adcorp

Thursday 27 February 2014

Adcorp Australia Limited

Half Year results to December 2013

Billings are down 17% from $52.1m in the prior period to 31 December 2012, to $43.0m in the period to 31 December 2013. The scale of this reduction is less pronounced than the prior year where billings in the 6 months to 31 December 2012 were 34% down on the prior period six months to 31 December 2011.

Total revenue of $9.5m is $1.1m (10.7%) down on the prior comparative period, while margins have firmed from 20% to 22% as a result of improved Digital and Television production work and a reduced volume of government billings.

Restructuring continued with operating overheads in the first half reduced by $1.65m from $12.69m (excluding impairment and share of loss of associate company) in the prior year to $11.04m in this period.

Accordingly, operating loss before tax for the first half is contained to $1.532m, an improvement over the prior comparative period loss before tax, impairment and share of loss of associated entity, of $2.052m.

Prior period operating loss before tax, after impairment and share of loss of associate, was $5.230m.

The loss for the first half to 31 December 2013, after tax benefit, is $1.46m. (31 December 2012: Loss after tax benefit: $4.875m)

As Adcorp has significant tax losses carried forward, we have not accounted for additional tax benefit on the current period loss but have recognised an estimated tax refund for FY2013 of $0.48m, based on the tax loss carry-back provisions and installment balances.

A stronger New Zealand dollar contributed to an improvement in reported billings and revenue growth over the prior comparative period though on a constant currency basis the New Zealand division billings and revenue is similar to the prior year.

In Australia, the reduction in overall billings in the period to 31 December 2013 is attributable to a number of factors including;

- Cessation of the NSW Government contract at the end of September 2013,
- reduced spend by Government, particularly in Western Australia, and
- the continued sharp decline in print media advertising specifically in the recruitment area.

Adcorp's billings for print media in the 6 months to 31 December 2013 declined by approximately 30%, compared to approximately 40% in the prior comparative period, largely attributable to the reduction in government spending.

Online media volumes have grown by approximately 14% on the prior period although these comprise a relatively low proportion of overall billings.

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Brisbane
Canberra
Christchurch
Darwin
Melbourne
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We continue to restructure and align the business to the changing media habits of consumers.

Labour costs are down from $8.76m in the prior period, to $7.57m. One-off costs associated with these reductions are $0.15m (prior comparative period $0.46m).

We also reduced office and communications costs from $2.6m to $2.4m and Marketing expenses from $0.73m to $0.45m, and continue to drive cost cutting across all categories of spend.

Despite reduced billings in our government contracts, we maintain our solid track record of managing the requirements of these contracts very effectively, utilising our technology and experience, and working closely with the respective contract managers to deliver on task.

Australian Government billings declined during the period due to restrictions on Public Sector recruitment. We reduced our costs accordingly and worked closely with the Government to implement efficiencies and adapt pricing arrangements for the contract. Our processes in the management of non-campaign Government advertising are well-proven and robust and we are confident of continuing to manage this contract with a high degree of efficiency.

Adcorp's contract with the Northern Territory government for Interstate and International advertising has been extended to 28 February 2015. A variation to this contract will also see Adcorp responsible for the booking of all local media from 1 March, 2014.

While Adcorp's heritage business has declined, our other specialty areas are growing.

- Year on year growth in Digital services and development and strategic consulting in areas such as Social Media, has continued at pace.
- We are very pleased with the significant growth in television and video production across all industries.
- Our television production subsidiary, Showrunner Productions, has continued to develop a good foothold in the market, and will shortly complete its first series "72 Dangerous Animals Australia". Filming has also commenced on a new project, with two further projects in negotiation.

Our goal is to continue to invest in these areas, developing specialist online services and products, driving growth in television production and utilising the insights from our media expertise, to provide the optimal marketing solution and media channels for our clients' needs.

