus on developing our East Coast business and CEO David Morrison is focusing on growth of our Digital, Video Production and Government pillars and the growth of our Western Australian and New Zealand regions. Chairman Ian Rodwell, will also assume a part time executive role to assist with the transition and to drive the ongoing changes planned for the business to evolve into a diversified media company.

We are confident that these changes will re-focus the business on growth of market share and development of new market sectors and innovative service offerings for our clients, with the aim of returning the business to profitability in 2015. We extend our thanks to all our team at Adcorp, for their dedication and efforts towards achieving these goals.

Significant changes in the state of affairs
On 28 August 2013, the consolidated entity received notification that it has not been successful in retaining the NSW Government Media Placement and Typesetting services contract. The media placement and typesetting contract with NSW Government concluded at the end of September 2013, and the business commenced additional restructuring during September to transition out of the contract.

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

The Contract with the Northern territory Government for interstate and international advertising was due to expire in October 2013 however was extended until 28 February 2015.

In March 2014, the company's wholly owned subsidiary, Showrunner Productions Pty Ltd, signed a significant distribution agreement with Escapade Media to co-produce a new series for international distribution. This followed Showrunner's major signing earlier in the year with ABC Commercial, for the series "72 Dangerous Animals Australia" which screens in September 2014.

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

Matters subsequent to the end of the financial year
On 1 July 2014 Adcorp, in association with Dentsu owned Mitchell and Partners, commenced the new Australian Government Master Media Agency Services contract. The contract runs for an initial period of four years with extension options available to the Government after that period. The contract brings together combined expertise of both Adcorp and Mitchells and further strengthens Adcorp's expertise in government communications.

In August 2014 Adcorp commenced discussions with a provider of trade debtor financing in order to replace the ANZ overdraft facility. We have signed an indicative agreement and are currently conducting pre-implementation reviews. Further details of this are in Note 1 and Note 27 to the accounts.

Refer to Directors review of operations and going concern in note 1 for the restructuring changes and executive team focus to deliver growth into FY15 and beyond.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

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

The changes we have made in our executive team and our business overall, will deliver these solutions and position the business for growth.

Our objective is to return the company to profit in Fiscal 2015 and we extend a sincere thank you to all our Adcorp team for their tireless efforts in the past year and in the forthcoming year to help us achieve these goals.

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

Information on directors

Name:	Ian Rodwell
Title:	Non-Executive Chairman *
Qualifications:	BCom
Experience and expertise:	Ian Rodwell is the founder of the Adcorp Group and held the position of Managing Director from Adcorp's inception until his retirement in January 2004. In August 2014 Ian Rodwell assumed the role of part time Executive Chairman in line with the Executive Team focus on growth and business development as outlined in the Review of Operations above. 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 (last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee and Chairman of the Remuneration and Nomination Committee (* In August 2014 Ian Rodwell assumed the role of part time Executive Chairman in line with the Executive Team focus on growth and business development as outlined in the Review of Operations above.)
Interests in shares:	23,022,362 ordinary shares
Interests in options:	None

Name:	David Morrison
Title:	Executive Director and Chief Executive Officer
Qualifications:	B Bus (Hons)
Experience and expertise:	David Morrison has a wealth of advertising industry experience, most recently as the Head of Business for Adcorp's WA, SA and NT markets. In just over 7 years, David managed to near triple Adcorp's WA operation (by billings) and has been instrumental in Adcorp's appointment to a number of key accounts. He was appointed by the Board to the role of Chief Executive Officer in March 2011.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,223,671 ordinary shares
Interests in options:	None

Name:	Garry Lemair (appointed on 1 July 2013)
Title:	Non-Executive Director
Qualifications:	BComm, FAICD
Experience and expertise:	Garry Lemair is an experienced executive with a strong track record in leadership, having successfully worked with major global entities in a number of senior positions and directorships in Australia, Asia Pacific, Europe, USA and Africa. Garry has held senior roles with Citibank, Diners Club International, KFC-PepsiCo, Fluor Daniels and Taubmans/Courtaulds. Garry is currently the Chairman of Web Profits a leading online marketing company, Chairman of Telegate a voice over internet protocol ('VOIP') service provider and cloud telecommunication specialists and Chairman of an executive search and recruitment company Grenada International.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

Name:	Dean Capobianco (appointed on 1 July 2013)
Title:	Non-Executive Director
Qualifications:	GC Bus.Admin
Experience and expertise:	Dean Capobianco has a wealth of experience in the online media environment having held senior roles with Ninemsn, Yahoo! Search Marketing and most recently as interim Chief Executive Officer with Careerone. Dean is a director of The Trading Desk that is a licensee of China Search International; a paid search reseller for the largest search engine in China, BAIDU.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

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

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

Company secretary

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2014, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Ian Rodwell	12	12	1	2
David Morrison	12	12	1	2
Garry Lemair	12	12	1	2
Dean Capobianco	11	12	-	2

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

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and 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:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

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

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

Alignment to program participants' interests:

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

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

Non-executive directors remuneration

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

Executive remuneration

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

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

Remuneration consists of the following key elements:

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

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

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

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

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

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

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

Use of remuneration consultants
During the financial year ended 30 June 2014, 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 2013 Annual General Meeting ('AGM')
At the last AGM 90% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

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

The key management personnel of the consolidated entity consisted of the directors of Adcorp Australia Limited and the following person:
- Craig McMenamin - Chief Financial Officer and Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2014	Cash salary and fees $	Bonus $	Termination payments $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
G Lemair	15,000	-	-	28,700	-	-	43,700
D Capobianco	43,750	-	-	3,700	-	-	47,450
Executive Directors:							
D Morrison	296,569	-	-	17,666	-	-	314,235
Other Key Management Personnel:							
C McMenamin	218,306	-	-	17,666	-	-	235,972
	573,625	-	-	67,732	-	-	641,357

There is no remuneration disclosed for Ian Rodwell as he waived his directors fees from 1 July 2013.

