



adcorp

Wednesday 28 February 2018

Adcorp Australia Ltd Half Year Results to December 2017

The six-month period ended 31 December 2017 was a challenging period for Adcorp as we dealt with major project delays for key clients, protracted contract negotiations with a large client and elections in both Queensland and New Zealand that significantly reduced client activity in these regions. However, both the Australian and New Zealand Agency businesses finished the first half strongly as major project wins came online. Showrunner Productions Pty Ltd (“Showrunner”) delivered the first series of 12 episodes of 72 Dangerous Animals Latin America to Netflix on schedule and Shootsta Holdings Pty Ltd (“Shootsta”), in which Adcorp holds a 15% investment, expanded into Asia with operations commencing in the United States and the United Kingdom shortly.

A key focus of the Australian Agency business has been on business development and while we are tracking ahead of the same period last year in delivering new business revenues, it has not been to our anticipated levels and has not been enough to offset reductions in existing client expenditure. Property marketing activity levels in each state vary, however we are starting to see some small levels of growth with a pipeline of opportunities emerging. The level of interest in employment marketing solutions has also been growing and we have commenced projects in several states. A national approach to media has been adopted and is starting to develop more insight-led campaigns with the addition of research tools, performance reporting and skilled and experienced people.

Key to managing this business remains the continual analysis of employee utilisation, business development activities and the review of both job and client profitability. While expenses have been reduced mainly as a result of headcount reductions, recent new hires in the fields of digital strategy and creative leadership should start to see growth in the revenues being generated from these areas.

The New Zealand Agency’s first half was impacted significantly by the national elections and the change of Government which meant activity by this sector and the general business community was quite depressed. On a positive note, a number of consulting and digital projects were won late in the first half and are now being delivered.

A significant milestone was achieved as Showrunner delivered the first of 12 episodes of 72 Dangerous Animals Latin America as a Netflix Original Series. The show was first broadcast globally late in December 2017 and will be followed up in mid-2018 by the Asian series. Also airing in late 2017 was an 8-minute documentary ‘Mission Predator’ that screened on Discovery Channel as part of their annual Shark Week series. This program generated significant follow-up media activity and discussions are continuing in relation to a future series. Showrunner continues to work with our distribution and broadcast partners to expand our development slate of programs and realise additional sales of programs already completed.

Shootsta Holdings Pty Ltd (15% Investment)

As previously announced, Adcorp acquired a 15% stake in Shootsta on 22 July 2016. Shootsta continues to grow its business in Australia and has secured ongoing revenues from a number of blue-chip companies. Shootsta has also expanded with a local presence in Singapore, the US and UK. The Company is pleased with Shootsta’s success so far and profits are being re-invested in overseas expansion.

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Dentsu Mitchell Media Dispute

The legal case against Dentsu Mitchell Media continues. Adcorp is in the process of preparing evidence which is due before the court in the coming months. Dentsu will then have an opportunity to respond before a court date is set. Adcorp maintains it has a strong claim against Dentsu in respect of their decision to terminate Adcorp's services and that Dentsu's counter claim is largely unsubstantiated. Adcorp will continue to vigorously pursue this legal action.

Financing

The Company's invoice finance facility has been in place since December 2016 and has been operating effectively despite minimal use over the last six months. The Company expects the facility will be maintained to fund working capital requirements over the next twelve months.

As previously announced on 24 January 2018, the Company secured a short term increase in funding from its invoice finance facility provider Thorn Group ("Thorn") in addition to a loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"). Whilst this additional funding from Thorn expires on 27 April 2018, Adcorp expects to repay this to Thorn out of normal operating cash flow in mid-March 2018. On 27 February 2018, Millennium provided an extension of its loan until 31 March 2019. The extension from Millennium is intended to assist with working capital requirements and potential investment opportunities.

Financial Performance

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$886,000 (31 December 2016: loss of \$823,000).

The loss before income tax and non-controlling interest amounted to \$788,000 (31 December 2016: loss of \$760,000).