In November 2013 we implemented a new timekeeping and studio management system that will provide more comprehensive quoting of services and more efficient use of studio and creative resources, which in turn will improve recoverability and revenues while continuing to add value to clients through enhanced reporting and task management.

Cash flow in the first half has been closely managed, resulting in a balance of cash and cash equivalents of $3.5m at 31 December 2013 (31 December 2012: $4.2m).

In September 2013, we renegotiated our banking facilities with the ANZ bank. The facilities, totaling $4.08m, include an overdraft facility of $2.5m to assist with working capital requirements. The overdraft facility is subject to financial covenants, reported monthly and based on:
i) EBITDA; and
ii) Value of trade debtors.

Due to the losses incurred in the first half to 31 December 2013, Adcorp has not met the minimum EBITDA covenant as at 31 December 2013.

With stringent cash management however, the company did not utilise the overdraft facility in the six months to 31 December 2013 but we have maintained open discussions with our bankers who are supportive of the actions we are taking to reposition the business and return to profitability.

We note that the overdraft facility of $2.5m remains in place as at 27 February 2014 and is expected to be available for short term funding needs during the transition of the business. It is, however, subject to the continued support of the ANZ bank. Further detailed notes on this are included in the notes to the financial statements.

Our wholly owned subsidiary, Andrews Advertising, continued to pursue its claim for damages and costs against Dean Andrews and others. The case was heard in the Supreme Court of NSW, Equity Division in the first week of February 2014 and we expect a judgement on this shortly. Further detailed notes on this are included in the notes to the financial statements.

During January and February 2014, we have continued to remove costs from the business and re-task our management and sales teams to provide additional services and value-add to our clients, particularly in the emerging growth areas of digital and television production, while streamlining all other aspects of our transactional business.

We are forecasting an improvement in operating result for the second half however remain cautious as we continue restructuring and concurrently growing our revenue streams from additional products and services.

~ends~

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

Adcorp Australia Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Adcorp Australia Limited
ABN:	72 002 208 915
Reporting period:	For the half-year ended 31 December 2013
Previous period:	For the half-year ended 31 December 2012

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	10.7%	to	9,506
Loss from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	down	70.0%	to	(1,470)
Loss for the half-year attributable to the owners of Adcorp Australia Limited	down	70.0%	to	(1,470)

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

Comments
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,470,000 (31 December 2012: $4,896,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(1.25)	3.64

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

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

Previous period
Final dividend totalling $455,000 for the financial year ended 30 June 2012 paid on 28 September 2012 at 0.75 cents per ordinary share fully franked at a tax rate of 30%.

7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
Name of associate / joint venture	**Reporting period %**	**Previous period %**	**Reporting period $'000**	**Previous period $'000**
Limelight Group Pty Ltd (Associate)	40.00%	40.00%	-	(49)
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			-	(49)
Income tax on operating activities			-	-

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

The independent auditors review report contained an emphasis of matter in relation to going concern. A copy of the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of Adcorp Australia Limited for the half-year ended 31 December 2013 is attached.

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12. Signed

Signed ________________________ Date: 27 February 2014

Craig McMenamin
Company Secretary
Sydney

Adcorp Australia Limited

ABN 72 002 208 915

Interim Report - 31 December 2013

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Adcorp Australia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2013.

Directors
The following persons were directors of Adcorp Australia Limited during the whole of the financial half-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 half-year the principal continuing activities of the consolidated entity consisted of:
- Advertising agency services specialising in human resources, real estate, government, motor vehicle, education and retail;
- Website design, development and database support services;
- Digital marketing services and consulting, including supply of web-based products, and strategic employment solutions; and
- Video production and marketing solutions.

Review of operations
The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,470,000 (31 December 2012: $4,896,000).

The results for the first half to 31 December 2013 reflect an operating loss, consistent with our announcement at the company's AGM in November 2013.

Billings
Billings are down 17% from $52.1m in the prior period to December 2012, to $43.0m in the period to 31 December 2013. The scale of the reduction year on year is not as pronounced as the prior period where billings in the 6 months to 31 December 2012 were 34% down on the prior period six months to December 2011.

