



# annual report **2019**



ADCORP AUSTRALIA LIMITED

# CONTENTS

30 JUNE 2019



2	<b>ADCORP OVERVIEW</b>
3	<b>CORPORATE DIRECTORY</b>
4	<b>BUSINESS OVERVIEW</b>
9	<b>ANNUAL RESULTS</b>
10	<b>DIRECTORS' REPORT</b>
19	<b>AUDITOR'S INDEPENDENCE DECLARATION</b>
20	<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>
21	<b>STATEMENT OF FINANCIAL POSITION</b>
22	<b>STATEMENT OF CHANGES IN EQUITY</b>
23	<b>STATEMENT OF CASH FLOWS</b>
24	<b>NOTES TO THE FINANCIAL STATEMENTS</b>
64	<b>DIRECTORS' DECLARATION</b>
65	<b>INDEPENDENT AUDITOR'S REPORT</b>
69	<b>SHAREHOLDER INFORMATION</b>
73	<b>OFFICE INFORMATION</b>

# ADCORP OVERVIEW

30 JUNE 2019

**Adcorp is a diversified marketing and communications group with a 40-year history that spans Australia and New Zealand. The company comprises the following business units and investments:**

## neonlogic

NeonLogic – a marketing and communications agency that blends insight-led strategy and bold creative ideas to develop and implement integrated marketing and advertising solutions for a diverse range of clients.



Showrunner Productions – a long-form content producer with completed television series' being screened by global streaming and broadcast television networks globally.

## QUADRANT CREATIVE

Quadrant Creative (75% investment) – a boutique creative agency specialising in the brand creation, development and implementation of campaigns within the property sector.

## shootsta

Shootsta (15% investment) – an enabler of video production services that provides clients with camera equipment and access to an online video editing hub that can turn around high-quality videos within 24 hours.

# CORPORATE DIRECTORY

30 JUNE 2019

## DIRECTORS

Ian Rodwell  
David Harden  
David Morrison

## AUDITOR

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

## COMPANY SECRETARY

David Franks

## 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 will be held on **22 November 2019 at 11.00am**

Grant Thornton  
Level 17  
383 Kent Street  
Sydney NSW 2000

## REGISTERED OFFICE AND 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/investor-announcements/](http://www.adcorp.com.au/investor-announcements/)



# BUSINESS OVERVIEW

30 JUNE 2019

## AGENCY

The year saw a significant focus on reducing the cost base of the agency, following a comprehensive review of the business. As a result, a number of clients were resigned due to their lack of profit contribution, business expenses were curtailed and a number of new systems were introduced to improve efficiency. This also saw reduction in staff headcount around our network with a corresponding focus on improved utilisation of our strategic resources.

The New Zealand business continued to provide transactional advertising services along with project-based consulting services in employer branding, talent attraction and digital development. There has been some progress in diversifying into new sectors and

this will be a continued area of focus with a view to expediting this strategic intent.

During the year, the Agency part of the business re-branded to 'NeonLogic' and re-positioned its service offering. This will allow the business to focus on new market segments and services and reduce the perception of the agency as purely transactional media services. The new brand has been well received by our employees and existing clients and has started generating new business opportunities.

Quadrant Creative, of which the company holds a 75% share, continues to specialise in property marketing and has expanded its list of current projects from Queensland to now manage developments in New South Wales and Victoria.



neonlogic



## TV PRODUCTION

Following the successful launch of Showrunner's latest instalments in the '72 Dangerous Animal's' format for Netflix, the focus has been on the development of new programming ideas and a number of these opportunities are currently being discussed with global broadcasters and distributors. The holdback rights of these Netflix series expire in June 2020, making them available for other broadcasters to purchase.

## SHOOTSTA HOLDINGS PTY LTD (15% INVESTMENT)

The take-up of Shootsta's services around the globe has been gathering pace. The company is an innovative start-up providing its clients with filming equipment and an editing hub that allows the rapid turnaround of high-quality video content. Overseas expansion has seen the business establish itself in the

UK, US, Singapore and Hong Kong and we are starting to see positive growth in these regions. An additional area of focus has been on investing in new services and improving technology platforms to further enhance the brand and service experience.

## DENTSU X AUSTRALIA DISPUTE

The ongoing dispute with Dentsu X Australia Pty Ltd (previously Dentsu Mitchell Media) was settled on a no admissions basis. As a result of this settlement all claims between Adcorp and Dentsu are now finalised and the proceedings in the Supreme Court of New South Wales have been discontinued with no order as to costs.



# BUSINESS OVERVIEW

30 JUNE 2019

## FINANCING

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

On 6 June 2018, the Company secured a loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust, a company associated with the Company's major shareholder and Chairman, Ian Rodwell. As announced on 11 June 2019, the loan limit has been increased to \$2,000,000. On 29 August the repayment date was extended to 31 August 2020.

## FINANCIAL PERFORMANCE

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$1,594,387 (30 June 2018: loss of \$2,109,626). The loss before income tax and non-controlling interest amounted to \$1,513,477 (30 June 2018: loss of \$2,362,185).

Total billings of \$32,419,579 were down 28.0% from \$45,010,350. Net Operating Revenues (including Production Revenue, excluding

rental income and interest) decreased 24.8% to \$9,605,002 from \$12,772,680 in the prior period, while revenue margins increased 1.2% to 29.6%. The increase is due to resignation of lower margin accounts and increase in higher margin work in the Agency business.

Total operating expenses (excluding financing) decreased by \$3,973,420 (down 26.4% against prior period) from \$15,039,692 to \$11,066,272. This reduction is in part due to the reduction in TV Production costs of \$1,561,328 and a further \$2,412,092 in expenses as a result of restructuring.

Administration, Office and Communication costs decreased \$390,361 (down 11.7% against prior period) from \$3,346,340 to \$2,955,979. This saving has been achieved through a reduction of premises and IT infrastructure costs. The changes were implemented throughout the period and therefore will deliver additional savings on a comparative basis in the coming year.

Client Service labour costs decreased \$1,718,700 (down 19.2% against prior period) from \$8,958,045 to \$7,239,345. These savings were achieved through a reduction in headcount of staff no longer required to service resigned client accounts and implementing new systems to achieve efficiencies in shared services. The current period also includes one-off restructuring costs of \$130,000.



The Consolidated entities cash balance as at 30 June 2019 of \$1,206,456 decreased from \$1,466,553 as at 30 June 2018. This reduction is despite the cash injection from the rights issue that raised \$2,765,607 (net of transaction costs) and is largely due to the winding out of a large contract which had high third party costs payable in the months of January and February whilst the funds had been received in December or earlier. The Consolidated entities continue to focus on managing cash flow through ongoing cost reductions and rigour in cash collections.

The Board has determined that no dividends will be payable to shareholders for the year ended 30 June 2019 and will review this position once the Company demonstrates sustained profit and cash flow growth.

The attached financial statements detail the performance and financial position of the Consolidated Entity for the year ended 30 June 2019.

## OUTLOOK

While we expect challenging economic conditions over the next year, we are expecting to see increased contributions to the Company's revenues from our investments in Showrunner and Shootsta. The re-positioning of marketing services under the NeonLogic brand aims to identify and convert new client opportunities. As a result, the Company is confident financial performance will improve.



WE ARE EXPECTING  
TO SEE INCREASED  
CONTRIBUTIONS TO THE  
COMPANY'S REVENUES  
FROM OUR INVESTMENTS  
IN SHOWRUNNER AND  
SHOOTSTA.



ADCORP AUSTRALIA LIMITED

# ANNUAL RESULTS

30 JUNE 2019

# DIRECTORS' REPORT

30 JUNE 2019

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 2019.