Billings of \$22,291,000 were down 17.7% from \$27,073,000. Net Operating revenues (including Production revenue, excluding rental income and interest) reduced 2.9% to \$6,467,000 from \$6,663,000 in the prior period whilst revenue margin increased to 29.0% from 24.6% in the prior period. The Operating revenue is primarily down on the prior year as a result of the loss of the Australia Government contract and expiration of the NT Government contract, partly offset by higher Production revenues. The revenue margin is also affected by the loss of the Australian Government contract, again offset by high margin Production revenues and increased margin from Creative, Consulting and Digital work.

Major cost savings initiated at the end of 2016 and an ongoing review of cost and roles in 2017 has resulted in a significant reduction in the cost base. Operating Expenses (excluding Production expenses, impairment and Finance costs) decreased 14.3% to \$6,258,000 down from \$7,299,000.

Administration, Office and Communication costs are down \$321,000 (16.7%) from \$1,923,000 to \$1,602,000. This was achieved through ongoing initiatives to reduce IT and infrastructure costs as well as savings generated from reduced office space and the renegotiation of more favourable lease agreements.

Client Service labour costs are down \$660,000 (13.2%) from \$5,006,000 to \$4,346,000 on the prior period. This saving has been achieved by the removal or non-replacement of some roles.

The company's cash balance as at 31 December 2017 of \$1,440,000 declined from \$3,055,000 as at 30 June 2017. This is in part reflective of the operating result and the ongoing investment in Showrunner Production's TV series in production during the period.

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The Company expects the next six to twelve months will continue to be a challenge but is committed to the initiatives designed to increase revenue from existing and new clients and to generate more stable ongoing revenue streams. Production revenue from Showrunner has increased and will continue to grow with the delivery of a number of completed TV series but will require ongoing cash investment in the short-term.

The board has determined that no dividends will be payable to shareholders for the half-year ended 31 December 2017 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 half-year ended 31 December 2017.

~ends~

For further information, please contact:

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Adcorp Australia Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Adcorp Australia Limited
ABN:	72 002 208 915
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	3.0% to	6,476
Loss from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	up	7.7% to	(886)
Loss for the half-year attributable to the owners of Adcorp Australia Limited	up	7.7% to	(886)

Dividends

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

Comments

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$886,000 (31 December 2016: \$823,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>(1.05)</u>	<u>0.68</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Reporting period %	Previous period %	Reporting period \$'000	Previous period \$'000
Shootsta Holdings Pty Ltd (Associate)	15.00%	15.00%	37	-
HR by the Hour Pty Ltd (Joint Venture)	50.00%	50.00%	-	-
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit/(loss) from ordinary activities before income tax			37	-

Shootsta Holdings Pty Ltd ('Shootsta') is a 15% owned associated entity acquired on 22 July 2016 for a consideration of \$965,000 using a mix of cash and services. Adcorp also took a seat on the Shootsta board as part of the transaction. Shootsta is a company that empowers companies to create their own professional videos using a Shootsta kit. This investment is accounted for under the equity accounting method. For the period ended 31 December 2017, the share of profit in Shootsta was \$37,000.

HR by the Hour Pty Ltd ('HRBTH') is a 50% owned joint venture entity acquired on 14 January 2016. HRBTH provides Recruitment and HR related services. The joint venture is accounted for under the equity accounting method, however as at 31 December 2017 the share of profit in HRBTH was nil.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of Adcorp Australia Limited for the half-year ended 31 December 2017 is attached.

