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 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The Consolidated Entity has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the half-year ended 31 December 2018. The Accounting Standards were adopted using the modified retrospective approach and as such comparatives have not been restated.

				$
Revenues from ordinary activities	down	13.2%	to	5,613,154
Loss from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	down	6.4%	to	(829,163)
Loss for the half-year attributable to the owners of Adcorp Australia Limited	down	6.4%	to	(829,163)

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 $829,163 (31 December 2017: $886,203).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(0.33)	(1.05)

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding: Reporting period %	Reporting entity's percentage holding: Previous period %	Contribution to profit/(loss) (where material): Reporting period $	Contribution to profit/(loss) (where material): Previous period $
Shootsta Holdings Pty Ltd (Associate)	15.00%	15.00%	(50,515)	36,634
HR by the Hour Pty Ltd (Joint Venture)	50.00%	50.00%	-	-
Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)				
Profit/(loss) from ordinary activities before income tax			(50,515)	36,634

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, which contains a material uncertainty paragraph regarding preparation of the financial statements on a going concern basis, 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 2018 is attached.

12. Signed

Signed ______________________ Date: 28 February 2019

David Morrison
Chief Executive Officer and Managing Director
Sydney

Adcorp Australia Limited

ABN 72 002 208 915

Interim Report - 31 December 2018

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 2018.

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
Dean Capobianco
Alex Parsons (resigned 7 December 2018)

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;
- Video production and marketing solutions; and
- Television production.

Review of operations
As a result of a significant business review, a number of key strategies were developed and implemented to improve financial performance. This saw the resignation of a number of unprofitable clients and the significant reduction in business expenses; particularly in the area of staff headcount. In addition the streamlining of our business systems to reduce the number of operating platforms has commenced and is due to be launched before the end of the financial year, marking the completion of this significant restructuring program.

While revenues for the period decreased 13.2%, this mirrored a similar level of decreases in the Company's expenses and we expect further rationalisation of cost base in the next six months, with ongoing reviews. The new agency model developed in Australia is designed to focus on new business development and the further strategic development of existing client relationships.

The New Zealand component of our business continues to deliver its employee branding services to blue chip clients and plans are underway to diversify our service offering and expand into other market sectors.

Our shareholding in Quadrant Creative continues to develop with this business increasing their footprint from South East Queensland to other states where they provide market leading residential property marketing services.

The feedback to Showrunner's Netflix Originals has been positive and negotiations are commencing with other global broadcasters to screen these programs once the relevant holdback rights expire. The focus is now on the further development and marketing of new programs to distributors and broadcasters.

Shootsta Holdings Pty Ltd (15% Investment)
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. Overseas expansion has seen the business establish itself in the UK, US and in Singapore and Hong Kong. While the establishment of offices and the hiring of staff has been the focus, client discussions have been extremely positive and sales are growing.

Dentsu Mitchell Media Dispute
This dispute remains ongoing and the Court has set dates for evidence to be provided by Dentsu in April 2019. While attempts have been made to mediate they have been largely unsuccessful and Adcorp remains committed to vigorously pursuing this matter.

Financing
The Company has had a debtor finance facility in place with Cashflow Finance Australia Pty Ltd, previously 1st Cash Pty Ltd, trading as Thorn Trade and Debtor Finance ("Thorn") since December 2016. The facility has been operating effectively and will be maintained to fund working capital requirements over the next twelve months and foreseeable future.

The Company also had $750,000 loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust, a company associated with the Company's major shareholder and Chairman, Ian Rodwell. This facility was due to expire on 31 March 2019. As previously announced on 15 February 2019, this facility has been extended to 31 December 2019 and increased to $1,500,000.

Financial Performance
The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to $829,163 (31 December 2017: loss of $886,203). The loss before income tax and non-controlling interest amounted to $849,772 (31 December 2017: loss of $788,193).

Total billings of $20,695,528 were down 7% from $22,291,014. Net Operating Revenues (including Production Revenue, excluding rental income and interest) decreased 14% to $5,613,154 from $6,467,149 in the prior period, while revenue margins reduced 1.9% to 27.1%. The decrease in revenue and margin was impacted by the introduction in the new accounting standard AASB 15 Revenue from Contracts with Customers which resulted in higher margin Production revenues recognised in a prior period.

