



# adcorp

Tuesday 28 February 2017

## **Adcorp Australia Ltd Half Year Results to December 2016**

The six-month period ended 31 December 2016 was a period of significant change for Adcorp. After a promising start to the financial year the Australian Agency business was significantly negatively impacted by the loss of Australian Government account for which the company had been providing services through Dentsu Mitchell Media Australia Pty Ltd. However, the NZ Agency Business, Showrunner Productions and our 15% investment in Shootsta continued to perform in line with expectations.

As a result of the loss of the Australian Government account Adcorp made significant reductions in people related costs in late November and early December. In addition a major independent review of the business has identified a number of focus areas including alternative productivity analysis measures, a restructure of the business development team, critical analysis of the company's product and services and further reduction of the company's cost base. A number of these measures have been implemented through January and February.

Adcorp's non-Government business (predominantly eastern coast property project marketing) saw growth over the previous corresponding period.

Adcorp has significantly invested in the hiring of new business development resources across the Australian Agency business to develop new business opportunities and leverage our national network and established expertise. This has seen a significant increase in pipeline opportunities and increased conversion rates are expected as a result.

Recruitment activity and public notice advertising in New Zealand was ahead of expectations and saw increases in digital project spend.

Showrunner Productions ('Showrunner') continued to specialise in factual documentary making and following a restructure in mid-2016 is now on a path to contribute profits in future periods from programs that have already been produced. Importantly, Showrunner achieved a significant milestone and additional credibility by being commissioned to produce 24 factual documentary episodes for a global broadcaster that will see additional revenues in FY2018. Showrunner is continuing to negotiate a number of other program opportunities with local and global distributors.

### **Shootsta Holdings Pty Ltd (15% Investment)**

On 22 July 2016 Adcorp acquired a 15% stake in the Shootsta Holdings Pty Ltd for \$1,000,000 consideration (a mix of cash and in kind services). Shootsta is an innovative start-up providing its clients with filming equipment and an editing hub that allows the rapid turnaround of high-quality video content. As at 31 December 2016 Shootsta was above the acquisition forecasts and had a number of significant client wins in particular with premium brands.

### **Dentsu Mitchell Media Dispute**

At this stage Adcorp cannot comment on the dispute with Dentsu Mitchell Media with respect to Adcorp's termination without cause from its involvement. This issue has significantly impacted Adcorp's future earnings and all necessary steps are being taken to aggressively pursue the issue.

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## **Starting conversations**

Adcorp Australia ABN 72 002 208 915

### **POSTAL**

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### **SYDNEY**

Level 2, 309 George Street  
Sydney NSW 2000

### **adcorp.com.au**

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# adcorp

## Financing

In December 2016 Adcorp secured a new debtor finance facility that provides greater flexibility and additional capacity. The facility is currently in operation and is expected to be used for short periods to fund working capital requirements over the next twelve months.

## Financial Performance

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$823,000 (31 December 2015: loss of \$463,000). This included \$226,000 costs attributable to restructuring and associated costs following the loss of the Australian Government account, with annualised cost savings in excess of \$1,500,000 flowing through to the new calendar year.

Billings of \$27,073,000 were down 10.3% from \$30,184,000. Net Operating Revenues (excluding rental income and interest) reduced 16.5% to \$6,663,000 from \$7,975,000 in the prior comparative period and revenue margin declined from 26.4% to 24.6% mainly as a result of the Australian Government loss.

Major cost savings were initiated and saw the removal of a number of positions including the General Manager of Corporate Services (previously reported as a Key Management Personnel). Operating Expenses (excluding impairment) decreased 10.1% to \$7,438,000 down from \$8,274,000. Administration, Office and Communication costs are down \$161,000 (7.5%) from \$2,146,000 to \$1,983,000. This was achieved in part by headcount reductions as well as ongoing initiatives to reduce unused or under-utilised office space, renegotiate IT service contracts and to implement a strict review and approval process for capital expenditure.

Client Service labour costs are down \$604,000 (10.6%) from \$5,683,000 to \$5,079,000 on the prior comparative period. This reduction is the result of analysis of existing resources to ensure efficient utilisation as well as ongoing restructuring to ensure the business has the right personnel to attract new clients and generate higher revenues.

The company's cash balance as at 31 December 2016 of \$3,148,000 declined from \$4,639,000 as at 30 June 2016. This is in part a result of the \$500,000 initial cash payment for the investment in Shootsta and \$293,000 cash deposit for premises bank guarantees during the period. Cash outflows from operating activities were \$674,000 which includes restructuring costs as a result of the loss of the Australian Government sub-contractor arrangement and ongoing review and restructuring of the business.