The stronger New Zealand dollar has contributed to an improvement in reported billings and revenue growth over the prior comparative period; though on a constant currency basis the New Zealand division billings and revenue is similar to the prior year.

In Australia, the reduction in billings in this period to 31 December 2013 is attributable to a number of factors including the cessation of the NSW Government contract at the end of September 2013, reduced spend by Government, particularly in Western Australia, and the continued sharp decline in print media advertising specifically in the recruitment area.

Adcorp's print media billings in the 6 months to 31 December 2013 have declined by approximately 30%, compared to approximately 40% in the prior comparative period to December 2012; largely attributable to the reduction in government spending. While online media volumes have grown by approximately 14% on the prior period, these billings comprise a relatively low proportion of overall billings.

The sharp decline in our transactional business has necessitated large cuts to our cost base to streamline our structure and align the business to the changing media habits of consumers. Our goal is to continue developing online services and products and to utilise the insights from our specialist media expertise within the business, to provide the optimal marketing solution and media channels for our clients' needs.

Australian Government
Australian Government billings declined further during the period as restrictions on Public Sector recruitment were implemented at the end of October 2013. We reduced our costs accordingly and worked closely with the Government to implement efficiencies and adapt pricing arrangements for the contract. Our processes in the management of non-campaign Government advertising are well proven and robust and we are confident of continuing to manage this contract with a high degree of efficiency.

While Adcorp's heritage business has declined, our other speciality areas are growing. The year on year growth in Digital services and development and strategic consulting in areas such as Social Media, have continued at pace. We are also pleased with the significant growth in television and video production across all industries. Our television production subsidiary, Showrunner Productions, has continued to develop a good foothold in the market, and will shortly complete the production of its first series "72 Dangerous Animals Australia". Filming has also commenced on a new project, with two further projects in negotiation.

Revenue
Total revenue of $9.5m is $1.1m (10.7%) down on the prior comparative period, consistent with the reduced billings figure while margins have firmed from 20% in the same period last year to 22% this period as a result of improved Digital and Television production work and a reduced volume of government billings.

We will continue to invest in Digital development, social media specialists and online products, together with television production resources, to service these growing areas of our business.

In November 2013 we implemented a new timekeeping and studio management system that will provide more comprehensive quoting of services and more efficient use of studio and creative resources, which in turn will improve recoverability and revenues while continuing to add value to clients through enhanced reporting and task management.

Operating overheads
We have reduced operating overheads (excluding impairment and share of loss of associate company) by $1.65m from $12.69m in the six months to December 2012, to $11.04m in this period. This is largely a result of reductions in labour as we continue to restructure the operations and seek further efficiencies in processing across our transactional business. These reductions include the changes made on cessation of the NSW Government advertising. Labour costs are down from $8.76m in the prior period, to $7.57m. There are one-off costs associated with these reductions of $0.15m charged to the expense line (prior comparative period $0.46m).

We have also reduced office and communications costs from $2.6m to $2.4m; largely a result of lower equipment and operational expenses but we are seeking further cost savings in this area.

Marketing expenses have reduced significantly from $0.73m to $0.45m, largely a result of improved debtor collection and reconciliation processes which have resulted in lower provisions for doubtful debts and write-offs. We have renewed our Debtors insurance with NCI and will continue to firmly apply our credit control procedures in order to optimise cash flows.

We have also implemented substantial cost cutting across other expenses in this category including printing and stationery, travel, entertainment and marketing.

Taxation
The resultant loss before taxation for the six months is $1.532m versus the prior period (excluding impairment and share of loss of associate company) of $2.052m.