2013	Short-term benefits: Cash salary and fees $	Short-term benefits: Bonus $	Short-term benefits: Termination payments $	Post-employment benefits: Super-annuation $	Long-term benefits: Long service leave $	Share-based payments: 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	323,530	-	-	16,470	-	-	340,000
Other Key Management Personnel:							
C McMenamin	218,306	-	-	16,470	-	-	234,776
	653,836	-	-	43,020	-	-	696,856

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

Name	Fixed remuneration 2014	Fixed remuneration 2013	At risk - STI 2014	At risk - STI 2013	At risk - LTI 2014	At risk - LTI 2013
Non-Executive Directors:						
B Campbell	-%	100%	-%	-%	-%	-%
I Rodwell	-%	100%	-%	-%	-%	-%
G Lemair	100%	-%	-%	-%	-%	-%
D Capobianco	100%	-%	-%	-%	-%	-%
Executive Directors:						
D Morrison	100%	100%	-%	-%	-%	-%
Other Key Management Personnel:						
C McMenamin	100%	100%	-%	-%	-%	-%

Service agreements

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

Name:	David Morrison
Title:	Executive Director and Chief Executive Officer
Agreement commenced:	21 March 2011
Term of agreement:	No fixed period
Details:	Remuneration package of $340,000 with discretionary indexed CPI increase annually plus short term incentives based on financial performance of the company for the year. (During the year end 30 June 2014, a voluntary salary reduction of $25,765 was in place resulting in a total remuneration of $314,235).

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

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

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

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 2014.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2014.

There were no options over ordinary shares granted to, or vested in, by directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Additional disclosures relating to key management personnel
In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Ian Rodwell	23,022,362	-	-	-	23,022,362
Craig McMenamin	2,900	-	-	-	2,900
David Morrison	623,932	-	599,739	-	1,223,671
	23,649,194	-	599,739	-	24,248,933

This concludes the remuneration report, which has been audited.

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

Shares issued on the exercise of options
There were no ordinary shares of Adcorp Australia Limited issued on the exercise of options during the year ended 30 June 2014 and up to the date of this report.

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

The company paid an insurance premium of $19,397 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

There were no non-audit services provided during the financial year by the auditor.

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

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

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors

David Morrison	Ian Rodwell
Director and Chief Executive Officer	Chairman

30 September 2014
Sydney

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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 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 30 September 2014

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

Principle 1: Lay solid foundations for management and oversight

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

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

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

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

Principle 2: Structure the Board to add value

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

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

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

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

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

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

The company continues to reposition itself for growth in light of weak financial performance in recent years. The Directors Review of Operations outlines the steps taken to refocus the business on growth and this includes the current chairman, Ian Rodwell, assuming a part-time executive chairman role.

Whilst this is inconsistent with the Principles of Good Corporate Governance, it is considered key to our growth plans that directors with deep industry experience and knowledge of the business, are utilised in an executive capacity to enable us to refocus the company.

Principle 3: Promote ethical and responsible decision making

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Efficiency in employment
Employees should carry out their roles in a cost effective and responsible manner. This includes:
- Using the company's property and equipment only for authorised company business;
- Avoiding waste of company resources; and
- Maintaining adequate security over the company's property and resources.

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

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

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

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

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

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

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

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

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

• Women employees in the consolidated entity	63%
• Women in senior management positions	62%
• Women on the board	0%

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

Principle 4: Safeguard integrity in financial reporting

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

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

The Audit Committee consists only of non-executive directors.

The members of the Audit Committee during or since the end of the financial year are:
- Ian Rodwell (Chairman)
- Garry Lemair
- Dean Capobianco

Principle 5: Make timely and balanced disclosure

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

Principle 6: Respect the rights of shareholders

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

Principle 7: Recognise and manage risk

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

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

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

Principle 8: Remunerate fairly and responsibly

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

Directors of the Remuneration and Nomination Committee were Ian Rodwell (Chairman) and Garry Lemair and Dean Capobianco. The Committee meet at least annually. Specific activities include:

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

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

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

Workplace Gender Equality Act 2012 – Reporting

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

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

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

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

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

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

The report is available at www.adcorp.com.au/investors.

Contents

General information

The financial statements cover Adcorp Australia Limited as a consolidated entity consisting of Adcorp Australia Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Adcorp Australia Limited's functional and presentation currency.

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

Level 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 statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2014. The directors have the power to amend and reissue the financial statements.