## 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  
David Harden (appointed 2 April 2019)  
Dean Capobianco (resigned 2 April 2019)  
Alex Parsons (resigned 7 December 2018)

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

## Dividends

A dividend of \$106,667 was paid to minority interest in respect of Quadrant Creative Pty Ltd. No other dividends were paid, recommended or declared during the current or previous financial year.

## Review of operations

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$1,594,387 (30 June 2018: \$2,109,626).

Refer to the 'Business Overview' section for details of operations throughout the year.

## Significant changes in the state of affairs

On 6 June 2018, the Company secured a loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust, a company associated with the Company's major shareholder and Chairman, Ian Rodwell. As announced on 11 June 2019, the loan limit has been increased to \$2,000,000. On 29 August the repayment date was extended to 31 August 2020.

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 8 August 2019, the Company announced a minimum-holding share buy-back. The buy-back will allow shareholders who hold unmarketable parcels of shares in the Company (Eligible Shareholders) to sell their shares back to the Company at the Buy-Back price of \$0.009 cents per share. The aggregate value of the Company's ordinary shares held by Eligible Shareholders is \$51,161.58. Eligible Shareholders may elect to opt out before the closing date 23 September to 2019.

The Company also has a loan facility from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with the Company's major shareholder and Chairman, Ian Rodwell. The loan facility is \$2,000,000 and on 29 August the repayment date was extended to 31 August 2020.

No other matter or circumstance has arisen since 30 June 2019 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' REPORT

30 JUNE 2019

## Likely developments and expected results of operations

Print media continues to decline however this has been offset by growth in outdoor, radio and digital media advertising. The fundamental growth opportunities however remain in digital and social media channels; particularly those optimised for mobile devices and with video capability and this is one of the areas of focus for our media team that is now supported by a number of research tools that allow us to develop and deliver focused media campaigns.

The Company continues to focus on bringing these opportunities to our current and future clients, with the goal of delivering effective strategic marketing and communications solutions that can be measured against campaign objectives with our agency solutions teams delivering client results.

The Group is expanding the development of content solutions delivered to global entertainment companies through Showrunner Productions and we expect to grow its contribution to earnings over the next several years. Showrunner has now completed six series of television and is rapidly gaining a reputation for quality productions globally.

The market and economic uncertainty remains challenging however our strategic focus on delivering strategic marketing communications continued operating realignment and enhanced sales capability will start to deliver results to help us achieve profitable growth in our business and overall positive 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. 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.

## 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. 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; and Director 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.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee
Interests in shares:	409,676,864 ordinary shares

Name:	David Morrison
Title:	Chief Executive Officer and Managing Director
Qualifications:	B Bus (Hons)
Experience and expertise:	David Morrison has over 20 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.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee
Interests in shares:	3,677,081 ordinary shares



# DIRECTORS' REPORT

30 JUNE 2019

Name: David Harden (appointed 2 April 2019)  
 Title: Non-Executive Director  
 Qualifications: M.B.A.  
 Experience and expertise: David Harden is a Certified Investment Management Consultant and has over 25 years of experience as a global asset manager and securities analyst. He has previously worked in senior management roles at St. George Bank and the accounting firm Arthur Andersen.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Member of the Audit Committee  
 Interests in shares: None

Name: Dean Capobianco (resigned 2 April 2019)  
 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: Former Member of the Audit Committee  
 Interests in shares: Not applicable as no longer a director

Name: Alex Parsons (resigned 7 December 2018)  
 Title: Chief Executive Officer and Managing Director  
 Qualifications: B Bus, GC Mgmt  
 Experience and expertise: Alex Parsons has extensive experience in both local and international businesses, most recently as Chief Digital Officer at Nine Entertainment Company. Responsible for product, marketing and sales functions, he oversaw significant growth in both revenue and profit. Mr Parsons' experience at Nine, coupled with his roles at RateCity, eBay and other consulting firms has created strength and ability to navigate markets, utilise technologies and create long term sustainable value for businesses.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Former Member of the Audit Committee  
 Interests in shares: Not applicable as no longer a director  
 Contractual rights to shares: Not applicable as no longer a director

'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

David Franks (BEc, CA, FFin, JP) is the Company Secretary. David has over 20 years' experience in finance and accounting, initially qualifying as a Chartered Accountant with Price Waterhouse in their Business Services and Corporate Finance Divisions. Since that time, he has been CFO, Company Secretary and/or Director for numerous ASX listed and unlisted public and private companies, in a range of industries covering energy, retail, transport, financial services, mineral exploration, technology, automotive, software development and healthcare.

# DIRECTORS' REPORT

30 JUNE 2019

## 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 2019, and the number of meetings attended by each Director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Ian Rodwell	10	10	2	2
David Morrison	10	10	2	2
David Harden	1	1	-	-
Dean Capobianco	9	9	2	2
Alex Parsons	5	5	1	1

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

The role of the Remuneration and Nomination Committee meetings is currently undertaken by the Board.

## 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.

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 principles of 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:

- Rewarding capability and experience;
- Reflecting competitive reward for contribution to growth in shareholder wealth; and
- Providing a clear structure for earning rewards.

# DIRECTORS' REPORT

30 JUNE 2019

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.

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 directly linked to the performance of the Company and Consolidated Entity. Bonus and incentive payments are at the discretion of the Board. No incentives have been accrued for key management personnel in respect of the current reporting period.

## **Executive Incentive Share Plan**

On 7 June 2018, shareholders approved the Adcorp Australia Limited Executive Incentive Share Plan ('EISP') to assist in attracting, retaining and motivating key employees of the Consolidated Entity.

On 11 September 2018, the Company announced a renounceable entitlement offer and restructure of operations. As part of the restructure, all eligible employees to the EISP agreed to forfeit the yet to be issued share units. The EISP is no longer applicable.

# DIRECTORS' REPORT

30 JUNE 2019

## Use of remuneration consultants

During the financial year ended 30 June 2019, 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 2018 Annual General Meeting ('AGM')

At the last AGM 83% of eligible shareholders voted to adopt the remuneration report for the year ended 30 June 2018. 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 following Directors of Adcorp Australia Limited:

- Ian Rodwell - Non-Executive Chairman
- David Morrison - Managing Director and Chief Executive Officer
- David Harden (appointed 2 April 2019) - Non-Executive Director
- Dean Capobianco (resigned 2 April 2019) - Non-Executive Director
- Alex Parsons (resigned 7 December 2018) - Former Managing Director and Chief Executive Officer

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

2019	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Termination Payment	Total
	Cash salary and fees	Bonus	Other	Super-annuation	Leave benefits	Equity-settled	Leave benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
D Capobianco*	32,850	-	-	-	-	-	-	32,850
<i>Executive Directors:</i>								
D Morrison***	346,831	8,880	-	20,531	-	-	-	376,242
A Parsons**	197,435	-	-	18,756	-	-	18,836	235,027
	577,116	8,880	-	39,287	-	-	18,836	644,119

\* Remuneration disclosed is for the period from 1 July 2018 to 2 April 2019.

\*\* Remuneration disclosed is for the period from 1 July 2018 to 7 December 2018.

\*\*\* Incentives paid to David Morrison was a commission for the introduction of new business (paid on 30 September 2018 and 30 November 2018) and was in relation to the period that Mr. Morrison has stepped down as CEO. As CEO Mr. Morrison is no longer eligible for this incentive.

2018	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Other	Super-annuation	Leave benefits	Equity-settled	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
D Capobianco	43,800	-	-	-	-	-	43,800
G Lemair**	14,600	-	-	-	-	-	14,600
<i>Executive Directors:</i>							
A Parsons*	172,436	-	-	16,381	-	-	188,817
D Morrison	323,530	-	-	20,049	-	-	343,579
	554,366	-	-	36,430	-	-	590,796

# DIRECTORS' REPORT

30 JUNE 2019

\* Remuneration disclosed is for the period 13 March 2018 to 30 June 2018.