Adcorp is confident of improving financial performance in the second half based on the restructuring activities already implemented, an increased focus on business development and a program of continual business review.

The board has determined that no dividends will be payable to shareholders for the six months to 31 December 2016 and will review this position once the company demonstrates sustained profit and cashflow growth.

The attached financial statements detail the performance and financial position of the consolidated entity for the six month ended 31 December 2016.

~ends~

For further information, please contact:

David Morrison  
Chief Executive Officer  
Adcorp Australia Limited  
+ 61 2 8524 8500  
davidmorrison@adcorp.com.au

**Starting conversations**

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**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 2016
Previous period:	For the half-year ended 31 December 2015

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**2. Results for announcement to the market**

			<b>\$'000</b>
Revenues from ordinary activities	down	16.4% to	6,678
Loss from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	up	77.8% to	(823)
Loss for the half-year attributable to the owners of Adcorp Australia Limited	up	77.8% to	(823)

*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 \$823,000 (31 December 2015: \$463,000).

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**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>0.19</u>	<u>0.71</u>

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**4. Control gained over entities**

Not applicable.

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**5. Loss of control over entities**

Not applicable.

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**6. Dividends**

*Current period*

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

*Previous period*

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

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**7. Dividend reinvestment plans**

Not applicable.

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## 8. Details of associates and joint venture entities

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

Shootsta Holdings Pty Ltd ('Shootsta'), is a 15% owned associated entity acquired on 22 July 2016. Shootsta is a company that empowers companies to create their own professional videos using a Shootsta kit, for \$1,000,000 in a mix of cash and in kind services. Adcorp also took a seat on the Shootsta board as part of the transaction.

HR by the Hour Pty Ltd ('HRBTH') is a 50% owned joint venture entity acquired on 14 January 2016. HRBTH provides Recruitment and HR related services. As at 31 December 2016, a \$40,000 working capital loan had been advanced to HRBTH. The joint venture will be accounted for under the equity accounting method, however as at 31 December 2016 the share of profits in HRBTH was not material.

## 9. Foreign entities

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

Not applicable.

## 10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

## 11. Attachments

*Details of attachments (if any):*

The Interim Report of Adcorp Australia Limited for the half-year ended 31 December 2016 is attached.

## 12. Signed



Signed \_\_\_\_\_

Date: 28 February 2017

Febe McCrossen  
Company Secretary  
Sydney

**Adcorp Australia Limited**

**ABN 72 002 208 915**

**Interim Report - 31 December 2016**

**Adcorp Australia Limited**  
**Contents**  
**31 December 2016**

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**Adcorp Australia Limited**  
**Directors' report**  
**31 December 2016**

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 half-year ended 31 December 2016.

**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  
Dean Capobianco

**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 \$823,000 (31 December 2015: \$463,000).

The six-month period ended 31 December 2016 was a period of significant change for Adcorp. After a promising start to the financial year the Australian Agency business was significantly negatively impacted by the loss of Australian Government account for which the Company had been providing services through Dentsu Mitchell Media Australia Pty Ltd. However, the NZ Agency Business, Showrunner Productions ('Showrunner') and our 15% investment in Shootsta Holdings Pty Ltd ('Shoosta') continued to perform in line with expectations.

As a result of the loss of the Australian Government account Adcorp made significant reductions in people related costs in late November and early December. In addition a major independent review of the business has identified a number of focus areas including alternative productivity analysis measures, a restructure of the business development team, critical analysis of the Company's product and services and further reduction of the Company's cost base. A number of these measures have been implemented through January and February.

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**Adcorp Australia Limited**  
**Directors' report**  
**31 December 2016**

*Dentsu Mitchell Media dispute*

At this stage Adcorp cannot comment on the dispute with Dentsu Mitchell Media with respect to Adcorp's termination without cause from its involvement. This issue has significantly impacted Adcorp's future earnings and all necessary steps are being taken to aggressively pursue the issue.

*Financing*

In December 2016 Adcorp secured a new debtor finance facility that provides greater flexibility and additional capacity. The facility is currently in operation and is expected to be used for short periods to fund working capital requirements over the next twelve months.

*Financial Performance*

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$823,000 (31 December 2015: loss of \$463,000). This included \$226,000 costs attributable to restructuring and associated costs following the loss of the Australian Government account, with annualised cost savings in excess of \$1,500,000 flowing through to the new calendar year.

