



# ANNUAL REPORT 2016



AD(CORP CONTINUES TO  
RE-POSITION ITSELF IN  
THE WAKE OF RAPIDLY  
CHANGING MEDIA  
AND ADVERTISING  
CONSUMPTION.

|                         |    |
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ADCORP AUSTRALIA LIMITED

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30 JUNE 2016



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ADCORP AUSTRALIA LIMITED

# AD(CORP) OVERVIEW

30 JUNE 2016

Adcorp is a full service marketing and communications agency with offices located throughout Australia and New Zealand. Over our 35 years in business, we have honed our skills in delivering marketing results for our clients within a rapidly-changing consumer environment and media landscape.

**Robust strategy, digital solutions, media knowledge, cut-through creative and engaging content creation is supported by our efficient technology delivery systems and underpinned by our focus on Return on Investment.**

We pride ourselves on our client relationships and with over 600 clients across a diverse range of sectors; both business and government, Adcorp is starting conversations that are designed to exceed expectations.

**Start a conversation with us today.**

ADCORP AUSTRALIA LIMITED

# CORPORATE DIRECTORY

30 JUNE 2016

## DIRECTORS

Ian Rodwell  
David Morrison  
Garry Lemair  
Dean Capobianco

## COMPANY SECRETARY

Nicholas Kountouris

## AUDITOR

Grant Thornton Audit Pty Ltd  
Level 17  
383 Kent Street  
Sydney NSW 2000

## STOCK EXCHANGE LISTING

Adcorp Australia Limited shares are listed on the Australian Securities Exchange  
**(ASX code: AAU)**

## NOTICE OF ANNUAL GENERAL MEETING

The annual general meeting of Adcorp Australia Limited will be held at:  
Computershare Investor Services Pty Limited  
Level 4  
60 Carrington Street  
Sydney NSW 2000  
**at 11:00am on Tuesday 15 November 2016**

## PRINCIPAL PLACE OF BUSINESS

Level 2  
309 George Street  
Sydney NSW 2000  
Tel: +61 2 8524 8500  
Fax: +61 2 8524 8700

## SHARE REGISTER

Computershare Investor Services Pty Limited  
Level 4  
60 Carrington Street  
Sydney NSW 2000  
Phone: 1300 787 272

## WEBSITE

[adcorp.com.au](http://adcorp.com.au)

## CORPORATE GOVERNANCE STATEMENT

The Company's directors and management are committed to conducting the Consolidated Entity's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of the Consolidated Entity's operations.

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations.

The Company's Corporate Governance Statement and policies, which is approved at the same time as the Annual Report, can be found on its website: [www.adcorp.com.au/investors](http://www.adcorp.com.au/investors)



ADCORP AUSTRALIA LIMITED

# (CHAIRMAN'S REPORT

30 JUNE 2016

IAN  
RODWELL  
Chairman

**The 2015/2016 financial year dealt further challenges to Adcorp with a contraction in market activity in a number of our key geographies and another steep decline in print media revenues following a period of stabilisation in the prior year. This required additional restructuring that was mainly completed in the first half and which contributed to a reduced loss in half two.**

## KEY RESULTS

- Top line billings reduced by 12.1% to \$59.5million off the back of an uncertain property sector and diminished employment market.
- Operating revenues were \$15.7m, down 13.9% from previous year.
- Revenue margin declined from 26.8% to 26%.
- Expenses were down 9.5% to \$16.2m with a significant reduction in infrastructure costs relating to office leases and communication.
- A net operating loss before tax of \$601,000 was produced compared with the prior year's operating profit before tax of \$217,000.

## AREAS OF FOCUS

The main areas that will be the focus of management in the year ahead include:

- Development of individual client plans to increase Adcorp's share of marketing budgets with new products and services.
- Analysis of client profitability based on direct costs and overhead allocations.
- Development of new revenue streams.
- Analysis of employee performance in delivering on the company's financial objectives.
- Identification of and investment in segments of the market that are growing.
- Review of shared service processes and resources to reduce costs and increase efficiencies.

It is clear that while we have adapted elements of our business model, there is still more work to be done in order to improve financial performance. While the media fragmentation has continued to occur at a rapid rate, so has the number of businesses with which we find ourselves competing to win and deliver client work therefore cost structures need to be flexible to adapt to client demands.

Within the year, Adcorp undertook a capital raising program through a Rights Issue that generated cash of approximately \$3.46million to fund working capital and allow the company to make strategic investments in aligned and growing businesses. This saw Adcorp take a 15% stake in video start-up business Shootsta in July 2016. The capital raising saw a net increase in cash of \$2.8million compared to the prior year's decrease of \$5.28million. Adcorp has maintained the availability of a finance facility to fund working capital if required.

The Board has determined that no dividends will be payable to shareholders for the financial year to June 2016 and will review this position when our financial performance and cash flow is more robust.

The Directors wish to thank our staff for their dedication and efforts in embracing the necessary changes across the business that are required to return the company to profitability.



**Adcorp undertook a capital raising program through a Rights Issue that generated cash of approximately \$3.46MILLION TO FUND WORKING CAPITAL AND ALLOW THE COMPANY TO MAKE STRATEGIC INVESTMENTS IN ALIGNED AND GROWING BUSINESSES.**



# (EO'S) REVIEW

DAVID  
MORRISON

Chief Executive Officer



The results for the year that saw the company produce an operating loss of \$601,000 are disappointing after producing a small profit last financial year. While our expense structure continued to be reduced (down 9.5%), it was not enough to offset the decline in revenue of 13.9% brought about by a slightly reduced margin and an overall reduction in client activity. The extent of losses in the second half of the year were reduced as cost savings initiatives took effect and new client acquisition increased; with a loss of \$110,000 compared to a loss of \$491,000 in the first half.

Top line billings reduced 12.1% to \$59.5million mainly as a result of reduced activity by our major property clients across Australia who experienced oversupply issues and a contraction in overseas investment. Revenues declined 13.9% to \$15.65million down from \$18.18million the previous year.

While the year saw growth in revenue from radio, television and outdoor advertising, this was not enough to offset the decline in print media billings of 19% in Australia and 20% in New Zealand. Online advertising grew at around 10% in New Zealand while in our Australian business it declined around 16% - mainly as a result of our reduced activity from our property clients. Client demand for employment marketing programs remained strong in New Zealand and there was a renewed level of interest from Australian clients in these services late in the 2016 financial year. Programmatic media buying is now embedded as a key part of our service offering and is starting to win us clients in the mid-tier retail sector.

Revenues from our Government sector were stable over the year with growth from our Northern Territory contract offsetting a decline in WA Government activity (where a recruitment freeze was implemented) and the Australian Government whose activity declined in the lead-up to the Federal election.

Our operating margins fell slightly to 26%, down from 26.8% in the prior year mainly as a result of reduced overall activity impacting digital development, creative and video solutions sales.

Further restructuring during the year delivered a 9.5% reduction in expenses down to \$16.25million mainly as a result of reduced office and communications costs where we delivered savings of 18.5% over the previous year. This included the relocation of our Sydney head office from Ultimo to the city on a reduced and more efficient floor plan. Further savings from these initiatives will benefit the next financial period. While labour costs only reduced by a small margin, the focus was on hiring skilled and experienced business development staff that were tasked with revenue generation.

Within the year, Adcorp undertook a capital raising program through a Rights Issue that generated cash of approximately \$3.46million to fund working capital and allow the company to make strategic investments in aligned and growing businesses. This saw a net increase in cash of \$2.8million compared to the prior year's decrease of \$5.28million. Adcorp has maintained the availability of a finance facility to fund working capital if required.

On July 22 2016, Adcorp announced it had taken a strategic investment in the video start-up business Shootsta that facilitates clients managing their



own video production through the provision of a filming kit and cloud-based editing solution. This will provide an additional service which Adcorp can provide to our clients and Shootsta will benefit from Adcorp's office network across Australia and New Zealand to expand their sales reach.

Adcorp will continue to look for investment opportunities that consolidate our existing business and deliver new and profitable revenue streams.

### INTEGRATED AGENCY SERVICES

Although not growing as fast as anticipated, our digital, creative and video strategic solutions continue to contribute revenue and improved margin across the business and we are focussed on delivering these services into a higher portion of our existing clients along with using these to win new business. The aim has been to broaden our client base and we have focused on both the retail and education sectors, delivering full service solutions.

Client-facing resources have been restructured to create a dedicated sales team supported by a streamlined client service function. This has necessitated the hiring of a team of experienced business development professionals across the business and even though most have only been in the business for a short space of time, the growth in the pipeline of new opportunities is encouraging.

### SHOWRUNNER PRODUCTIONS

Showrunner Productions completed and delivered two new television series; "72 Dangerous Places to Live" and "72 Cutest Animals" with strong sales interest being generated. It is expected that revenue from sales will be delivered in the next financial year once the cost of productions being held as work in progress, are recovered. Our first television series "72 Dangerous

Animals Australia" continues to generate global sales and has been purchased by Netflix and a number of inflight video providers.

The team have also just completed a screener episode for 'Status Vacant' that sees our team investigating abandoned places around the world. This screener is now being shown to a large number of international broadcasters with a high-level of interest expressed in the series.

Our development slate is also expanding with several other programming concepts in discussion with distributors and broadcasters around the world.

### OUTLOOK

There are indicators that the property and employment sectors are starting to show positive growth signs, however economic conditions continue to be uncertain and there is an accelerated need to grow revenues against a backdrop of expense reduction and efficiency objectives.

While progress has been made in adapting the company to the environment in which we operate, it is clear from our results that further changes are required. A dedicated and experienced sales team along with an efficient and nimble shared service centre remain the key areas of focus in order to develop a sustainable business model that recognises the unknown and continual fluctuating nature of the markets in which we operate. Likewise the identification of new revenue streams either self-developed or through partnerships and/or investments, is vital in order to position the company for a profitable and sustainable future.

I would like to thank all our employees and my Executive Leadership team for their dedication and commitment to achieving our client's objectives and to improving the company's financial performance.

## NON-EXECUTIVE DIRECTORS

30 JUNE 2016

GARRY LEMAIR



DEAN CAPOBIANCO





ADCORP AUSTRALIA LIMITED

# PERFORMANCE SUMMARY

30 JUNE 2016

**NICHOLAS KOUNTOURIS**

Company Secretary

Billings were down year on year by 12.1% from \$67.7m in FY15 to \$59.9m in FY16 as the business transitions from high volume transactional revenue streams to more project related revenue streams.

Billings showed some recovery with a lower rate of decline to the previous period in the second half of the year (7.3%) than the first half of the year (16.4%)

Operating margin of 26.0% comparable to last year 26.8% and above previous years due to revenue mix continuing to transition from transactional media streams to higher margin creative and digital streams in the current year.

Continued review of staff and infrastructure costs yielded a 9.5% reduction in overall costs year on year from \$18.0m in FY15 to \$16.3m in FY16.

EBITDA was again positive in FY16 with \$0.06m against \$1.07m in FY15 owing to expense management largely in line with revenue decline.

Cashflow from operations was positive \$0.74m in FY16 against negative (\$5.4m) in FY15 mainly due to the introduction of a more rigorous debtor's management program and continued cost rationalisation across all lines of business. Prior year cashflow from operations was impacted by advance payments received on several campaigns in June 2014.

Net movement in cash year on year of \$2.81m was a result of proceeds from a rights issue during the year of \$3.46m, cashflow after investing activities of \$0.24m offset by repayment of prior period financing of (\$0.50m) and funds held in financing facility of (\$0.39m).

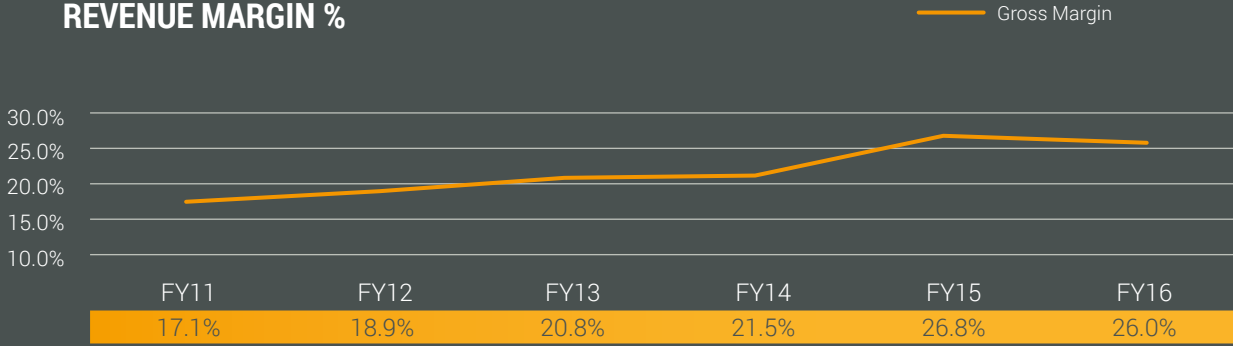
## PERFORMANCE SUMMARY

\$MILLIONS

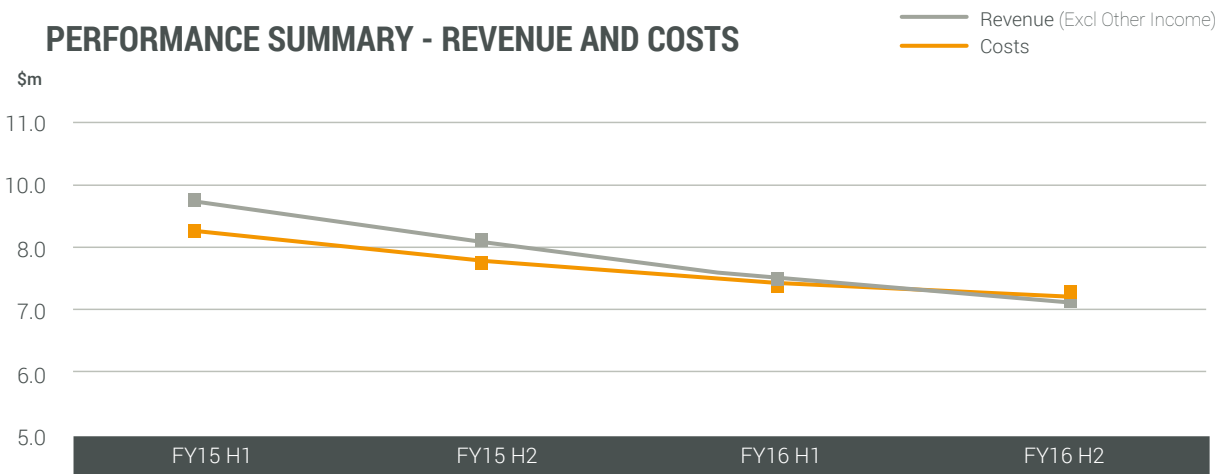
|  | FY15  |       |              | FY16  |       |              |
|--|-------|-------|--------------|-------|-------|--------------|
|  | H1    | H2    | TOTAL        | H1    | H2    | TOTAL        |
| <b>Billings</b>  | 36.1  | 31.6  | <b>67.7</b>  | 30.2  | 29.3  | <b>59.5</b>  |
| <b>Revenue</b> (Excl Other Income)                                       | 9.4   | 8.7   | <b>18.1</b>  | 8.0   | 7.5   | <b>15.5</b>  |
| <b>Margin</b>  | 26.1% | 27.6% | <b>26.8%</b> | 26.4% | 25.6% | <b>26.0%</b> |
| <b>Operating Cost</b>  | 9.3   | 8.6   | <b>17.9</b>  | 8.5   | 7.8   | <b>16.2</b>  |
| <b>Depreciation</b>  | (0.4) | (0.2) | <b>(0.6)</b> | (0.2) | (0.2) | <b>(0.4)</b> |
| <b>Amortisation</b>  | (0.1) | (0.1) | <b>(0.3)</b> | (0.1) | (0.1) | <b>(0.2)</b> |
| <b>Impairment</b>  |       |       | <b>0.0</b>   | (0.2) | 0.2   | <b>(0.0)</b> |
| <b>Operating Cost</b> (Before Depreciation, Amortisation and Impairment) | 8.8   | 8.3   | <b>17.1</b>  | 7.9   | 7.7   | <b>15.6</b>  |
| <b>Other Income &amp; One Off Items</b>                                  | 0.0   | 0.0   | <b>0.0</b>   | 0.0   | 0.1   | <b>0.1</b>   |
| <b>EBITDA</b> (Before impairment)  | 0.6   | 0.5   | <b>1.1</b>   | 0.1   | (0.0) | <b>0.1</b>   |

|  | FY12 | FY13    | FY14   | FY15 | FY16   |
|--|------|---------|--------|------|--------|
| <b>Basic EPS</b> (cents/share)         | 2.57 | (11.36) | (4.30) | 0.22 | (0.48) |
| <b>Dividend Declared</b> (cents/share) | 1.75 | 0.00    | 0      | 0.00 | 0.00   |

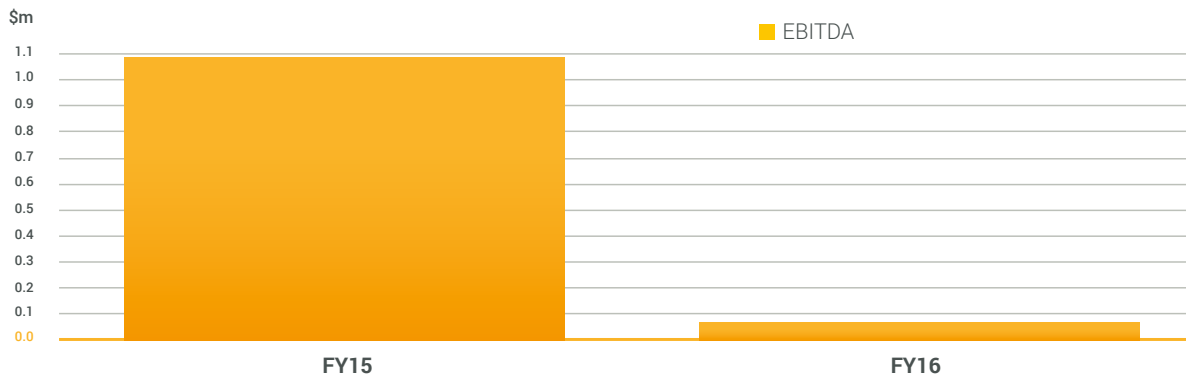
## REVENUE MARGIN %



## PERFORMANCE SUMMARY - REVENUE AND COSTS

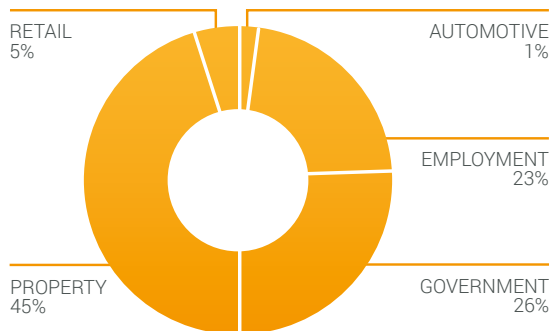


## PERFORMANCE SUMMARY - EBITDA

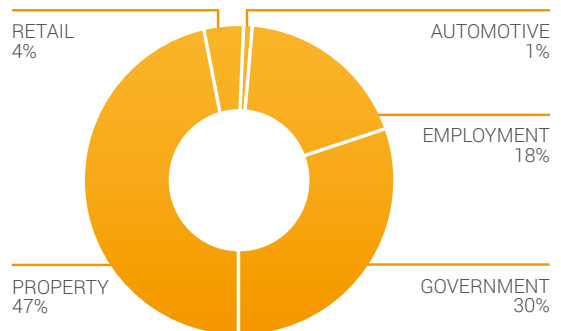


## BILLINGS BY TYPE

FY15



FY16



# TECHNOLOGY

30 JUNE 2016



Adcorp continues to adapt our proprietary software solutions in line with client requirements to streamline advertising and recruitment processes while also having the ability to track performance and measure Return on Investment.