\*\* Remuneration disclosed is for the period 1 July 2017 to 17 October 2017.

There is no remuneration disclosed for Ian Rodwell in either 2019 or 2018 as he waived his Directors fees from 1 July 2013.

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

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors:</i>						
D Capobianco	100%	100%	-	-	-	-
G Lemair	-	100%	-	-	-	-
<i>Executive Directors:</i>						
A Parsons	100%	100%	-	-	-	-
D Morrison	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:	Managing Director and Chief Executive Officer
Agreement commenced:	21 March 2011
Term of agreement:	No fixed term
Details:	Remuneration package of \$340,000 (plus superannuation) 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, other than the CEO, 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 2019.

### 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 the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Ian Rodwell	135,312,960	-	274,363,904	-	409,676,864
David Morrison	3,677,081	-	-	-	3,677,081
	<u>138,990,041</u>	<u>-</u>	<u>274,363,904</u>	<u>-</u>	<u>413,353,945</u>



# DIRECTORS' REPORT

30 JUNE 2019

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

## Loans to Directors and executives

On 7 June 2018, shareholders agreed to the provision of directors loans to certain directors to fund the issue of Share Units in the Adcorp Executive Incentive Scheme ('EISP').

On 11 September 2018, the Company announced a renounceable entitlement and restructure of operations. As part of the restructure, the EISP was forfeited. No loans were issued under EISP. The EISP and associated loans are no longer applicable.

## 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 \$14,993 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 30 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.

The Directors are of the opinion that the services as disclosed in note 30 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.

## 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.

ADCORP AUSTRALIA LIMITED

# DIRECTORS' REPORT

30 JUNE 2019

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

A handwritten signature in black ink, appearing to read "David Morrison", written over a horizontal line.

David Morrison  
Chief Executive Officer and Managing Director

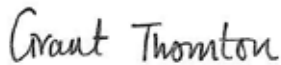
30 August 2019  
Sydney

## Auditor's Independence Declaration

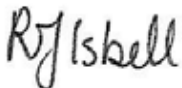
To the Directors of Adcorp Australia Limited

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 2019, 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



R J Isbell  
Partner – Audit & Assurance

30 August 2019

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

30 JUNE 2019

	Note	Consolidated 2019 \$	2018 \$
<b>Revenue</b>	5	9,605,002	12,772,680
Share of profits/(losses) of associates accounted for using the equity method	14	132,028	(45,029)
Interest income calculated using the effective interest method		14,703	13,522
<b>Expenses</b>			
Client service expenses		(7,239,345)	(8,958,045)
Administrative expenses		(931,856)	(1,048,337)
Marketing expenses		(382,535)	(608,524)
Office and communication expenses		(2,024,123)	(2,298,003)
Production expenses		(492,787)	(2,054,115)
Recoveries/(impairment) of receivables		4,374	(72,668)
Finance costs	6	<u>(198,938)</u>	<u>(63,666)</u>
<b>Loss before income tax (expense)/benefit</b>		(1,513,477)	(2,362,185)
Income tax (expense)/benefit	7	<u>(59,920)</u>	<u>277,442</u>
<b>Loss after income tax (expense)/benefit for the year</b>		(1,573,397)	(2,084,743)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>28,626</u>	<u>(29,807)</u>
Other comprehensive income for the year, net of tax		<u>28,626</u>	<u>(29,807)</u>
<b>Total comprehensive income for the year</b>		<u><u>(1,544,771)</u></u>	<u><u>(2,114,550)</u></u>
Loss for the year is attributable to:			
Non-controlling interest		20,990	24,883
Owners of Adcorp Australia Limited		<u>(1,594,387)</u>	<u>(2,109,626)</u>
		<u><u>(1,573,397)</u></u>	<u><u>(2,084,743)</u></u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		20,990	24,883
Owners of Adcorp Australia Limited		<u>(1,565,761)</u>	<u>(2,139,433)</u>
		<u><u>(1,544,771)</u></u>	<u><u>(2,114,550)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	40	(0.42)	(1.16)
Diluted earnings per share	40	(0.42)	(1.16)

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

# STATEMENT OF FINANCIAL POSITION

30 JUNE 2019

	Note	Consolidated 2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	1,206,456	1,466,553
Trade and other receivables	9	3,358,310	4,875,626
Contract assets	10	595,413	-
Intangibles	11	-	1,280,617
Income tax refund due	7	-	87
Other	12	463,958	647,038
Total current assets		<u>5,624,137</u>	<u>8,269,921</u>
<b>Non-current assets</b>			
Contract assets	13	157,408	-
Investments accounted for using the equity method	14	960,115	917,225
Property, plant and equipment	15	360,276	611,357
Intangibles	16	12,057	338,367
Deferred tax	7	1,063,418	1,108,071
Total non-current assets		<u>2,553,274</u>	<u>2,975,020</u>
<b>Total assets</b>		<u>8,177,411</u>	<u>11,244,941</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	4,459,488	10,388,392
Contract liabilities and deferred revenue	18	366,656	29,000
Borrowings	19	2,076,612	81,205
Income tax	7	54,718	17,661
Provisions	20	763,129	829,148
Other financial liabilities	21	244,220	548,428
Total current liabilities		<u>7,964,823</u>	<u>11,893,834</u>
<b>Non-current liabilities</b>			
Payables		82,240	105,981
Borrowings	22	120,314	193,379
Deferred tax	7	51,447	127,050
Provisions	23	221,958	302,237
Total non-current liabilities		<u>475,959</u>	<u>728,647</u>
<b>Total liabilities</b>		<u>8,440,782</u>	<u>12,622,481</u>
<b>Net liabilities</b>		<u>(263,371)</u>	<u>(1,377,540)</u>
<b>Equity</b>			
Issued capital	24	35,118,993	32,353,386
Purchased controlling interest reserve		(113,074)	(113,074)
Foreign currency reserve		(347,306)	(375,932)
Accumulated losses		(34,967,366)	(33,372,979)
Deficiency in equity attributable to the owners of Adcorp Australia Limited		(308,753)	(1,508,599)
Non-controlling interest	25	45,382	131,059
<b>Total deficiency in equity</b>		<u>(263,371)</u>	<u>(1,377,540)</u>

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



# STATEMENT OF CHANGES IN EQUITY

30 JUNE 2019

Consolidated	Issued capital \$	Purchased controlling interest reserve \$	Foreign currency reserve \$	Accumulated losses \$	Non-controlling interest \$	Total deficiency in equity \$
Balance at 1 July 2017	32,353,386	(113,074)	(346,125)	(31,263,353)	106,176	737,010
Profit/(loss) after income tax benefit for the year	-	-	-	(2,109,626)	24,883	(2,084,743)
Other comprehensive income for the year, net of tax	-	-	(29,807)	-	-	(29,807)
Total comprehensive income for the year	-	-	(29,807)	(2,109,626)	24,883	(2,114,550)
Balance at 30 June 2018	<u>32,353,386</u>	<u>(113,074)</u>	<u>(375,932)</u>	<u>(33,372,979)</u>	<u>131,059</u>	<u>(1,377,540)</u>
Consolidated	Issued capital \$	Purchased controlling interest reserve \$	Foreign currency reserve \$	Accumulated losses \$	Non-controlling interest \$	Total deficiency in equity \$
Balance at 1 July 2018	32,353,386	(113,074)	(375,932)	(33,372,979)	131,059	(1,377,540)
Profit/(loss) after income tax expense for the year	-	-	-	(1,594,387)	20,990	(1,573,397)
Other comprehensive income for the year, net of tax	-	-	28,626	-	-	28,626
Total comprehensive income for the year	-	-	28,626	(1,594,387)	20,990	(1,544,771)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 24)	2,765,607	-	-	-	-	2,765,607
Dividends paid (note 26)	-	-	-	-	(106,667)	(106,667)
Balance at 30 June 2019	<u>35,118,993</u>	<u>(113,074)</u>	<u>(347,306)</u>	<u>(34,967,366)</u>	<u>45,382</u>	<u>(263,371)</u>