As Adcorp has significant tax losses carried forward from prior years, we have not accounted for the tax benefit that would arise on losses for the six months to 31 December 2013 as these benefits are only likely to crystallise once the business has returned to profitability and has utilised the accumulated tax losses carried forward. We have, however, recognised an estimated tax refund for FY2013 of $0.48m, based on the tax loss carry-back provisions, and instalments paid for the FY2013 tax year.

Cash flow
Cash flow in the six months to December 2013 has been closely managed, resulting in a balance of cash and cash equivalents of $3.5m at 31 December 2013 (31 December 2012: $4.2m).

In September 2013, we renegotiated our banking facilities with the ANZ bank. The facilities totalling $4.08m, include an overdraft facility of $2.5m to assist with working capital requirements. The overdraft facility is subject to financial covenants, reported monthly and based on:
i) EBITDA; and
ii) Value of trade debtors.

Due to the losses incurred in the first half to December 2013, Adcorp has not met the minimum EBITDA covenant as at 31 December 2013. Due to our stringent cash management Adcorp has not utilised any of the overdraft facility in the six months to 31 December 2013 but we have maintained open discussions with our bankers who are supportive of the actions we are taking to reposition the business and return to profitability. We note that the overdraft facility of $2.5m remains in place as at 27 February 2014 and is expected to be available for short term funding needs during the transition of the business, subject to the continued support of the ANZ bank.

Our wholly owned subsidiary Andrews Advertising, continued to pursue its claim for damages and costs against Dean Andrews and others. The case was heard in the Supreme Court of NSW, Equity Division in the first week of February 2014 and we expect a judgement on this shortly. Our legal fees with Gadens are conditional on a successful judgement on this matter. Further disclosure is found in notes 9 and 10 in the notes to the financial statements.

Outlook
During January and February 2014, we have continued to remove costs from the business and re-task our management and sales teams to provide additional services and value-add to our clients, particularly in the emerging growth areas of digital and television production, while streamlining all other aspects of our transactional business.

We are forecasting an improvement in operating result for the second half, however remain cautious as we continue the process of restructuring and concurrently growing our revenue streams from additional products and services.

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.

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

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

David Morrison	Ian Rodwell
Director and Chief Executive Officer	Chairman

27 February 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 review of Adcorp Australia Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner - Audit & Assurance

Sydney, 27 February 2014

Contents

General information

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

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

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

Level 1
7 Kelly Street
Ultimo NSW 2007

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 February 2014. The directors have the power to amend and reissue the financial report.

Adcorp Australia Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

	Note	Consolidated 31 Dec 2013 $'000	31 Dec 2012 $'000
Revenue	3	9,506	10,646
Expenses			
Client service expenses		(7,568)	(8,757)
Administrative expenses		(617)	(578)
Marketing expenses		(446)	(727)
Office and communication expenses		(2,404)	(2,629)
Share of loss of associate		-	(49)
Impairment of assets	4	-	(3,129)
Finance costs	4	(3)	(7)
Loss before income tax benefit		(1,532)	(5,230)
Income tax benefit		72	355
Loss after income tax expense for the half-year		(1,460)	(4,875)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		170	46
Other comprehensive income for the half-year, net of tax		170	46
Total comprehensive income for the half-year		(1,290)	(4,829)
Loss for the half-year is attributable to:			
Non-controlling interest		10	21
Owners of Adcorp Australia Limited		(1,470)	(4,896)
		(1,460)	(4,875)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		10	21
Owners of Adcorp Australia Limited		(1,300)	(4,850)
		(1,290)	(4,829)
		Cents	**Cents**
Basic earnings per share	12	(2.42)	(8.07)
Diluted earnings per share	12	(2.42)	(8.07)