12. Signed



Signed _____

Date: 28 February 2018

Febe McCrossen
Company Secretary
Sydney

Adcorp Australia Limited

ABN 72 002 208 915

Interim Report - 31 December 2017

Adcorp Australia Limited
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31 December 2017

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Adcorp Australia Limited
Directors' report
31 December 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity') consisting of Adcorp Australia Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

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

Ian Rodwell
David Morrison
Dean Capobianco
Garry Lemair (resigned 17 October 2017)

Principal activities

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

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

Review of operations

The six-month period ended 31 December 2017 was a challenging period for Adcorp as we dealt with major project delays for key clients, protracted contract negotiations with a large client and elections in both Queensland and New Zealand that significantly reduced client activity in these regions. However, both the Australian and New Zealand Agency businesses finished the first half strongly as major project wins came online. Showrunner Productions Pty Ltd ("Showrunner") delivered the first series of 12 episodes of 72 Dangerous Animals Latin America to Netflix on schedule and Shootsta Holdings Pty Ltd ("Shootsta"), in which Adcorp holds a 15% investment, expanded into Asia with operations commencing in the United States and the United Kingdom shortly.

A key focus of the Australian Agency business has been on business development and while we are tracking ahead of the same period last year in delivering new business revenues, it has not been to our anticipated levels and has not been enough to offset reductions in existing client expenditure. Property marketing activity levels in each state whilst do vary are starting to see some small levels of growth with a growing pipeline of opportunities. The level of interest in employment marketing solutions has also been growing and we have commenced projects in several states. A national approach to media has been adopted and is starting to develop more insight-led campaigns with the addition of research tools, performance reporting and skilled and experienced people.

Key to managing this business remains the continual analysis of employee utilisation, business development activities and the review of both job and client profitability. While expenses have been reduced mainly as a result of headcount reductions, recent new hires in the fields of digital strategy and creative leadership should start to see growth in the revenues being generated from these areas.

The New Zealand Agency's first half was impacted significantly by the national elections and the change of Government which meant activity by this sector and the general business community awaiting key announcements, was quite depressed. On a positive note, a number of consulting and digital projects were won late in the first half and are now being delivered.

A significant milestone was achieved as Showrunner delivered the first of 12 episodes of 72 Dangerous Animals Latin America as a Netflix Original Series. The show was first broadcast globally late in December 2017 and will be followed up in mid-2018 by the Asian series. Also airing in late 2017 was an 8-minute documentary 'Mission Predator' that screened on Discovery Channel as part of their annual Shark Week series. This program generated significant follow-up media activity and discussions are continuing in relation to a future series. Showrunner continues to work with our distribution and broadcast partners to expand our development slate of programs and realise additional sales of programs already completed.

Shootsta Holdings Pty Ltd (15% Investment)

On 22 July 2016 Adcorp acquired a 15% stake in Shootsta, an innovative start-up providing its clients with filming equipment and an editing hub that allows the rapid turnaround of high-quality video content. Shootsta continues to grow its business in Australia and has secured ongoing revenues from a number of blue-chip companies. Shootsta has also expanded with a local presence in Singapore, the US and UK. The Company is pleased with Shootsta's success so far and profits are being re-invested in overseas expansion.

Dentsu Mitchell Media Dispute

Dentsu's decision to terminate Adcorp in respect of the services that Adcorp provided to Dentsu in relation to the Australian Government Master Media Agency Contract has significantly impacted Adcorp's future earnings and all necessary steps are being taken to aggressively pursue the issue. On 28 April 2017, Adcorp lodged a Statement of Claim in the Supreme Court of New South Wales against Dentsu in relation to this termination of services. Dentsu has lodged a counterclaim, however, Adcorp maintains Dentsu's claim is largely unsubstantiated and will vigorously defend this position. Adcorp is in the process of preparing evidence which is due before the court in the coming months. Dentsu will then have an opportunity to respond before a court date is set. Adcorp maintains it has a strong case and will continue to pursue this legal action.

Financing

The Company's invoice finance facility has been in place since December 2016 and has been operating effectively despite minimal use over the last six months. The Company expects the facility will be maintained to fund working capital requirements over the next twelve months.

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The Company's cash balance as at 31 December 2017 of \$1,440,000 declined from \$3,055,000 as at 30 June 2017. This is in part reflective of the operating result and the ongoing investment in Showrunner Production's TV series in production during the period.