Total operating expenses decreased by $884,017 (down 14% against prior period) to $6,416,673 largely due to a reduction in TV Production costs of $731,276 and also a result of the introduction of the new accounting standard AASB15. The Company still managed to achieve additional cost savings of $228,054 in other operating expense categories (excluding Finance costs and impairment) despite incurring restructuring costs exceeding $130,000.

Administration, Office and Communication costs decreased $80,229 (down 7% against prior period) from $1,163,728 to $1,083,499. This was achieved through reduction in premises overheads and further rationalisation of IT and infrastructure costs.

Client Service labour costs decreased $107,224 (down 2% against prior period) from $4,346,021 to $4,238,797. This reduction is despite incurring restructuring costs exceeding $130,000 which will generate further savings in future periods.

The Consolidated entities cash balance as at 31 December 2018 of $2,326,860 increased from $1,466,553 as at 30 June 2018. This is due the rights issue that raised $2,765,607 (net of transaction costs) which has been used to assist in working capital and support the business restructuring. The Consolidated entities continue to focus on managing cash flow through ongoing cost reductions and rigour in cash collections.

The next half year is expected to see increased contributions to the Company's revenues from our investments in both Showrunner and Shootsta and this along with actions taken to reset the Agency business to remove unprofitable revenues and open up new client opportunities, allow the Company to be confident that financial performance will improve.

The Board has determined that no dividends will be payable to shareholders for the half year ended 31 December 2018 and will review this position once the Company demonstrates sustained profit and cash flow growth.

The attached financial statements detail the performance and financial position of the Consolidated Entity for the year ended 31 December 2018.

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

Matters subsequent to the end of the financial half-year
As at 31 December 2018, the Company has a $750,000 loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with the Company's major shareholder and Chairman, Ian Rodwell. This facility was due to expire on 31 March 2019. As previously announced on 15 February 2019, this facility has been extended to 31 December 2019 and increased to $1,500,000.

No other matter or circumstance has arisen since 31 December 2018 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.

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

David Morrison
Chief Executive Officer and Managing Director

28 February 2019
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 2018, 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

A G Rigele
Partner – Audit & Assurance

Sydney,28 February 2019

Adcorp Australia Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Revenue	4	5,613,154	6,467,149
Share of profits/(losses) of associates accounted for using the equity method		(50,515)	36,634
Interest revenue calculated using the effective interest method		4,262	8,714
Expenses			
Client service expenses		(4,238,797)	(4,346,021)
Administrative expenses		(480,060)	(442,248)
Marketing expenses		(242,607)	(321,020)
Office and communication expenses		(1,083,499)	(1,163,728)
Production expenses		(291,662)	(1,022,938)
Impairment of receivables		343	11,837
Finance costs	5	(80,391)	(16,572)
Loss before income tax (expense)/benefit		(849,772)	(788,193)
Income tax (expense)/benefit		48,063	(87,171)
Loss after income tax (expense)/benefit for the half-year		(801,709)	(875,364)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		25,210	(36,374)
Other comprehensive income for the half-year, net of tax		25,210	(36,374)
Total comprehensive income for the half-year		(776,499)	(911,738)
Loss for the half-year is attributable to:			
Non-controlling interest		27,454	10,839
Owners of Adcorp Australia Limited		(829,163)	(886,203)
		(801,709)	(875,364)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		27,454	10,839
Owners of Adcorp Australia Limited		(803,953)	(922,577)
		(776,499)	(911,738)
		Cents	Cents
Basic earnings per share	12	(0.27)	(0.49)
Diluted earnings per share	12	(0.27)	(0.49)