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Revenue	4	18,535	20,885
Other income	5	13	3
Expenses			
Client service expenses		(14,577)	(16,780)
Administrative expenses		(1,246)	(1,152)
Marketing expenses		(844)	(1,219)
Office and communication expenses		(4,619)	(5,073)
Share of loss of associate		-	(175)
Impairment of assets		-	(3,361)
Finance costs	6	(9)	(13)
Loss before income tax (expense)/benefit		(2,747)	(6,885)
Income tax (expense)/benefit	7	142	(2)
Loss after income tax expense for the year		(2,605)	(6,887)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		199	191
Other comprehensive income for the year, net of tax		199	191
Total comprehensive income for the year		(2,406)	(6,696)
Loss for the year is attributable to:			
Non-controlling interest		3	5
Owners of Adcorp Australia Limited	24	(2,608)	(6,892)
		(2,605)	(6,887)
Total comprehensive income for the year is attributable to:			
Non-controlling interest		3	5
Owners of Adcorp Australia Limited		(2,409)	(6,701)
		(2,406)	(6,696)
		Cents	Cents
Basic earnings per share	41	(4.30)	(11.36)
Diluted earnings per share	41	(4.30)	(11.36)

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

Adcorp Australia Limited
Statement of financial position
As at 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Assets			
Current assets			
Cash and cash equivalents	8	7,102	5,711
Trade and other receivables	9	9,441	12,361
Income tax refund due	10	19	265
Other current assets	11	178	209
Total current assets		16,740	18,546
Non-current assets			
Property, plant and equipment	13	1,203	1,823
Intangibles	14	99	133
Deferred tax	15	907	956
Total non-current assets		2,209	2,912
Total assets		18,949	21,458
Liabilities			
Current liabilities			
Trade and other payables	16	18,204	18,219
Income tax	17	4	-
Provisions	18	873	1,006
Total current liabilities		19,081	19,225
Non-current liabilities			
Deferred tax	19	29	6
Provisions	20	702	684
Total non-current liabilities		731	690
Total liabilities		19,812	19,915
Net assets/(liabilities)		(863)	1,543
Equity			
Issued capital	21	28,894	28,894
Purchased controlling interest reserve	22	(113)	(113)
Reserves	23	(331)	(530)
Accumulated losses	24	(29,289)	(26,681)
Equity/(deficiency) attributable to the owners of Adcorp Australia Limited		(839)	1,570
Non-controlling interest	25	(24)	(27)
Total equity/(deficiency)		(863)	1,543

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 2014

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

Consolidated	Issued capital $'000	Purchased controlling interest reserve $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total deficiency $'000
Balance at 1 July 2013	28,894	(113)	(530)	(26,681)	(27)	1,543
Profit/(loss) after income tax (expense)/benefit for the year	-	-	-	(2,608)	3	(2,605)
Other comprehensive income for the year, net of tax	-	-	199	-	-	199
Total comprehensive income for the year	-	-	199	(2,608)	3	(2,406)
Balance at 30 June 2014	28,894	(113)	(331)	(29,289)	(24)	(863)

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 2014

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		98,061	114,695
Payments to suppliers and employees (inclusive of GST)		(96,683)	(117,271)
		1,378	(2,576)
Interest received		85	128
Interest and other finance costs paid		(9)	(13)
Income taxes refunded		464	194
Net cash from/(used in) operating activities	40	1,918	(2,267)
Cash flows from investing activities			
Payments for investments		-	(175)
Payments for property, plant and equipment	13	(282)	(512)
Payments for intangibles	14	(254)	(205)
Proceeds from sale of property, plant and equipment		9	11
Net cash used in investing activities		(527)	(881)
Cash flows from financing activities			
Dividends paid	26	-	(455)
Net cash used in financing activities		-	(455)
Net increase/(decrease) in cash and cash equivalents		1,391	(3,603)
Cash and cash equivalents at the beginning of the financial year		5,711	9,314
Cash and cash equivalents at the end of the financial year	8	7,102	5,711

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

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

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns 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 that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has 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.

AASB 11 Joint Arrangements
The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements 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 are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. 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'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates 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 standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

Note 1. Significant accounting policies (continued)

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

Going concern
As a result of the losses incurred for the year of ($2,608,000), the statement of financial position reflects a shortfall of net current assets to net current liabilities of ($2,341,000) and negative net assets of ($863,000).

Management has continued to restructure and reduce the cost base of the business in addition to focussing on new revenue growth through the initiatives outlined in the Directors review of Operations. These initiatives include the appointment of an Executive Sales Director and a renewed focus on overall new business growth including growth in our television production, digital and creative pillars. In addition, The Australian Government Master Media Services contract was renewed in alliance with Mitchells and partners on a retainer based pricing model ensuring an appropriate return to Adcorp.

It is expected that the combination of cost-cutting and business development will result in a return to profitability in financial year 2015.

Note 1. Significant accounting policies (continued)

The company has a $2,500,000 bank overdraft facility with the ANZ bank. Due to robust cash management practices, we have not utilised the overdraft facility to the extent expected during the year and there are no drawings on the facility at 30 June 2014 (30 June 2013: nil). The overdraft facility has two covenant requirements namely, achievement of EBITDA targets and a debtor coverage covenant. Due to the losses incurred in financial year 2014, Adcorp has not met the EBITDA target covenant, although we are well within the debtor coverage covenant, at 30 June 2014. We are, therefore evaluating alternative financing options with the support of the ANZ bank, when the facility falls due for review on 30 October 2014. The overdraft facility will be phased out over a number of months after October 2014. Alternative financing includes the use of Debtor financing facilities which are more appropriate to our needs and accordingly we have progressed discussions and signed an indicative agreement with a preferred provider who is currently conducting pre-implementation reviews.

The ANZ bank will continue to support the company while we implement an alternate facility to replace the overdraft facility and meet our short term cash needs.

Whilst there is material uncertainty, the directors are of the view that the business is a going concern based on the cashflow forecasts prepared and the securing of the alternate financing outlined above. Therefore the consolidated entity will be able to meet its debts as and when they become due and payable and accordingly it is appropriate that the financial statements have been prepared on a going concern basis.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

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 2014 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 control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

Note 1. Significant accounting policies (continued)

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

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

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

Operating revenues

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

Dividends

Dividend 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.