## CONNECT2

Adcorp's Connect2 provides access to the world's leading and easy-to-use Automated Artwork Technology. It is the most streamlined online order management process available and the smartest integrator of cross media advertising campaigns. In addition, unique features in our reporting and ad annotation tools allow our clients to remain at the forefront of technological advances in advertising management.

The system has undergone major feature enhancements that enable it to handle both campaign and non-campaign advertising requests acting as a communications portal and facilitating the storage of all elements of a marketing campaign for easy access and future review.

Connect2 has also been configured to manage a range of diverse artwork requirements for a major local government client; providing them with considerable internal efficiencies. The intention is to now take this out to a wider market.

## SIFTA

A new name and new functionality for our Applicant Tracking system that assists clients to manage both the process of recruiting people and the expectations of applicants. A number of clients have adopted this technology and are benefiting from the efficiencies it creates.



ADCORP AUSTRALIA LIMITED

# SHOOTSTA

30 JUNE 2016

In July 2016, Adcorp purchased a 15% stake in Shootsta; a Sydney-based company that empowers companies to create their own professional videos. Using a Shootsta kit that includes a camera and all the necessary accessories for a quality production, clients can create their content, upload it to the Shootsta cloud-based video hub and within 24 hours a professionally-edited video will be delivered.

Shootsta is an exciting concept that bridges the gap between DIY video and traditional production companies. Online video content is growing at a very rapid rate and companies now need to provide regular and interesting content to their stakeholders to drive engagement with their digital platforms. Shootsta now makes that task easy and affordable and will be embedded into Adcorp's suite of products and services.



 shootsta



ADCORP AUSTRALIA LIMITED



(REACTIVE

CONVERSATIONS



# THE FOLLOWING PAGES SHOWCASE SOME EXAMPLES OF RECENT CLIENT CAMPAIGNS PRODUCED BY OUR TEAMS.

With an ever-increasing range of options by which consumers receive information, creative executions that cut through the clutter and are relevant to the channel being used are becoming increasingly important. Understanding the habits of consumers and attracting their attention relies on insights into the chosen target market.

A 'one-size fits all' approach just does not work anymore and our teams of creative experts work hard to adapt client messaging to different market segments and channels.



CLIENT

# FINBAR

CAMPAIGN: CIVIC HEART APARTMENTS

Adcorp was commissioned to create an identity and personality for a new apartment development, ranging from the name, logo and branding elements to executing a campaign for above and below the line. Adcorp targeted sophisticated buyers both local and international. Adcorp created a sense of excitement and lavish feel to the campaign to complement the luxurious development. Besides developing Civic Heart's marketing and advertising collateral for residential and commercial units, Adcorp was responsible for the online, outdoor, print and above-the-line presence. Finbar achieved sales of over \$60 million in the first week with the sales suite welcoming over 50 visitors during the launch weekend. The full campaign is on track to achieve 8.1 million impressions and 20,000 clicks to the website.



CLIENT

# MERCY CARE

CAMPAIGN: INTEREST FREE SMALL LOANS

With a relatively small budget, Adcorp needed to develop a cut-through, easily understood message and creative campaign that drew attention to Mercy Care's small, interest free loans service. 'Do you need a helping hand' was developed and was bought to life across printed material, press advertising and static digital banners.



*Do you need a helping hand?*

APPLY TODAY FOR AN INTEREST FREE LOAN.  
MERCYCARE LENDING SERVICES.

MERCYCARE **ENQUIRE TODAY**



*Do you need a helping hand?*

APPLY TODAY FOR AN INTEREST FREE LOAN.  
MERCYCARE LENDING SERVICES.

MERCYCARE **ENQUIRE TODAY**



MERCYCARE

*Do you need a helping hand?*



**APPLY TODAY FOR AN INTEREST FREE LOAN**

Visit our website [mercyare.com.au/lending](http://mercyare.com.au/lending)  
or freecall 1800 268 472



*Do you need a helping hand?*

APPLY TODAY FOR AN INTEREST FREE LOAN.

MercyCare Lending Services offer affordable and manageable interest free loans to help you build a better life for yourself or your family.

**NEED HELP WITH...**

- Education and training - courses, fees, uniforms and books.
- Health - some medical aids and equipment or prescription glasses.
- Household - whitegoods, furniture or technology.
- Vehicles - repairs or driving lessons.

Visit our website [mercyare.com.au/lending](http://mercyare.com.au/lending)  
or freecall 1800 268 472

\*Eligibility criteria and conditions apply

MERCYCARE

CLIENT

# ZONE Q

CAMPAIGN: NSPIRE 108 APARTMENTS

Zone Q engaged Adcorp to name and create a brand identity for their second apartment development in Australia. Adcorp created a vibrant and youthful brand aimed at young, well-cultured professional buyers - Nspire 108's prime Northbridge Perth location was key in targeting this demographic. Adcorp was responsible for all sales and marketing material along with running engaging digital campaigns, television, outdoor and print media.

## NSPIRE 108





CLIENT

# SPORTS MEDICINE AUSTRALIA

CAMPAIGN: **YOU CAN'T SEE A CONCUSSION**

Sports Medicine Australia appointed Adcorp to produce a campaign to encourage social change, educating players, coaches, umpires and parents on how to recognise a concussion and when to remove the player for assessment. Adcorp developed the 'You Can't See a Concussion' campaign. To help educate the community,

Adcorp developed a user friendly campaign site to provide information based documents for sporting clubs, coaches and parents. Focusing its functionality as an on-field education tool for sporting clubs, the website was designed to be fully responsive on mobile and tablet devices.

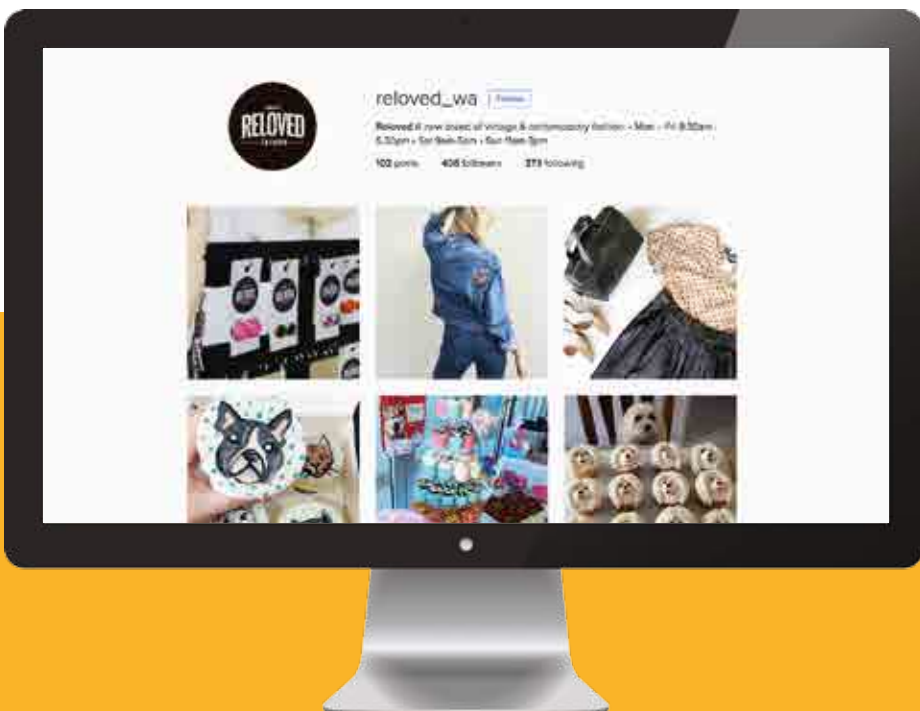
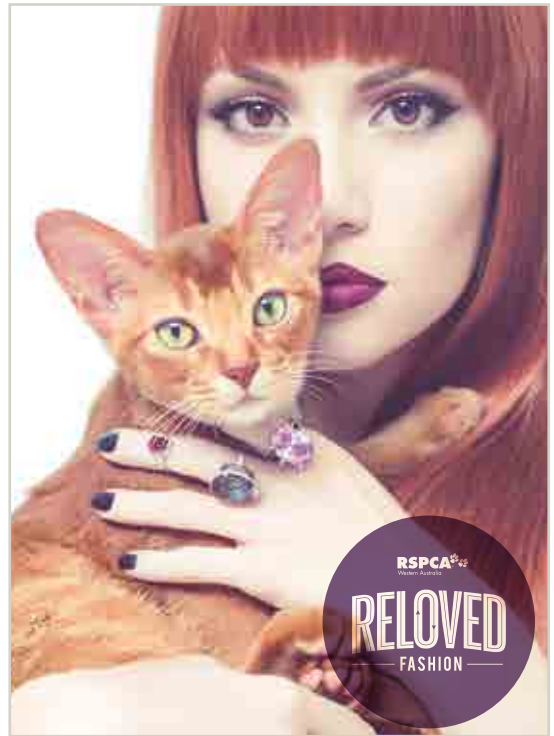


CLIENT

# RSPCA WA

## CAMPAIGN: RELOVED FASHION

Adcorp launched the Reloved Fashion brand in July, positioning it as 'A New Breed of Fashion' combining a high street boutique shopping experience with a cause that protects the wellbeing of all creatures great and small. It was crucial to correctly position Reloved within the retail landscape. A focus on higher-end fashion meant steering well away from the 'traditional' op-shop model. The branding, marketing and campaign strategy was key in achieving this unique positioning and capturing a niche market. "Adcorp developed a brand and campaign that we are extremely proud of and which really captures the essence of the concept and position in the market along with complementing RSPCA's values. Their creative direction has been crucial to the process of making the concept a reality." David van Ooran, CEO of RSPCA WA.





CLIENT

# FLETCHER BUILDING

CAMPAIGN: CAREER 16 PRINT ADVERTS

Advertising in Career 16, New Zealand's leading print and digital specialised publication, Adcorp created some inspirational advertising. Securing the sought after back page of the newspaper print pull out, Adcorp designed and placed an interactive and informative advert that spoke to business leaders about the potential of a career with one of New Zealand's biggest firms. We used the Augmented Reality Layar app to enable candidates to interact with the material via their mobile device and direct them straight to the company website.



CLIENT

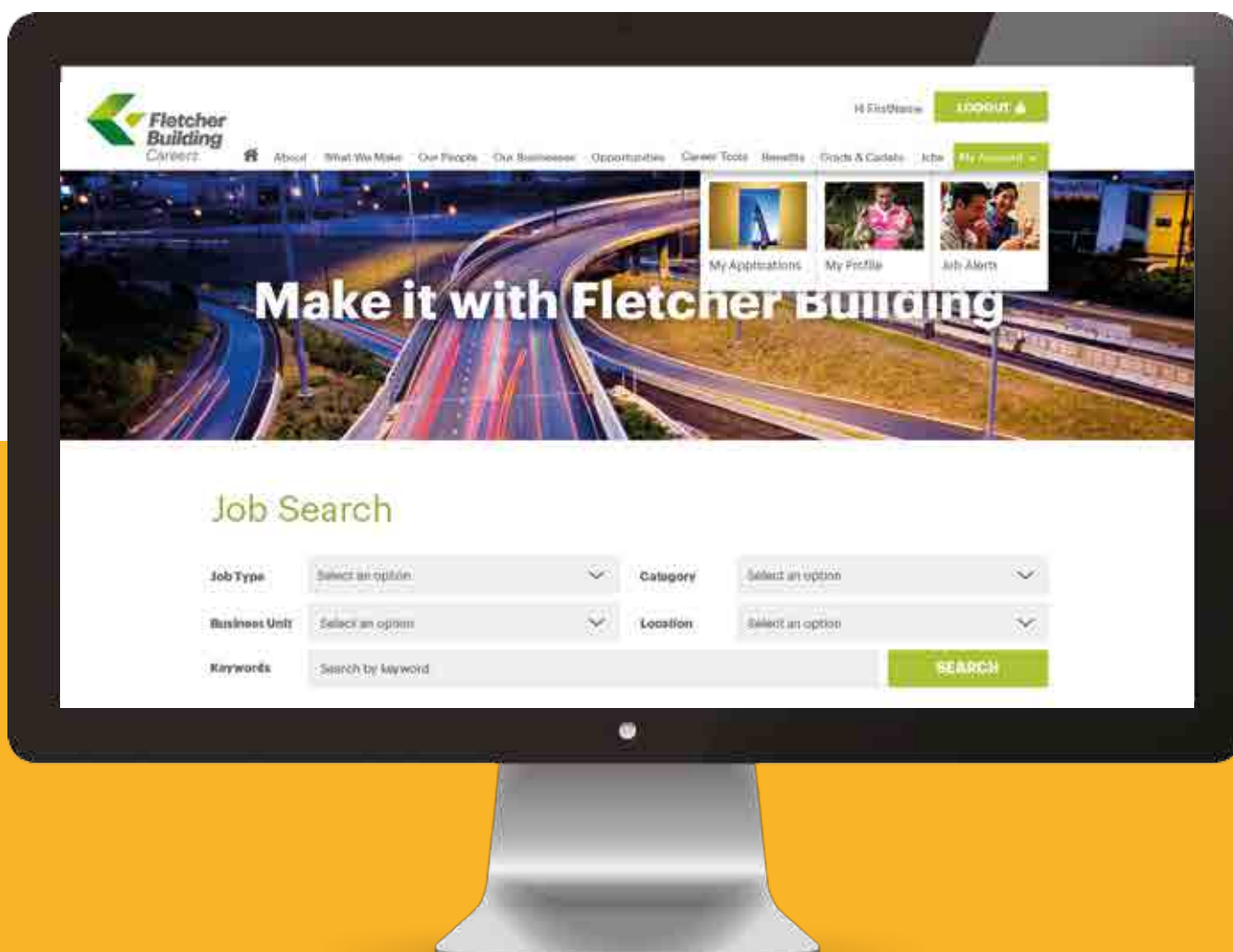
# FLETCHER BUILDING

CAMPAIGN: ATS DESIGN

After successfully launching a new careers website for Fletcher Building, Adcorp was tasked with bringing the same brand essence to a new Applicant Tracking System (ATS). Where many ATS platforms have unchangeable structures, the new Fletcher Building ATS was to be custom built from the ground up.

The process began with reviews of wireframes and user journeys with the Fletcher Building team, and then designing each page, from form sign up areas to result and detail pages, and ended with working with stakeholders and the ATS provider to integrate the ATS with the careers website.

Ultimately, we wanted to produce a seamless user experience from employer brand narrative to application. It required a sense of brand understanding, basic design sense and technical knowhow.

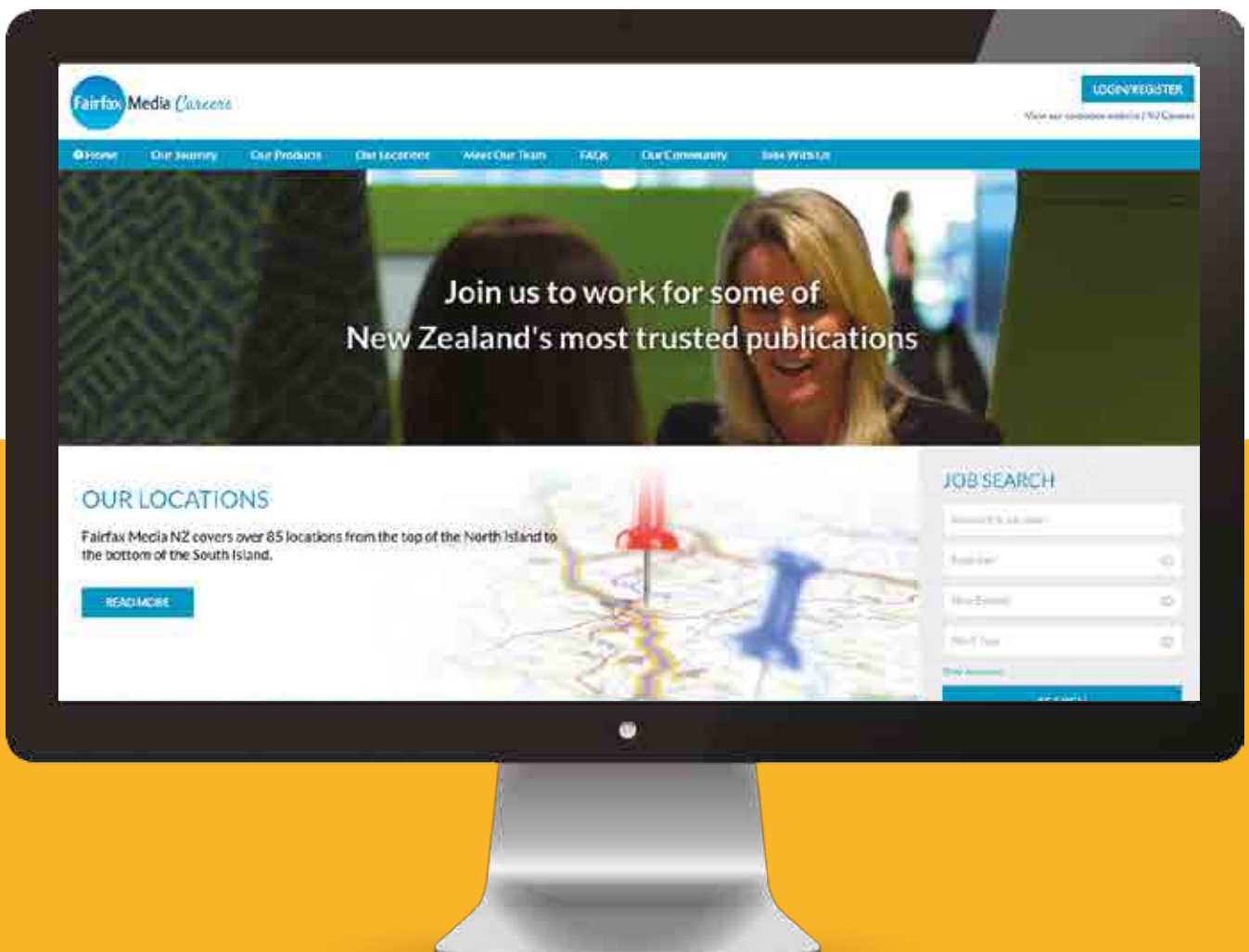


CLIENT

# FAIRFAX

## CAMPAIGN: CAREERS WEBSITE & VIDEOS

Adcorp partnered with Fairfax Media to develop an Australian careers website and re-fresh the existing New Zealand site. We developed a landing page for Fairfax careers which split into two bespoke, country specific websites. Working with Fairfax to reshape the look and feel of the site as well as the content, Adcorp and Showrunner helped develop three careers videos with an upbeat and fresh feel, away from the standard interview style video to give a modern media look and feel.





CLIENT

# AIR NZ

## CAMPAIGN: ASPIRE TO FLY CAMPAIGN & MICROSITE

Air New Zealand was looking to attract a new audience group to apply for the Flight Attendant role. Adcorp pitched a social media campaign that was inspired by the trending social news website Buzz Feed. We developed a 10 week content calendar which formed 10 'lists' of quirky facts about the job which were designed to attract a new audience, but also be realistic about what is involved. Adcorp developed a microsite, [Aspiretofly.co.nz](http://aspiretofly.co.nz) and ran a social attraction campaign across Facebook which generated a large intake of applications.