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

Adcorp Australia Limited
Consolidated statement of financial position
As at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 June 2018 $
Assets			
Current assets			
Cash and cash equivalents		2,326,860	1,466,553
Trade and other receivables	6	4,046,965	4,875,626
Contract assets		848,472	-
Income tax refund due		90	87
Intangibles		-	1,280,617
Other		671,345	647,038
Total current assets		7,893,732	8,269,921
Non-current assets			
Contract assets		136,817	-
Investments accounted for using the equity method		777,572	917,225
Property, plant and equipment		482,242	611,357
Intangibles		19,472	338,367
Deferred tax		1,183,801	1,108,071
Total non-current assets		2,599,904	2,975,020
Total assets		10,493,636	11,244,941
Liabilities			
Current liabilities			
Trade and other payables		6,860,066	10,388,392
Contract liabilities and deferred revenue	7	147,836	29,000
Borrowings		85,400	81,205
Income tax		31,956	17,661
Provisions		711,086	829,148
Other financial liabilities		1,374,669	548,428
Total current liabilities		9,211,013	11,893,834
Non-current liabilities			
Payables		99,899	105,981
Borrowings		149,604	193,379
Deferred tax		84,301	127,050
Provisions		337,251	302,237
Total non-current liabilities		671,055	728,647
Total liabilities		9,882,068	12,622,481
Net assets/(liabilities)		611,568	(1,377,540)
Equity			
Issued capital	8	35,118,993	32,353,386
Purchased controlling interest reserve		(113,074)	(113,074)
Foreign currency reserve		(350,722)	(375,932)
Accumulated losses		(34,202,142)	(33,372,979)
Equity/(deficiency) attributable to the owners of Adcorp Australia Limited		453,055	(1,508,599)
Non-controlling interest		158,513	131,059
Total equity/(deficiency)		611,568	(1,377,540)

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

Adcorp Australia Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2018

Consolidated	Issued capital $	Purchased controlling interest reserve $	Foreign currency reserve $	Accumulated losses $	Non-controlling interest $	Total deficiency in equity $
Balance at 1 July 2017	32,353,386	(113,074)	(346,125)	(31,263,353)	106,176	737,010
Profit/(loss) after income tax expense for the half-year	-	-	-	(886,203)	10,839	(875,364)
Other comprehensive income for the half-year, net of tax	-	-	(36,374)	-	-	(36,374)
Total comprehensive income for the half-year	-	-	(36,374)	(886,203)	10,839	(911,738)
Balance at 31 December 2017	32,353,386	(113,074)	(382,499)	(32,149,556)	117,015	(174,728)

Consolidated	Issued capital $	Purchased controlling interest reserve $	Foreign currency reserve $	Accumulated losses $	Non-controlling interest $	Total equity $
Balance at 1 July 2018	32,353,386	(113,074)	(375,932)	(33,372,979)	131,059	(1,377,540)
Profit/(loss) after income tax benefit for the half-year	-	-	-	(829,163)	27,454	(801,709)
Other comprehensive income for the half-year, net of tax	-	-	25,210	-	-	25,210
Total comprehensive income for the half-year	-	-	25,210	(829,163)	27,454	(776,499)
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (note 8)	2,765,607	-	-	-	-	2,765,607
Balance at 31 December 2018	35,118,993	(113,074)	(350,722)	(34,202,142)	158,513	611,568

Refer to Note 2 for detailed information the impact of adoption of AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers'.

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

Adcorp Australia Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		23,443,366	25,352,903
Payments to suppliers and employees (inclusive of GST)		(25,616,698)	(26,120,645)
		(2,173,332)	(767,742)
Interest received		4,262	8,714
Interest and other finance costs paid		(80,391)	(16,572)
Income taxes refunded		-	7,801
Income taxes paid		(51,226)	(15,653)
Net cash used in operating activities		(2,300,687)	(783,452)
Cash flows from investing activities			
Payments for property, plant and equipment		(12,769)	(263,000)
Payments for intangibles		(275,492)	(1,199,000)
Payments for security deposits		(4,619)	-
Net cash used in investing activities		(292,880)	(1,462,000)
Cash flows from financing activities			
Proceeds from rights issue	8	2,765,607	-
Payments for invoice financing		(14,933,374)	(17,884,000)
Proceeds from invoice financing		15,661,221	18,289,000
Proceeds from borrowings		1,300,000	254,000
Repayment of borrowings		(1,339,580)	(28,903)
Net cash from financing activities		3,453,874	630,097
Net increase/(decrease) in cash and cash equivalents		860,307	(1,615,355)
Cash and cash equivalents at the beginning of the financial half-year		1,466,553	3,054,760
Cash and cash equivalents at the end of the financial half-year		2,326,860	1,439,405

The above consolidated 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 2019. 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 2018 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 2018 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, except for the policies stated below.

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.