The Company expects the next six to twelve months will continue to be a challenge but is committed to the initiatives designed to increase revenue from existing and new clients and to generate more stable ongoing revenue streams. Production revenue from Showrunner has increased and will continue to grow with the delivery of a number of completed TV series but will require ongoing cash investment in the short-term.

The Board has determined that no dividends will be payable to shareholders for the half-year ended 31 December 2017 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 half-year ended 31 December 2017.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

Adcorp has had an invoice finance facility since December 2016 with Thorn Group. This facility has been increased for a short period, effective 25 January 2018, and comprises of two elements:

1. Increased advance rate on debtors ledger for an eight week period expected to generate approximately \$0.2m additional funding;
2. \$0.2m short term loan repayable on or before 27 April 2018.

The increased facility has been secured by Adcorp New Zealand Ltd's asset and debtors ledger. Whilst this additional funding expires on 27 April 2018 Adcorp expects to repay the additional funding to Thorn out of normal operating cash flow in mid-March 2018.

As previously disclosed on 24 January 2018, Adcorp secured a short-term loan of \$500,000 from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with Adcorp's major shareholder and Chairman, Ian Rodwell. The loan bears interest at 12% per annum. The loan facility is secured by a second ranking security in favour of the lender. As this is a related party loan, Adcorp received a waiver of ASX Listing Rule 10.1 to allow the security to be granted without obtaining shareholder approval. On 27 February 2018, Millennium provided an extension of the loan until 31 March 2019.

No other matter or circumstance has arisen since 31 December 2017 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.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors



David Morrison
Director and Chief Executive Officer

28 February 2018
Sydney

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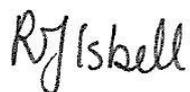
Auditor's Independence Declaration To the Directors of Adcorp Australia Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Adcorp Australia Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner - Audit & Assurance

Sydney, 28 February 2018

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Adcorp Australia Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

	Note	Consolidated 31 Dec 2017 \$'000	31 Dec 2016 \$'000
Revenue	4	6,476	6,678
Share of profits of associates accounted for using the equity method		37	-
Expenses			
Client service expenses		(4,346)	(5,006)
Administrative expenses		(440)	(488)
Marketing expenses		(310)	(370)
Office and communication expenses		(1,162)	(1,435)
Production expenses		(1,024)	(138)
Impairment of assets		(2)	-
Finance costs	5	(17)	(1)
Loss before income tax expense		(788)	(760)
Income tax expense		(87)	(23)
Loss after income tax expense for the half-year		(875)	(783)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(36)	8
Other comprehensive income for the half-year, net of tax		(36)	8
Total comprehensive income for the half-year		<u>(911)</u>	<u>(775)</u>
Loss for the half-year is attributable to:			
Non-controlling interest		11	40
Owners of Adcorp Australia Limited		(886)	(823)
		<u>(875)</u>	<u>(783)</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		11	40
Owners of Adcorp Australia Limited		(922)	(815)
		<u>(911)</u>	<u>(775)</u>
		Cents	Cents
Basic earnings per share	12	(0.49)	(0.45)
Diluted earnings per share	12	(0.49)	(0.45)

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

Adcorp Australia Limited
Consolidated statement of financial position
As at 31 December 2017