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

#### *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.

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

**STATEMENT OF CASH FLOWS**

30 JUNE 2019

	Note	Consolidated	
		2019	2018
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		37,087,716	48,573,569
Payments to suppliers and employees (inclusive of GST)		<u>(41,198,380)</u>	<u>(48,893,879)</u>
		(4,110,664)	(320,310)
Interest received		14,703	13,522
Interest and other finance costs paid		(198,938)	(63,666)
Income taxes refunded		97	7,595
Income taxes paid		<u>(45,556)</u>	<u>(113,464)</u>
Net cash used in operating activities	37	<u>(4,340,358)</u>	<u>(476,323)</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(26,401)	(279,243)
Payments for intangibles		-	(1,929,566)
Payments for security deposits		-	(5,984)
Proceeds from disposal of property, plant and equipment		-	150
Proceeds from release of security deposits		<u>1,364</u>	<u>37,098</u>
Net cash used in investing activities		<u>(25,037)</u>	<u>(2,177,545)</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	24	2,765,607	-
Dividends paid to minority interest		(106,667)	-
Payments for invoice financing		(21,697,204)	(33,766,300)
Proceeds from invoice financing		21,221,221	34,644,900
Proceeds from borrowings		3,300,000	953,918
Repayment of borrowings		<u>(1,377,659)</u>	<u>(766,857)</u>
Net cash from financing activities		<u>4,105,298</u>	<u>1,065,661</u>
Net decrease in cash and cash equivalents		(260,097)	(1,588,207)
Cash and cash equivalents at the beginning of the financial year		<u>1,466,553</u>	<u>3,054,760</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>1,206,456</u></u>	<u><u>1,466,553</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## 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 30 August 2019. 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 or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new 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 or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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

### AASB 9 Financial Instruments

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### AASB 15 Revenue from Contracts with Customers

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

### Impact of adoption

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

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

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

### Going concern

As at 30 June 2019, the Consolidated Entity had cash and cash equivalents of \$1,206,456 (30 June 2018: \$1,466,553) and was in a net current liability position of \$2,340,686 (30 June 2018: net current liability position of \$3,623,913). The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$1,594,387 (30 June 2018: loss of \$2,109,626) and net cash outflows from operating activities were \$4,064,867 (30 June 2018: net outflows \$476,323).

Due to continued losses, management undertook a restructure of the business, including the resignation of a number of clients and implemented a number of savings to reduce the cost base to improve future financial performance.

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

The Company also has a loan facility from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with the Company's major shareholder and Chairman, Ian Rodwell. The loan facility was increased to \$2,000,000 during the reporting period and on 29 August the repayment date was extended to 31 August 2020.

The focus for the Company in the next 12 months is on new opportunities to grow revenues for the Agency whilst continuing to monitor costs and managing cashflow and debtor collections.

The Company has submitted applications for government tax offsets for two of the completed TV productions. This application is the first of its nature for the Company and whilst management remains confident the application will be successful, the timing of the payment is uncertain and may result in a reliance on the current financing facilities for working capital.

The Company has demonstrated over a number of years, a history and an ability to deliver cost savings, negotiate with creditors and source funding through various avenues.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

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

### 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.

### 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 34.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Adcorp Australia Limited as at 30 June 2019 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.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### 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

#### *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.

#### *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

The Consolidated Entity recognises revenue as follows:

#### *Revenue from contracts with customers*

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

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

#### *Agency revenue – Media*

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

#### *Other media and marketing revenue*

Other services including production, creative, digital, consulting and video production revenue, are recognised at a point in time when billed to the client once the service has been completed in accordance with the underlying customer contract.

#### *Production revenues – Licence fees*

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

#### *Production revenues – Usage or sale based fees*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### *Production income – Grants*

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

### *Interest*

Interest income 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 income*

Other income 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 only if it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax assets are recognised for unused tax losses if it is probable that future taxable amounts will be available to utilise those losses; however where a tax entity has consecutive periods of losses, the tax losses are only recognised if there is convincing evidence.

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### 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.

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

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

### Contract assets

Contract assets are recognised when the Consolidated Entity has the right to payment for goods or services already transferred but where the performance obligation has not yet been fulfilled. Contract assets are treated as financial assets for impairment purposes.

From 1 July 2018, Contract assets include:

#### *Production assets*

Production assets include the unamortised cost of completed television series, series currently in production or series where management has determined the project is commercially viable and will generate sufficient future net cash flows. Production costs are capitalised when costs directly relate to the productions and are expected to generate revenue that will be used to satisfy future performance obligations.

Amortisation is recorded on a systematic basis in a manner that is consistent with the transfer of the performance obligations of each production. Amortisation ceases at the earlier of the date that the production asset is classified as held of sale and the date it is derecognised.

Production assets will be impaired at any point in which management determine the carrying amount exceeds its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### 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 costs directly attributable to the acquisition and 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.

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.

### 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 basis to write off the net cost of each item of 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

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.

### Intangible assets

#### *Software licences*

Significant costs associated with software are deferred and amortised on a straight-line 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.

The comparative period includes the following as Intangible assets:

#### *Production assets*

Production assets include the unamortised cost of completed television series, series currently in production or series where management has determined the project is commercially viable and will generate sufficient future net cash flows. Production assets are capitalised in accordance with AASB 138 Intangible Assets. Production assets are stated at the lower of cost, less accumulated amortisation, or fair value.

Production assets begin amortisation when the asset is available for use, that is, when it has been delivered in accordance with any contractual agreement or is in a condition necessary for it to be capable of operating in the manner intended by management. Amortisation ceases at the earlier of the date that the asset is classified as held for sale and the date it is derecognised. The amortisation method used reflects the pattern in which the asset's future economic benefits are expected to be received. If that pattern cannot be determined reliably, the straight-line method is used.

Production assets will be impaired at any point in which management determine the carrying amount exceeds its recoverable amount.

From 1 July 2018, Production assets are accounted for as Contract assets.

### 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.

### Contract liabilities

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### 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 wholly 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 wholly 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 high quality 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.

#### *Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Consolidated Entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Consolidated Entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

### 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.

### 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.

### 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 2019. 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 2. Significant accounting policies (continued)

### *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. Management has reviewed the impact and recognises there will be a material change in relation to the accounting treatment for leases for rental properties. Whilst this will result in recognising both an asset and liability, it will not impact the overall net asset position nor will it affect any financial covenants for financiers (for which there presently are none). Management has reviewed the impact of other leases (primarily computer equipment) and has determined it will not have a significant impact with respect to these leases.

At the reporting date, the Consolidated Entity has non-cancellable operating lease commitments of \$1,522,609. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Consolidated Entity will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16. The Consolidated Entity assessed that, using the transitional rules available, approximately \$1,589,000 will be recognised as right of use asset and related lease liability of \$1,474,000 at the date of adoption on 1 July 2019.

### *IASB revised Conceptual Framework for Financial Reporting*

The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent has yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The Consolidated Entity will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

### *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. Accordingly, these standards have not been detailed as they are not material to the operations of the entity.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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

### *Recognition, amortisation and impairment of Production Assets*

Production assets are recognised when management determine that a project or television series will generate sufficient future net cash flows. Production costs are capitalised when costs directly relate to the productions and are expected to generate revenue that will be used to satisfy future performance obligations.