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

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 entities which intend to settle simultaneously.

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. The company has a trade credit policy in place at 30 June 2014.

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

Note 1. Significant accounting policies (continued)

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.

Provisions

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

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on 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.

Fair value measurement

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

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

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

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

Note 1. Significant accounting policies (continued)

Issued capital
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

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

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

Earnings per share

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

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

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 2014. 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 and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (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. 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. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

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

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 January 2014 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2014-1 Amendments to Australian Accounting Standards
These amendments are in several parts. Part A makes various amendments to Australian Accounting Standards arising from the issuance of IASB's 'Annual Improvements to IFRSs 2010-2012 Cycle' and 'Annual Improvements to IFRSs 2011-2013 Cycle'. Part B makes amendments to AASB 119 'Employee in relation to the requirements for contributions from employees or third parties that are linked to service which arise from the issuance of IASB's 'Defined Benefit Plans – Employee Contributions (Amendments to IAS 19)'. Part C makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 'Materiality'. Part D makes consequential amendments arising from the issuance of AASB 14 'Regulatory Deferral Accounts'. Part E makes consequential amendments to numerous other Standards as a consequence of the introduction of hedge accounting requirements into AASB 9 'Financial Instruments' in December 2013. Amendments Part A to D are applicable to annual reporting periods beginning on or after 1 July 2014 or as specified in each Part. Amendments Part E are applicable to annual reporting periods beginning on or after 1 January 2015 or as specified in Part E.

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments affect several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments affect four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-3 amends AASB 11 'Joint Arrangements' to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require that the acquirer of an interest in a joint operation (in which the activity constitutes a business, as defined in AASB 3 'Business Combinations') apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11. It also requires the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations. The adoption of these amendments from 1 July 2016 is not currently expected to impact the consolidated entity.

AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets' to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. It clarifies that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate and that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The adoption of these amendments from 1 July 2016 is not currently expected to impact the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

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

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.

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

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

Employee benefits provision
As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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

Note 3. Operating segments

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

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

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

Types of products and services
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.

Note 3. Operating segments (continued)

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 (2013: 30%).

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

Operating segment information

Consolidated - 2014	Australia $'000	New Zealand $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	15,519	2,907	-	18,426
Other revenue	82	27	-	109
Total revenue	15,601	2,934	-	18,535
EBITDA *	(1,999)	346	-	(1,653)
Depreciation and amortisation				(1,170)
Interest revenue				85
Finance costs				(9)
Loss before income tax benefit				(2,747)
Income tax benefit				142
Loss after income tax benefit				(2,605)
Assets				
Segment assets	14,960	3,082	-	18,042
Unallocated assets:				
Deferred tax asset				907
Total assets				18,949
Liabilities				
Segment liabilities	18,279	1,504	-	19,783
Unallocated liabilities:				
Deferred tax liability				29
Total liabilities				19,812

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

Note 3. Operating segments (continued)

Consolidated - 2013	Australia $'000	New Zealand $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	18,191	2,469	-	20,660
Other revenue	187	38	-	225
Total revenue	18,378	2,507	-	20,885
EBITDA *	(2,064)	(122)	-	(2,186)
Depreciation and amortisation				(1,278)
Impairment of assets				(3,361)
Interest revenue				128
Finance costs				(13)
Share of losses of associate				(175)
Loss before income tax expense				(6,885)
Income tax expense				(2)
Loss after income tax expense				(6,887)
Assets				
Segment assets	18,177	2,325	-	20,502
Unallocated assets:				
Deferred tax asset				956
Total assets				21,458
Liabilities				
Segment liabilities	18,864	1,045	-	19,909
Unallocated liabilities:				
Deferred tax liability				6
Total liabilities				19,915

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

Geographical information

	Sales to external customers		Geographical non-current assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Australia	15,519	18,191	1,302	1,889
New Zealand	2,907	2,469	24	67
	18,426	20,660	1,326	1,956

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

Note 4. Revenue

	Consolidated 2014 $'000	Consolidated 2013 $'000
Sales revenue		
Operating revenues	18,426	20,660
Other revenue		
Interest	85	128
Rent	24	97
	109	225
Revenue	18,535	20,885

Note 5. Other income

	Consolidated 2014 $'000	Consolidated 2013 $'000
Net foreign exchange gain	13	3

Note 6. Expenses

	Consolidated 2014 $'000	Consolidated 2013 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Office equipment	356	374
Plant and equipment	526	523
Total depreciation	882	897
Amortisation		
Software licences	289	381
Total depreciation and amortisation	1,171	1,278
Impairment		
Office equipment (note 13)	-	36
Plant and equipment (note 13)	-	163
Goodwill (note 14)	-	2,963
Software licences (note 14)	-	4
Other receivables (note 9)	-	195
Total impairment	-	3,361
Finance costs		
Bank loans and overdrafts	9	13
Rental expense relating to operating leases		
Minimum lease payments	2,108	2,238
Superannuation expense		
Defined contribution superannuation expense	938	1,066
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	13,639	15,738
Bad debt expense		
Bad debt expense	54	3

Note 7. Income tax expense/(benefit)