### Find Out More About Being A Flight Attendant



Air Nelson wants you



Life as a Mt Cook Flight Attendant



Why you should join Air Nelson



How to become a Flight Attendant



Great reasons to join Mt Cook



Flight Attendants on a day off

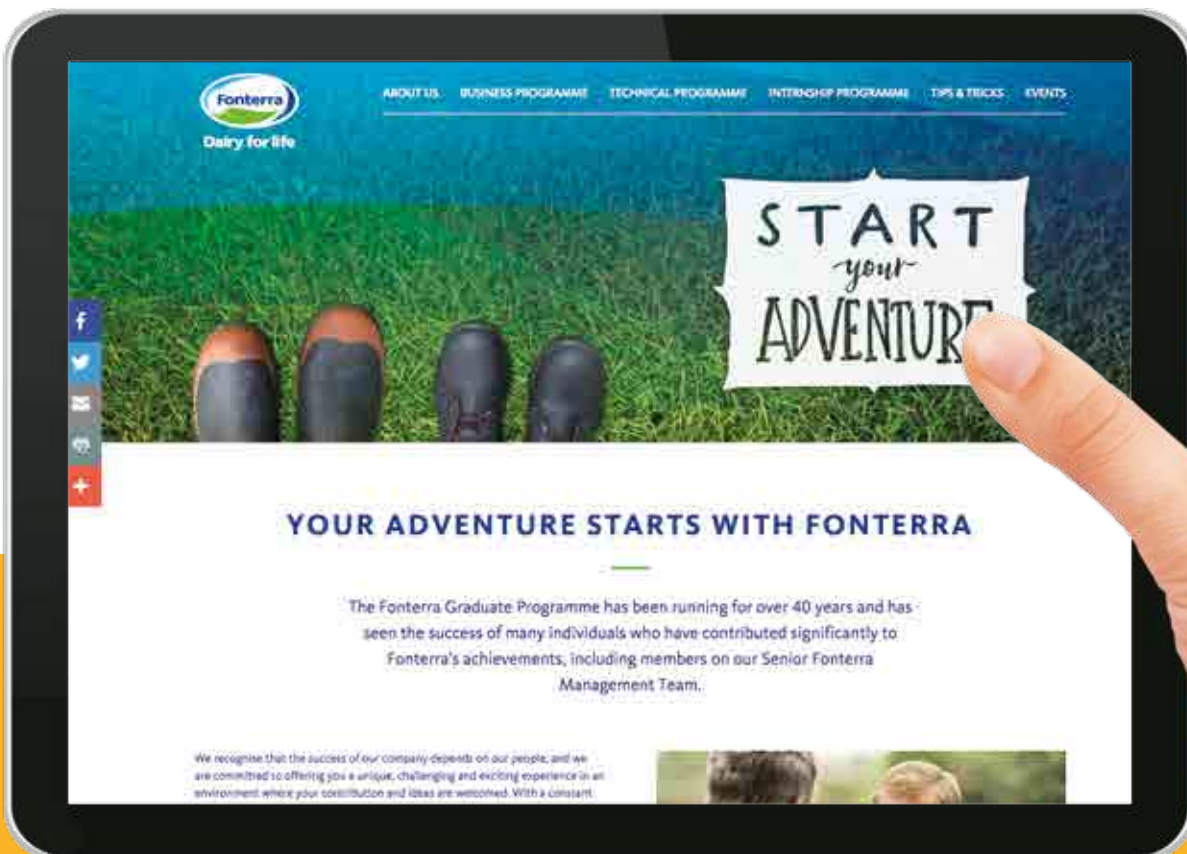


CLIENT

# FONTERRA

**CAMPAIGN:** START YOUR ADVENTURE CREATIVE & MICROSITE

Fonterra's "Start Your Adventure" Graduate Campaign was aimed at attracting graduates who were prepared for a varied Graduate Programme experience with the dairy giant, across various business divisions and locations within New Zealand. Graduates needed to be prepared for a 360 adventure that would not only see them gaining experience in the Auckland offices, but also in rural plantations. The project involved creation of new graduate branding, taglines, a graduate website and marketing collateral that featured refreshed content and imagery at aimed attracting the right candidates for the programme.

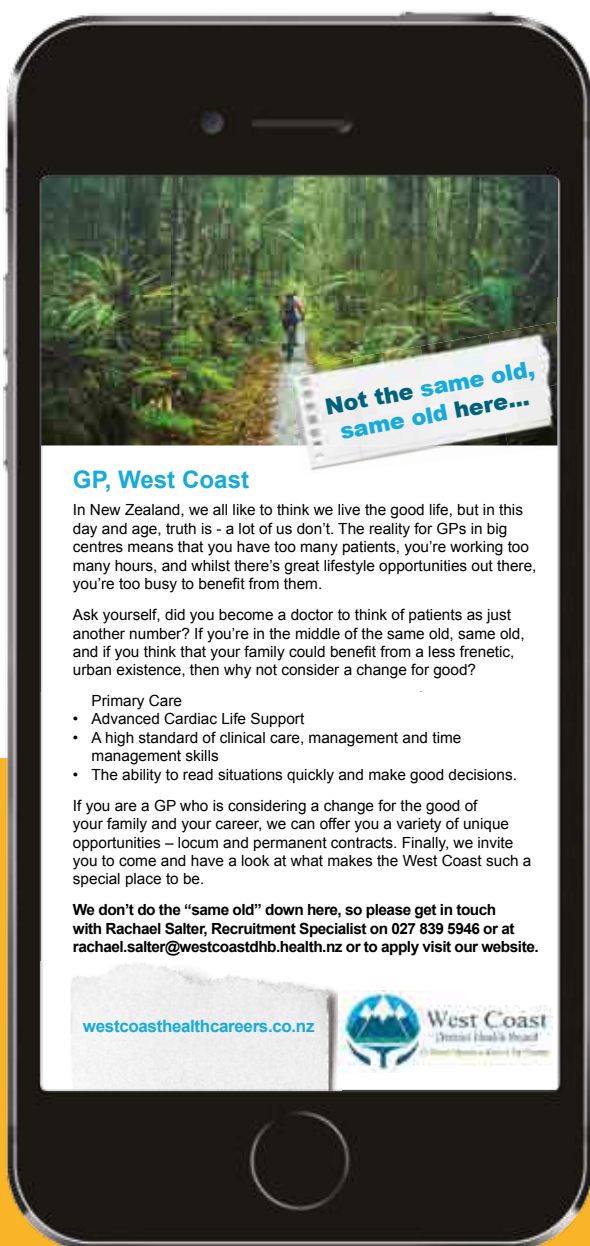


CLIENT

# WEST COAST DISTRICT HEALTH

CAMPAIGN: RECRUITMENT

The DHB required branded collateral to take to domestic and international conferences, to recruit doctors for rural locations on New Zealand's West Coast. The project included the design and printing of pens, notepads, information flyers, postcards, posters, magnets, powerbanks and t-shirts for staff.





CLIENT

# BRIDGEHILL

CAMPAIGN: PROPERTY

One of Australia's fastest growing property developers, Bridgehill recently launched two iconic developments in Sydney's Green Square Town Centre. This area is undergoing a \$540 million redevelopment and has become one of Sydney's most desirable locations to live. Nestled only 3.5km from the CBD and connected via rail, Green Square Town Centre has first-class amenities including a new public library, aquatic centre and retail. Occupying the largest and last sites within the Town Centre, Bridgehill wanted to create an iconic branded campaign that reflected the beauty that sits within these architectural masterpieces.

Adcorp was engaged to develop an overarching brand for two developments that would tell a story. Adcorp's media research team utilised the latest and richest audience data to profile potential buyers and develop ways that would reach, inspire and engage. From this, a major media strategy was implemented, engaging audiences in a cross-platform digital, outdoor, social and print environment.

Your City in the City speaks true to the benefit of both site and was supported visually with both images and type carefully selected.

Brand development, Visual identity, Copywriting, Research, Video, Outdoor, Transit, Programmatic digital, Rich media, Social media, Press



CLIENT

# HUTT CITY COUNCIL

CAMPAIGN: EMPLOYER BRAND

Hutt City Council engaged with Adcorp Wellington to develop their Employment Value Proposition (EVP), and create a new look and feel for their recruitment brand.

Adcorp carried out research to understand the motivations behind Hutt City Council employees and developed an EVP Statement, a recruitment brand tag line and a brand guide for recruitment collateral based on these findings.

# Proud I'M PART OF IT



## Council Role - Hutt City Council

Applications close Friday, 15 May 2016.

[www.huttcity.govt.nz](http://www.huttcity.govt.nz)



[www.huttcity.govt.nz](http://www.huttcity.govt.nz)



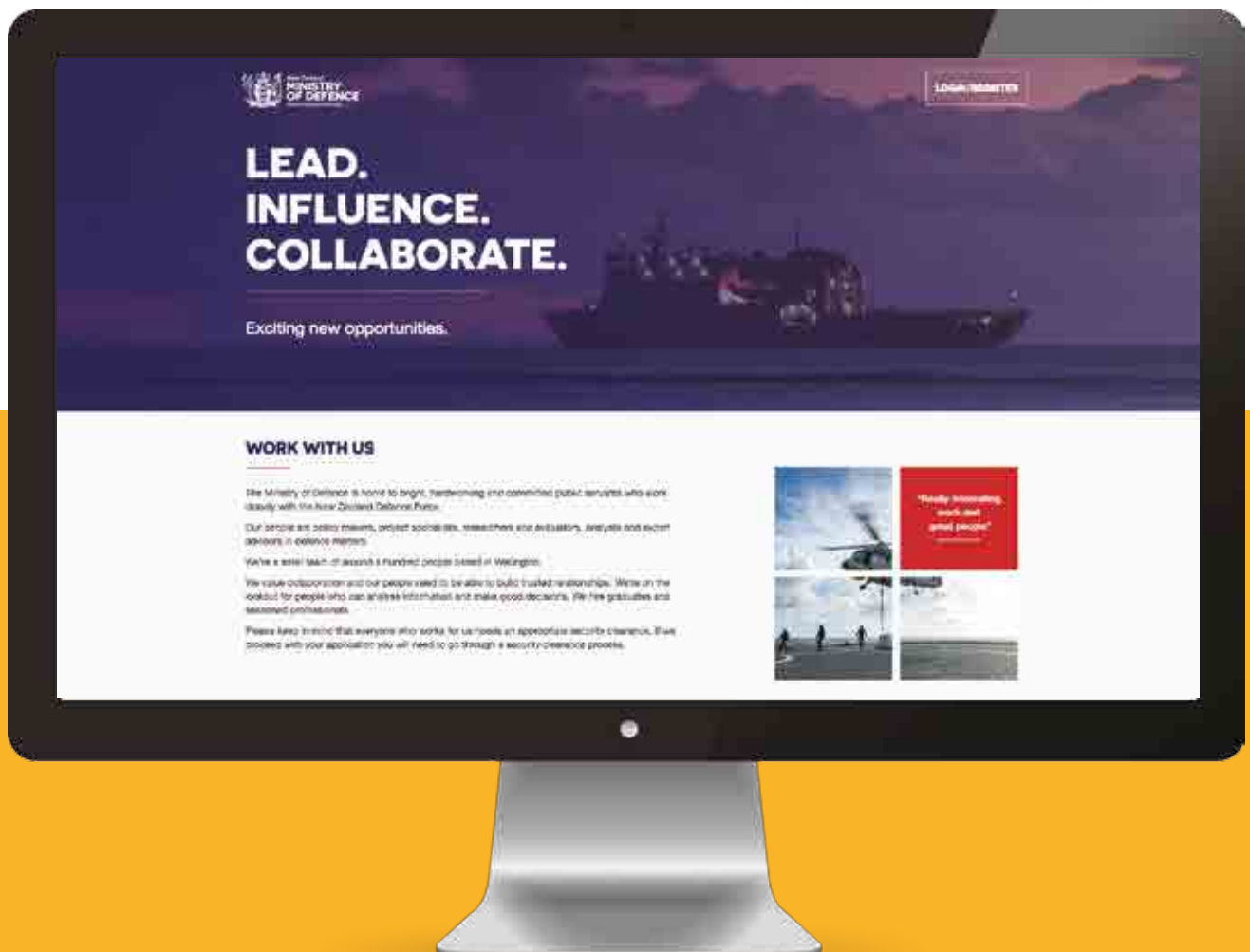
**Hutt City Council**

CLIENT

# MINISTRY OF DEFENCE

CAMPAIGN: RECRUITMENT CAMPAIGN MICROSITE

Ministry of Defence engaged with Adcorp to develop a simple but elegant microsite which acted as a hub for a large recruitment campaign. Adcorp also developed a creative campaign theme, tagline, web banner design, copywriting and coordinated various media placement. The calibre of candidates was excellent and all roles were filled.

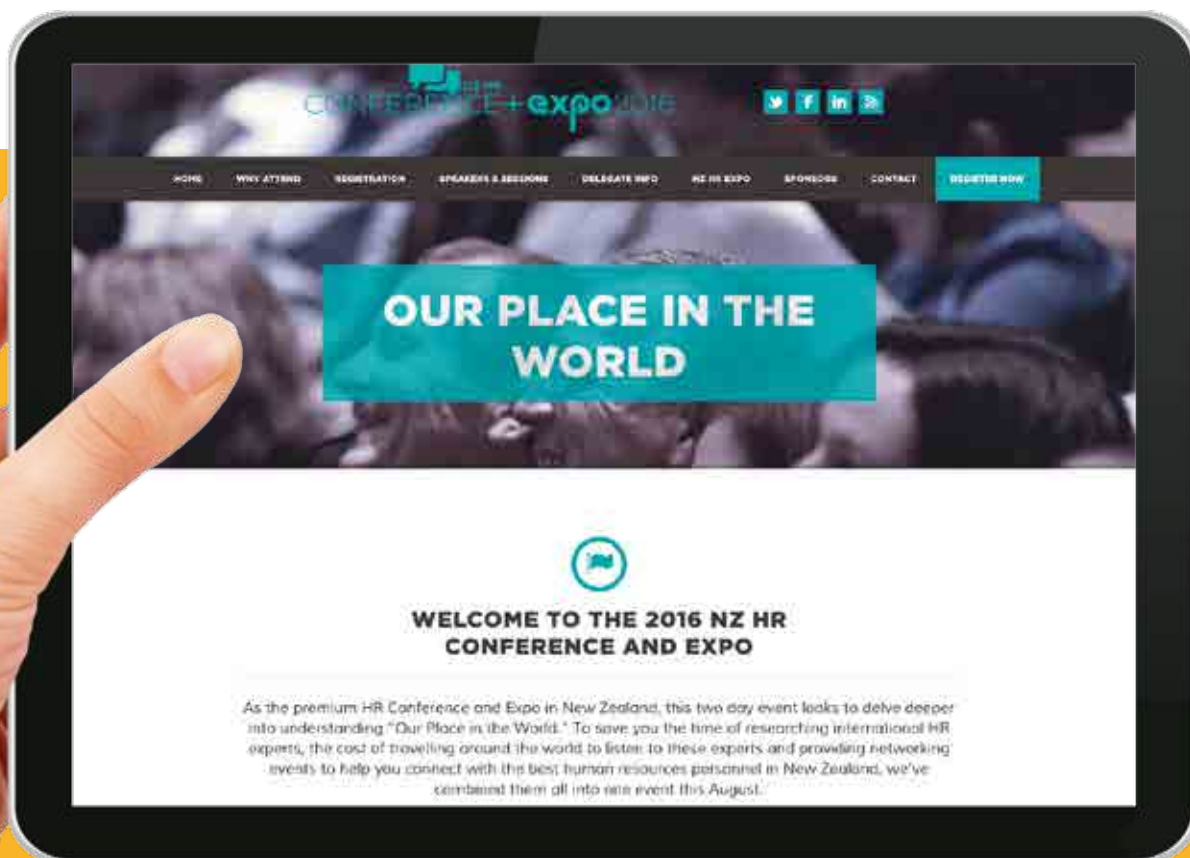


CLIENT

# HRINZ

## CAMPAIGN: CONFERENCE COLLATERAL DESIGN & WEB RESKIN

Each year Adcorp re-skin the HRINZ conference/ expo microsite and design various marketing collateral items which are all used to inform attendees about details of the event. The marketing collateral included several booklets, Facebook imagery, email template design, app artwork and several other items. The conference delegates loved the different take on the design theme this year.





CLIENT

# PROPERTY INDUSTRY FOUNDATION

CAMPAIGN: BALL COLLATERAL

The Property Industry Foundation Annual Charity Ball raises funds to build homes for the homeless. Adcorp delivered the following collateral as part of this amazing night which was held in July 2016.

Creative design of Ball theme: official invitation, ball program, registration and volunteer forms, press advertisements, and print formed part of the campaign.

**YOUR INVITATION**  
*A night in*  
**OLD HAVANA**  
*PIF Annual Charity Ball*  
FRIDAY, 29 JULY 2016  
LUNA PARK, SYDNEY

The mission of the Property Industry Foundation is to make a tangible difference to the serious and persistent problem of youth homelessness by partnering with respected charities to build safe environments and support charity managed initiatives focused on education, employment and wellbeing.

The Foundation's commitment results in positive, life changing impact on at-risk and homeless young people while achieving maximum social return on the industry's investment.

your industry's charity rebuilding young lives

We would be delighted for you and your guests to join us to experience

*A night in*  
**OLD HAVANA**

A fun night of 1950's sophisticated ambience, entwined with the vivacious rush of exotic colours at the famous Tropicana Nightclub. Be prepared for an unforgettable night of Caribbean vivacious music, fun dance and great cocktails.

Proceeds from your generosity will contribute to building a special home for homeless young people who have nowhere to go.

PRINCIPAL SPONSOR  
**GANELLEN**  
BUILT ON EXPERIENCE

MEDIA SPONSOR  
FINANCIAL REVIEW

**PREMIUM DRESS CIRCLE | TABLE OF TEN**  
Exclusive to National and Platinum Donors \$6,000 incl. GST

**DRESS CIRCLE TABLES | TABLE OF TEN**  
Exclusive to National and Platinum Donors \$5,450 incl. GST

**RESERVE TABLES | TABLE OF TEN**  
Exclusive to Corporate Donors \$4,950 incl. GST

**HAVANA CLUB | TABLE OF TEN**  
Corporate Donors \$4,500 incl. GST  
Non Donors \$4,900 incl. GST

**MASTER OF CEREMONIES | Andrew Daddo**  
**AUCTIONEER | Damien Cooley**  
**ENTERTAINMENT | 1950's Tropicana and Old Havana performances**  
**ATTIRE | Black Tie | 1950's elegance and sophistication, or Cuban/Caribbean dress**

**RSVP 18 July 2016 | [eventsnsw@pif.com.au](mailto:eventsnsw@pif.com.au)**  
**ENQUIRIES (02) 9241 6000 | [www.pif.com.au/events](http://www.pif.com.au/events)**

your industry's charity rebuilding young lives

THE PROPERTY INDUSTRY FOUNDATION  
PRESENTS

*A night in*  
**OLD HAVANA**

2016  
*Annual Charity Ball*

**OFFICIAL PROGRAM**

PRINCIPAL SPONSOR  
**GANELLEN**  
BUILT ON EXPERIENCE

MEDIA SPONSOR  
FINANCIAL REVIEW

your industry's charity rebuilding young lives

*Live*  
**Auction**  
PRIZES

*The Pink Flamingo Collection*

The Live Auction to commence at 9.25 pm

Start bidding early using the **GalaBid** phone app!  
To register, text "Havana" and your full name to 0959 679 679.  
Live Auction bidding via **GalaBid** will close at 9.00pm.

Please dig deep tonight.  
Thank you for your generosity.  
Prizes are subject to 10% GST payable on the winning bid.

17

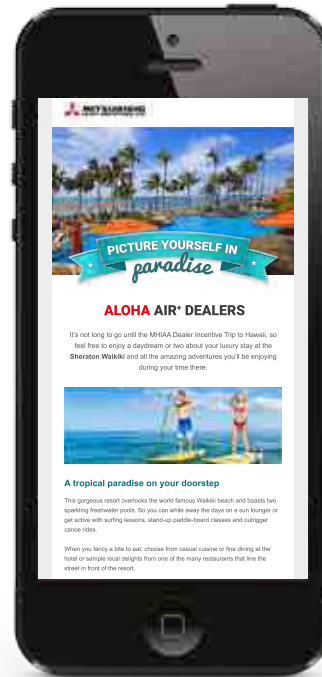
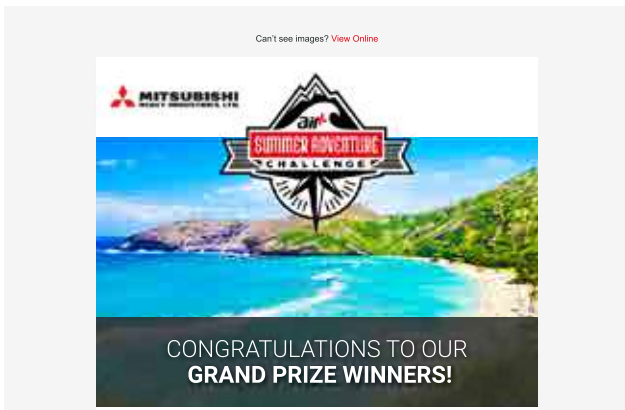
CLIENT

# MHIAA

## CAMPAIGN: SUMMER CAMPAIGN

Adcorp delivered the Mitsubishi Heavy Industries Summer campaign which was promoted for 3 months instore and online to drive sales.