	Note	Consolidated 31 Dec 2017 \$'000	30 Jun 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	1,440	3,055
Trade and other receivables	7	3,678	5,108
Intangibles		1,280	1,007
Other financial assets		37	482
Income tax refund due		-	8
Other		812	729
Total current assets		<u>7,247</u>	<u>10,389</u>
Non-current assets			
Receivables		30	-
Investments accounted for using the equity method		999	962
Property, plant and equipment		752	642
Intangibles		458	383
Deferred tax		689	770
Total non-current assets		<u>2,928</u>	<u>2,757</u>
Total assets		<u>10,175</u>	<u>13,146</u>
Liabilities			
Current liabilities			
Trade and other payables	8	8,403	10,487
Borrowings		77	30
Income tax		86	90
Provisions		777	831
Other		244	374
Total current liabilities		<u>9,587</u>	<u>11,812</u>
Non-current liabilities			
Other payables		105	93
Borrowings		235	58
Deferred tax		103	103
Provisions		319	343
Total non-current liabilities		<u>762</u>	<u>597</u>
Total liabilities		<u>10,349</u>	<u>12,409</u>
Net assets/(liabilities)		<u>(174)</u>	<u>737</u>
Equity			
Issued capital		32,353	32,353
Purchased controlling interest reserve		(113)	(113)
Foreign currency reserve		(382)	(346)
Accumulated losses		(32,150)	(31,264)
Equity/(deficiency) attributable to the owners of Adcorp Australia Limited		(292)	630
Non-controlling interest		118	107
Total equity/(deficiency)		<u>(174)</u>	<u>737</u>

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

Adcorp Australia Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2017

Consolidated	Issued capital \$'000	Purchased controlling interest reserve \$'000	Foreign currency reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	32,353	(113)	(345)	(29,771)	25	2,149
Profit/(loss) after income tax expense for the half-year	-	-	-	(823)	40	(783)
Other comprehensive income for the half-year, net of tax	-	-	8	-	-	8
Total comprehensive income for the half-year	-	-	8	(823)	40	(775)
Balance at 31 December 2016	<u>32,353</u>	<u>(113)</u>	<u>(337)</u>	<u>(30,594)</u>	<u>65</u>	<u>1,374</u>
Consolidated	Issued capital \$'000	Purchased controlling interest reserve \$'000	Foreign currency reserve \$'000	Accumulated losses \$'000	Non-controlling interest \$'000	Total deficiency in equity \$'000
Balance at 1 July 2017	32,353	(113)	(346)	(31,264)	107	737
Profit/(loss) after income tax expense for the half-year	-	-	-	(886)	11	(875)
Other comprehensive income for the half-year, net of tax	-	-	(36)	-	-	(36)
Total comprehensive income for the half-year	-	-	(36)	(886)	11	(911)
Balance at 31 December 2017	<u>32,353</u>	<u>(113)</u>	<u>(382)</u>	<u>(32,150)</u>	<u>118</u>	<u>(174)</u>

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

Adcorp Australia Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2017

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	25,354	31,905
Payments to suppliers and employees (inclusive of GST)	(26,121)	(32,583)
	(767)	(678)
Interest received	9	15
Interest and other finance costs paid	(17)	(1)
Income taxes refunded	8	25
Income taxes paid	(16)	(35)
Net cash used in operating activities	(783)	(674)
Cash flows from investing activities		
Payments for investments	-	(539)
Payments for property, plant and equipment	(263)	(70)
Payments for intangibles	(1,199)	(158)
Payments for security deposits	-	(293)
Proceeds from disposal of property, plant and equipment	-	4
Net cash used in investing activities	(1,462)	(1,056)
Cash flows from financing activities		
Payments for invoice financing	(17,884)	(22,884)
Proceeds from invoice financing	18,289	23,123
Proceeds from borrowings	254	-
Repayment of borrowings	(29)	-
Net cash from financing activities	630	239
Net decrease in cash and cash equivalents	(1,615)	(1,491)
Cash and cash equivalents at the beginning of the financial half-year	3,055	4,639
Cash and cash equivalents at the end of the financial half-year	<u>1,440</u>	<u>3,148</u>

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

Adcorp Australia Limited
Notes to the consolidated financial statements
31 December 2017

Note 1. General information

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

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

Level 2
309 George Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity during the financial half-year ended 31 December 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

As at 31 December 2017, the Consolidated Entity had cash and cash equivalents of \$1,440,000 (30 June 2017: \$3,055,000) and has a net current liability position of \$2,340,000 (30 June 2017: net current liability position of \$1,423,000). Loss after income tax for the year after non-controlling interest was \$886,000 (31 December 2016: \$823,000) and net cash outflows from operating activities were \$783,000 (31 December 2016: net outflows \$674,000).