	Consolidated 2014 $'000	Consolidated 2013 $'000
Income tax expense/(benefit)		
Current tax	90	(961)
Deferred tax - origination and reversal of temporary differences	72	(349)
Adjustment recognised for prior periods	(304)	350
Derecognition of tax losses previously recognised	-	962
Aggregate income tax expense/(benefit)	(142)	2
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets (note 15)	49	(343)
Increase/(decrease) in deferred tax liabilities (note 19)	23	(6)
Deferred tax - origination and reversal of temporary differences	72	(349)
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax (expense)/benefit	(2,747)	(6,885)
Tax at the statutory tax rate of 30%	(824)	(2,066)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Derecognition of Andrews Advertising Pty. Limited losses	-	962
Expenditure non-deductible for tax purposes	22	752
Non-assessable items	4	(33)
	(798)	(385)
Adjustment recognised for prior periods	(304)	350
Current year tax losses not recognised	966	-
Difference in overseas tax rates	(6)	37
Income tax expense/(benefit)	(142)	2

	Consolidated 2014 $'000	Consolidated 2013 $'000
Amounts credited directly to equity		
Deferred tax assets (note 15)	-	(26)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	966	-
Potential tax benefit @ 30%	290	-

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

Note 8. Current assets - cash and cash equivalents

	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash at bank	3,308	1,911
Cash on deposit	3,794	3,800
	7,102	5,711

Note 9. Current assets - trade and other receivables

	Consolidated 2014 $'000	Consolidated 2013 $'000
Trade receivables	9,305	12,481
Less: Provision for impairment of receivables	(42)	(194)
	9,263	12,287
Other receivables	178	74
	9,441	12,361

Impairment of receivables
The consolidated entity has recognised a write-back of $152,000 (2013: $97,000) in respect of doubtful debt provision for the year ended 30 June 2014.

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Over 3 months overdue	42	194

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Opening balance	194	291
Additional provisions recognised	110	36
Receivables written off during the year as uncollectable	(75)	(103)
Unused amounts reversed	(187)	(30)
Closing balance	42	194

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $1,829,000 as at 30 June 2014 ($1,822,000 as at 30 June 2013).

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

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

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
1 to 3 months overdue	1,540	1,566
Over 3 months overdue	289	256
	1,829	1,822

Note 10. Current assets - income tax refund due

	Consolidated 2014 $'000	Consolidated 2013 $'000
Income tax refund due	19	265

Note 11. Current assets - other current assets

	Consolidated 2014 $'000	Consolidated 2013 $'000
Prepayments	178	209

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Investment in associate - Limelight Group Pty. Ltd.	175	175
Less: share of loss of associate	(175)	(175)
	-	-

Refer to note 37 for further information on interests in associates.

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Office equipment - at cost	3,547	3,406
Less: Accumulated depreciation	(2,789)	(2,433)
Less: Impairment	(373)	(373)
	385	600
Plant and equipment - at cost	5,051	4,930
Less: Accumulated depreciation	(3,658)	(3,132)
Less: Impairment	(575)	(575)
	818	1,223
	1,203	1,823

Reconciliations

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

Consolidated	Office equipment $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2012	734	1,665	2,399
Additions	279	233	512
Disposals	(7)	(4)	(11)
Exchange differences	4	9	13
Impairment of assets	(36)	(163)	(199)
Transfers in/(out)	-	6	6
Depreciation expense	(374)	(523)	(897)
Balance at 30 June 2013	600	1,223	1,823
Additions	111	171	282
Disposals	(9)	(14)	(23)
Exchange differences	3	-	3
Transfers in/(out)	36	(36)	-
Depreciation expense	(356)	(526)	(882)
Balance at 30 June 2014	385	818	1,203

Note 14. Non-current assets - intangibles

	Consolidated 2014 $'000	Consolidated 2013 $'000
Goodwill - at cost	10,518	10,518
Less: Impairment	(10,518)	(10,518)
	-	-
Software licences - at cost	3,338	3,084
Less: Accumulated amortisation	(3,114)	(2,825)
Less: Impairment	(126)	(126)
	98	133
Customer lists - at cost	133	133
Less: Accumulated amortisation	(133)	(133)
	-	-
Trademarks and other intellectual property - at cost	1	-
	99	133

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

Consolidated	Goodwill $'000	Software licences $'000	Trademarks and other intellectual property $'000	Total $'000
Balance at 1 July 2012	2,910	319	-	3,229
Additions	-	205	-	205
Exchange differences	53	-	-	53
Impairment of assets	(2,963)	(4)	-	(2,967)
Transfers in/(out)	-	(6)	-	(6)
Amortisation expense	-	(381)	-	(381)
Balance at 30 June 2013	-	133	-	133
Additions	-	254	1	255
Amortisation expense	-	(289)	-	(289)
Balance at 30 June 2014	-	98	1	99

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

Note 15. Non-current assets - deferred tax

	Consolidated 2014 $'000	Consolidated 2013 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	46	67
Employee benefits	326	362
Other provisions	394	527
Black hole legal deductions	141	-
Deferred tax asset	907	956
Movements:		
Opening balance	956	583
Credited/(charged) to profit or loss (note 7)	(49)	343
Credited to equity (note 7)	-	26
Foreign currency differences	-	4
Closing balance	907	956

Note 16. Current liabilities - trade and other payables

	Consolidated 2014 $'000	Consolidated 2013 $'000
Trade payables	12,707	13,275
Other payables	5,497	4,944
	18,204	18,219

Refer to note 27 for further information on financial instruments.

Note 17. Current liabilities - income tax

	Consolidated 2014 $'000	Consolidated 2013 $'000
Provision for income tax	4	-

The provision for income tax payable for the current year relates to the company's 75% owned subsidiary which is not part of the tax consolidated group.