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Adcorp is confident of improving financial performance in the second half based on the restructuring activities already implemented, an increased focus on business development and a program of continual business review.

The Board has determined that no dividends will be payable to shareholders for the six months to 31 December 2016 and will review this position once the Company demonstrates sustained profit and cashflow growth.

The attached financial statements detail the performance and financial position of the Consolidated Entity for the six month ended 31 December 2016.

**Significant changes in the state of affairs**

On 22 July 2016, Adcorp purchased a 15% investment in Shootsta Holdings Pty Ltd ('Shootsta'), a company that empowers companies to create their own professional videos using a Shootsta kit, for \$1,000,000 in a mix of cash and in kind services. Adcorp will also take a seat on the Shootsta board as part of the transaction.

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 Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**Adcorp Australia Limited**  
**Directors' report**  
**31 December 2016**

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

A handwritten signature in black ink that reads "David Morrison". The signature is written in a cursive style with a horizontal line at the end.

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David Morrison  
Director and Chief Executive Officer

28 February 2017  
Sydney

Level 17, 383 Kent Street  
Sydney NSW 2000

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Locked Bag Q800  
QVB Post Office  
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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 2016, 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 AUDIT PTY LTD  
Chartered Accountants



Andrew Rigele  
Partner - Audit & Assurance

Sydney, 28 February 2017

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**Adcorp Australia Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2016**

	Note	Consolidated 31 Dec 2016 \$'000	31 Dec 2015 \$'000
<b>Revenue</b>	4	6,678	7,988
<b>Expenses</b>			
Client service expenses		(5,079)	(5,683)
Administrative expenses		(497)	(544)
Marketing expenses		(375)	(429)
Office and communication expenses		(1,486)	(1,602)
Impairment of assets		-	(205)
Finance costs	5	(1)	(16)
<b>Loss before income tax (expense)/benefit</b>		(760)	(491)
Income tax (expense)/benefit		(23)	26
<b>Loss after income tax (expense)/benefit for the half-year</b>		(783)	(465)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		8	52
Other comprehensive income for the half-year, net of tax		8	52
<b>Total comprehensive income for the half-year</b>		(775)	(413)
Loss for the half-year is attributable to:			
Non-controlling interest		40	(2)
Owners of Adcorp Australia Limited		(823)	(463)
		(783)	(465)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		40	(2)
Owners of Adcorp Australia Limited		(815)	(411)
		(775)	(413)
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	12	(0.45)	(0.60)
Diluted earnings per share	12	(0.45)	(0.60)

*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 2016**

	<b>Note</b>	<b>Consolidated</b> <b>31 Dec 2016</b> <b>\$'000</b>	<b>30 Jun 2016</b> <b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	3,148	4,639
Trade and other receivables	7	5,312	7,470
Inventories		569	617
Income tax refund due		8	31
Other financial assets		143	382
Prepayments		891	424
<b>Total current assets</b>		<u>10,071</u>	<u>13,563</u>
<b>Non-current assets</b>			
Investments accounted for using the equity method	8	804	-
Property, plant and equipment		652	725
Intangibles		132	65
Deferred tax		1,167	1,199
<b>Total non-current assets</b>		<u>2,755</u>	<u>1,989</u>
<b>Total assets</b>		<u>12,826</u>	<u>15,552</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	9,938	11,740
Income tax		48	52
Provisions		764	780
<b>Total current liabilities</b>		<u>10,750</u>	<u>12,572</u>
<b>Non-current liabilities</b>			
Other payables		78	57
Deferred tax		264	305
Provisions		360	469
<b>Total non-current liabilities</b>		<u>702</u>	<u>831</u>
<b>Total liabilities</b>		<u>11,452</u>	<u>13,403</u>
<b>Net assets</b>		<u>1,374</u>	<u>2,149</u>
<b>Equity</b>			
Issued capital		32,353	32,353
Purchased controlling interest reserve		(113)	(113)
Foreign currency reserve		(337)	(345)
Accumulated losses		(30,594)	(29,771)
Equity attributable to the owners of Adcorp Australia Limited		1,309	2,124
Non-controlling interest		65	25
<b>Total equity</b>		<u>1,374</u>	<u>2,149</u>