Whilst the results show a reduced performance at the revenue level against the same six months in the prior year, this revenue is now being generated at a higher margin with a reduced expense base. The Company continues to invest cash into Showrunner Productions Pty Ltd which is expected to generate positive cashflows over the coming 2-3 years.

The Company is continuing to actively pursue opportunities to increase revenue, reduce costs and maintain a high level of rigour in cash flow management including the prompt collection of receivables. It is also continuing to pursue aggressively both the outstanding receivable owed to it by Dentsu and the associated damages claim for the termination of the Dentsu contract, and concurrently examining a number of alternative sources of capital.

Note 2. Significant accounting policies (continued)

The Directors are of a view that the Consolidated Entity will be able to meet its debts as they fall due based on cashflow projections, the availability of the invoice finance facility, the estimated recovery of receivable and damages from Dentsu, ongoing initiatives to increase revenues as well as a number of other strategic options available. Accordingly, the financial statements have been prepared on a going concern basis.

Comparative information

Certain comparatives have been restated to reflect current year disclosure. No changes to profit or loss and net assets has occurred for any restatement.

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

Major customers

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

Adcorp Australia Limited
Notes to the consolidated financial statements
31 December 2017

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2017	Australia \$'000	New Zealand \$'000	Total \$'000
Revenue			
Sales to external customers	5,292	1,175	6,467
Other revenue	7	2	9
Total revenue	<u>5,299</u>	<u>1,177</u>	<u>6,476</u>
<i>Material items include:</i>			
Share of profits of associates	<u>37</u>	<u>-</u>	<u>37</u>
EBITDA *			
Depreciation and amortisation	<u>271</u>	<u>(48)</u>	223
Impairment of assets			(1,001)
Interest revenue			(2)
Finance costs			9
Loss before income tax expense			<u>(17)</u>
Income tax expense			(788)
Loss after income tax expense			<u>(87)</u>
			<u>(875)</u>
Assets			
Segment assets	<u>7,662</u>	<u>1,824</u>	9,486
<i>Unallocated assets:</i>			
Deferred tax asset			689
Total assets			<u>10,175</u>
Liabilities			
Segment liabilities	<u>9,035</u>	<u>1,211</u>	10,246
<i>Unallocated liabilities:</i>			
Deferred tax liability			103
Total liabilities			<u>10,349</u>

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

Adcorp Australia Limited
Notes to the consolidated financial statements
31 December 2017

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2016	Australia \$'000	New Zealand \$'000	Total \$'000
Revenue			
Sales to external customers	5,274	1,389	6,663
Other revenue	12	3	15
Total revenue	<u>5,286</u>	<u>1,392</u>	<u>6,678</u>
EBITDA *			
Depreciation and amortisation	(561)	11	(550)
Interest revenue			(224)
Finance costs			15
Loss before income tax expense			<u>(760)</u>
Income tax expense			(23)
Loss after income tax expense			<u>(783)</u>
Consolidated - 30 Jun 2017			
Assets			
Segment assets	10,601	1,775	12,376
<i>Unallocated assets:</i>			
Deferred tax asset			770
Total assets			<u>13,146</u>
Liabilities			
Segment liabilities	11,238	1,068	12,306
<i>Unallocated liabilities:</i>			
Deferred tax liability			103
Total liabilities			<u>12,409</u>

* Earnings before interest, tax, depreciation and amortisation.