This multichannel campaign included promotional video, digital online advertising and print.





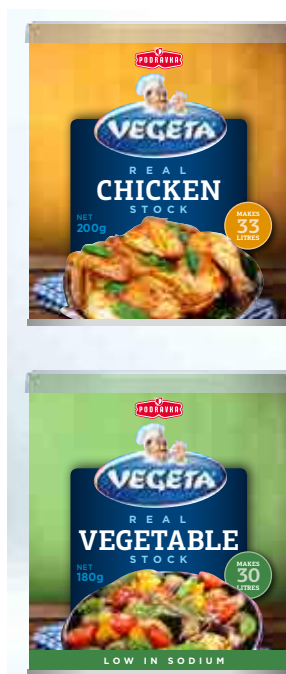
CLIENT

# VEGETA

**CAMPAIGN:** SOCIAL MEDIA & VIDEO

Adcorp developed the campaign strategy and creative across a range of media that included a digital landing page, video content, digital media and online display banners, Facebook campaign that included a competition and advertising within the e-magazines of our largest supermarket networks.

This multi-channel approach saw the elements combine to deliver a powerful integrated campaign the built brand awareness and resulted in sales growth. Adcorp's Vegeta campaign was recognised internationally when it won a Silver Award for Integrated Campaigns (Food and Beverage) at the 2015 W3 Awards.



CLIENT

# COLLIERS

CAMPAIGN: RESEARCH REPORTS

Adcorp were tasked with the Creation and Production of the Colliers International 2015/16 Capital Markets Investment Review Reports - a series of three reports exploring fundamentals of current and future investment in the office, retail and industrial markets for Colliers International Australia.

Designed and produced entirely inhouse – the final reports comprised a total of 136 pages. These were then converted into eBooks and launched via Colliers website for review and access by Local and International Clients and Investors.





CLIENT

# AIR NIUGINI

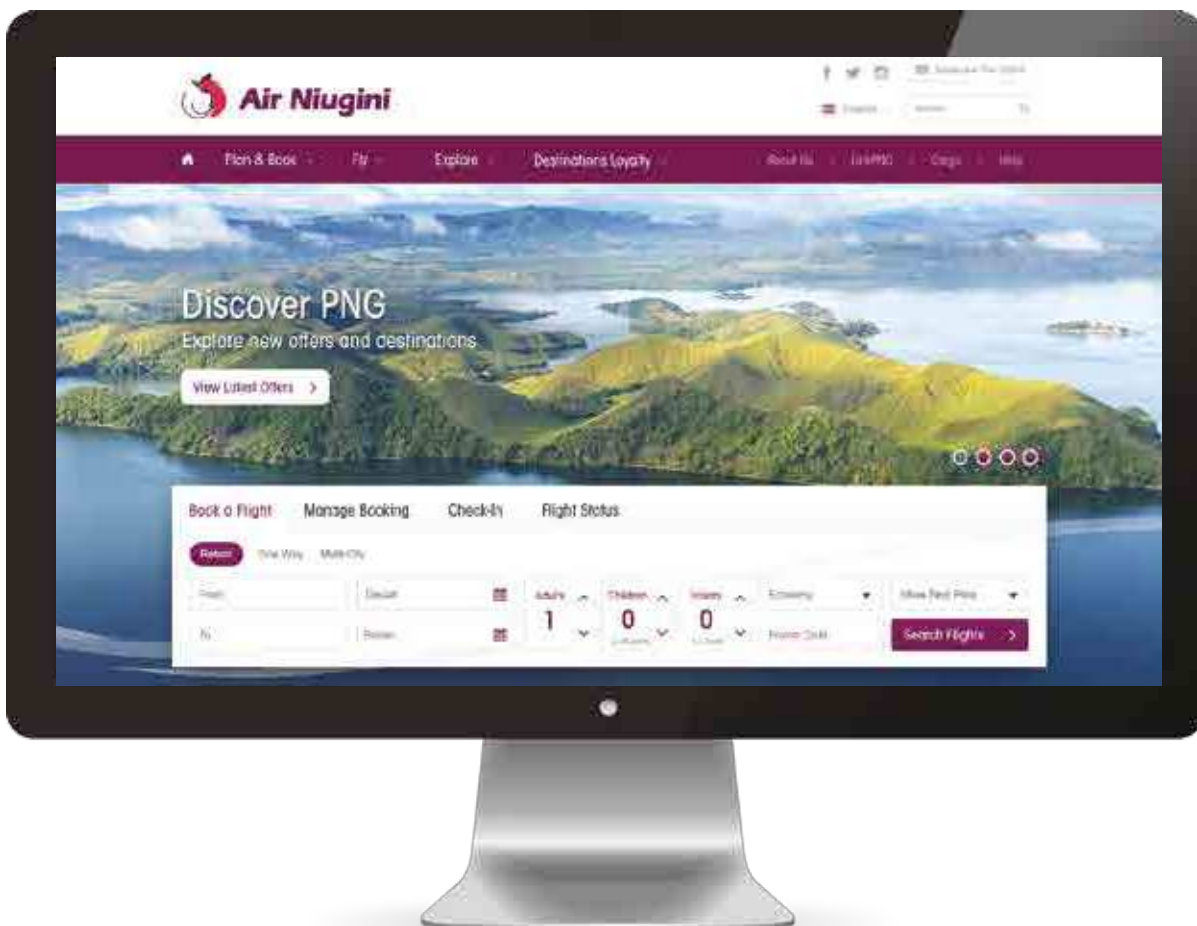
CAMPAIGN: WEBSITE

Air Niugini are Papua New Guinea's national carrier. They are a complex business that need to tell unique stories to different audience profiles.

Adcorp began the project with a distinct scoping phase. Workshops took place to determine the requirements for each section of the business, as well as focusing on each of the audience groups.

Another key content requirement that came out of the workshops was to tell stories of Papua New Guinea, as well as destinations Air Niugini fly to, and specific offers. An Explore section was conceived, which would allow users to view this type of content and filter by their requirements.

The end solution was an integrated website, with a holistic approach to content. Nearly a dozen separate template pages tell the story, but the transition from one area to the next feels seamless and natural. We are currently in phase two of the project with the upgrade of the booking engine and IP based content.



# SHOWRUNNER PRODUCTIONS

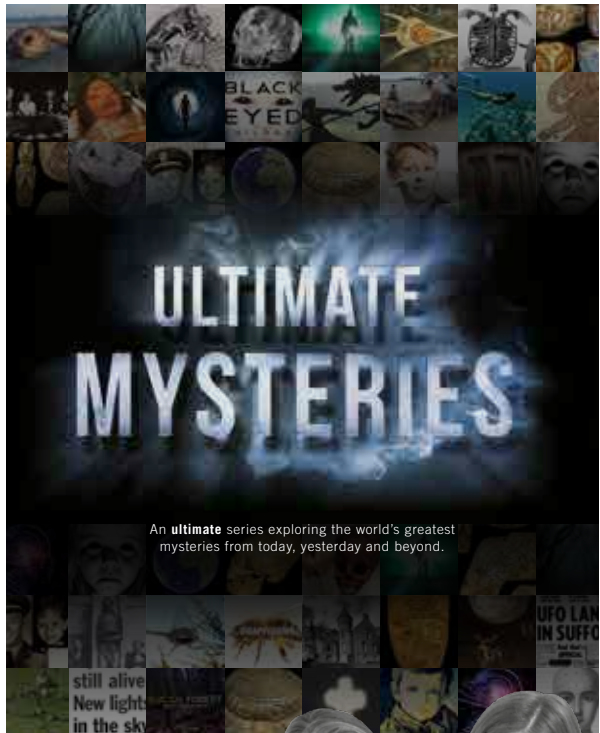
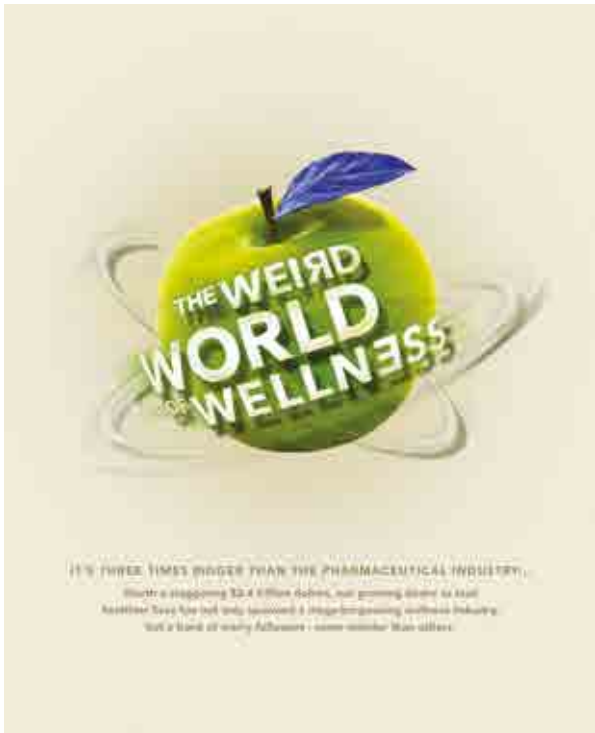
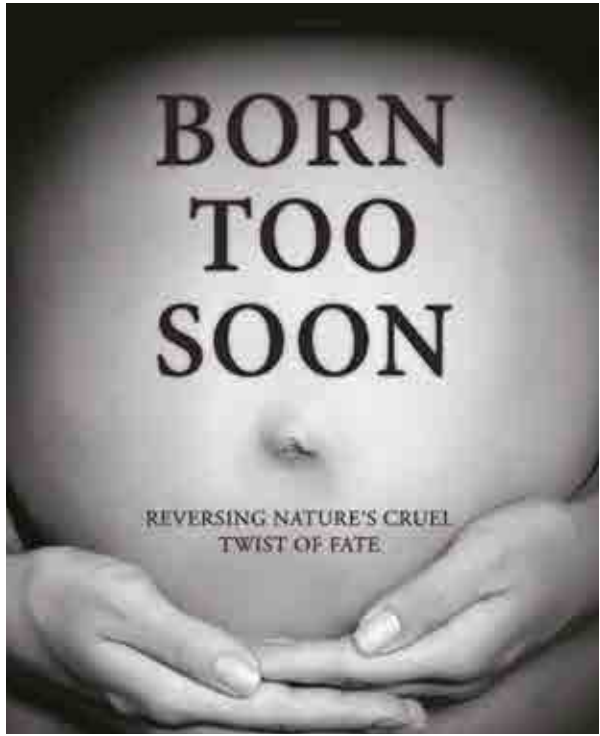
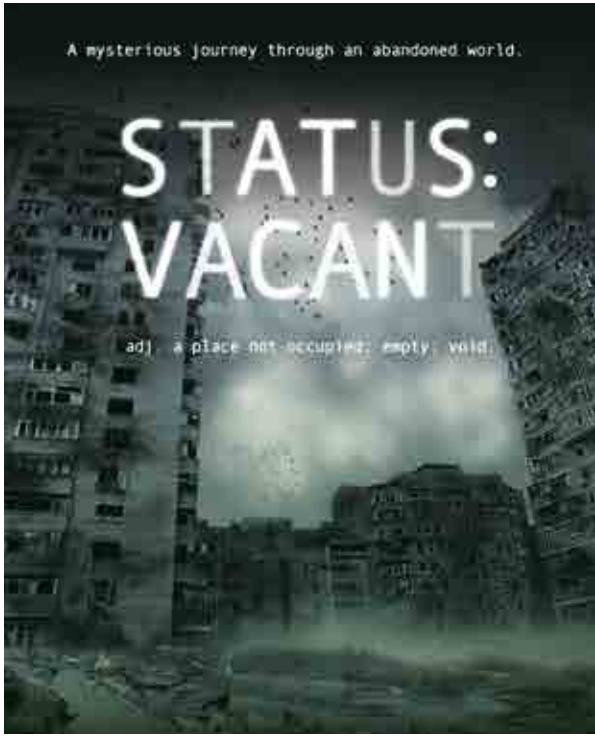
Showrunner Productions, a wholly-owned subsidiary of Adcorp Australia Ltd, has added to its catalogue of completed series with production finalised on '72 Cutest Animals' and '72 Dangerous Places to Live' during the year. Sales interest is strong for the format and a number of broadcast deals are currently in discussion. Following on from Showrunner's first production '72 Dangerous Animals Australia' that has screened globally and is now on Netflix and inflight channels, these shows represent a continuation of the '72' format. '72 Dangerous Animals Australia' is also available to download on iTunes and just prior to Christmas, it was released as a DVD set and distributed through major department stores and electronics retailers.

Just completed is a screener episode for 'Status Vacant' that sees our team investigating abandoned places around the world. This screener is now being shown to a large number of international broadcasters with a high-level of interest expressed in the series.

Our development slate is also expanding with several other programming concepts covering mysteries, crime, nature, science and history currently being reviewed by distributors and broadcasters around the world.

To view our latest trailers go to:  
**[showrunner.com.au](http://showrunner.com.au)**







# QUADRANT CREATIVE



From our creative space in Burleigh Heads, we create results-driven advertising and marketing campaigns for brand leaders in the spheres of property, leisure and tourism.

Ideas flow around our open plan workspace where creativity and innovation are ornaments on our

walls and tables. Take the old iMac for example, the various vintage film cameras and frames from our finest photographic campaigns . . . Here at Quadrant Creative, we take our decorative ingenuity and apply it to our clients' campaigns.

CLIENT

## VILLA WORLD

PROPERTY DEVELOPER

The central theme remains the same. Villa World delivers the completed home, the street and the entire planned community to create whatever is needed for families to thrive. Quadrant creates an ever-evolving range of collateral and themed advertising for dozens of Villa World developments per year with emphasis on quarterly regional campaigns that facilitate the Villa World process.

*Choose your home. Choose your address.  
It's so easy!*

audio-visual, signage, point of sale material, press and magazine advertising, website, print collateral





CLIENT

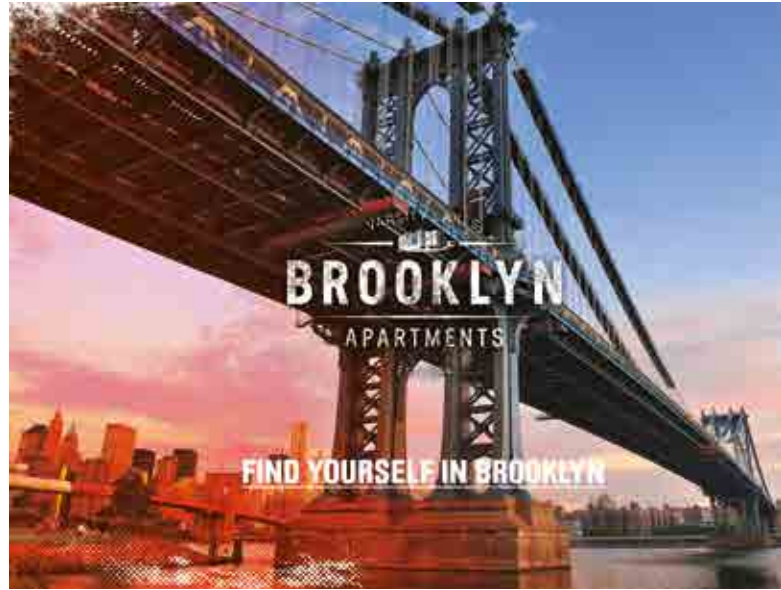
# BROOKLYN APARTMENTS

## MODERN URBAN APARTMENTS

Featuring the famous 'borough' theme throughout the creative conveys the message that 'Brooklyn brings the New York vision to life' by giving people the opportunity to live the Big Apple dream, right here on the Gold Coast. There's an apartment type that perfectly suits your lifestyle.

*Find yourself in Brooklyn.*

audio-visual, press and magazine advertising, digital advertising campaign, website, Brooklyn café & apartment display, signage, print collateral, direct marketing, merchandise





CLIENT

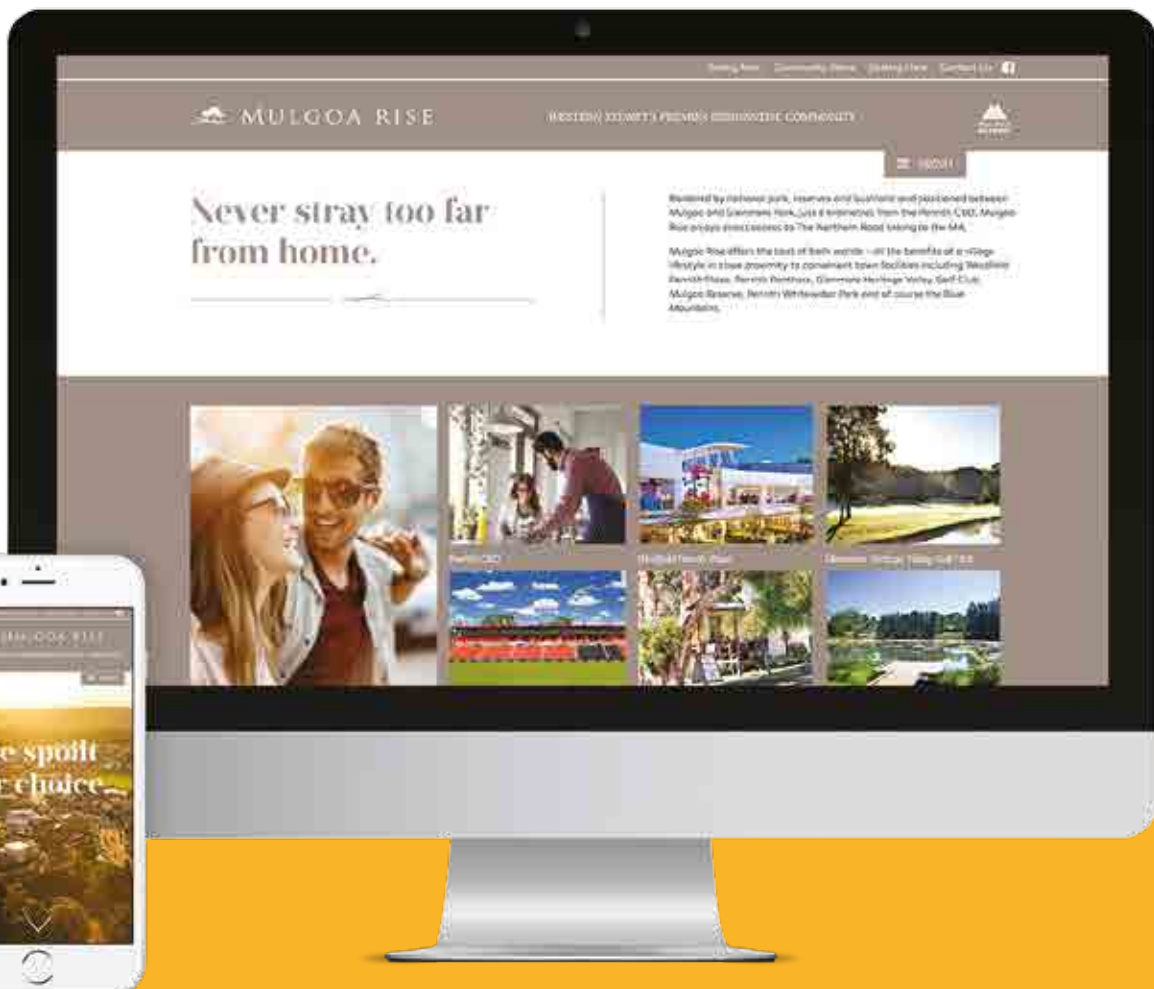
# MULGOA RISE

RESIDENTIAL COMMUNITY

Mulgoa Rise is Western Sydney's premier residential community, bordered by national park, reserves and bushland just 6km from the Penrith CBD. The creative conveys a sense of prestige among the natural environment that allows people the opportunity to blend the benefits of convenience and proximity to local amenities as well as living a quaint village lifestyle. The ultimate positioning was inspired by the available products at Mulgoa Rise with a choice of land, houses and townhomes in the one estate.