In determining the period of amortisation, management will refer to any contractual agreement which stipulates the period of revenue streams; in the absence of a contractual agreement management will rely on its own knowledge taking into consideration historical performance of similar productions, general market trends and any other information deemed to be relevant.

Production assets will be impaired at any point in which management determine the carrying amount exceeds its recoverable amount. In making this decision, management will consult with its Distributors and rely on its own knowledge taking into consideration historical performance of similar productions, general market trends and any other information deemed to be relevant.

### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

### *Estimation of useful lives of assets*

The Consolidated Entity determines the estimated useful lives and related depreciation and amortisation charges for its 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.

### *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 it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax assets are recognised for unused tax losses if it is probable that future taxable amounts will be available to utilise those losses against; however where a taxable entity has consecutive periods of losses, the tax losses are only recognised if there is convincing evidence.

### *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.

### *Significant influence over associates*

Management have determined that the Consolidated Entity has significant influence over the associate Shootsta Holdings Pty Ltd, based on its 15% ownership interest and Adcorp taking a seat on the board as part of the acquisition.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## 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.

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

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

### Major customers

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

### Operating segment information

<b>Consolidated - 2019</b>	Agency \$	TV Production \$	Total \$
<b>Revenue</b>			
Sales to external customers	9,165,270	439,732	9,605,002
Other income	14,703	-	14,703
<b>Total revenue</b>	<u>9,179,973</u>	<u>439,732</u>	<u>9,619,705</u>
<b>EBITDA*</b>	(1,024,775)	(46,830)	(1,071,605)
Depreciation and amortisation	(257,637)	-	(257,637)
Interest revenue	14,703	-	14,703
Finance costs	(196,880)	(2,058)	(198,938)
<b>Loss before income tax expense</b>	<u>(1,464,589)</u>	<u>(48,888)</u>	<u>(1,513,477)</u>
Income tax expense			(59,920)
<b>Loss after income tax expense</b>			<u>(1,573,397)</u>
<b>Assets</b>			
Segment assets	<u>6,257,870</u>	<u>856,122</u>	7,113,992
<i>Unallocated assets:</i>			
Deferred tax asset			<u>1,063,419</u>
<b>Total assets</b>			<u>8,177,411</u>
<b>Liabilities</b>			
Segment liabilities	<u>8,369,115</u>	<u>20,220</u>	8,389,335
<i>Unallocated liabilities:</i>			
Deferred tax liability			<u>51,447</u>
<b>Total liabilities</b>			<u>8,440,782</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 4. Operating segments (continued)

Consolidated - 2018	Agency \$	TV Production \$	Total \$
<b>Revenue</b>			
Sales to external customers	11,235,744	1,536,936	12,772,680
Other income	13,522	-	13,522
<b>Total revenue</b>	<u>11,249,266</u>	<u>1,536,936</u>	<u>12,786,202</u>
<b>EBITDA*</b>	(1,391,069)	(512,795)	(1,903,864)
Depreciation and amortisation	(408,177)	-	(408,177)
Interest revenue	13,522	-	13,522
Finance costs	(63,666)	-	(63,666)
<b>Loss before income tax benefit</b>	<u>(1,849,390)</u>	<u>(512,795)</u>	<u>(2,362,185)</u>
Income tax benefit			277,442
<b>Loss after income tax benefit</b>			<u>(2,084,743)</u>
<b>Assets</b>			
Segment assets	8,249,348	1,887,522	10,136,870
<i>Unallocated assets:</i>			
Deferred tax asset			1,108,071
<b>Total assets</b>			<u>11,244,941</u>
<b>Liabilities</b>			
Segment liabilities	12,387,122	108,309	12,495,431
<i>Unallocated liabilities:</i>			
Deferred tax liability			127,050
<b>Total liabilities</b>			<u>12,622,481</u>

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

## Note 5. Revenue

	Consolidated 2019 \$	2018 \$
Agency revenue – Media	4,562,886	5,126,501
Other media and marketing revenue	4,602,384	6,109,243
Production revenues – Licence fees & Usage or sales based fee	439,732	1,328,359
Production income - Grants	-	208,577
Revenue	<u>9,605,002</u>	<u>12,772,680</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 5. Revenue (continued)

### Disaggregation of revenue

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

	Agency \$	TV Production \$	Total \$
<b>Consolidated - 2019</b>			
<i>Major product lines</i>			
Agency revenue – Media	4,562,886	-	4,562,886
Other media and marketing revenue	4,602,384	-	4,602,384
Production revenues – Licence fees & Usage or sales based fee	-	439,732	439,732
	<u>9,165,270</u>	<u>439,732</u>	<u>9,605,002</u>
<i>Timing of revenue recognition</i>			
Goods/services transferred at a point in time	<u>9,165,270</u>	<u>439,732</u>	<u>9,605,002</u>
<b>Consolidated - 2018</b>			
<i>Major product lines</i>			
Agency revenue – Media	5,126,501	-	5,126,501
Other media and marketing revenue	6,109,243	-	6,109,243
Production revenues – Licence fees & Usage or sales based fee	-	1,328,359	1,328,359
Production income - Grants	-	208,577	208,577
	<u>11,235,744</u>	<u>1,536,936</u>	<u>12,772,680</u>
<i>Timing of revenue recognition</i>			
Goods/services transferred at a point in time	<u>11,235,744</u>	<u>1,536,936</u>	<u>12,772,680</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 6. Expenses

	Consolidated	
	2019	2018
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	144,210	143,237
Furniture and fittings	108,196	159,677
Total depreciation	<u>252,406</u>	<u>302,914</u>
<i>Amortisation</i>		
Software licences	48,153	146,802
Trademarks and other intellectual property	298	242
Production assets	1,084,988	1,552,567
Total amortisation	<u>1,133,439</u>	<u>1,699,611</u>
Total depreciation and amortisation	<u>1,385,845</u>	<u>2,002,525</u>
<i>Impairment of assets</i>		
Production assets	-	1,577
<i>Finance costs</i>		
Bank loans, overdrafts and interest on invoices financed	198,938	63,666
<i>Net loss/(gain) on disposal</i>		
Net loss/(gain) on disposal of property, plant and equipment	22,331	1,822
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	1,051,814	1,150,547
<i>Superannuation expense</i>		
Defined contribution superannuation expense	433,890	559,195



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 7. Income tax

	Consolidated 2019 \$	2018 \$
<i>Income tax expense/(benefit)</i>		
Current tax	101,894	52,692
Deferred tax - origination and reversal of temporary differences	(30,950)	(314,360)
Adjustment recognised for prior periods	(11,024)	(15,774)
	<u>59,920</u>	<u>(277,442)</u>
Aggregate income tax expense/(benefit)		
Deferred tax included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	44,653	(338,245)
Increase/(decrease) in deferred tax liabilities	(75,603)	23,885
	<u>(30,950)</u>	<u>(314,360)</u>
Deferred tax - origination and reversal of temporary differences		
<i>Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate</i>		
Loss before income tax (expense)/benefit	(1,513,477)	(2,362,185)
Tax at the statutory tax rate of 30%	(454,043)	(708,656)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Expenditure non-deductible for tax purposes	(50,221)	81,469
Non-assessable items	(73,034)	(43,822)
	<u>(577,298)</u>	<u>(671,009)</u>
Adjustment recognised for prior periods	(11,024)	(15,774)
Current year tax losses not recognised	648,048	406,573
Difference in overseas tax rates	194	2,768
	<u>59,920</u>	<u>(277,442)</u>
Income tax expense/(benefit)		
	2,003,291	1,355,243
	<u>600,987</u>	<u>406,573</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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 7. Income tax (continued)