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 31 December 2013

	Note	31 Dec 2013 $'000	30 Jun 2013 $'000
		Consolidated	
Assets			
Current assets			
Cash and cash equivalents	5	3,524	5,711
Trade and other receivables	6	6,799	12,361
Income tax refund due		496	265
Other		442	209
Total current assets		11,261	18,546
Non-current assets			
Property, plant and equipment		1,549	1,823
Intangibles		205	133
Deferred tax		817	956
Total non-current assets		2,571	2,912
Total assets		13,832	21,458
Liabilities			
Current liabilities			
Trade and other payables	7	11,973	18,219
Provisions		896	1,006
Total current liabilities		12,869	19,225
Non-current liabilities			
Deferred tax		9	6
Provisions		701	684
Total non-current liabilities		710	690
Total liabilities		13,579	19,915
Net assets		253	1,543
Equity			
Issued capital		28,894	28,894
Purchased controlling interest reserve		(113)	(113)
Reserves		(360)	(530)
Accumulated losses		(28,151)	(26,681)
Equity attributable to the owners of Adcorp Australia Limited		270	1,570
Non-controlling interest		(17)	(27)
Total equity		253	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 half-year ended 31 December 2013

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 benefit for the half-year	-	-	-	(4,896)	21	(4,875)
Other comprehensive income for the half-year, net of tax	-	-	46	-	-	46
Total comprehensive income for the half-year	-	-	46	(4,896)	21	(4,829)
Transactions with owners in their capacity as owners:						
Transfers	-	(113)	-	-	113	-
Dividends paid (note 8)	-	-	-	(455)	-	(455)
Balance at 31 December 2012	28,894	(113)	(675)	(24,685)	(11)	3,410

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 2013	28,894	(113)	(530)	(26,681)	(27)	1,543
Profit/(loss) after income tax benefit for the half-year	-	-	-	(1,470)	10	(1,460)
Other comprehensive income for the half-year, net of tax	-	-	170	-	-	170
Total comprehensive income for the half-year	-	-	170	(1,470)	10	(1,290)
Balance at 31 December 2013	28,894	(113)	(360)	(28,151)	(17)	253

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 half-year ended 31 December 2013

	Note	Consolidated 31 Dec 2013 $'000	Consolidated 31 Dec 2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		53,059	72,988
Payments to suppliers and employees (inclusive of GST)		(54,898)	(77,013)
		(1,839)	(4,025)
Interest received		52	79
Interest and other finance costs paid		(3)	(7)
Net cash used in operating activities		(1,790)	(3,953)
Cash flows from investing activities			
Payments for investments		-	(175)
Payments for property, plant and equipment		(179)	(361)
Payments for intangibles		(224)	(196)
Proceeds from sale of property, plant and equipment		6	6
Net cash used in investing activities		(397)	(726)
Cash flows from financing activities			
Dividends paid	8	-	(455)
Net cash used in financing activities		-	(455)
Net decrease in cash and cash equivalents		(2,187)	(5,134)
Cash and cash equivalents at the beginning of the financial half-year		5,711	9,314
Cash and cash equivalents at the end of the financial half-year		3,524	4,180

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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 (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity 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 the assets, liabilities, revenues and expenses in accordance with the standards applicable to the particular asset, liability, revenue or expense.

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 interests in other entities: subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. It has significantly enhanced the disclosure requirements, when compared to the standards that have been replaced.

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.

Note 1. Significant accounting policies (continued)

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

AASB 127 Separate Financial Statements (Revised)
AASB 128 Investments in Associates and Joint Ventures (Reissued)
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standard
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 AASB 2011-4 from 1 July 2013 and amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The 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 annual 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, which enhanced the disclosure requirements of AASB 7 'Financial Instruments: Disclosures' (and consequential amendments to AASB 132 'Financial Instruments: Presentation') to provide information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position.

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 operating losses in the six months to December 2013, the statement of financial position at 31 December 2013 reflects a shortfall of net current assets to net current liabilities of $1.6m (shortfall at 30 June 2013: $0.679m).

Note 1. Significant accounting policies (continued)

Management has implemented significant cost cutting measures in the 6 months to 31 December 2013 in order to return the business to profitability and consequently, return to a net current asset position.