*Be spoilt for choice.*

audio-visual, signage, digital advertising campaign, website, sales display, hero brochure, press and magazine advertising, print collateral





CLIENT

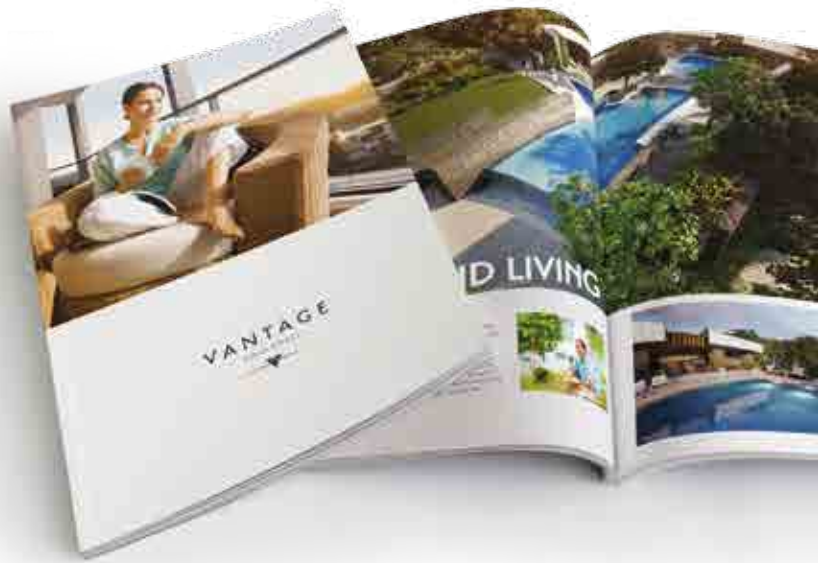
# VANTAGE

## VILLAGE APARTMENTS

The name Vantage was inspired by the term 'vantage point', as it highlights the unique views each apartment building will provide. Ultimately comprising six individual buildings, Vantage has been designed so that each complements the other, to create a cohesive community overlooking the fairways of RACV Royal Pines Resort in the heart of the Gold Coast.

*It's life, from a new perspective.*

audio-visual, online, website, press and magazine advertising, signage and sales display, print collateral, direct marketing



Brand new village apartments now selling from \$405,000  
• 2 bedrooms • 2 bathrooms • 2 carparks

Behind Royal Pines Resort and the new Gold Beach Village shopping centre, Vantage will be a master planned parkland community designed to blend lifestyle, amenity and luxury. From a new perspective, to elevated outdoor swimming, spacious terraces and Royal Pines views.

Ultimately comprising six individual buildings, Vantage has been designed to offer each complements the other, to create a cohesive community.

The first two apartment buildings at Vantage, Dusk and Eve are **now on display**.



VANTAGE  
GOLD COAST

Display Now Open

Featuring full scale kitchens

Open 10am daily - 21 Pitt St, Gold Coast

1800 681 830

www.vantagegoldcoast.com.au

RAYMOND







ADCORP AUSTRALIA LIMITED

# FINANCIAL RESULTS

30 JUNE 2016



# DIRECTORS' REPORT

30 JUNE 2016

The Directors present their report, together with the financial statements, on the Consolidated Entity (referred to hereafter as the 'Consolidated Entity' or 'Adcorp') consisting of Adcorp Australia Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

## Directors

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

Ian Rodwell  
David Morrison  
Garry Lemair  
Dean Capobianco

## Principal activities

During the financial year the principal continuing activities of the Consolidated Entity consisted of:

- Advertising agency services specialising in human resources, real estate, government, motor vehicle, education and retail;
- Website design, development and database support services;
- Digital marketing services and consulting, including supply of web-based products, and strategic employment solutions; and
- Video production and marketing solutions.

## Dividends

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

## Review of operations

The business continued to experience a decline in client marketing expenditure budgets throughout the year brought about by economic conditions and in particular, uncertainty around the property sector in key geographies.

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$615,000 (30 June 2015: profit of \$133,000).

Print media revenues declined approximately 19% in the industries Adcorp operates in and a slowdown of general business activity leading up to the 2016 Federal election has resulted in reduced billings year on year from \$67,730,000 to \$59,509,000 (12.1%). The second half year showed a reduced rate of Billings decline compared to the same period in the prior year due to executing growth strategies for our largest accounts.

The billings decline was mirrored in Net Operating Revenues excluding rental income and interest of \$15,492,000 against the prior year number \$18,130,000 (14.6%). Despite a slight improvement in the mix of higher margin marketing services revenue (Creative, Client Services and Digital Strategy) from focused actions targeting this business, current year revenue margin of 26.0% was slightly down on last year's 26.8%. This was mainly due to the higher margins able to be achieved from the print media advertising business in the prior year.

In terms of Adcorp's sectors of focus, employment marketing continued to be challenging particularly in our former strongholds of mining recruitment mainly out of Western Australia and Queensland, whereas in New Zealand the opportunities remained strong. Property marketing grew to represent around 47% of our billings although this sector performed quite differently within various Australian states due to supply and economic factors. Our focus on small-to-medium retail organisations have seen this new area contribute around 4% of billings within the last 12 months. Government sector performance has been mixed with various recruitment freezes (WA) and the implementation of the caretaker period prior to the Federal election causing volumes to fall.

The cost base was reviewed during the year with an emphasis on reducing infrastructure costs. This activity resulted in a reduction of Administration, Office and Communication costs year on year from \$5,094,000 to \$4,212,000 (17.3%). This was primarily achieved by headcount reduction from process improvement, occupying reduced office space from addressing idle area, retiring excess capital equipment for reduced depreciation and renegotiating IT contracts for lower operating costs.

Savings achieved in Client Services labour costs and Marketing expenditure over the prior year from \$12,823,000 to \$12,015,000 (6.3%) were partially offset by conducting marketing programs and recruiting personnel with enhanced capability to attain and deliver greater marketing services revenue in the retail and property sectors.

# DIRECTORS' REPORT

30 JUNE 2016

The Company's cash balance as at 30 June 2016 of \$4,639,000 improved over the prior year's balance for the same period of \$1,827,000. This was a result of cash inflows of \$3,459,000 from a capital rights raising issue and cashflow from operations of \$776,000. These amounts were offset somewhat by cash outflows for capital expenditure of \$540,000, mainly in office consolidation activity and \$501,000 for repayment of the prior period finance facility.

A trade debtor financial facility is currently in place and will be maintained to any working capital requirements which may arise in the future and to fund any investment opportunities which may be considered to assist in the future growth of the business.

We are confident that continued focus on business development capability and providing innovative service offerings in existing Adcorp market sectors will provide the basis for growth in the coming year.

The board has determined that no dividends will be payable to shareholders for the financial year to 30 June 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 year ended 30 June 2016.

## Significant changes in the state of affairs

On 7 November 2015, the Company did a rights issue raising \$3,762,000 (less transactions costs of \$303,000) and issuing 121,353,204 ordinary shares to strengthen the capital base of the Consolidated Entity.

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

## Matters subsequent to the end of the financial year

On 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.

No other matter or circumstance has arisen since 30 June 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.

## Likely developments and expected results of operations

The rate of decline in print media advertising has increased over the prior year, which was somewhat offset by growth in both TV and Radio advertising. The fundamental growth opportunities however remain in new digital and social media channels; particularly those optimised for mobile devices and with video capability. Personalisation of marketing messages in order to cut through the clutter of messages faced by consumers is also growing in use and effectiveness. Many clients still require education around these new opportunities in order to engage with their customers in a rapidly changing environment led by technology advancements; often requiring traffic-driving strategies to digital assets that provide positive user experiences and easy commercial transactions.

Adcorp continues to focus on bringing these opportunities and new channels to our clients, with the goal of delivering effective marketing and communications solutions that can be measured against campaign objectives.

We are expanding the development of content solutions both for clients and through mainstream entertainment media through our television division Showrunner Productions and we expect to grow its contribution to earnings over the next several years. Showrunner has now completed 4 series of television and is rapidly gaining a reputation for quality productions globally. The Company is also looking to expand the services we offer to key clients within Government and to continue to diversify our New Zealand business operation into new sectors.

The market and economic uncertainty remains challenging however our strategic focus on delivering marketing communications over digital platforms, continued infrastructure realignment and enhanced sales capability will start to deliver results that we need to build upon in order to achieve sustainable growth in our business and overall financial performance.

We would like to acknowledge and thank all of our staff for their dedication and support while we implemented significant change across the business to deliver operational efficiencies and a focus on business development. Adcorp's management team is committed to continue adapting to meet the challenges of a rapidly changing market within our heritage areas of business and to identify and prosecute revenue from new opportunities.

# DIRECTORS' REPORT

30 JUNE 2016

## Environmental regulation

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

## Information on Directors

**Name:** Ian Rodwell  
**Title:** Non-Executive Chairman  
**Qualifications:** B Com  
**Experience and expertise:** Ian Rodwell is the founder of the Adcorp Group and held the position of Managing Director from Adcorp's inception until his retirement in January 2004. In August 2014 Ian Rodwell assumed the role of part time Executive Chairman in line with the Executive Team focus on growth and business development as outlined in the Review of Operations above. He is also a Director of the Diabetes Australia Research Trust ('DART'), an organisation responsible for the raising of funds for diabetes research and awarding of grants to medical researchers in Australia; Chairman of Optalert Holdings Pty Ltd, a company developing an innovative technology product to measure both alertness and drowsiness, as an aid to the global transport and mining industries; Director of MND Australia, an organisation responsible for raising and funding medical research to find the cause and cure for motor neurone disease.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** 135,312,960 ordinary shares

**Name:** David Morrison  
**Title:** Executive Director and Chief Executive Officer  
**Qualifications:** B Bus (Hons)  
**Experience and expertise:** David Morrison has over 19 years experience in the advertising and marketing industry commencing with TMP Worldwide prior to joining Adcorp in 2003. In his 7 years managing the WA, SA and NT regions, David was responsible for diversifying the services provided by the company and expanding into new sectors. This diversification included the formation of Adcorp's in-house TV Production facility that is based in Perth. David has also been instrumental in Adcorp's push into Government advertising from both a strategic and operational perspective along with the winning and retention of some of our largest corporate clients. David was appointed by the Board to the role of Chief Executive Officer in March 2011 and also sits on the Board of Volunteering WA and Volunteering Australia in a voluntary capacity.

**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** 3,677,081 ordinary shares

**Name:** Garry Lemair  
**Title:** Non-Executive Director  
**Qualifications:** B Com, FAICD  
**Experience and expertise:** Garry Lemair is an experienced executive with a strong track record in leadership, having successfully worked with major global entities in a number of senior positions and directorships in Australia, Asia Pacific, Europe, USA and Africa. Garry has held senior roles with Citibank, Diners Club International, KFC-PepsiCo, Fluor Daniels and Taubmans/Courtaulds. Garry is currently the Chairman of Web Profits a leading online marketing company, Chairman of Telegate a voice over internet protocol ('VOIP') service provider and cloud telecommunication specialists and Chairman of an executive search and recruitment company Grenada International.

**Other current directorships:** Non-Executive Director of InnovaDerma PLC (EU: MLIDP)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** None



# DIRECTORS' REPORT

30 JUNE 2016

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

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

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

### Company secretary

Nicholas Kountouris is an experienced executive with a career spanning over 25 years. Initially with Coopers and Lybrand (now PWC), Nicholas has spent over 20 years in a variety of senior commercial and finance roles within a variety of industries including, information technology, manufacturing and services.

Before joining Adcorp as General Manager, Corporate Services in January 2016, Nicholas worked for a number of large multinational companies which include Civica, NCR and Johnson and Johnson. Nicholas has a passion for making a difference in the organisations he works for and has been integral in achieving outcomes that have contributed to their success.

Nick holds a business degree and is a qualified CPA.

### Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2016, and the number of meetings attended by each Director were:

|                 | Full Board |      | Audit Committee |      | Other    |      |
|-----------------|------------|------|-----------------|------|----------|------|
|                 | Attended   | Held | Attended        | Held | Attended | Held |
| Ian Rodwell     | 9          | 11   | 2               | 2    | 1        | 1    |
| David Morrison  | 9          | 11   | 2               | 2    | -        | 1    |
| Garry Lemair    | 9          | 11   | 2               | 2    | 1        | 1    |
| Dean Capobianco | 9          | 11   | 2               | 2    | -        | 1    |

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

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

### Remuneration report (audited)

The remuneration report, which has been audited, outlines the Director and other key management personnel (executives) remuneration arrangements for the Consolidated Entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all Directors.

# DIRECTORS' REPORT

30 JUNE 2016

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

### *Principles used to determine the nature and amount of remuneration*

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

The performance of the Consolidated Entity is dependent upon the attraction, motivation and retention of highly skilled and experienced directors and executives.

To achieve this, the Consolidated Entity may embody some or all of the following principles into its remuneration framework:

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

Additionally, the reward framework should seek to enhance executives' interests by:

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

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

### *Non-executive directors remuneration*

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

### *Executive remuneration*

The Consolidated Entity aims to remunerate and reward executives, based on their position and responsibility, with a level and mix of remuneration so as to:

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

Remuneration consists of the following key elements:

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

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

# DIRECTORS' REPORT

30 JUNE 2016

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

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

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

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

#### *Consolidated Entity performance and link to remuneration*

Executive fixed remuneration is not directly linked to the performance of the Company and Consolidated Entity. Bonus and incentive payments are at the discretion of the Board. Incentives have not been accrued to key management personnel during the financial year under review as the performance targets were not achieved.

#### *Use of remuneration consultants*

During the financial year ended 30 June 2016, the Company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

#### *Voting and comments made at the Company's 2015 Annual General Meeting ('AGM')*

At the last AGM 84.9% of the shareholders voted to adopt the remuneration report for the year ended 30 June 2015. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### **Details of remuneration**

The key management personnel of the Consolidated Entity consisted of the Directors of Adcorp Australia Limited and the following persons:

- Nicholas Kountouris - Company Secretary and General Manager, Corporate Services (appointed on 15 January 2016)
- Craig McMenamin - Former Chief Financial Officer and Company Secretary (resigned on 15 January 2016)

**DIRECTORS' REPORT**

30 JUNE 2016

Details of the remuneration of the Directors and key management personnel are set out in the following tables:

| 2016                                   | Short-term benefits        |             |                 | Post-employment benefits | Long-term benefits   | Share-based payments | Total          |
|--|----------------------------|-------------|-----------------|--------------------------|----------------------|----------------------|----------------|
|  | Cash salary and fees<br>\$ | Bonus<br>\$ | Other ***<br>\$ | Super-annuation<br>\$    | Leave benefits<br>\$ | Equity-settled<br>\$ |                |
| <i>Non-Executive Directors:</i>        |                            |             |                 |                          |                      |                      |                |
| G Lemair                               | 43,800                     | -           | -               | -                        | -                    | -                    | 43,800         |
| D Capobianco                           | 43,800                     | -           | -               | -                        | -                    | -                    | 43,800         |
| <i>Executive Directors:</i>            |                            |             |                 |                          |                      |                      |                |
| D Morrison                             | 323,530                    | -           | -               | 19,308                   | -                    | -                    | 342,838        |
| <i>Other Key Management Personnel:</i> |                            |             |                 |                          |                      |                      |                |
| N Kountouris*                          | 103,266                    | -           | -               | 9,810                    | -                    | -                    | 113,076        |
| C McMenamin**                          | 109,153                    | -           | 6,723           | 9,654                    | -                    | -                    | 125,530        |
|  | <u>623,549</u>             | <u>-</u>    | <u>6,723</u>    | <u>38,772</u>            | <u>-</u>             | <u>-</u>             | <u>669,044</u> |

\* Remuneration disclosed is for the period from 4 January 2016 to 15 July 2016 (paid in the year ended 30 June 2016)

\*\* Remuneration disclosed is for the period from 16 July 2015 to 15 January 2016 (paid in the year ended 30 June 2016)

\*\*\* Short-term benefits - other disclosed relates to Annual Leave paid on resignation.

| 2015                                   | Short-term benefits        |             |               | Post-employment benefits | Long-term benefits   | Share-based payments | Total          |
|--|----------------------------|-------------|---------------|--------------------------|----------------------|----------------------|----------------|
|  | Cash salary and fees<br>\$ | Bonus<br>\$ | Other<br>\$   | Super-annuation<br>\$    | Leave benefits<br>\$ | Equity-settled<br>\$ |                |
| <i>Non-Executive Directors:</i>        |                            |             |               |                          |                      |                      |                |
| G Lemair                               | 43,800                     | -           | -             | -                        | -                    | -                    | 43,800         |
| D Capobianco*                          | 43,800                     | -           | 54,050        | -                        | -                    | -                    | 97,850         |
| <i>Executive Directors:</i>            |                            |             |               |                          |                      |                      |                |
| D Morrison                             | 331,617                    | -           | -             | 18,783                   | -                    | -                    | 350,400        |
| <i>Other Key Management Personnel:</i> |                            |             |               |                          |                      |                      |                |
| C McMenamin                            | 227,401                    | -           | -             | 18,783                   | -                    | -                    | 246,184        |
|  | <u>646,618</u>             | <u>-</u>    | <u>54,050</u> | <u>37,566</u>            | <u>-</u>             | <u>-</u>             | <u>738,234</u> |

\* Dean Capobianco received \$54,050 fees for consulting services above his duties as a Director.

There is no remuneration disclosed for Ian Rodwell in either 2016 or 2015 as he waived his Directors fees from 1 July 2013.



# DIRECTORS' REPORT

30 JUNE 2016

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

| Name                                   | Fixed remuneration |      | At risk - STI |      | At risk - LTI |      |
|--|--------------------|------|---------------|------|---------------|------|
|  | 2016               | 2015 | 2016          | 2015 | 2016          | 2015 |
| <i>Non-Executive Directors:</i>        |                    |      |               |      |               |      |
| G Lemair                               | 100%               | 100% | -             | -    | -             | -    |
| D Capobianco                           | 100%               | 100% | -             | -    | -             | -    |
| <i>Executive Directors:</i>            |                    |      |               |      |               |      |
| D Morrison                             | 100%               | 100% | -             | -    | -             | -    |
| <i>Other Key Management Personnel:</i> |                    |      |               |      |               |      |
| N Kountouris                           | 100%               | -    | -             | -    | -             | -    |
| C McMenamin                            | 100%               | 100% | -             | -    | -             | -    |

### Service agreements

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

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

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

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

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

### Share-based compensation

#### Issue of shares

There were no shares issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2016.

#### Options

There were no options over ordinary shares issued to Directors and other key management personnel as part of compensation that were outstanding as at 30 June 2016.

There were no options over ordinary shares granted to, or vested in, directors and other key management personnel as part of compensation during the year ended 30 June 2016.

**DIRECTORS' REPORT**

30 JUNE 2016

**Additional disclosures relating to key management personnel****Shareholding**

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

|                        | Balance at<br>the start of<br>the year | Received<br>as part of<br>remuneration | Additions          | Disposals/<br>other * | Balance at<br>the end of<br>the year |
|------------------------|--|--|--------------------|-----------------------|--------------------------------------|
| <i>Ordinary shares</i> |  |  |                    |                       |                                      |
| Ian Rodwell            | 23,022,362                             | -                                      | 112,290,598        | -                     | 135,312,960                          |
| David Morrison         | 1,223,671                              | -                                      | 2,453,410          | -                     | 3,677,081                            |
| Craig McMenamin        | 2,900                                  | -                                      | -                  | (2,900)               | -                                    |
|                        | <u>24,248,933</u>                      | <u>-</u>                               | <u>114,744,008</u> | <u>(2,900)</u>        | <u>138,990,041</u>                   |

\* Disposals/other represents no longer a key management personnel, not necessarily a disposal of holding.