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

Note 2. Significant accounting policies (continued)

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 9 Financial Instruments
The Consolidated Entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The Consolidated Entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2018 was as follows:

	1 July 2018 $
Contract assets (AASB 15)	935,975
Customer acquisition and fulfilment costs (AASB 15)	(935,975)
Impact on opening retained profits as at 1 July 2018	-

The Consolidated Entity has determined that the adoption of AASB 9 did not have any impact on the opening retained profits as at 1 July 2018.

Revenue recognition
The Consolidated Entity recognises revenue as follows:

Note 2. Significant accounting policies (continued)

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Agency revenue – Media
The Group incurs a number of third party costs in connection with services provided to customers. The disclosure of such revenue is net of these costs and is recognised at a point in time when billed to the client upon the satisfaction of the performance obligation.

Other media and marketing services
Other services including production, creative, digital, consulting and video production revenue, are recognised at a point in time when billed to the client once the service has been completed in accordance with the underlying customer contract. Customers typically receive the benefit of services when they are delivered and substantially all customer contracts provide that the Group will be compensated for services upon delivery.

Production revenues – Licence fees
Licence fees received from the distribution of television productions are recognised at a point in time upon delivery of the production when the customer has the ability to use and benefit from its right to use the licence.

Production revenues – Usage or sale based fees
Usage or sale based fees received from the distribution of television productions are recognised at a point in time upon notification of the sale, generally in the form of a distributor's royalty statement.

Production revenues – Grants
Grants received from government agencies for the development or production of a television series do not meet the definition of a customer contract and are brought to account as revenue upon fulfilment of the contractual obligations for the grants received.

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

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

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Note 2. Significant accounting policies (continued)

The Consolidated Entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets
Contract assets are recognised when the Consolidated Entity has transferred goods or services to the customer but where the Consolidated Entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Impairment of financial assets
The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Consolidated Entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Contract liabilities
Contract liabilities represent the Consolidated Entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Consolidated Entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Consolidated Entity has transferred the goods or services to the customer.

Going concern
As at 31 December 2018, the Consolidated Entity had cash and cash equivalents of $2,326,860 (30 June 2018: $1,466,553) and was in a net current liability position of $1,317,281 (30 June 2018: net current liability position of $3,623,913). The loss after income tax for the half-year after non-controlling interest was $829,163 (31 December 2017: $886,203) and net cash outflows from operating activities were $2,300,687 (31 December 2017: net outflows $783,452).

Due to continued losses, management is restructuring the business and is making significant reductions in the cost base to improve future financial performance. In addition to opening up new client opportunities, the termination of the Colliers service agreement will deliver further cost savings in the second half of the 30 June 2019 financial year and future years.

Note 2. Significant accounting policies (continued)

The Company has had a debtor finance facility in place with Cashflow Finance Australia Pty Ltd, previously 1st Cash Pty Ltd, trading as Thorn Trade and Debtor Finance ("Thorn") since December 2016. The facility has been operating effectively and will be maintained to fund working capital requirements over the next twelve months and foreseeable future. As at 31 December 2018, the Company has a $750,000 loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with the Company's major shareholder and Chairman, Ian Rodwell. This facility was due to expire on 31 March 2019. As previously announced on 15 February 2019, this facility has been extended to 31 December 2019 and increased to $1,500,000.

The Company will continue to utilise a debtor finance facility with Cashflow Finance Pty Ltd and draw down on the Millennium facility to fund working capital requirements and will continue to manage these arrangements to ensure financing is available when needed.

The Millennium facility of $1,500,000 is presently due and repayable in full by 31 December 2019 and the Company's cash flow projections show they will require additional funding after the Millennium repayment date.

The Company has identified a number of areas of business growth and cost rationalisation that have been included in a strategic plan and continues to explore further opportunities that will mitigate this funding requirement. The Company has demonstrated over a number of years, a history and an ability to deliver cost savings, negotiate with creditors and source funding through various avenues.

Therefore, notwithstanding that there is material uncertainty that the Consolidated Entity will achieve its projected cash flows, the Directors are of a view that it is a going concern. The Consolidated Entity has, and will continue to, initiate a number of substantial changes in order to return to profitability and a positive net asset value and to ensure that it will continue to be able to meet its debts as they fall due. The financial statements have therefore been prepared on a going concern basis. The financial statements do not include any adjustments relating to recoverability and classification of recorded asset amounts or the amount and classification of liabilities that might not be necessary should the Consolidated Entity not continue as a going concern.