*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 2016**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Purchased controlling interest reserve \$'000</b>	<b>Foreign currency reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2015	28,894	(113)	(411)	(29,156)	2	(784)
Loss after income tax benefit for the half-year	-	-	-	(463)	(2)	(465)
Other comprehensive income for the half-year, net of tax	-	-	52	-	-	52
Total comprehensive income for the half-year	-	-	52	(463)	(2)	(413)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	3,459	-	-	-	-	3,459
Balance at 31 December 2015	<u>32,353</u>	<u>(113)</u>	<u>(359)</u>	<u>(29,619)</u>	<u>-</u>	<u>2,262</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Purchased controlling interest reserve \$'000</b>	<b>Foreign currency reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2016	32,353	(113)	(345)	(29,771)	25	2,149
Profit/(loss) after income tax expense for the half-year	-	-	-	(823)	40	(783)
Other comprehensive income for the half-year, net of tax	-	-	8	-	-	8
Total comprehensive income for the half-year	-	-	8	(823)	40	(775)
Balance at 31 December 2016	<u>32,353</u>	<u>(113)</u>	<u>(337)</u>	<u>(30,594)</u>	<u>65</u>	<u>1,374</u>

*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 2016**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	31,905	36,026
Payments to suppliers and employees (inclusive of GST)	(32,583)	(36,095)
	(678)	(69)
Interest received	15	13
Interest and other finance costs paid	(1)	(16)
Income taxes refunded	25	-
Income taxes paid	(35)	-
Net cash used in operating activities	(674)	(72)
<b>Cash flows from investing activities</b>		
Payments for investments	(539)	-
Payments for property, plant and equipment	(70)	(184)
Payments for intangibles	(158)	(205)
Payments for security deposits	(293)	-
Proceeds from disposal of property, plant and equipment	4	9
Net cash used in investing activities	(1,056)	(380)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares, net of transaction costs	-	3,459
Payments for invoice financing	(22,884)	(27,704)
Proceeds from invoice financing	23,123	26,928
Net cash from financing activities	239	2,683
Net increase/(decrease) in cash and cash equivalents	(1,491)	2,231
Cash and cash equivalents at the beginning of the financial half-year	4,639	1,827
Cash and cash equivalents at the end of the financial half-year	<u>3,148</u>	<u>4,058</u>

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

### **Note 1. General information**

The financial statements cover Adcorp Australia Limited as a Consolidated Entity consisting of Adcorp Australia Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Adcorp Australia Limited's functional and presentation currency.

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

Level 2  
309 George Street  
Sydney NSW 2000

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

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

### **Note 2. Significant accounting policies**

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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 or amended Accounting Standards and Interpretations adopted**

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### **Going concern**

As at 31 December 2016, the Consolidated Entity had cash and cash equivalents of \$3,148,000 (30 June 2016: \$4,639,000) and has a net current liability position of \$679,000 (30 June 2016: net current asset position of \$991,000). Loss for the half-year after non-controlling interest and other comprehensive income was \$815,000 (31 December 2015: \$411,000) and net cash outflows from operating activities were \$674,000 (31 December 2015: \$72,000).

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

With a loss being reported for the current period, the Company continues to focus on structuring and resourcing the business to attract new business and increase revenues whilst maintaining control over costs.

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

**Note 2. Significant accounting policies (continued)**

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

**Note 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.

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

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

*Major customers*

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

*Operating segment information*

<b>Consolidated - 31 Dec 2016</b>	Australia \$'000	New Zealand \$'000	Total \$'000
<b>Revenue</b>			
Sales to external customers	5,274	1,389	6,663
Other revenue	12	3	15
<b>Total revenue</b>	<u>5,286</u>	<u>1,392</u>	<u>6,678</u>
<b>Adjusted EBITDA *</b>	<u>(561)</u>	<u>11</u>	<u>(550)</u>
Depreciation and amortisation			(224)
Interest revenue			15
Finance costs			(1)
<b>Loss before income tax expense</b>			<u>(760)</u>
Income tax expense			(23)
<b>Loss after income tax expense</b>			<u>(783)</u>
<b>Assets</b>			
Segment assets	<u>9,985</u>	<u>1,674</u>	11,659
<i>Unallocated assets:</i>			
Deferred tax asset			<u>1,167</u>
<b>Total assets</b>			<u>12,826</u>
<b>Liabilities</b>			
Segment liabilities	<u>10,339</u>	<u>849</u>	11,188
<i>Unallocated liabilities:</i>			
Deferred tax liability			<u>264</u>
<b>Total liabilities</b>			<u>11,452</u>

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

Note 3. Operating segments (continued)