	Consolidated 2019 \$	2018 \$
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	114,811	91,057
Property, plant and equipment	518	581
Employee benefits	216,105	249,672
Intangibles	505,465	389,004
Black hole legal deductions	75,515	49,072
Other	222,370	328,685
	<u>1,134,784</u>	<u>1,108,071</u>
Amounts recognised in equity:		
Transaction costs on share issue	(71,366)	-
Deferred tax asset	<u>1,063,418</u>	<u>1,108,071</u>
Movements:		
Opening balance	1,108,071	769,826
Credited/(charged) to profit or loss	(44,653)	338,245
Closing balance	<u>1,063,418</u>	<u>1,108,071</u>
	Consolidated 2019 \$	2018 \$
<i>Deferred tax liability</i>		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Work in progress	-	53,974
Other	51,447	73,076
Deferred tax liability	<u>51,447</u>	<u>127,050</u>
Movements:		
Opening balance	127,050	103,165
Charged/(credited) to profit or loss	(75,603)	23,885
Closing balance	<u>51,447</u>	<u>127,050</u>
	Consolidated 2019 \$	2018 \$
<i>Income tax refund due</i>		
Income tax refund due	<u>-</u>	<u>87</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 7. Income tax (continued)

	Consolidated 2019 \$	2018 \$
<i>Provision for income tax</i>		
Provision for income tax	54,718	17,661

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

	Consolidated 2019 \$	2018 \$
Cash at bank	833,788	1,028,029
Cash on deposit	372,668	438,524
	<u>1,206,456</u>	<u>1,466,553</u>

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

	Consolidated 2019 \$	2018 \$
Trade receivables	3,379,671	4,758,157
Less: Allowance for expected credit losses (2018: Provision for impairment of receivables)	(95,994)	(105,765)
	<u>3,283,677</u>	<u>4,652,392</u>
Other receivables	74,633	223,234
	<u>3,358,310</u>	<u>4,875,626</u>

### Allowance for expected credit losses

The Consolidated Entity has recognised a benefit of \$9,864 (2018: expense of \$28,964) in respect of expected credit losses for the year ended 30 June 2019.

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

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 \$	Allowance for expected credit losses 2019 \$
Not overdue	-	2,631,262	-
0 to 3 months overdue	4.89%	668,397	32,685
3 to 6 months overdue	79.18%	55,196	43,704
Over 6 months overdue	79.00%	24,816	19,605
		<u>3,379,671</u>	<u>95,994</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 9. Current assets - trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2019	2018
	\$	\$
Opening balance	105,765	76,801
Additional provisions recognised	13,016	86,060
Receivables written off during the year as uncollectable	-	(43,499)
Unused amounts reversed	(22,787)	(13,597)
	<u>95,994</u>	<u>105,765</u>
Closing balance	<u>95,994</u>	<u>105,765</u>

## Note 10. Current assets - contract assets

	Consolidated	
	2019	2018
	\$	\$
Contract assets	<u>595,413</u>	<u>-</u>

### Reconciliation

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

Opening balance	-	-
Additions	275,491	-
Transfer from intangible assets on adoption of AASB 15	1,280,617	-
Transfers between current and non-current	124,293	-
Amortisation expense	(1,084,988)	-
	<u>595,413</u>	<u>-</u>
Closing balance	<u>595,413</u>	<u>-</u>

Having considered specific requirements around contract assets under AASB 15, we consider that those assets previously classified as an intangible asset are more appropriately qualified as contract assets.

## Note 11. Current assets - intangibles

	Consolidated	
	2019	2018
	\$	\$
Production assets	-	3,074,536
Less: Accumulated amortisation	-	(1,793,919)
	<u>-</u>	<u>1,280,617</u>
	<u>-</u>	<u>1,280,617</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 11. Current assets - intangibles (continued)

### 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>	<b>Production assets</b> \$
Balance at 1 July 2017	1,006,848
Additions	1,808,207
Impairment of assets	(1,577)
Transfers from non-current	19,706
Amortisation expense	<u>(1,552,567)</u>
Balance at 30 June 2018	1,280,617
Reclassified to contract assets	<u>(1,280,617)</u>
Balance at 30 June 2019	<u><u>-</u></u>

Refer to Note 10 for further details regarding the reclassification of Intangibles.

## Note 12. Current assets - other

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Prepayments	185,201	366,974
Security deposits	278,757	280,064
	<u>463,958</u>	<u>647,038</u>

## Note 13. Non-current assets - contract assets

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
Contract assets	<u>157,408</u>	<u>-</u>

### Reconciliation

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

Opening balance	-	-
Transfer from intangibles	281,701	-
Transfer to current	<u>(124,293)</u>	<u>-</u>
Closing balance	<u>157,408</u>	<u>-</u>

Refer to Note 10 for further details regarding the reclassification of Intangibles.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

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

	Consolidated	
	2019	2018
	\$	\$
Investment in associate - Shootsta Holdings Pty Ltd	960,115	917,225

### 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 / Country of incorporation	Ownership interest	
		2019 %	2018 %
Shootsta Holdings Pty Ltd	Australia	15.00%	15.00%

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

### Summarised financial information

	Shootsta Holdings Pty Ltd	
	2019	2018
	\$	\$
<i>Summarised statement of financial position</i>		
Current assets	2,112,362	1,715,670
Non-current assets	1,505,667	1,292,073
Total assets	3,618,029	3,007,743
Current liabilities	3,196,486	2,739,838
Non-current liabilities	115,086	62,822
Total liabilities	3,311,572	2,802,660
Net assets	306,457	205,083
<i>Summarised statement of profit or loss and other comprehensive income</i>		
Revenue	6,672,856	5,560,201
Expenses	(5,988,568)	(5,864,845)
Profit/(loss) before income tax	684,288	(304,644)
Other comprehensive income	-	-
Total comprehensive income	684,288	(304,644)
<i>Reconciliation of the Consolidated Entity's carrying amount</i>		
Opening carrying amount	917,225	962,254
Share of profit/(loss) after income tax	132,028	(45,029)
Non-cash movement	(89,138)	-
Closing carrying amount	960,115	917,225

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## 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 / Country of incorporation	Ownership interest	
		2019 %	2018 %
HR by the Hour Pty Ltd	Australia	-	50.00%

HR by the Hour Pty Ltd ('HRBTH') is a 50% owned joint venture entity incorporated 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 30 June 2019 the share of profits in HRBTH was not material (2018: not material). HRBTH was deregistered on 5 May 2019.

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

	Consolidated	
	2019 \$	2018 \$
Office equipment - at cost	1,592,042	3,881,224
Less: Accumulated depreciation	(1,374,971)	(3,074,969)
Less: Impairment	-	(373,000)
	<u>217,071</u>	<u>433,255</u>
Furniture and fittings - at cost	143,205	3,477,660
Less: Accumulated depreciation	-	(2,799,460)
Less: Impairment	-	(500,098)
	<u>143,205</u>	<u>178,102</u>
	<u><u>360,276</u></u>	<u><u>611,357</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 equipment \$	Furniture and fittings \$	Total \$
Balance at 1 July 2017	312,743	329,488	642,231
Additions	267,367	12,153	279,520
Disposals	(2,779)	(2,475)	(5,254)
Exchange differences	(839)	(1,387)	(2,226)
Depreciation expense	(143,237)	(159,677)	(302,914)
Balance at 30 June 2018	433,255	178,102	611,357
Additions	24,387	2,014	26,401
Disposals	(21,102)	(5,240)	(26,342)
Exchange differences	245	1,021	1,266
Reclassification of assets	(75,504)	75,504	-
Depreciation expense	(144,210)	(108,196)	(252,406)
Balance at 30 June 2019	<u><u>217,071</u></u>	<u><u>143,205</u></u>	<u><u>360,276</u></u>