In addition, the continued focus on new business opportunities, additional revenues from our Digital and Television pillars and improved recovery through a new timesheet billing system, is expected to deliver growth in revenues and an improvement in margins which, combined with our robust credit collections processes, should improve cash flows and accordingly, the net current asset position.

Management expects that these measures will result in Adcorp returning to profit and positive cash flow in FY2015 however, this will require the availability of the existing overdraft facility of $2.5m and the support of our bankers ANZ Bank, over the coming twelve months.

The losses in the 6 months to 31 December 2013 have also resulted in the company not meeting the minimum EBITDA covenant for the ANZ bank overdraft facility as at 31 December 2013. The company has met the other covenant which is calculated on the Value of Trade Debtors.

Due to our stringent cash management, Adcorp has not utilised any of the overdraft facility in the 6 months to 31 December 2013 but we have maintained open discussions with our bankers who are supportive of the actions we are taking to reposition the business and return to profitability.

We note that the overdraft facility of $2.5m remains in place as at 27 February 2014 and is expected to be available for short term funding needs during the transition of the business, subject to the continued support of the ANZ bank.

Subject to the availability of these short terms overdraft facilities, the Directors are of the opinion that the business is a going concern and the financial statements have been prepared on a going concern basis.

Note 2. 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.

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

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

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

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

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

Note 2. Operating segments (continued)

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.

Operating segment information

Consolidated - 31 Dec 2013	Australia $'000	New Zealand $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	8,013	1,417	-	9,430
Other revenue	62	14	-	76
Total revenue	8,075	1,431	-	9,506
EBITDA *	(1,124)	146	-	(978)
Depreciation and amortisation				(603)
Interest revenue				52
Finance costs				(3)
Loss before income tax benefit				(1,532)
Income tax benefit				72
Loss after income tax benefit				(1,460)
Assets				
Segment assets	10,860	2,155	-	13,015
Unallocated assets:				
Deferred tax asset				817
Total assets				13,832
Total assets includes:				
Acquisition of non-current assets	403	-	-	403
Liabilities				
Segment liabilities	12,672	898	-	13,570
Unallocated liabilities:				
Deferred tax liability				9
Total liabilities				13,579

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

Note 2. Operating segments (continued)

Consolidated - 31 Dec 2012	Australia $'000	New Zealand $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	9,235	1,284	-	10,519
Other revenue	103	24	-	127
Total revenue	9,338	1,308	-	10,646
EBITDA *	(1,257)	(143)	-	(1,400)
Depreciation and amortisation				(724)
Impairment of assets				(3,129)
Interest revenue				79
Finance costs				(7)
Share of loss of associate				(49)
Loss before income tax benefit				(5,230)
Income tax benefit				355
Loss after income tax benefit				(4,875)
Consolidated - 30 Jun 2013				
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

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

Note 3. Revenue

	Consolidated	
	31 Dec 2013 $'000	**31 Dec 2012 $'000**
Sales revenue		
Operating revenues	9,430	10,519
Other revenue		
Interest	52	79
Rent	24	48
	76	127
Revenue	9,506	10,646

Note 4. Expenses

	Consolidated	
	31 Dec 2013	31 Dec 2012
	$'000	$'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Office equipment	183	190
Plant and equipment	268	289
Total depreciation	451	479
Amortisation		
Software licences	152	245
Total depreciation and amortisation	603	724
Impairment		
Office equipment	-	159
Plant and equipment	-	36
Goodwill	-	2,930
Software licences	-	4
Total impairment	-	3,129
Finance costs		
Interest and finance charges paid/payable	3	7
Net foreign exchange loss		
Net foreign exchange loss	58	1
Net loss on disposal		
Net loss on disposal of property, plant and equipment	3	-
Superannuation expense		
Defined contribution superannuation expense	496	566
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	7,162	8,191

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2013	30 Jun 2013
	$'000	$'000
Cash at bank	3,524	1,911
Cash on deposit	-	3,800
	3,524	5,711