	Australia \$'000	New Zealand \$'000	Total \$'000
<b>Consolidated - 31 Dec 2015</b>			
<b>Revenue</b>			
Sales to external customers	6,699	1,276	7,975
Other revenue	7	6	13
<b>Total revenue</b>	<u>6,706</u>	<u>1,282</u>	<u>7,988</u>
<b>Adjusted EBITDA *</b>			
Depreciation and amortisation		(88)	82
Impairment of assets			(365)
Interest revenue			(205)
Finance costs			13
<b>Loss before income tax benefit</b>			<u>(16)</u>
Income tax benefit			(491)
<b>Loss after income tax benefit</b>			<u>26</u> <u>(465)</u>
<b>Consolidated - 30 Jun 2016</b>			
<b>Assets</b>			
Segment assets	12,260	2,093	14,353
<i>Unallocated assets:</i>			
Deferred tax asset			1,199
<b>Total assets</b>			<u>15,552</u>
<b>Liabilities</b>			
Segment liabilities	11,861	1,237	13,098
<i>Unallocated liabilities:</i>			
Deferred tax liability			305
<b>Total liabilities</b>			<u>13,403</u>

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

Note 4. Revenue

	Consolidated 31 Dec 2016 \$'000	31 Dec 2015 \$'000
<i>Sales revenue</i>		
Operating revenues	<u>6,663</u>	<u>7,975</u>
<i>Other revenue</i>		
Interest	<u>15</u>	<u>13</u>
Revenue	<u><u>6,678</u></u>	<u><u>7,988</u></u>

**Note 5. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	49	50
Plant and equipment	85	195
	<hr/>	<hr/>
Total depreciation	134	245
<i>Amortisation</i>		
Software licences	89	120
Trademarks and other intellectual property	1	-
	<hr/>	<hr/>
Total amortisation	90	120
	<hr/>	<hr/>
Total depreciation and amortisation	224	365
<i>Finance costs</i>		
Interest and finance charges paid/payable	1	16
	<hr/>	<hr/>
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	3	3
	<hr/>	<hr/>
<i>Net loss on disposal</i>		
Net loss/(gain) on disposal of property, plant and equipment	6	(56)
	<hr/>	<hr/>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	297	346
	<hr/>	<hr/>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	4,782	5,337
	<hr/>	<hr/>

**Note 6. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	2,637	4,129
Cash on deposit	511	510
	<hr/>	<hr/>
	3,148	4,639
	<hr/> <hr/>	<hr/> <hr/>

**Note 7. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	5,325	7,278
Less: Provision for impairment of receivables	(93)	(73)
	<u>5,232</u>	<u>7,205</u>
Other receivables	80	265
	<u>5,312</u>	<u>7,470</u>

**Note 8. Non-current assets - investments accounted for using the equity method**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment in associate - Shoosta Holdings Pty Ltd	804	-

*Shootsta Holdings Pty Ltd*

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

*HR by the Hour Pty Ltd*

HR by the Hour Pty Ltd ('HRBTH') is a 50% owned joint venture entity acquired on 14 January 2016. HRBTH provides Recruitment and HR related services. As at 31 December 2016, a \$40,000 working capital loan had been advanced to HRBTH. The working capital loan is included in Other receivables. The joint venture is accounted for under the equity accounting method, however as at 31 December 2016 the share of profits in HRBTH was not material.

**Note 9. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	6,365	8,265
Deferred consideration	265	-
Other payables	3,308	3,475
	<u>9,938</u>	<u>11,740</u>

**Note 10. Equity - dividends**

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

**Note 11. Contingent liabilities**

The Consolidated Entity has various guarantees over premises.

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>30 Jun 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Premises	<u>567</u>	<u>907</u>

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

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

**Note 12. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(783)	(465)
Non-controlling interest	<u>(40)</u>	<u>2</u>
Loss after income tax attributable to the owners of Adcorp Australia Limited	<u>(823)</u>	<u>(463)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>182,029,806</u>	<u>77,164,809</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>182,029,806</u>	<u>77,164,809</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.45)	(0.60)
Diluted earnings per share	(0.45)	(0.60)

**Note 13. Events after the reporting period**

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

No other matter or circumstance has arisen since 31 December 2016 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.

**Adcorp Australia Limited**  
**Directors' declaration**  
**31 December 2016**

In the directors' opinion:

- the attached financial statements and notes 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 give a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 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



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David Morrison  
Director and Chief Executive Officer

28 February 2017  
Sydney

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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 (“Company”), which comprises the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 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 Adcorp Australia Limited financial position as at 31 December 2016 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.

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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 2016 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.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Andrew Rigele  
Partner - Audit & Assurance

Sydney, 28 February 2017