Note 18. Current liabilities - provisions

	Consolidated 2014 $'000	Consolidated 2013 $'000
Employee benefits	853	949
Decommissioning	20	57
	873	1,006

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:

Consolidated - 2014	Decom-missioning $'000
Carrying amount at the start of the year	57
Amounts used	(39)
Foreign exchange	2
Carrying amount at the end of the year	20

Note 19. Non-current liabilities - deferred tax

	Consolidated 2014 $'000	Consolidated 2013 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued interest income	1	-
Work in progress	25	-
Other	3	6
Deferred tax liability	29	6
Movements:		
Opening balance	6	12
Credited/(charged) to profit or loss (note 7)	23	(6)
Closing balance	29	6

Note 20. Non-current liabilities - provisions

	Consolidated 2014 $'000	Consolidated 2013 $'000
Employee benefits	238	262
Decommissioning	464	422
	702	684

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:

Consolidated - 2014	Decom-missioning $'000
Carrying amount at the start of the year	422
Additional provisions recognised	49
Amounts used	(12)
Foreign exchange	5
Carrying amount at the end of the year	464

Note 21. Equity - issued capital

	Consolidated 2014 Shares	2013 Shares	2014 $'000	2013 $'000
Ordinary shares - fully paid	60,676,602	60,676,602	28,894	28,894

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

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

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

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

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

The capital risk management policy remains unchanged from the 30 June 2013 Annual Report.

Note 22. Equity - purchased controlling interest reserve

	Consolidated 2014 $'000	Consolidated 2013 $'000
Purchased controlling interest reserve	(113)	(113)

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

Note 23. Equity - reserves

	Consolidated 2014 $'000	Consolidated 2013 $'000
Foreign currency reserve	(331)	(530)

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

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Total $'000
Balance at 1 July 2012	(721)	(721)
Foreign currency translation	191	191
Balance at 30 June 2013	(530)	(530)
Foreign currency translation	199	199
Balance at 30 June 2014	(331)	(331)

Note 24. Equity - accumulated losses

	Consolidated 2014 $'000	Consolidated 2013 $'000
Accumulated losses at the beginning of the financial year	(26,681)	(19,334)
Loss after income tax expense for the year	(2,608)	(6,892)
Dividends paid (note 26)	-	(455)
Accumulated losses at the end of the financial year	(29,289)	(26,681)

Note 25. Equity - non-controlling interest

	Consolidated 2014 $'000	Consolidated 2013 $'000
Contributed equity	202	202
Reserves	32	32
Accumulated losses	(258)	(261)
	(24)	(27)

The non-controlling interest has 25% (2013: 25%) equity holding in Quadrant Creative Pty Ltd.

Note 26. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Final dividend for the year ended 30 June 2012 of 0.75 cents per ordinary share	-	455

No dividends are proposed for the current financial year ending 30 June 2014.

Franking credits

	Consolidated 2014 $'000	Consolidated 2013 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	4,977	5,134

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 27. Financial instruments

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

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

Note 27. Financial instruments (continued)

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	
Consolidated	2014 $'000	2013 $'000	2014 $'000	2013 $'000
US dollars	-	-	21	72
Pound Sterling	-	-	12	117
New Zealand dollars	2,998	1,707	1,377	1,046
Singapore dollars	-	-	10	16
Hong Kong dollars	-	-	-	2
	2,998	1,707	1,420	1,253

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

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

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

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

As at the reporting date, the consolidated entity had the following cash and cash equivalents:

	2014		2013	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash at bank	1.64%	3,308	1.86%	1,911
Cash on deposit	2.69%	3,794	2.94%	3,800
Net exposure to cash flow interest rate risk		7,102		5,711

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

Note 27. Financial instruments (continued)

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

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

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

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

As at 30 June 2014, the consolidated entity had a variable overdraft facility of $2,500,000 (2013: $2,500,000) with the ANZ Banking Corporation for working capital purposes, but had no drawings outstanding (2013: $nil).

As a result of losses incurred during the year, the company did not meet one of the two financial covenants required by the overdraft facility at 30 June 2014 namely the achievement of EBITDA targets. The ANZ bank has confirmed that it will continue to support the company with a continuation of the overdraft facility however this facility will be phased out over a number of months from the review date in October 2014. The company considers that, due to robust controls and processes in its management of receivables, debtor financing is a more appropriate form of financing and has signed an agreement with a debtor financing provider. We are in the process of completing the implementation and pre-settlement reviews. Once these reviews are successfully completed, we will commence a transfer of the funding facilities.

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 - 2014	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	-%	12,707	-	-	-	12,707
Other payables	-%	5,497	-	-	-	5,497
Total non-derivatives		18,204	-	-	-	18,204

Note 27. Financial instruments (continued)

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

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

Note 28. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 29. Key management personnel disclosures

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

	Consolidated 2014 $	Consolidated 2013 $
Short-term employee benefits	573,625	653,836
Post-employment benefits	67,732	43,020
	641,357	696,856

Note 30. 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	
	2014	2013
	$	$
Audit services - Grant Thornton Audit Pty Ltd		
Audit or review of the financial statements	110,000	120,000
Audit services - network firms		
Audit or review of the financial statements	32,000	30,000
Other services - network firms		
Tax compliance	30,000	30,500
Other services	56,000	-
	86,000	30,500
	118,000	60,500

Note 31. Contingent assets

During the year, Adcorp subsidiary Andrews Advertising Pty Ltd ('AAPL') continued to prosecute its claim for damages against former executive Dean Andrews and other parties in the Equity Division of the NSW Supreme Court. Judgement was handed down in March 2014 and AAPL won the case on all points claimed. Damages, costs and interest totalling in excess of $1,100,000 was awarded to AAPL and recovery action has commenced against the defendants for this amount.