Note 6. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2013	30 Jun 2013
	$'000	$'000
Trade receivables	6,863	12,481
Less: Provision for impairment of receivables	(136)	(194)
	6,727	12,287
Other receivables	72	74
	6,799	12,361

Note 7. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2013	30 Jun 2013
	$'000	$'000
Trade payables	7,835	13,275
Other payables	4,138	4,944
	11,973	18,219

Note 8. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2013	31 Dec 2012
	$'000	$'000
Final dividend for the year ended 30 June 2013 (2012: 30 June 2012) of nil cents (2012: 0.75 cents) per ordinary share fully franked based on a tax rate of 30%	-	455

Note 9. Contingent assets

Adcorp subsidiary Andrews Advertising Pty Ltd (‘AAPL’), continued to prosecute its claim for damages and costs against Dean Andrews a former executive of AAPL, and other parties. The case was heard in the Equity Division of the NSW Supreme Court on the 3rd to 6th February 2014 and we are awaiting a judgment.

The total claim for damages plus our costs and an applicable interest rate charged on the awarded amount, is in excess of $1,000,000. This will be applied to the fees noted in the contingent liability note but cannot be determined with any level of certainty until judgement has been confirmed and hence no amount has been taken up in the interim report.

Note 10. Contingent liabilities

The consolidated entity has various guarantees over premises.

	Consolidated	
	31 Dec 2013	30 Jun 2013
	$'000	$'000
Premises	1,310	1,310

Note 10. Contingent liabilities (continued)

As noted in Note 9, Adcorp subsidiary Andrews Advertising Pty Ltd ('AAPL'), continued to prosecute its claim for damages and costs against Dean Andrews a former executive of AAPL, and other parties. The case was heard in the Equity Division of the NSW Supreme Court on the 3rd to 6th February 2014 and we are awaiting a judgment.

A 'Conditional Costs Agreement' has been entered into, effective 1 September 2013. Under this agreement between Adcorp (on behalf of its subsidiary AAPL) and Gadens Lawyers, our legal representatives in this matter, Gadens' legal fees are conditional on the successful outcome of the case. Gadens legal fees incurred since the 1st September 2013 to the end of the trial in February 2014, amount to approximately $96,000 (excluding disbursements). No provision has been made for these amounts in the period to 31 December 2013.

Disbursements, including all other legal fees for court representation by counsel and third party costs are expensed as incurred. Disbursements from January 2014 to date (which include the costs of the hearing) are estimated at $107,000. A substantial portion of these costs are claimed from the defendants and, subject to the judgment, are likely to be added to any damages awarded however no provision has been made for these amounts in the period to 31 December 2013 as it is difficult to determine with any level of certainty, what damages will be awarded.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2013 $'000	31 Dec 2012 $'000
Loss after income tax	(1,460)	(4,875)
Non-controlling interest	(10)	(21)
Loss after income tax attributable to the owners of Adcorp Australia Limited	(1,470)	(4,896)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	60,676,602	60,676,602
Weighted average number of ordinary shares used in calculating diluted earnings per share	60,676,602	60,676,602
	Cents	**Cents**
Basic earnings per share	(2.42)	(8.07)
Diluted earnings per share	(2.42)	(8.07)

Adcorp Australia Limited
Directors' declaration
31 December 2013

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

David Morrison
Director and Chief Executive Officer

Ian Rodwell
Chairman

27 February 2014
Sydney

Grant Thornton

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

We have reviewed the accompanying half-year financial report of Adcorp Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Adcorp Australia Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Adcorp Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adcorp Australia Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

We draw attention to Note 1 in the financial report which indicates that Adcorp Australia Limited incurred a net loss of $1,460,000 during the half year ended 31 December 2013 and is in breach of its EBITDA financial covenant at 31 December 2013. These conditions 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. Our conclusion is not modified in respect of this matter.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P J Woodley
Partner - Audit & Assurance

Sydney, 27 February 2014