***This concludes the remuneration report, which has been audited.***

**Shares under option**

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the Directors of the Company for costs incurred, in their capacity as a Director, for which they may be held personally liable, except where there is a lack of good faith.

The Company paid an insurance premium of \$23,280 in respect of a contract insuring each of the Directors of the Company named earlier in this report, and each Director and secretary of the Consolidated Entity, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

**Indemnity and insurance of auditor**

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

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

**Proceedings on behalf of the Company**

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

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 33 to the financial statements.

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

# DIRECTORS' REPORT

30 JUNE 2016

The Directors are of the opinion that the services as disclosed in note 33 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### Officers of the Company who are former partners of Grant Thornton Audit Pty Ltd

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

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) 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 the Corporations Instruments to the nearest thousand dollars, or in certain cases, the nearest dollar.

### Auditor's independence declaration

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

### Auditor

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

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

On behalf of the Directors



---

David Morrison  
Director and Chief Executive Officer

23 August 2016  
Sydney

Level 17, 383 Kent Street  
Sydney NSW 2000

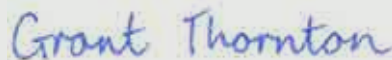
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**W** www.grantthornton.com.au

**Auditor's Independence Declaration  
To the Directors of Adcorp Australia Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Adcorp Australia Limited for the year ended 30 June 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 audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



P J Woodley  
Partner - Audit & Assurance

Sydney, 23 August 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

30 JUNE 2016

|  | Note | Consolidated<br>2016<br>\$'000 | 2015<br>\$'000 |
|--|------|--------------------------------|----------------|
| <b>Revenue</b>   | 5    | 15,650                         | 18,183         |
| <b>Expenses</b>  |      |                                |                |
| Client service expenses  |      | (11,189)                       | (11,950)       |
| Administrative expenses  |      | (946)                          | (1,089)        |
| Marketing expenses   |      | (826)                          | (873)          |
| Office and communication expenses                                    |      | (3,266)                        | (4,005)        |
| Impairment of assets   | 6    | (4)                            | -              |
| Finance costs  | 6    | (20)                           | (49)           |
| <b>Profit/(loss) before income tax (expense)/benefit</b>             |      | (601)                          | 217            |
| Income tax (expense)/benefit   | 7    | 9                              | (58)           |
| <b>Profit/(loss) after income tax (expense)/benefit for the year</b> |      | (592)                          | 159            |
| <b>Other comprehensive income</b>                                    |      |                                |                |
| <i>Items that may be reclassified subsequently to profit or loss</i> |      |                                |                |
| Foreign currency translation   |      | 66                             | (80)           |
| Other comprehensive income for the year, net of tax                  |      | 66                             | (80)           |
| <b>Total comprehensive income for the year</b>                       |      | <u>(526)</u>                   | <u>79</u>      |
| Profit/(loss) for the year is attributable to:                       |      |                                |                |
| Non-controlling interest   |      | 23                             | 26             |
| Owners of Adcorp Australia Limited                                   | 27   | (615)                          | 133            |
|  |      | <u>(592)</u>                   | <u>159</u>     |
| Total comprehensive income for the year is attributable to:          |      |                                |                |
| Non-controlling interest   |      | 23                             | 26             |
| Owners of Adcorp Australia Limited                                   |      | (549)                          | 53             |
|  |      | <u>(526)</u>                   | <u>79</u>      |
|  |      | <b>Cents</b>                   | <b>Cents</b>   |
| Basic earnings per share   | 42   | (0.48)                         | 0.22           |
| Diluted earnings per share   | 42   | (0.48)                         | 0.22           |

# STATEMENT OF FINANCIAL POSITION

30 JUNE 2016

|  | Note | Consolidated<br>2016<br>\$'000 | 2015<br>\$'000 |
|--|------|--------------------------------|----------------|
| <b>Assets</b>  |      |                                |                |
| <b>Current assets</b>  |      |                                |                |
| Cash and cash equivalents  | 8    | 4,639                          | 1,827          |
| Trade and other receivables  | 9    | 7,470                          | 8,200          |
| Inventories  | 10   | 617                            | -              |
| Income tax refund due  | 11   | 31                             | 60             |
| Other financial assets   | 12   | 382                            | -              |
| Other current assets   | 13   | 424                            | 477            |
| Total current assets   |      | <u>13,563</u>                  | <u>10,564</u>  |
| <b>Non-current assets</b>  |      |                                |                |
| Property, plant and equipment  | 15   | 725                            | 683            |
| Intangibles  | 16   | 65                             | 44             |
| Deferred tax   | 17   | 1,199                          | 1,050          |
| Total non-current assets   |      | <u>1,989</u>                   | <u>1,777</u>   |
| <b>Total assets</b>  |      | <u>15,552</u>                  | <u>12,341</u>  |
| <b>Liabilities</b>   |      |                                |                |
| <b>Current liabilities</b>   |      |                                |                |
| Trade and other payables   | 18   | 11,740                         | 10,983         |
| Borrowings   | 19   | -                              | 501            |
| Income tax   | 20   | 52                             | 31             |
| Provisions   | 21   | 780                            | 978            |
| Total current liabilities  |      | <u>12,572</u>                  | <u>12,493</u>  |
| <b>Non-current liabilities</b>   |      |                                |                |
| Payables   | 22   | 57                             | -              |
| Deferred tax   | 23   | 305                            | 196            |
| Provisions   | 24   | 469                            | 436            |
| Total non-current liabilities  |      | <u>831</u>                     | <u>632</u>     |
| <b>Total liabilities</b>   |      | <u>13,403</u>                  | <u>13,125</u>  |
| <b>Net assets/(liabilities)</b>  |      | <u>2,149</u>                   | <u>(784)</u>   |
| <b>Equity</b>  |      |                                |                |
| Issued capital   | 25   | 32,353                         | 28,894         |
| Purchased controlling interest reserve                                     |      | (113)                          | (113)          |
| Foreign currency reserve   |      | (345)                          | (411)          |
| Accumulated losses   | 27   | (29,771)                       | (29,156)       |
| Equity/(deficiency) attributable to the owners of Adcorp Australia Limited |      | <u>2,124</u>                   | <u>(786)</u>   |
| Non-controlling interest   | 28   | 25                             | 2              |
| <b>Total equity/(deficiency)</b>   |      | <u>2,149</u>                   | <u>(784)</u>   |

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

# STATEMENT OF CHANGES IN EQUITY

30 JUNE 2016

| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Purchased controlling interest<br/>reserve<br/>\$'000</b> | <b>Foreign currency<br/>reserve<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Non-controlling interest<br/>\$'000</b> | <b>Total deficiency in equity<br/>\$'000</b> |
|--|----------------------------------|--|--|--------------------------------------|--|--|
| Balance at 1 July 2014                                       | 28,894                           | (113)  | (331)  | (29,289)                             | (24)                                       | (863)  |
| Profit after income tax expense for the year                 | -                                | -  | -  | 133                                  | 26   | 159  |
| Other comprehensive income for the year, net of tax          | -                                | -  | (80)   | -                                    | -  | (80)   |
| Total comprehensive income for the year                      | -                                | -  | (80)   | 133                                  | 26   | 79   |
| Balance at 30 June 2015                                      | <u>28,894</u>                    | <u>(113)</u>   | <u>(411)</u>                                   | <u>(29,156)</u>                      | <u>2</u>                                   | <u>(784)</u>                                 |
| <b>Consolidated</b>  | <b>Issued capital<br/>\$'000</b> | <b>Purchased controlling interest<br/>reserve<br/>\$'000</b> | <b>Foreign currency<br/>reserve<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Non-controlling interest<br/>\$'000</b> | <b>Total equity<br/>\$'000</b>               |
| Balance at 1 July 2015                                       | 28,894                           | (113)  | (411)  | (29,156)                             | 2  | (784)  |
| Profit/(loss) after income tax benefit for the year          | -                                | -  | -  | (615)                                | 23   | (592)  |
| Other comprehensive income for the year, net of tax          | -                                | -  | 66   | -                                    | -  | 66   |
| Total comprehensive income for the year                      | -                                | -  | 66   | (615)                                | 23   | (526)  |
| <i>Transactions with owners in their capacity as owners:</i> |                                  |  |  |                                      |  |  |
| Contributions of equity, net of transaction costs (note 25)  | 3,459                            | -  | -  | -                                    | -  | 3,459  |
| Balance at 30 June 2016                                      | <u>32,353</u>                    | <u>(113)</u>   | <u>(345)</u>                                   | <u>(29,771)</u>                      | <u>25</u>                                  | <u>2,149</u>                                 |

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

**STATEMENT OF CASH FLOWS**

30 JUNE 2016

|  | Note | Consolidated<br>2016<br>\$'000 | 2015<br>\$'000      |
|--|------|--------------------------------|---------------------|
| <b>Cash flows from operating activities</b>                      |      |                                |                     |
| Receipts from customers (inclusive of GST)                       |      | 66,603                         | 75,780              |
| Payments to suppliers and employees (inclusive of GST)           |      | <u>(65,861)</u>                | <u>(81,217)</u>     |
|  |      | 742                            | (5,437)             |
| Interest received  |      | 35                             | 53                  |
| Interest and other finance costs paid                            |      | (20)                           | (49)                |
| Income taxes refunded  |      | 19                             | -                   |
| Income taxes paid  |      | <u>-</u>                       | <u>(48)</u>         |
| Net cash from/(used in) operating activities                     | 40   | <u>776</u>                     | <u>(5,481)</u>      |
| <b>Cash flows from investing activities</b>                      |      |                                |                     |
| Payments for property, plant and equipment                       |      | (292)                          | (78)                |
| Payments for intangibles   |      | (259)                          | (221)               |
| Proceeds from disposal of property, plant and equipment          |      | <u>11</u>                      | <u>4</u>            |
| Net cash used in investing activities                            |      | <u>(540)</u>                   | <u>(295)</u>        |
| <b>Cash flows from financing activities</b>                      |      |                                |                     |
| Proceeds from issue of shares, net of transaction costs          | 25   | 3,459                          | -                   |
| Payments for invoice financing                                   |      | (50,548)                       | (13,428)            |
| Proceeds from invoice financing                                  |      | <u>49,665</u>                  | <u>13,929</u>       |
| Net cash from financing activities                               |      | <u>2,576</u>                   | <u>501</u>          |
| Net increase/(decrease) in cash and cash equivalents             |      | 2,812                          | (5,275)             |
| Cash and cash equivalents at the beginning of the financial year |      | <u>1,827</u>                   | <u>7,102</u>        |
| Cash and cash equivalents at the end of the financial year       | 8    | <u><u>4,639</u></u>            | <u><u>1,827</u></u> |

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



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 1. General information

The financial statements cover Adcorp Australia Limited as a Consolidated Entity consisting of Adcorp Australia Limited ('Company' or 'parent entity') and the entities it controlled at the end of, or during, the year (collectively referred to as 'Consolidated Entity' or 'Adcorp'). 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 23 August 2016. The Directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

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

### New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

### Going concern

The rights issue during the financial year has improved the statement of financial position significantly with net assets of \$2,149,000 as at 30 June 2016 compared to a deficiency in net assets of \$784,000 at 30 June 2015. Notwithstanding the total comprehensive loss for the year of \$542,000 (2015: profit \$53,000), the Company has generated positive operating cashflows of \$776,000 (2015: cash outflow \$5,481,000). This positive cash flow is largely a result of a continued focus on reducing expenses at a greater rate than our revenue decline.

It is expected improved resourcing of the business development teams and focussed effort in targeted markets will result in increased revenue. Together with increased operational efficiency through enhanced systems and processes. Adcorp is confident of maintaining a positive operating cashflow moving forward. Adcorp continues to have a debtor financing facility to fund any working capital requirements which may arise in the future and to fund any investment opportunities which may be considered to assist in the future growth of the business.

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 debtors financing facility and the forecasted positive cash flow 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.

### Basis of preparation

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

### Historical cost convention

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Consolidated Entity only. Supplementary information about the parent entity is disclosed in note 37.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adcorp Australia Limited as at 30 June 2016 and the results of all subsidiaries for the year then ended.

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

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

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

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

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

### **Operating segments**

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

### **Foreign currency translation**

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

### *Foreign currency transactions*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

### *Foreign operations*

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

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

### **Revenue recognition**

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

### *Operating revenues*

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

### *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.

### **Income tax**

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

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

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

### Current and non-current classification

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

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

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

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

### Cash and cash equivalents

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

### Trade and other receivables

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

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

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

### Inventories

Costs incurred in relation to the production of television programs are accumulated and treated as work in progress until they are completed or written off when no future value can be attributed to the project.

### Associates

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



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

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

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

### Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the Consolidated Entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

### Property, plant and equipment

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

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

|                        |                 |
|------------------------|-----------------|
| Office equipment       | 3-5 years       |
| Furniture and fittings | over lease term |

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

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

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

### Leases

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

### Intangible assets

#### *Software licences*

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

### Impairment of non-financial assets

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

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

### Trade and other payables

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

### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### Finance costs

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

### Provisions

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

### Employee benefits

#### *Short-term employee benefits*

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Long-term employee benefits*

Employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

### Fair value measurement

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

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

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

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

### Issued capital

Ordinary shares are classified as equity.

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

### Earnings per share

#### *Basic earnings per share*

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

#### *Diluted earnings per share*

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

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) 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 the Corporations Instruments to the nearest thousand dollars, or in certain cases, the nearest dollar.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Consolidated Entity for the annual reporting period ended 30 June 2016. The Consolidated Entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Consolidated Entity, are set out below.

#### *AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. 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 will use an 'expected credit loss' ('ECL') model to recognise an allowance. The Consolidated Entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed.

#### *AASB 15 Revenue from Contracts with Customers*

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard may impact the way revenue for advertising, digital marketing and video services are recognised by the Consolidated Entity, however the impact has not yet been quantified.

#### *AASB 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Consolidated Entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Consolidated Entity.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 2. Significant accounting policies (continued)

### *Other amending accounting standards*

Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the Consolidated Entity as their amendments provide either clarification of existing accounting treatment or editorial amendments. These standards (and their operative dates) include:

- AASB 14 Regulatory Deferral Accounts (from 1 January 2016)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part D from 1 January 2016 and Part E from 1 January 2018)
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (from 1 January 2016)
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (from 1 January 2016)
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (from 1 January 2017)
- AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants (from 1 January 2016)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (from 1 January 2018)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (from 1 January 2015)
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (from 1 January 2016)
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (from 1 January 2016)
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (from 1 January 2016)
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (from 1 January 2016)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (from 1 July 2015)
- 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent (from 1 July 2015)
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception (from 1 January 2016)

## Note 3. Critical accounting judgements, estimates and assumptions

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

### *Provision for impairment of receivables*

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

### *Estimation of useful lives of assets*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 3. Critical accounting judgements, estimates and assumptions (continued)

### *Impairment of non-financial assets other than goodwill and other indefinite life intangible assets*

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

### *Recovery of deferred tax assets*

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

### *Employee benefits provision*

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

### *Decommissioning provision*

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

## Note 4. Operating segments

### *Identification of reportable operating segments*

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

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

### *Types of products and services*

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

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

### *Intersegment transactions*

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

### *Corporate charges*

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

### *Inter-entity sales*

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

### *Intersegment loans*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 4. Operating segments (continued)

### Income tax expense

Income tax expense is calculated based on the segment operating profit using a notional 30% rate (2015: 30%).

### Major customers

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

### Operating segment information

| <b>Consolidated - 2016</b>            | Australia<br>\$'000 | New Zealand<br>\$'000 | Total<br>\$'000 |
|---------------------------------------|---------------------|-----------------------|-----------------|
| <b>Revenue</b>                        |                     |                       |                 |
| Sales to external customers           | 12,977              | 2,515                 | 15,492          |
| Other revenue                         | 144                 | 14                    | 158             |
| <b>Total revenue</b>                  | <u>13,121</u>       | <u>2,529</u>          | <u>15,650</u>   |
| <b>EBITDA *</b>                       | <u>(49)</u>         | <u>110</u>            | <u>61</u>       |
| Depreciation and amortisation         |                     |                       | (673)           |
| Impairment of assets                  |                     |                       | (4)             |
| Interest revenue                      |                     |                       | 35              |
| Finance costs                         |                     |                       | (20)            |
| <b>Loss before income tax benefit</b> |                     |                       | <u>(601)</u>    |
| Income tax benefit                    |                     |                       | 9               |
| <b>Loss after income tax benefit</b>  |                     |                       | <u>(592)</u>    |
| <b>Assets</b>                         |                     |                       |                 |
| Segment assets                        | <u>12,260</u>       | <u>2,093</u>          | <u>14,353</u>   |
| <i>Unallocated assets:</i>            |                     |                       |                 |
| Deferred tax asset                    |                     |                       | 1,199           |
| <b>Total assets</b>                   |                     |                       | <u>15,552</u>   |
| <b>Liabilities</b>                    |                     |                       |                 |
| Segment liabilities                   | <u>11,861</u>       | <u>1,237</u>          | <u>13,098</u>   |
| <i>Unallocated liabilities:</i>       |                     |                       |                 |
| Deferred tax liability                |                     |                       | 305             |
| <b>Total liabilities</b>              |                     |                       | <u>13,403</u>   |

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

# NOTES TO THE FINANCIAL STATEMENTS

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## Note 4. Operating segments (continued)

| <b>Consolidated - 2015</b>              | Australia<br>\$'000 | New Zealand<br>\$'000 | Total<br>\$'000 |
|---|---------------------|-----------------------|-----------------|
| <b>Revenue</b>                          |                     |                       |                 |
| Sales to external customers             | 15,367              | 2,763                 | 18,130          |
| Other revenue                           | 26                  | 27                    | 53              |
| <b>Total revenue</b>                    | <u>15,393</u>       | <u>2,790</u>          | <u>18,183</u>   |
| <b>EBITDA *</b>                         |                     |                       |                 |
|   | 993                 | 81                    | 1,074           |
| Depreciation and amortisation           |                     |                       | (861)           |
| Interest revenue                        |                     |                       | 53              |
| Finance costs                           |                     |                       | (49)            |
| <b>Profit before income tax expense</b> |                     |                       | <u>217</u>      |
| Income tax expense                      |                     |                       | (58)            |
| <b>Profit after income tax expense</b>  |                     |                       | <u>159</u>      |
| <b>Assets</b>                           |                     |                       |                 |
| Segment assets                          | <u>9,330</u>        | <u>1,961</u>          | 11,291          |
| <i>Unallocated assets:</i>              |                     |                       |                 |
| Deferred tax asset                      |                     |                       | 1,050           |
| <b>Total assets</b>                     |                     |                       | <u>12,341</u>   |
| <b>Liabilities</b>                      |                     |                       |                 |
| Segment liabilities                     | <u>11,837</u>       | <u>1,092</u>          | 12,929          |
| <i>Unallocated liabilities:</i>         |                     |                       |                 |
| Deferred tax liability                  |                     |                       | 196             |
| <b>Total liabilities</b>                |                     |                       | <u>13,125</u>   |

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

### Geographical information

|             | Sales to external customers |                | Geographical non-current assets |                |
|-------------|-----------------------------|----------------|---------------------------------|----------------|
|             | 2016<br>\$'000              | 2015<br>\$'000 | 2016<br>\$'000                  | 2015<br>\$'000 |
| Australia   | 12,977                      | 15,367         | 720                             | 674            |
| New Zealand | <u>2,515</u>                | <u>2,763</u>   | <u>70</u>                       | <u>(12)</u>    |
|             | <u>15,492</u>               | <u>18,130</u>  | <u>790</u>                      | <u>662</u>     |