No provision has been made for this potential income in the financial year 2014 and it is considered a contingent asset.

As the company was successful in this case, the fees under the “Conditional Costs agreement” entered into in September 2013 with our legal representatives Gadens, became due and payable upon the handing down of the judgement in March 2014.

Accordingly the company has settled or provided for in the financial results to June 2014, all legal and court fees incurred during the financial year to June 2014, in prosecuting this case.

Note 32. Contingent liabilities

The consolidated entity has various guarantees over premises.

	Consolidated	
	2014	2013
	$'000	$'000
Premises	1,311	1,310

As summarised in Note 30, Adcorp subsidiary Andrews Advertising Pty Ltd (AAPL) was successful in prosecuting its case against former executive Dean Andrews and other parties.

This had the effect of triggering the Conditional Costs Agreement entered into with Gadens in September 2013 and accordingly, all legal fees and court costs have been expensed or provided in the financial results to 30 June 2014. There are no further contingent liabilities in regard to this matter.

Note 33. Commitments

	Consolidated 2014 $'000	Consolidated 2013 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	99	56
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,585	2,282
One to five years	3,192	4,164
More than five years	121	-
	4,898	6,446

Operating leases are entered into as a means of acquiring access to retail property and IT equipment. Rental payments are generally fixed, but with future inflation escalation clauses. Adcorp Australia Limited is a sub-lessor in three properties. The future minimum sub-lease payments expected to be received is $556,000 (2013: $460,000) within one year and $550,000 (2013: $1,021,000) between one to five years.

Note 34. Related party transactions

Parent entity
Adcorp Australia Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 36.

Associates
Interests in associates are set out in note 37.

Key management personnel
Disclosures relating to key management personnel are set out in note 29 and the remuneration report in the directors' report.

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

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

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

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

Note 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2014 $'000	2013 $'000
Loss after income tax	(1,223)	(1,515)
Total comprehensive income	(1,223)	(1,515)

Statement of financial position

	Parent	
	2014 $'000	2013 $'000
Total current assets	34,982	35,497
Total assets	37,607	38,470
Total current liabilities	31,244	30,865
Total liabilities	32,005	31,645
Equity		
Issued capital	28,894	28,894
Accumulated losses	(23,292)	(22,069)
Total equity	5,602	6,825

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 2014 and 30 June 2013.

Contingent liabilities
The parent entity has various guarantees over premises:

	Parent	
	2014 $'000	2013 $'000
Premises	883	1,310

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

	Parent	
	2014 $'000	2013 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	99	56

Note 35. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:
- Investments in subsidiaries and associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.
- Management fees are charged to subsidiaries to recover costs of functions performed by the head office. Revenue is recognised as earned.

Note 36. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Adcorp Australia (QLD) Pty. Limited	Australia	100.00%	100.00%
Adcorp Australia (VIC) Pty. Limited	Australia	100.00%	100.00%
Adcorp D&D Pty Ltd	Australia	100.00%	100.00%
Adcorp New Zealand Limited	New Zealand	100.00%	100.00%
Adcorp SWA Pty Ltd *	Australia	100.00%	100.00%
Adcorp Technologies Pty Ltd	Australia	100.00%	100.00%
Andrews Advertising Pty. Limited	Australia	100.00%	100.00%
Austpac Media Pty Limited *	Australia	100.00%	100.00%
Donald & Donald (Victoria) Pty. Limited *	Australia	100.00%	100.00%
Employment Opportunities in Australia Pty Limited	Australia	100.00%	100.00%
Nancarrow Marketing Company Pty Ltd	Australia	100.00%	100.00%
Quadrant Creative Pty Ltd	Australia	75.00%	75.00%
R&L Advertising Pty Ltd	Australia	100.00%	100.00%
Showrunner Productions Pty Ltd	Australia	100.00%	100.00%

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

Note 37. Interests in associates

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

Name	Principal place of business / Country of incorporation	Ownership interest 2014 %	Ownership interest 2013 %
Limelight Group Pty. Ltd.	Australia	40.00%	40.00%

Summarised financial information

	2014 $'000	2013 $'000
Summarised statement of financial position		
Current assets	8	94
Non-current assets	13	14
Total assets	21	108
Current liabilities	277	284
Non-current liabilities	14	14
Total liabilities	291	298
Net liabilities	(270)	(190)
Summarised statement of profit or loss and other comprehensive income		
Revenue	81	228
Expenses	(161)	(408)
Loss before income tax	(80)	(180)
Other comprehensive income	-	-
Total comprehensive income	(80)	(180)

The share of associates loss not recognised is $85,000 (2013: $5,000).