Note 4. Revenue

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
<i>Sales revenue</i>		
Operating revenues	5,709	6,684
Production revenues - Royalties	758	(21)
	<u>6,467</u>	<u>6,663</u>
<i>Other revenue</i>		
Interest	9	15
Revenue	<u><u>6,476</u></u>	<u><u>6,678</u></u>

Adcorp Australia Limited
Notes to the consolidated financial statements
31 December 2017

Note 5. Expenses

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	48	49
Plant and equipment	102	85
	<hr/>	<hr/>
Total depreciation	150	134
<i>Amortisation</i>		
Software licences	78	89
Trademarks and other intellectual property	-	1
Production asset	773	-
	<hr/>	<hr/>
Total amortisation	851	90
	<hr/>	<hr/>
Total depreciation and amortisation	1,001	224
<i>Finance costs</i>		
Interest and finance charges paid/payable	17	1
	<hr/>	<hr/>
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	5	3
	<hr/>	<hr/>
<i>Net loss on disposal</i>		
Net loss on disposal of property, plant and equipment	1	6
	<hr/>	<hr/>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	267	297
	<hr/>	<hr/>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	4,079	4,709
	<hr/>	<hr/>

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Cash at bank	965	2,576
Cash on deposit	475	479
	<hr/>	<hr/>
	1,440	3,055
	<hr/> <hr/>	<hr/> <hr/>

Note 7. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Trade receivables	3,631	5,119
Less: Provision for impairment of receivables	(65)	(77)
	<u>3,566</u>	<u>5,042</u>
Other receivables	112	66
	<u>3,678</u>	<u>5,108</u>

Note 8. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Trade payables	4,680	6,376
Deferred consideration	107	167
Other payables	3,616	3,944
	<u>8,403</u>	<u>10,487</u>

Note 9. Equity - dividends

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

Note 10. Fair value measurement

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

Note 11. Contingent liabilities

The Consolidated Entity has various guarantees over premises.

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Premises	<u>567</u>	<u>567</u>

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

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

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

Adcorp Australia Limited
Notes to the consolidated financial statements
31 December 2017

Note 11. Contingent liabilities (continued)

Since 28 April 2017, Adcorp is in the process of preparing evidence to support its claim. Adcorp expects to lodge its evidence on 16 March 2018 and Dentsu will then have an opportunity to respond before a court date is set. Adcorp maintains it has a strong case and will continue to pursue this legal action.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Loss after income tax	(875)	(783)
Non-controlling interest	(11)	(40)
Loss after income tax attributable to the owners of Adcorp Australia Limited	<u>(886)</u>	<u>(823)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>182,029,806</u>	<u>182,029,806</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>182,029,806</u>	<u>182,029,806</u>
	Cents	Cents
Basic earnings per share	(0.49)	(0.45)
Diluted earnings per share	(0.49)	(0.45)

Note 13. Events after the reporting period

Adcorp has had an invoice finance facility since December 2016 with Thorn Group. This facility has been increased for a short period, effective 25 January 2018, and comprises of two elements:

1. Increased advance rate on debtors ledger for an eight week period expected to generate approximately \$0.2m additional funding;
2. \$0.2m short term loan repayable on or before 27 April 2018.

The increased facility has been secured by Adcorp New Zealand Ltd's asset and debtors ledger. Whilst this additional funding expires on 27 April 2018 Adcorp expects to repay the additional funding to Thorn out of normal operating cash flow in mid-March 2018.

As previously disclosed on 24 January 2018, Adcorp secured a short-term loan of \$500,000 from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with Adcorp's major shareholder and Chairman, Ian Rodwell. The loan bears interest at 12% per annum. The loan facility is secured by a second ranking security in favour of the lender. As this is a related party loan, Adcorp received a waiver of ASX Listing Rule 10.1 to allow the security to be granted without obtaining shareholder approval. On 27 February 2018, Millennium provided an extension of the loan until 31 March 2019.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

Adcorp Australia Limited
Directors' declaration
31 December 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



David Morrison
Director and Chief Executive Officer

28 February 2018
Sydney

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

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Adcorp Australia Limited ("Company"), and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a description of accounting policies, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Adcorp Australia Limited does not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the half-year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial*.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the

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Corporations Act 2001 including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adcorp Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

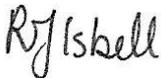
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

Independence

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



R J Isbell
Partner - Audit & Assurance

Sydney, 28 February 2018