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



# NOTES TO THE FINANCIAL STATEMENTS

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## Note 5. Revenue

|                      | Consolidated   |                |
|----------------------|----------------|----------------|
|                      | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Sales revenue</i> |                |                |
| Operating revenues   | 15,492         | 18,130         |
|                      | <hr/>          | <hr/>          |
| <i>Other revenue</i> |                |                |
| Interest             | 35             | 53             |
| Sundry               | 123            | -              |
|                      | <hr/>          | <hr/>          |
|                      | 158            | 53             |
|                      | <hr/>          | <hr/>          |
| Revenue              | 15,650         | 18,183         |
|                      | <hr/> <hr/>    | <hr/> <hr/>    |

## Note 6. Expenses

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Profit/(loss) before income tax includes the following specific expenses: |                |                |
| <i>Depreciation</i>   |                |                |
| Office equipment  | 106            | 224            |
| Furniture and fittings  | 329            | 361            |
|   | <hr/>          | <hr/>          |
| Total depreciation  | 435            | 585            |
|   | <hr/>          | <hr/>          |
| <i>Amortisation</i>   |                |                |
| Software licences   | 238            | 276            |
|   | <hr/>          | <hr/>          |
| Total depreciation and amortisation                                       | 673            | 861            |
|   | <hr/>          | <hr/>          |
| <i>Impairment</i>   |                |                |
| Impairment expense  | 205            | -              |
| Reversal of impairment  | (201)          | -              |
|   | <hr/>          | <hr/>          |
| Total impairment  | 4              | -              |
|   | <hr/>          | <hr/>          |
| <i>Finance costs</i>  |                |                |
| Bank loans, overdrafts and interest on invoices financed                  | 20             | 49             |
|   | <hr/>          | <hr/>          |
| <i>Net loss/(gain) on disposal</i>  |                |                |
| Net loss/(gain) on disposal of property, plant and equipment              | (60)           | 73             |
|   | <hr/>          | <hr/>          |
| <i>Rental expense relating to operating leases</i>                        |                |                |
| Minimum lease payments  | 1,510          | 1,798          |
|   | <hr/>          | <hr/>          |
| <i>Superannuation expense</i>   |                |                |
| Defined contribution superannuation expense                               | 676            | 752            |
|   | <hr/>          | <hr/>          |
| <i>Employee benefits expense excluding superannuation</i>                 |                |                |
| Employee benefits expense excluding superannuation                        | 10,513         | 11,197         |
|   | <hr/>          | <hr/>          |

# NOTES TO THE FINANCIAL STATEMENTS

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## Note 7. Income tax expense/(benefit)

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Income tax expense/(benefit)</i>   |                |                |
| Current tax   | 31             | 34             |
| Deferred tax - origination and reversal of temporary differences                              | (40)           | 24             |
| Aggregate income tax expense/(benefit)  | <u>(9)</u>     | <u>58</u>      |
| Deferred tax included in income tax expense/(benefit) comprises:                              |                |                |
| Increase in deferred tax assets (note 17)   | (149)          | (143)          |
| Increase in deferred tax liabilities (note 23)  | 109            | 167            |
| Deferred tax - origination and reversal of temporary differences                              | <u>(40)</u>    | <u>24</u>      |
| <i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i> |                |                |
| Profit/(loss) before income tax (expense)/benefit   | (601)          | 217            |
| Tax at the statutory tax rate of 30%  | (180)          | 65             |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income:          |                |                |
| Expenditure non-deductible for tax purposes   | (7)            | 86             |
| Non-assessable items  | (64)           | (91)           |
| Current year tax losses not recognised  | (251)          | 60             |
| Difference in overseas tax rates  | 239            | -              |
|   | <u>3</u>       | <u>(2)</u>     |
| Income tax expense/(benefit)  | <u>(9)</u>     | <u>58</u>      |

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Tax losses not recognised</i>                                      |                |                |
| Unused tax losses for which no deferred tax asset has been recognised | 798            | -              |
| Potential tax benefit @ 30%   | <u>239</u>     | <u>-</u>       |

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

## Note 8. Current assets - cash and cash equivalents

|                 | Consolidated   |                |
|-----------------|----------------|----------------|
|                 | 2016<br>\$'000 | 2015<br>\$'000 |
| Cash at bank    | 4,129          | 1,474          |
| Cash on deposit | 510            | 353            |
|                 | <u>4,639</u>   | <u>1,827</u>   |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 9. Current assets - trade and other receivables

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Trade receivables                             | 7,278          | 8,166          |
| Less: Provision for impairment of receivables | (73)           | (54)           |
|   | 7,205          | 8,112          |
| Other receivables                             | 265            | 88             |
|   | 7,470          | 8,200          |

### Impairment of receivables

The Consolidated Entity has recognised an expense of \$61,000 (2015: \$12,000) in respect of doubtful debt provision for the year ended 30 June 2016.

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

|                       | Consolidated   |                |
|-----------------------|----------------|----------------|
|                       | 2016<br>\$'000 | 2015<br>\$'000 |
| Over 3 months overdue | 73             | 54             |

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

|  | Consolidated   |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| Opening balance  | 54             | 42             |
| Additional provisions recognised                         | 56             | 44             |
| Receivables written off during the year as uncollectable | (14)           | (4)            |
| Unused amounts reversed                                  | (23)           | (28)           |
| Closing balance  | 73             | 54             |

### Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to \$1,191,000 as at 30 June 2016 (\$2,338,000 as at 30 June 2015).

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

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

|                       | Consolidated   |                |
|-----------------------|----------------|----------------|
|                       | 2016<br>\$'000 | 2015<br>\$'000 |
| 1 to 3 months overdue | 914            | 1,772          |
| Over 3 months overdue | 277            | 566            |
|                       | 1,191          | 2,338          |

# NOTES TO THE FINANCIAL STATEMENTS

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## Note 10. Current assets - inventories

|                            | Consolidated |        |
|----------------------------|--------------|--------|
|                            | 2016         | 2015   |
|                            | \$'000       | \$'000 |
| Work in progress - at cost | 617          | -      |

## Note 11. Current assets - income tax refund due

|                       | Consolidated |        |
|-----------------------|--------------|--------|
|                       | 2016         | 2015   |
|                       | \$'000       | \$'000 |
| Income tax refund due | 31           | 60     |

## Note 12. Current assets - other financial assets

|                   | Consolidated |        |
|-------------------|--------------|--------|
|                   | 2016         | 2015   |
|                   | \$'000       | \$'000 |
| Invoice financing | 382          | -      |

Invoice financing facility in 'credit' balance (monies due to the Company) as at 30 June 2016. Refer to note 19 for position (borrowing due to financier) as at 30 June 2015.

## Note 13. Current assets - other current assets

|             | Consolidated |        |
|-------------|--------------|--------|
|             | 2016         | 2015   |
|             | \$'000       | \$'000 |
| Prepayments | 424          | 477    |

## Note 14. Non-current assets - investments accounted for using the equity method

|   | Consolidated |        |
|---|--------------|--------|
|   | 2016         | 2015   |
|   | \$'000       | \$'000 |
| Investment in associate - Limelight Group Pty. Ltd. | -            | 175    |
| Less: share of loss of associate                    | -            | (175)  |
|   | -            | -      |

### Interests in associates

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

| Name                      | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|---------------------------|---|--------------------|-----------|
|                           |   | 2016<br>%          | 2015<br>% |
| Limelight Group Pty. Ltd. | Australia   | -                  | 40.00%    |

Limelight Group Pty. Ltd. entered into a Deed of Company Arrangement on 8 July 2014. A full and final dividend was paid to creditors and the Deed of Company Arrangement was wholly effectuated on 11 December 2015 when an application for the deregistration of Limelight Group Pty. Ltd. was lodged with ASIC. The company was formally deregistered on 17 July 2016.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 14. Non-current assets - investments accounted for using the equity method (continued)

### Interests in joint ventures

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the Consolidated Entity are set out below:

| Name                   | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|------------------------|---|--------------------|-----------|
|                        |   | 2016<br>%          | 2015<br>% |
| HR by the Hour Pty Ltd | Australia   | 50.00%             | -         |

HR by the Hour Pty Ltd ('HRBTH') is a 50% owned joint venture entered into on 14 January 2016. HRBTH provides Recruitment and HR related services. As at 30 June 2016, a \$30,000 working capital loan has been paid to HRBTH. The joint venture will be accounted for under equity accounting method, however as at 30 June 2016 the share of profits in HRBTH is not material.

## Note 15. Non-current assets - property, plant and equipment

|                                  | Consolidated      |                   |
|----------------------------------|-------------------|-------------------|
|                                  | 2016<br>\$'000    | 2015<br>\$'000    |
| Office equipment - at cost       | 3,498             | 3,513             |
| Less: Accumulated depreciation   | (2,885)           | (2,919)           |
| Less: Impairment                 | (373)             | (373)             |
|                                  | <u>240</u>        | <u>221</u>        |
| Furniture and fittings - at cost | 3,601             | 4,239             |
| Less: Accumulated depreciation   | (2,615)           | (3,262)           |
| Less: Impairment                 | (501)             | (515)             |
|                                  | <u>485</u>        | <u>462</u>        |
|                                  | <u><u>725</u></u> | <u><u>683</u></u> |

### Reconciliations

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

| Consolidated            | Office<br>equipment<br>\$'000 | Furniture and<br>fittings<br>\$'000 | Total<br>\$'000   |
|-------------------------|-------------------------------|-------------------------------------|-------------------|
| Balance at 1 July 2014  | 385                           | 818                                 | 1,203             |
| Additions               | 66                            | 12                                  | 78                |
| Disposals               | (7)                           | (5)                                 | (12)              |
| Exchange differences    | 1                             | (2)                                 | (1)               |
| Depreciation expense    | (224)                         | (361)                               | (585)             |
| Balance at 30 June 2015 | 221                           | 462                                 | 683               |
| Additions               | 150                           | 491                                 | 641               |
| Disposals               | (25)                          | (142)                               | (167)             |
| Exchange differences    | -                             | 3                                   | 3                 |
| Depreciation expense    | (106)                         | (329)                               | (435)             |
| Balance at 30 June 2016 | <u><u>240</u></u>             | <u><u>485</u></u>                   | <u><u>725</u></u> |

# NOTES TO THE FINANCIAL STATEMENTS

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## Note 16. Non-current assets - intangibles

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2016</b>         | <b>2015</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Software licences - at cost                          | 3,660               | 3,401         |
| Less: Accumulated amortisation                       | (3,470)             | (3,232)       |
| Less: Impairment                                     | (126)               | (126)         |
|  | 64                  | 43            |
| Trademarks and other intellectual property - at cost | 1                   | 1             |
|  | 65                  | 44            |

### Reconciliations

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

| <b>Consolidated</b>     | Software<br>licences<br>\$'000 | Trademarks<br>and other<br>intellectual<br>property<br>\$'000 | Total<br>\$'000 |
|-------------------------|--------------------------------|---|-----------------|
| Balance at 1 July 2014  | 98                             | 1   | 99              |
| Additions               | 221                            | -   | 221             |
| Amortisation expense    | (276)                          | -   | (276)           |
|                         | 43                             | 1   | 44              |
| Balance at 30 June 2015 | 43                             | 1   | 44              |
| Additions               | 259                            | -   | 259             |
| Amortisation expense    | (238)                          | -   | (238)           |
|                         | 64                             | 1   | 65              |
| Balance at 30 June 2016 | 64                             | 1   | 65              |

## Note 17. Non-current assets - deferred tax

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2016</b>         | <b>2015</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Deferred tax asset comprises temporary differences attributable to:</i> |                     |               |
| Amounts recognised in profit or loss:                                      |                     |               |
| Tax losses   | 493                 | -             |
| Property, plant and equipment  | 1                   | 25            |
| Employee benefits  | 271                 | 285           |
| Other provisions   | -                   | 328           |
| Black hole legal deductions  | 136                 | 101           |
| Current year income tax benefit  | -                   | 311           |
| Other  | 298                 | -             |
|  | 1,199               | 1,050         |
| Deferred tax asset   | 1,199               | 1,050         |
| <i>Movements:</i>  |                     |               |
| Opening balance  | 1,050               | 907           |
| Credited to profit or loss (note 7)  | 149                 | 143           |
|  | 1,199               | 1,050         |
| Closing balance  | 1,199               | 1,050         |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 18. Current liabilities - trade and other payables

|                | Consolidated |        |
|----------------|--------------|--------|
|                | 2016         | 2015   |
|                | \$'000       | \$'000 |
| Trade payables | 8,265        | 7,928  |
| Other payables | 3,475        | 3,055  |
|                | 11,740       | 10,983 |
|                | 11,740       | 10,983 |

Refer to note 30 for further information on financial instruments.

## Note 19. Current liabilities - borrowings

|                   | Consolidated |        |
|-------------------|--------------|--------|
|                   | 2016         | 2015   |
|                   | \$'000       | \$'000 |
| Invoice financing | -            | 501    |
|                   | -            | 501    |
|                   | -            | 501    |

Refer to note 30 for further information on financial instruments.

Refer to note 12 for invoice financing at 30 June 2016.

### *Total secured liabilities*

The total secured current liabilities are as follows:

|                   | Consolidated |        |
|-------------------|--------------|--------|
|                   | 2016         | 2015   |
|                   | \$'000       | \$'000 |
| Invoice financing | -            | 501    |
|                   | -            | 501    |
|                   | -            | 501    |

### *Assets pledged as security*

The bank overdraft and loans are secured by first mortgages over the Consolidated Entity's land and buildings.

The Consolidated Entity entered into an invoice financing arrangement during the prior financial year. The arrangement is secured against the trade receivables and assets of the entity.

|  | Consolidated |        |
|--|--------------|--------|
|  | 2016         | 2015   |
|  | \$'000       | \$'000 |
| The carrying amounts of trade receivables pledged as security for invoice financing are: | 7,205        | 8,112  |
|  | 7,205        | 8,112  |
|  | 7,205        | 8,112  |

## Note 20. Current liabilities - income tax

|                          | Consolidated |        |
|--------------------------|--------------|--------|
|                          | 2016         | 2015   |
|                          | \$'000       | \$'000 |
| Provision for income tax | 52           | 31     |
|                          | 52           | 31     |
|                          | 52           | 31     |

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

# NOTES TO THE FINANCIAL STATEMENTS

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## Note 21. Current liabilities - provisions

|                   | Consolidated |        |
|-------------------|--------------|--------|
|                   | 2016         | 2015   |
|                   | \$'000       | \$'000 |
| Employee benefits | 680          | 728    |
| Decommissioning   | 100          | 250    |
|                   | 780          | 978    |
|                   | 780          | 978    |

### Decommissioning

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

Refer to note 24 for details of the movements in provision.

## Note 22. Non-current liabilities - payables

|                | Consolidated |        |
|----------------|--------------|--------|
|                | 2016         | 2015   |
|                | \$'000       | \$'000 |
| Other payables | 57           | -      |
|                | 57           | -      |
|                | 57           | -      |

Refer to note 30 for further information on financial instruments.

## Note 23. Non-current liabilities - deferred tax

|  | Consolidated |        |
|--|--------------|--------|
|  | 2016         | 2015   |
|  | \$'000       | \$'000 |
| <i>Deferred tax liability comprises temporary differences attributable to:</i> |              |        |
| Amounts recognised in profit or loss:  |              |        |
| Work in progress   | 190          | 105    |
| Other  | 115          | 91     |
|  | 305          | 196    |
| Deferred tax liability   | 305          | 196    |
| <i>Movements:</i>  |              |        |
| Opening balance  | 196          | 29     |
| Charged to profit or loss (note 7)   | 109          | 167    |
|  | 305          | 196    |
| Closing balance  | 305          | 196    |

## Note 24. Non-current liabilities - provisions

|                   | Consolidated |        |
|-------------------|--------------|--------|
|                   | 2016         | 2015   |
|                   | \$'000       | \$'000 |
| Employee benefits | 223          | 224    |
| Decommissioning   | 246          | 212    |
|                   | 469          | 436    |
|                   | 469          | 436    |

### Decommissioning

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



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 24. Non-current liabilities - provisions (continued)

### Movements in provisions

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

| <b>Consolidated - 2016</b>               | Decom-<br>missioning<br>\$'000 |
|--|--------------------------------|
| Carrying amount at the start of the year | 462                            |
| Additional provisions recognised         | 100                            |
| Payments                                 | (81)                           |
| Foreign exchange                         | 2                              |
| Unused amounts reversed                  | (137)                          |
| Carrying amount at the end of the year   | <u>346</u>                     |

## Note 25. Equity - issued capital

|                              | 2016<br>Shares     | 2015<br>Shares    | 2016<br>\$'000 | 2015<br>\$'000 |
|------------------------------|--------------------|-------------------|----------------|----------------|
| Ordinary shares - fully paid | <u>182,029,806</u> | <u>60,676,602</u> | <u>32,353</u>  | <u>28,894</u>  |

### Movements in ordinary share capital

| <b>Details</b>                | <b>Date</b>     | <b>Shares</b>      | <b>Issue price</b> | <b>\$'000</b> |
|-------------------------------|-----------------|--------------------|--------------------|---------------|
| Balance                       | 1 July 2014     | <u>60,676,602</u>  |                    | <u>28,894</u> |
| Balance                       | 30 June 2015    | 60,676,602         |                    | 28,894        |
| Rights issue                  | 7 December 2015 | 121,353,204        | \$0.031            | 3,762         |
| Share issue transaction costs |                 |                    |                    | (303)         |
| Balance                       | 30 June 2016    | <u>182,029,806</u> |                    | <u>32,353</u> |

### Ordinary shares

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

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

### Share buy-back

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

### Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

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## Note 25. Equity - issued capital (continued)

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

The capital risk management policy remains unchanged from the 30 June 2015 Annual Report.

## Note 26. Equity - reserves

### *Purchased controlling interest reserve*

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

### *Foreign currency reserve*

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

## Note 27. Equity - accumulated losses

|   | <b>Consolidated</b> |                 |
|---|---------------------|-----------------|
|   | <b>2016</b>         | <b>2015</b>     |
|   | <b>\$'000</b>       | <b>\$'000</b>   |
| Accumulated losses at the beginning of the financial year     | (29,156)            | (29,289)        |
| Profit/(loss) after income tax (expense)/benefit for the year | (615)               | 133             |
|   | <u>(29,771)</u>     | <u>(29,156)</u> |

## Note 28. Equity - non-controlling interest

|                    | <b>Consolidated</b> |               |
|--------------------|---------------------|---------------|
|                    | <b>2016</b>         | <b>2015</b>   |
|                    | <b>\$'000</b>       | <b>\$'000</b> |
| Contributed equity | 202                 | 202           |
| Reserves           | 32                  | 32            |
| Accumulated losses | (209)               | (232)         |
|                    | <u>25</u>           | <u>2</u>      |

The non-controlling interest has 25% (2015: 25%) equity holding in Quadrant Creative Pty Ltd.

## Note 29. Equity - dividends

### *Dividends*

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

### *Franking credits*

|  | <b>Consolidated</b> |               |
|--|---------------------|---------------|
|  | <b>2016</b>         | <b>2015</b>   |
|  | <b>\$'000</b>       | <b>\$'000</b> |
| Franking credits available for subsequent financial years based on a tax rate of 30% | <u>4,986</u>        | <u>4,982</u>  |

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 30. Financial instruments

### Financial risk management objectives

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

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

### Market risk

#### Foreign currency risk

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

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

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

| Consolidated        | Assets         |                | Liabilities    |                |
|---------------------|----------------|----------------|----------------|----------------|
|                     | 2016<br>\$'000 | 2015<br>\$'000 | 2016<br>\$'000 | 2015<br>\$'000 |
| US dollars          | -              | -              | -              | 4              |
| Pound Sterling      | -              | -              | 12             | 16             |
| New Zealand dollars | 1,951          | 1,636          | 1,125          | 986            |
| Canadian dollars    | -              | -              | -              | 1              |
| Singapore dollars   | -              | -              | -              | 14             |
|                     | <u>1,951</u>   | <u>1,636</u>   | <u>1,137</u>   | <u>1,021</u>   |

#### Price risk

The Consolidated Entity is not exposed to any significant price risk.

#### Interest rate risk

The Consolidated Entity's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to finance the Consolidated Entity's operations.