Note 38. Deed of cross guarantee

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

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

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

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

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

Statement of profit or loss and other comprehensive income	2014 $'000	2013 $'000
Revenue	13,985	16,683
Other income	698	196
Client service expenses	(11,105)	(12,532)
Administrative expenses	(876)	(783)
Marketing expenses	(658)	(885)
Office and communication expenses	(3,830)	(3,939)
Share of loss of associate	-	(175)
Impairment of assets	(195)	-
Finance costs	(7)	(12)
Loss before income tax (expense)/benefit	(1,988)	(1,447)
Income tax (expense)/benefit	66	(590)
Loss after income tax (expense)/benefit	(1,922)	(2,037)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(1,922)	(2,037)

Equity - retained profits	2014 $'000	2013 $'000
Accumulated losses at the beginning of the financial year	(28,487)	(25,995)
Loss after income tax (expense)/benefit	(1,922)	(2,037)
Dividends paid	-	(455)
Accumulated losses at the end of the financial year	(30,409)	(28,487)

Note 38. Deed of cross guarantee (continued)

Statement of financial position	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	5,544	4,836
Trade and other receivables	20,852	10,747
Income tax refund due	-	417
Other current assets	125	153
	26,521	16,153
Non-current assets		
Other financial assets	1,824	1,824
Property, plant and equipment	1,205	1,838
Intangibles	87	135
	3,116	3,797
Total assets	29,637	19,950
Current liabilities		
Trade and other payables	26,140	15,476
Income tax	1,114	-
Provisions	2,968	3,086
	30,222	18,562
Non-current liabilities		
Deferred tax	-	66
Provisions	930	915
	930	981
Total liabilities	31,152	19,543
Net assets/(liabilities)	(1,515)	407
Equity		
Issued capital	28,894	28,894
Accumulated losses	(30,409)	(28,487)
Total equity/(deficiency)	(1,515)	407

Note 39. Events after the reporting period

On 1 July 2014 Adcorp, in association with Dentsu owned Mitchell and Partners, commenced the new Australian Government Master Media Agency Services contract. The contract runs for an initial period of four years with extension options available to the Government after that period. The contract brings together combined expertise of both Adcorp and Mitchells and further strengthens Adcorp's expertise in government communications.

In August 2014 Adcorp commenced discussions with a provider of trade debtor financing in order to replace the ANZ overdraft facility. We have signed an indicative agreement and are currently conducting pre-implementation reviews. Further details of this are in Note 1 and Note 27 to the accounts.

Refer to Directors review of operations and going concern in note 1 for the restructuring changes and executive team focus to deliver growth into FY15 and beyond.

No other matter or circumstance has arisen since 30 June 2014 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 40. Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Loss after income tax expense for the year	(2,605)	(6,887)
Adjustments for:		
Depreciation and amortisation	1,171	1,278
Impairment of non-current assets	-	3,361
Net loss on disposal of property, plant and equipment	14	-
Share of loss - joint ventures	-	175
Foreign exchange differences	196	125
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,920	4,752
Decrease in income tax refund due	246	547
Decrease/(increase) in deferred tax assets	49	(373)
Decrease in prepayments	30	43
Decrease in trade and other payables	(15)	(5,147)
Increase in provision for income tax	4	-
Increase/(decrease) in deferred tax liabilities	23	(6)
Decrease in employee benefits	(120)	(155)
Increase in other provisions	5	20
Net cash from/(used in) operating activities	1,918	(2,267)

Note 41. Earnings per share

	Consolidated 2014 $'000	Consolidated 2013 $'000
Loss after income tax	(2,605)	(6,887)
Non-controlling interest	(3)	(5)
Loss after income tax attributable to the owners of Adcorp Australia Limited	(2,608)	(6,892)
	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	(4.30)	(11.36)
Diluted earnings per share	(4.30)	(11.36)

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 2014 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 38 to the financial statements.

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

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

On behalf of the directors

David Morrison
Director and Chief Executive Officer

Ian Rodwell
Chairman

30 September 2014
Sydney

Grant Thornton

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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 statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Auditor's opinion
In our opinion:

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

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 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.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that Adcorp Australia Limited has incurred a net loss of $2,608,000 during the year ended 30 June 2014 and, as of that date, has a net liability position of $863,000. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about Adcorp Australia Limited's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in pages 6 to 10 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Adcorp Australia Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner – Audit & Assurance

Sydney, 30 September 2014

The shareholder information set out below was applicable as at 19 September 2014.

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	315
5,001 to 10,000	136
10,001 to 100,000	272
100,001 and over	55
	936
Holding less than a marketable parcel	540

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 Millenium) A/C)	23,022,362	37.94
UBS Wealth Management Australia Nominees Pty Ltd	6,704,913	11.05
Mr Victor John Plummer	5,312,343	8.76
Mr David Herbert George Morrison	1,223,671	2.02
Global Equity Management (SA) Pty Ltd	1,000,000	1.65
Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)	937,345	1.54
Mark S Campbell Pty Ltd (Mark Campbell Prov Fund A/C)	520,901	0.86
Mr John Maxwell Inglis and Mrs Bernadette Joan Inglis	500,000	0.82
KBJ Investments Pty Ltd (Jarry Family Super Fund A/C)	500,000	0.82
Lozotu Pty Ltd (Superannuation Fund A/C)	480,753	0.79
Muzbird Pty Ltd (Bird Super Fund A/C)	399,453	0.66
Yaffa Syndicate Pty Ltd	390,000	0.64
Teedon Pty Ltd (Donohue Group S/F A/C)	371,320	0.61
Mr Christian Merlot	324,600	0.53
Mrs Maria Czarnocka	300,000	0.49
Miralanco Investments Pty Ltd	300,000	0.49
Lindway Investments Pty Ltd	293,493	0.48
Bond Street Custodians Ltd (Drayne I20149 A/C)	275,000	0.45
Mr Teddy Tjandramulia	254,813	0.42
Mr Horst Dieter Gross	253,000	0.42
	43,363,967	71.44

Unquoted equity securities

There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Sovote Pty Ltd (Rodwell (New Millenium) A/C)	23,022,362	37.94
UBS Wealth Management Australia Nominees Pty Ltd	6,704,913	11.05
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.