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 16. Non-current assets - intangibles

	Consolidated	
	2019	2018
	\$	\$
Software licences - at cost	158,612	3,360,751
Less: Accumulated amortisation	(148,266)	(3,180,277)
Less: Impairment	-	(125,817)
	10,346	54,657
Trademarks and other intellectual property - at cost	2,910	2,910
Less: Accumulated amortisation	(1,199)	(901)
	1,711	2,009
Production assets - at cost	-	281,701
	12,057	338,367

### Reconciliations

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

Consolidated	Software licences \$	Trademarks and other intellectual property \$	Production assets \$	Total \$
Balance at 1 July 2017	80,150	2,251	301,407	383,808
Additions	121,309	-	-	121,309
Transfers to current	-	-	(19,706)	(19,706)
Amortisation expense	(146,802)	(242)	-	(147,044)
Balance at 30 June 2018	54,657	2,009	281,701	338,367
Additions	3,842	-	-	3,842
Reclassifications to contract assets	-	-	(281,701)	(281,701)
Amortisation expense	(48,153)	(298)	-	(48,451)
Balance at 30 June 2019	10,346	1,711	-	12,057

Refer to Note 10 for further details regarding the reclassification of Intangibles.

## Note 17. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	2,830,631	6,039,307
Deferred consideration	-	89,138
Other payables	1,628,857	4,259,947
	4,459,488	10,388,392

Refer to note 27 for further information on financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 18. Current liabilities - contract liabilities and deferred revenue

	Consolidated 2019 \$	2018 \$
Contract liabilities	366,656	-
Deferred revenue	-	29,000
	<u>366,656</u>	<u>29,000</u>

### Reconciliation

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

Opening balance	-	-
Payments received in advance	393,043	-
Transfer from deferred revenue on adoption of AASB 15	29,000	-
Transfers from other payables on adoption of AASB 15	733,806	-
Transfer to revenue	(789,193)	-
Closing balance	<u>366,656</u>	<u>-</u>

### Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$143,817 as at 30 June 2019 (\$nil as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2019 \$
Within 6 months	107,863
6 to 12 months	35,954
	<u>143,817</u>

## Note 19. Current liabilities - borrowings

	Consolidated 2019 \$	2018 \$
Chattel mortgage	76,612	81,205
Loan	2,000,000	-
	<u>2,076,612</u>	<u>81,205</u>

Refer to note 22 for further information on assets pledged as security and financing arrangements.

Refer to note 27 for further information on financial instruments.

On 6 June 2018, Adcorp secured a \$750,000 loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ('Lender'), a company associated with Adcorp's major shareholder and Chairman, Ian Rodwell. During the reporting period the loan amount has been increases. As announced on 11 June 2019, the loan limit has been increased to \$2,000,000.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 19. Current liabilities - borrowings (continued)

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 sought and received a waiver of ASX Listing Rule 10.1 to allow the Security to be granted without obtaining Shareholder approval under ASX Listing Rule 10.1.

Balance drawdown from this loan as at 30 June 2019 is \$2,000,000 (2018: \$nil).

## Note 20. Current liabilities - provisions

	Consolidated	
	2019	2018
	\$	\$
Employee benefits	656,916	775,804
Decommissioning	106,213	53,344
	763,129	829,148

### 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 21 for details of the movements in provision.

## Note 21. Current liabilities - other financial liabilities

	Consolidated	
	2019	2018
	\$	\$
Invoice financing	244,220	548,428

The Company has had a debtor finance facility in place with Cashflow Finance Australia Pty Ltd, previously 1st Cash Pty Ltd, trading as Thorn Trade and Debtor Finance ("Thorn") since December 2016.

## Note 22. Non-current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Chattel mortgage	120,314	193,379

Refer to note 27 for further information on financial instruments.

### Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2019	2018
	\$	\$
Chattel mortgage	196,926	274,584

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 22. Non-current liabilities - borrowings (continued)

### Assets pledged as security

The chattel mortgage is secured through the Consolidated Entity's debt financier who holds security over all the Consolidated Entity's assets.

### Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2019	2018
	\$	\$
Total facilities		
Chattel mortgage	300,000	300,000
Invoice financing	1,500,000	1,500,000
Loan facility	2,000,000	750,000
	<u>3,800,000</u>	<u>2,550,000</u>
Used at the reporting date		
Chattel mortgage	196,926	274,584
Invoice financing	244,220	548,428
Loan facility	2,000,000	-
	<u>2,441,146</u>	<u>823,012</u>
Unused at the reporting date		
Chattel mortgage	103,074	25,416
Invoice financing	1,255,780	951,572
Loan facility	-	750,000
	<u>1,358,854</u>	<u>1,726,988</u>

## Note 23. Non-current liabilities - provisions

	Consolidated	
	2019	2018
	\$	\$
Employee benefits	66,710	61,080
Decommissioning	155,248	241,157
	<u>221,958</u>	<u>302,237</u>

### 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.

### 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:

Consolidated - 2019	Decom- missioning \$
Carrying amount at the start of the year	294,501
Foreign exchange	1,960
Unused amounts reversed	<u>(35,000)</u>
Carrying amount at the end of the year	<u>261,461</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 24. Equity - issued capital

	2019 Shares	Consolidated 2018 Shares	2019 \$	2018 \$
Ordinary shares - fully paid	<u>455,074,570</u>	<u>182,029,806</u>	<u>35,118,993</u>	<u>32,353,386</u>

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	<u>182,029,806</u>		<u>32,353,386</u>
Balance	30 June 2018	182,029,806		32,353,386
Rights issue	10 October 2018	273,044,764	\$0.011	3,003,492
Share issue transaction costs		<u>-</u>	\$0.000	<u>(237,885)</u>
Balance	30 June 2019	<u>455,074,570</u>		<u>35,118,993</u>

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

### 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.

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 2018 Annual Report.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 25. Equity - non-controlling interest

	Consolidated	
	2019	2018
	\$	\$
Contributed equity	202,030	202,030
Reserves	32,251	32,251
Accumulated losses	(188,899)	(103,222)
	<u>45,382</u>	<u>131,059</u>

The non-controlling interest has 25% (2018: 25%) equity holding in Quadrant Creative Pty Ltd.

## Note 26. Equity - dividends

### Dividends

A dividend of \$106,667 was paid to minority interest in respect of Quadrant Creative Pty Ltd. No other dividends were paid, recommended or declared during the current or previous financial year.

### Franking credits

	Consolidated	
	2019	2018
	\$	\$
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>5,159,482</u>	<u>5,153,235</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

## Note 27. 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 subsequent 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 27. Financial instruments (continued)

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	
	2019 \$	2018 \$	2019 \$	2018 \$
New Zealand dollars	<u>1,865,353</u>	<u>1,606,648</u>	<u>1,290,375</u>	<u>993,174</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.

### 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.

The Consolidated Entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Consolidated Entity based on recent sales experience, historical collection rates and forward-looking information that is available.