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

The Consolidated Entity is not exposed to any significant interest rate risk.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 30. Financial instruments (continued)

As at the reporting date, the Consolidated Entity had the following variable rate borrowings and funds on deposit outstanding:

| Consolidated                                 | 2016                             |                | 2015                             |                |
|--|----------------------------------|----------------|----------------------------------|----------------|
|  | Weighted average interest rate % | Balance \$'000 | Weighted average interest rate % | Balance \$'000 |
| Cash at bank                                 | 1.00%                            | 4,129          | 1.63%                            | 1,474          |
| Cash on deposit                              | 2.62%                            | 510            | 2.67%                            | 353            |
| Borrowing against invoices financed          | -                                | -              | 8.03%                            | (501)          |
| Net exposure to cash flow interest rate risk |                                  | <u>4,639</u>   |                                  | <u>1,326</u>   |

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

### Credit risk

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

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

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

### Liquidity risk

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

### Remaining contractual maturities

The following tables detail the Consolidated Entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

| Consolidated - 2016         | Weighted average interest rate % | 1 year or less \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | Remaining contractual maturities \$'000 |
|-----------------------------|----------------------------------|-----------------------|------------------------------|------------------------------|---------------------|---|
| <b>Non-derivatives</b>      |                                  |                       |                              |                              |                     |   |
| <i>Non-interest bearing</i> |                                  |                       |                              |                              |                     |   |
| Trade payables              | -                                | 8,265                 | -                            | -                            | -                   | 8,265                                   |
| Other payables              | -                                | 3,475                 | 57                           | -                            | -                   | 3,532                                   |
| Total non-derivatives       |                                  | <u>11,740</u>         | <u>57</u>                    | <u>-</u>                     | <u>-</u>            | <u>11,797</u>                           |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 30. Financial instruments (continued)

| Consolidated - 2015                  | Weighted average interest rate % | 1 year or less \$'000 | Between 1 and 2 years \$'000 | Between 2 and 5 years \$'000 | Over 5 years \$'000 | Remaining contractual maturities \$'000 |
|--------------------------------------|----------------------------------|-----------------------|------------------------------|------------------------------|---------------------|---|
| <b>Non-derivatives</b>               |                                  |                       |                              |                              |                     |   |
| <i>Non-interest bearing</i>          |                                  |                       |                              |                              |                     |   |
| Trade payables                       | -                                | 7,928                 | -                            | -                            | -                   | 7,928                                   |
| Other payables                       | -                                | 3,055                 | -                            | -                            | -                   | 3,055                                   |
| <i>Interest-bearing - fixed rate</i> |                                  |                       |                              |                              |                     |   |
| Invoice financing                    | 8.03%                            | 501                   | -                            | -                            | -                   | 501                                     |
| <b>Total non-derivatives</b>         |                                  | <b>11,484</b>         | <b>-</b>                     | <b>-</b>                     | <b>-</b>            | <b>11,484</b>                           |

## Note 31. 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 32. Key management personnel disclosures

### Compensation

The aggregate compensation made to Directors and other members of key management personnel of the Consolidated Entity is set out below:

|                              | Consolidated   |                |
|------------------------------|----------------|----------------|
|                              | 2016           | 2015           |
|                              | \$             | \$             |
| Short-term employee benefits | 630,272        | 700,668        |
| Post-employment benefits     | 38,772         | 37,566         |
|                              | <b>669,044</b> | <b>738,234</b> |



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 33. Remuneration of auditors

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

|  | Consolidated   |               |
|--|----------------|---------------|
|  | 2016           | 2015          |
|  | \$             | \$            |
| <i>Audit services - Grant Thornton Audit Pty Ltd</i> |                |               |
| Audit or review of the financial statements          | 90,000         | 86,000        |
| <i>Other services - Grant Thornton Audit Pty Ltd</i> |                |               |
| Taxation compliance                                  | 17,500         | 10,000        |
|  | <u>107,500</u> | <u>96,000</u> |
| <i>Audit services - network firms</i>                |                |               |
| Audit or review of the financial statements          | 36,500         | 34,000        |
| <i>Other services - network firms</i>                |                |               |
| Other professional services                          | 3,600          | -             |
|  | <u>40,100</u>  | <u>34,000</u> |
| <i>Other services - unrelated firms</i>              |                |               |
| Tax compliance                                       | 5,200          | -             |
|  | <u>5,200</u>   | <u>-</u>      |

## Note 34. Contingent liabilities

The Consolidated Entity has various guarantees over premises.

|          | Consolidated |        |
|----------|--------------|--------|
|          | 2016         | 2015   |
|          | \$'000       | \$'000 |
| Premises | 907          | 1,122  |

In November 2014, the liquidator of a company "Streetwise Advertising Pty Ltd (In Liquidation)" lodged a claim alleging preferential payments made to Adcorp, among other creditors. The matter was resolved during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 35. Commitments

|   | Consolidated   |                |
|---|----------------|----------------|
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| <i>Capital commitments</i>  |                |                |
| Committed at the reporting date but not recognised as liabilities, payable: |                |                |
| Property, plant and equipment   | 46             | 77             |
| <i>Lease commitments - operating</i>  |                |                |
| Committed at the reporting date but not recognised as liabilities, payable: |                |                |
| Within one year   | 957            | 1,247          |
| One to five years   | 2,158          | 3,316          |
|   | 3,115          | 4,563          |

Operating leases are entered into as a means of acquiring access to retail property and IT equipment. Rental payments are generally fixed, but with future inflation escalation clauses. Adcorp Australia Limited is a sub-lessor in one property (2015: three properties). The future minimum sub-lease payments expected to be received is \$135,000 (2015: \$482,000) within one year and \$203,000 (2015: \$59,000) between one to five years.

## Note 36. Related party transactions

### *Parent entity*

Adcorp Australia Limited is the parent entity.

### *Subsidiaries*

Interests in subsidiaries are set out in note 38.

### *Associates*

Interests in associates are set out in note 14.

### *Joint ventures*

Interests in joint ventures are set out in note 14.

### *Key management personnel*

Disclosures relating to key management personnel are set out in note 32 and the remuneration report included in the Directors' report.

### *Transactions with related parties*

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

### *Receivable from and payable to related parties*

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

### *Loans to/from related parties*

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

### *Terms and conditions*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 37. Parent entity information

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

### Statement of profit or loss and other comprehensive income

|                                | Parent         |                |
|--------------------------------|----------------|----------------|
|                                | 2016<br>\$'000 | 2015<br>\$'000 |
| Profit/(loss) after income tax | (7,362)        | 1,382          |
| Total comprehensive income     | (7,362)        | 1,382          |

### Statement of financial position

|                           | Parent         |                |
|---------------------------|----------------|----------------|
|                           | 2016<br>\$'000 | 2015<br>\$'000 |
| Total current assets      | 13,465         | 31,257         |
| Total assets              | 15,356         | 33,421         |
| Total current liabilities | 12,790         | 26,762         |
| Total liabilities         | 13,183         | 27,345         |
| Equity                    |                |                |
| Issued capital            | 32,353         | 28,894         |
| Accumulated losses        | (30,180)       | (22,818)       |
| Total equity              | 2,173          | 6,076          |

### Contingent liabilities

The parent entity has various guarantees over premises:

|          | Parent         |                |
|----------|----------------|----------------|
|          | 2016<br>\$'000 | 2015<br>\$'000 |
| Premises | 633            | 859            |

### Commitments

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

|  | Parent         |                |
|--|----------------|----------------|
|  | 2016<br>\$'000 | 2015<br>\$'000 |
| Committed at the reporting date but not recognised as liabilities, payable:<br>Property, plant and equipment | -              | 77             |

### Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Consolidated Entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries and associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.
- Management fees are charged to subsidiaries to recover costs of functions performed by the head office. Revenue is recognised as earned.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 38. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

| Name  | Principal place of business /<br>Country of incorporation | Ownership interest |           |
|---|---|--------------------|-----------|
|   |   | 2016<br>%          | 2015<br>% |
| Adcorp Australia (QLD) Pty. Limited               | Australia   | 100.00%            | 100.00%   |
| Adcorp Australia (VIC) Pty. Limited               | Australia   | 100.00%            | 100.00%   |
| Adcorp D&D Pty Ltd                                | Australia   | 100.00%            | 100.00%   |
| Adcorp New Zealand Limited                        | New Zealand   | 100.00%            | 100.00%   |
| Adcorp SWA Pty Ltd *                              | Australia   | 100.00%            | 100.00%   |
| Adcorp Technologies Pty Ltd                       | Australia   | 100.00%            | 100.00%   |
| Andrews Advertising Pty. Limited                  | Australia   | 100.00%            | 100.00%   |
| Austpac Media Pty Limited *                       | Australia   | 100.00%            | 100.00%   |
| Donald & Donald (Victoria) Pty. Limited *         | Australia   | 100.00%            | 100.00%   |
| Employment Opportunities in Australia Pty Limited | Australia   | 100.00%            | 100.00%   |
| Nancarrow Marketing Company Pty Ltd               | Australia   | 100.00%            | 100.00%   |
| Quadrant Creative Pty Ltd                         | Australia   | 75.00%             | 75.00%    |
| R&L Advertising Pty Ltd                           | Australia   | 100.00%            | 100.00%   |
| Showrunner Productions Pty Ltd                    | Australia   | 100.00%            | 100.00%   |

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

## Note 39. Deed of cross guarantee

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 39. Deed of cross guarantee (continued)

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

|   | 2016<br>\$'000 | 2015<br>\$'000 |
|---|----------------|----------------|
| <b>Statement of profit or loss and other comprehensive income</b> |                |                |
| Revenue   | 11,213         | 13,905         |
| Other income  | 332            | 734            |
| Client service expenses   | (7,888)        | (8,438)        |
| Administrative expenses   | (776)          | (951)          |
| Marketing expenses  | (586)          | (671)          |
| Office and communication expenses                                 | (2,574)        | (3,335)        |
| Finance costs   | (19)           | (48)           |
|   | <hr/>          | <hr/>          |
| <b>Profit/(loss) before income tax expense</b>                    | (298)          | 1,196          |
| Income tax expense  | -              | -              |
|   | <hr/>          | <hr/>          |
| <b>Profit/(loss) after income tax expense</b>                     | (298)          | 1,196          |
| Other comprehensive income for the year, net of tax               | -              | -              |
|   | <hr/>          | <hr/>          |
| <b>Total comprehensive income for the year</b>                    | (298)          | 1,196          |
|   | <hr/> <hr/>    | <hr/> <hr/>    |
| <b>Equity - retained profits</b>                                  |                |                |
|   | 2016<br>\$'000 | 2015<br>\$'000 |
| Accumulated losses at the beginning of the financial year         | (29,213)       | (30,409)       |
| Profit/(loss) after income tax expense                            | (298)          | 1,196          |
|   | <hr/>          | <hr/>          |
| Accumulated losses at the end of the financial year               | (29,511)       | (29,213)       |
|   | <hr/> <hr/>    | <hr/> <hr/>    |



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 39. Deed of cross guarantee (continued)

| <b>Statement of financial position</b> | <b>2016<br/>\$'000</b> | <b>2015<br/>\$'000</b> |
|--|------------------------|------------------------|
| <b>Current assets</b>                  |                        |                        |
| Cash and cash equivalents              | 3,860                  | 1,118                  |
| Trade and other receivables            | 21,234                 | 21,111                 |
| Other financial assets                 | 382                    | -                      |
| Other current assets                   | 381                    | 436                    |
|  | <u>25,857</u>          | <u>22,665</u>          |
| <b>Non-current assets</b>              |                        |                        |
| Other financial assets                 | 1,824                  | 1,824                  |
| Property, plant and equipment          | 591                    | 599                    |
| Intangibles                            | 67                     | 41                     |
|  | <u>2,482</u>           | <u>2,464</u>           |
| <b>Total assets</b>                    | <u>28,339</u>          | <u>25,129</u>          |
| <b>Current liabilities</b>             |                        |                        |
| Trade and other payables               | 20,764                 | 20,066                 |
| Borrowings                             | -                      | 501                    |
| Income tax                             | 1,114                  | 1,114                  |
| Provisions                             | 2,971                  | 3,111                  |
|  | <u>24,849</u>          | <u>24,792</u>          |
| <b>Non-current liabilities</b>         |                        |                        |
| Borrowings                             | 57                     | -                      |
| Provisions                             | 591                    | 656                    |
|  | <u>648</u>             | <u>656</u>             |
| <b>Total liabilities</b>               | <u>25,497</u>          | <u>25,448</u>          |
| <b>Net assets/(liabilities)</b>        | <u>2,842</u>           | <u>(319)</u>           |
| <b>Equity</b>                          |                        |                        |
| Issued capital                         | 32,353                 | 28,894                 |
| Accumulated losses                     | (29,511)               | (29,213)               |
| <b>Total equity/(deficiency)</b>       | <u>2,842</u>           | <u>(319)</u>           |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 40. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

|   | <b>Consolidated</b> |                |
|---|---------------------|----------------|
|   | <b>2016</b>         | <b>2015</b>    |
|   | <b>\$'000</b>       | <b>\$'000</b>  |
| Profit/(loss) after income tax (expense)/benefit for the year | (592)               | 159            |
| Adjustments for:  |                     |                |
| Depreciation and amortisation                                 | 673                 | 861            |
| Net loss/(gain) on disposal of property, plant and equipment  | (60)                | 73             |
| Foreign exchange differences                                  | 63                  | (144)          |
| Landlord contribution   | 250                 | -              |
| Non-cash lease make good capitalised                          | 99                  | -              |
| Change in operating assets and liabilities:                   |                     |                |
| Decrease in trade and other receivables                       | 730                 | 1,241          |
| Increase in inventories                                       | (617)               | -              |
| Decrease/(increase) in income tax refund due                  | 29                  | (41)           |
| Increase in deferred tax assets                               | (149)               | (143)          |
| Increase in prepayments                                       | (329)               | (299)          |
| Increase/(decrease) in trade and other payables               | 814                 | (7,221)        |
| Increase in provision for income tax                          | 21                  | 27             |
| Increase in deferred tax liabilities                          | 109                 | 167            |
| Decrease in employee benefits                                 | (49)                | (139)          |
| Decrease in other provisions                                  | (216)               | (22)           |
| Net cash from/(used in) operating activities                  | <u>776</u>          | <u>(5,481)</u> |

## Note 41. Non-cash investing and financing activities

|                             | <b>Consolidated</b> |               |
|-----------------------------|---------------------|---------------|
|                             | <b>2016</b>         | <b>2015</b>   |
|                             | <b>\$'000</b>       | <b>\$'000</b> |
| Landlord contribution       | 250                 | -             |
| Lease make good capitalised | 99                  | -             |
|                             | <u>349</u>          | <u>-</u>      |

## Note 42. Earnings per share

|   | <b>Consolidated</b> |                   |
|---|---------------------|-------------------|
|   | <b>2016</b>         | <b>2015</b>       |
|   | <b>\$'000</b>       | <b>\$'000</b>     |
| Profit/(loss) after income tax  | (592)               | 159               |
| Non-controlling interest  | (23)                | (26)              |
| Profit/(loss) after income tax attributable to the owners of Adcorp Australia Limited     | <u>(615)</u>        | <u>133</u>        |
|   | <b>Number</b>       | <b>Number</b>     |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | <u>129,310,791</u>  | <u>60,676,602</u> |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>129,310,791</u>  | <u>60,676,602</u> |
|   | <b>Cents</b>        | <b>Cents</b>      |
| Basic earnings per share  | (0.48)              | 0.22              |
| Diluted earnings per share  | (0.48)              | 0.22              |

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## Note 43. Events after the reporting period

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.

No other matter or circumstance has arisen since 30 June 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.

# DIRECTORS' DECLARATION

30 JUNE 2016

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39 to the financial statements.

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

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

On behalf of the Directors



---

David Morrison  
Director and Chief Executive Officer

23 August 2016  
Sydney

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

### **Report on the financial report**

We have audited the accompanying financial report of Adcorp Australia Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

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

### **Auditor's responsibility**

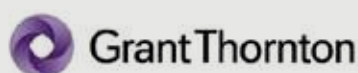
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain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

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

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

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

#### **Independence**

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

#### **Auditor's opinion**

In our opinion:

- a the financial report of Adcorp Australia Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

#### **Report on the remuneration report**

We have audited the remuneration report included in pages 6 to 11 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Adcorp Australia Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'P J Woodley'.

P J Woodley  
Partner - Audit & Assurance

Sydney, 23 August 2016

# SHAREHOLDER INFORMATION

30 JUNE 2016

The shareholder information set out below was applicable as at 17 August 2016.

## Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

|                                       | Number of holders of ordinary shares |
|---------------------------------------|--------------------------------------|
| 1 to 1,000                            | 143                                  |
| 1,001 to 5,000                        | 266                                  |
| 5,001 to 10,000                       | 125                                  |
| 10,001 to 100,000                     | 237                                  |
| 100,001 and over                      | 79                                   |
|                                       | <hr/>                                |
|                                       | 850                                  |
|                                       | <hr/> <hr/>                          |
| Holding less than a marketable parcel | 666                                  |
|                                       | <hr/> <hr/>                          |

## Equity security holders

### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

|  | Number held | Ordinary shares<br>% of total<br>shares<br>issued |
|--|-------------|---|
| MCO Nominees Pty Ltd (AAU Unit A/C)  | 122,400,489 | 67.24   |
| Rodwell Super Pty Ltd (The Rodwell Family S/F A/C)   | 12,912,471  | 7.09  |
| Ego Pty Ltd  | 5,312,343   | 2.92  |
| Mr Frederick Benjamin Warmbrand (FB & LJ Warmbrand Super A/C)                                | 5,022,404   | 2.76  |
| HSBC Custody Nominees (Australia) Limited  | 2,790,660   | 1.53  |
| Mr David Herbert George Morrison   | 2,453,410   | 1.35  |
| Navigator Australia Ltd (MLC Investment Sett A/C)  | 1,223,671   | 0.67  |
| Global Equity Management (SA) Pty Ltd  | 1,000,000   | 0.55  |
| Lozotu Pty Limited (Superannuation Fund A/C)   | 993,753     | 0.55  |
| Craig G Treasure Pty Ltd (Treasure Super Fund A/C)   | 704,916     | 0.39  |
| Mr Peter Howells   | 684,000     | 0.38  |
| Mr Christian Merlot  | 664,827     | 0.37  |
| Mr Dong Rong Lun + Miss Dan Yan Lun (Lun Superannuation Fund A/C)                            | 648,209     | 0.36  |
| Mr Alexander James Green   | 572,000     | 0.31  |
| Mark S Campbell Pty Ltd (Mark Campbell Prov Fund A/C)  | 520,901     | 0.29  |
| Mr Konstantinos Lazos  | 510,000     | 0.28  |
| K B J Investments Pty Ltd (Jarry Family Super Fund A/C)                                      | 500,000     | 0.27  |
| Mr Anthony David Scott + Mrs Karen Joy Scott + Mr Byron Jay Scott (The Scott Family S/F A/C) | 480,000     | 0.26  |
| Mr Ole Tang Olesen + Mr Esper John Olesen (Olesen Super Fund A/C)                            | 425,000     | 0.23  |
| Saratex Pty Ltd (Super Fund A/C)   | 400,000     | 0.22  |
|  | <hr/>       |   |
|  | 160,219,054 | 88.02   |
|  | <hr/> <hr/> |   |

### Unquoted equity securities

There are no unquoted equity securities.

# SHAREHOLDER INFORMATION

30 JUNE 2016

## Substantial holders

Substantial holders in the Company are set out below:

|  | Ordinary shares |                          |
|--|-----------------|--------------------------|
|  | Number held     | % of total shares issued |
| MCO Nominees Pty Ltd (AAU Unit A/C)                | 122,400,489     | 67.24                    |
| Rodwell Super Pty Ltd (The Rodwell Family S/F A/C) | 12,912,471      | 7.09                     |

## Voting rights

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

### Ordinary shares

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

There are no other classes of equity securities.

ADCORP AUSTRALIA LIMITED



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