Comparative information
Comparatives have been realigned to the current half-year presentation. There is no net effect on profit and net assets for the comparative period.

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.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2018	Australia $	New Zealand $	Total $
Revenue			
Sales to external customers	4,440,677	1,172,477	5,613,154
Interest revenue	4,029	233	4,262
Total revenue	4,444,706	1,172,710	5,617,416
EBITDA *	(525,317)	31,937	(493,380)
Depreciation and amortisation			(280,263)
Interest revenue			4,262
Finance costs			(80,391)
Loss before income tax benefit			(849,772)
Income tax benefit			48,063
Loss after income tax benefit			(801,709)
Assets			
Segment assets	8,050,905	1,258,930	9,309,835
Unallocated assets:			
Deferred tax asset			1,183,801
Total assets			10,493,636
Liabilities			
Segment liabilities	9,124,422	673,345	9,797,767
Unallocated liabilities:			
Deferred tax liability			84,301
Total liabilities			9,882,068

* Earnings before interest, tax, depreciation, amortisation and impairment.

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2017	Australia $	New Zealand $	Total $
Revenue			
Sales to external customers	5,292,221	1,174,928	6,467,149
Other revenue	6,500	2,214	8,714
Total revenue	5,298,721	1,177,142	6,475,863
Material items include:			
Share of profits of associates	36,634	-	36,634
EBITDA *	272,336	(47,961)	224,375
Depreciation and amortisation			(1,003,133)
Impairment of assets			(1,577)
Interest revenue			8,714
Finance costs			(16,572)
Loss before income tax expense			(788,193)
Income tax expense			(87,171)
Loss after income tax expense			(875,364)
Consolidated - 30 June 2018			
Assets			
Segment assets	8,591,375	1,545,495	10,136,870
Unallocated assets:			
Deferred tax asset			1,108,071
Total assets			11,244,941
Liabilities			
Segment liabilities	11,419,112	1,076,319	12,495,431
Unallocated liabilities:			
Deferred tax liability			127,050
Total liabilities			12,622,481

* Earnings before interest, tax, depreciation, amortisation and impairment.

Note 4. Revenue

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Operating revenues	-	5,709,218
Agency revenue – Media	2,424,575	-
Other media and marketing services	2,826,729	-
Production revenues – Licence fees & Usage or sales based fee	361,850	575,319
Production revenues - Grants	-	182,612
Revenue	5,613,154	6,467,149

Note 4. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 31 Dec 2018	Australia $	New Zealand $	Total $
Major product lines			
Agency revenue – Media	1,494,755	929,820	2,424,575
Other media and marketing services	2,584,072	242,657	2,826,729
Production revenues – Licence fees & Usage or sales based fee	361,850	-	361,850
	4,440,677	1,172,477	5,613,154
Timing of revenue recognition			
Services transferred at a point in time	4,440,677	1,172,477	5,613,154

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue.

Note 5. Expenses

	Consolidated 31 Dec 2018 $	Consolidated 31 Dec 2017 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Office equipment	76,601	47,847
Furniture and fittings	55,028	101,633
Total depreciation	131,629	149,480
Amortisation		
Software licences	37,133	81,144
Contract asset	111,501	772,509
Total amortisation	148,634	853,653
Total depreciation and amortisation	280,263	1,003,133
Finance costs		
Interest and finance charges paid/payable	80,391	16,572
Net foreign exchange loss		
Net foreign exchange loss	4,426	5,379
Net loss on disposal		
Net loss on disposal of property, plant and equipment	11,453	914
Superannuation expense		
Defined contribution superannuation expense	227,429	260,225

Note 6. Current assets - trade and other receivables

	Consolidated 31 Dec 2018 $	30 June 2018 $
Trade receivables	3,858,264	4,758,157
Less: Allowance for expected credit losses (30 Jun 2018: Provision for impairment of receivables)	(99,253)	(105,765)
	3,759,011	4,652,392
Other receivables	287,954	223,234
	4,046,965	4,875,626

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 31 Dec 2018 %	Carrying amount 31 Dec 2018 $	Allowance for expected credit losses 31 Dec 2018 $
Not overdue	-	1,797,243	-
0 to 3 months overdue	-	1,710,998	-
3 to 6 months overdue	3%	76,548	2,275
Over 6 months overdue	21%	462,176	96,978
		4,046,965	99,253

Note 7. Current liabilities - contract liabilities and deferred revenue

	Consolidated 31 Dec 2018 $	30 June 2018 $
Contract liabilities	147,836	-
Deferred revenue	-	29,000
	147,836	29,000

Reconciliation

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

	31 Dec 2018 $	30 June 2018 $
Opening balance	-	-
Payments received in advance	110,675	-
Transfer from deferred revenue on adoption of AASB 15	254,123	-
Transfer to revenue - performance obligations satisfied in previous periods	(216,962)	-
Closing balance	147,836	-

Note 7. Current liabilities - contract liabilities and deferred revenue (continued)

	Consolidated 31 Dec 2018 $
Within 6 months	47,581
6 to 12 months	100,255
	147,836

Note 8. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 June 2018 Shares	31 Dec 2018 $	30 June 2018 $
Ordinary shares - fully paid	455,074,570	182,029,806	35,118,993	32,353,386

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$
Balance	1 July 2018	182,029,806		32,353,386
Rights issue	10 October 2018	273,044,764	$0.011	3,003,492
Share issue transaction costs		-	$0.000	(237,885)
Balance	31 December 2018	455,074,570		35,118,993

The Company issued 273,044,764 new shares on 10 October 2018 under a 3 for 2 renounceable pro rata entitlement offer with a share price of $0.011. The rights issue was fully underwritten by MCO Nominees Pty Ltd ACN 609 094 724, an entity associated with Ian Rodwell, the Company Chairman and majority shareholder. Transaction costs associated with the rights issue totalled $237,885.

Note 9. Equity - dividends

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

Note 10. Fair value measurement

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

Note 11. Contingent liabilities

The Consolidated Entity has provided various guarantees over premises occupied.

	Consolidated	
	31 Dec 2018 $	30 June 2018 $
Premises	505,492	530,242

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

Note 11. Contingent liabilities (continued)

On 22 December 2016, the Company again demanded payment of outstanding invoices for services rendered and, in addition, claimed damages for wrongful termination of agreement and for engaging in misleading and deceptive conduct.

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

On 16 March 2018, the Company lodged its lay evidence and on 6 July 2018 lodged its expert evidence. Dentsu is now preparing their evidence in response. The Company maintains it has a strong case and will continue to vigorously pursue this legal action.

During the last 6 months, the Company has attempted to mediate and reach a settlement outside of court, however this has been unsuccessful.

Dentsu are required to provide their evidence, including expert evidence by 5 April 2019. The Company will then need to respond by 10 May 2019. A court directions hearing is set for 17 May 2019 whereby a trial date will be set.

The Company maintains it has a strong case and will continue to vigorously pursue this legal action.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2018 $	31 Dec 2017 $
Loss after income tax	(801,709)	(875,364)
Non-controlling interest	(27,454)	(10,839)
Loss after income tax attributable to the owners of Adcorp Australia Limited	(829,163)	(886,203)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	305,196,738	182,029,806
Weighted average number of ordinary shares used in calculating diluted earnings per share	305,196,738	182,029,806
	Cents	Cents
Basic earnings per share	(0.27)	(0.49)
Diluted earnings per share	(0.27)	(0.49)

Note 13. Events after the reporting period

As at 31 December 2018, the Company has a $750,000 loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with the Company's major shareholder and Chairman, Ian Rodwell. This facility was due to expire on 31 March 2019. As previously announced on 15 February 2019, this facility has been extended to 31 December 2019 and increased to $1,500,000.

No other matter or circumstance has arisen since 31 December 2018 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 2018

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 2018 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
Chief Executive Officer and Managing Director

28 February 2019
Sydney

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Independent Auditor's Review Report

To the Members of Adcorp Australia Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Adcorp Australia Limited and its subsidiaries (the 'Group') which comprises the statement of financial position as at 31 December 2018, 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, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Adcorp Australia Limited does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report, which indicates that the Group incurred a net loss after non-controlling interest of $829,163 during the half year ended 31 December 2018 and, as of that date, the Group's current liabilities exceeded its current assets by $1,317,281. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Company 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 internal control as the Directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Grant Thornton

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 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 Group's financial position as at 31 December 2018 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 have complied with the independence requirements of the *Corporations Act 2001.*

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A G Rigele
Partner – Audit & Assurance

Sydney,28 February 2019