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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2019	2018
	\$	\$
Chattel mortgage	103,074	25,416
Invoice financing	1,255,780	951,572
Loan facility	-	750,000
	1,358,854	1,726,988

## 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. Interest accrued on loans are included in other payables.

Consolidated - 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,830,631	-	-	-	2,830,631
Other payables	-	1,546,617	82,240	-	-	1,628,857
<i>Interest-bearing - fixed rate</i>						
Invoice financing	8.44%	244,220	-	-	-	244,220
Chattel mortgage	9.69%	76,612	52,352	67,962	-	196,926
Loans	12.00%	2,000,000	-	-	-	2,000,000
Total non-derivatives		6,698,080	134,592	67,962	-	6,900,634

Consolidated - 2018	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	6,039,307	-	-	-	6,039,307
Other payables	-	4,259,947	105,981	-	-	4,365,928
<i>Interest-bearing - fixed rate</i>						
Invoice financing	8.50%	548,428	-	-	-	548,428
Chattel mortgage	9.79%	104,459	91,786	128,965	-	325,210
Total non-derivatives		10,952,141	197,767	128,965	-	11,278,873

## Note 28. 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.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 29. 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	
	2019	2018
	\$	\$
Short-term employee benefits	585,996	554,366
Post-employment benefits	39,287	36,430
Termination benefits	18,836	-
	<u>644,119</u>	<u>590,796</u>

## Note 30. 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	
	2019	2018
	\$	\$
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit or review of the financial statements	110,750	95,125
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Taxation compliance	11,000	18,504
	<u>121,750</u>	<u>113,629</u>
<i>Audit services - network firms</i>		
Audit or review of the financial statements	35,145	32,746
<i>Other services - unrelated firms</i>		
Tax compliance	3,041	4,054

## Note 31. Contingent liabilities

The Consolidated Entity has various guarantees over premises.

	Consolidated	
	2019	2018
	\$	\$
Premises	505,492	530,242

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 31. Contingent liabilities (continued)

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

On 16 March 2018, the Company lodged its lay evidence and on 6 July 2018 lodged its expert evidence.

On 30 May 2019, the Company has agreed to settle the dispute on a no admissions basis. As a result, claims are now finalised and the proceedings have been discontinued with no order as to costs.

## Note 32. Commitments

	Consolidated	
	2019	2018
	\$	\$
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	39,630	42,215
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	915,093	1,005,344
One to five years	567,886	1,346,855
	<u>1,482,979</u>	<u>2,352,199</u>

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 (2018: one property). The future minimum sub-lease payments expected to be received is \$159,526 (2018: \$nil).

## Note 33. Related party transactions

### *Parent entity*

Adcorp Australia Limited is the parent entity. Parent entity information is set out in note 32.

### *Subsidiaries*

Interests in subsidiaries are set out in note 35.

### *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 29 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*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 33. Related party transactions (continued)

### Loans to/from related parties

On 6 June 2018, Adcorp secured a \$750,000 loan from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ('Lender'), a company associated with Adcorp's major shareholder and Chairman, Ian Rodwell. During the reporting period the loan amount has been increases. As announced on 11 June 2019, the loan limit has been increased to \$2,000,000.

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 sought and received a waiver of ASX Listing Rule 10.1 to allow the Security to be granted without obtaining Shareholder approval under ASX Listing Rule 10.1.

Balance drawdown from this loan as at 30 June 2019 is \$2,000,000 (2018: \$nil).

### Terms and conditions

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

## Note 34. Parent entity information

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

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

	Parent	
	2019 \$	2018 \$
Loss after income tax	(5,966,041)	(1,475,177)
Total comprehensive income	(5,966,041)	(1,475,177)

### Statement of financial position

	Parent	
	2019 \$	2018 \$
Total current assets	7,508,001	24,109,975
Total assets	10,524,335	27,309,132
Total current liabilities	11,600,965	24,987,974
Total liabilities	12,204,490	25,788,852
Equity		
Issued capital	35,118,992	32,353,386
Accumulated losses	(36,799,147)	(30,833,106)
Total equity/(deficiency)	<u>(1,680,155)</u>	<u>1,520,280</u>

### Contingent liabilities

The parent entity has various guarantees over premises:

	Parent	
	2019 \$	2018 \$
Premises	<u>231,413</u>	<u>256,163</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 34. Parent entity information (continued)

### Commitments

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

	Parent 2019 \$	Parent 2018 \$
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	37,253	36,025
	Parent 2019 \$	Parent 2018 \$
Operating lease commitments:		
Within one year	438,209	506,601
One to five years	94,810	533,019
	<u>533,019</u>	<u>1,039,620</u>

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 (2018: one property). The future minimum sub-lease payments expected to be received is \$nil (2018: \$nil) within one year.

### 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.

## Note 35. 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 / Country of incorporation	Ownership interest	
		2019 %	2018 %
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 <sup>^</sup>	Australia	-	100.00%
Adcorp New Zealand Limited	New Zealand	100.00%	100.00%
Adcorp SWA Pty Ltd <sup>^</sup>	Australia	-	100.00%
Adcorp Technologies Pty Ltd	Australia	100.00%	100.00%
Andrews Advertising Pty. Limited	Australia	100.00%	100.00%
Austpac Media Pty Limited <sup>^</sup>	Australia	-	100.00%
Donald & Donald (Victoria) Pty. Limited <sup>^</sup>	Australia	-	100.00%
Employment Opportunities in Australia Pty Limited <sup>^</sup>	Australia	-	100.00%
Nancarrow Marketing Company Pty Ltd <sup>**^</sup>	Australia	-	100.00%
Quadrant Creative Pty Ltd	Australia	75.00%	75.00%
R&L Advertising Pty Ltd <sup>^</sup>	Australia	-	100.00%
Showrunner Productions Pty Ltd	Australia	100.00%	100.00%
72 Dangerous Animals Asia Pty Ltd <sup>***</sup>	Australia	100.00%	100.00%

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 35. Interests in subsidiaries (continued)

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
72 Dangerous Animals Latin America Pty Ltd ***	Australia	100.00%	100.00%
Adcorp EIS Nominee Pty Ltd^	Australia	-	100.00%

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

\*\* This entity is a controlled entity of Donald & Donald (Victoria) Pty Ltd

\*\*\* These entities are controlled entities of Showrunner Productions Pty Ltd

^ Companies deregistered

## Note 36. 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 Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, 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'.

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

	2019 \$	2018 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	4,946,296	6,902,267
Share of profits/(losses) of associates accounted for using the equity method	132,028	(45,029)
Other income	423,035	109,149
Client service expenses	(4,202,582)	(5,684,297)
Administrative expenses	(762,712)	(866,071)
Marketing expenses	(256,613)	(478,581)
Office and communication expenses	(1,396,086)	(1,635,780)
Recoveries/(impairment) of receivables	2,663,829	(72,620)
Finance costs	(195,092)	(63,666)
<b>Profit/(loss) before income tax expense</b>	1,352,103	(1,834,628)
Income tax expense	-	-
<b>Profit/(loss) after income tax expense</b>	1,352,103	(1,834,628)
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive income for the year</b>	<u>1,352,103</u>	<u>(1,834,628)</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 36. Deed of cross guarantee (continued)

	2019 \$	2018 \$
<b>Equity - accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(32,473,472)	(30,638,844)
Profit/(loss) after income tax expense	1,352,103	(1,834,628)
Accumulated losses at the end of the financial year	<u>(31,121,369)</u>	<u>(32,473,472)</u>
	2019 \$	2018 \$
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	723,002	802,655
Trade and other receivables	12,227,503	20,938,423
Contract assets	36,747	-
Other	179,248	323,217
	<u>13,166,500</u>	<u>22,064,295</u>
<b>Non-current assets</b>		
Investments accounted for using the equity method	960,115	917,225
Other financial assets	1,884,051	1,823,979
Property, plant and equipment	288,199	484,490
Intangibles	11,540	61,321
	<u>3,143,905</u>	<u>3,287,015</u>
<b>Total assets</b>	<u>16,310,405</u>	<u>25,351,310</u>
<b>Current liabilities</b>		
Trade and other payables	4,710,589	20,031,676
Contract liabilities and deferred revenue	618,875	-
Borrowings	2,076,612	81,205
Income tax	1,114,452	1,114,452
Provisions	2,836,219	2,834,799
Other financial liabilities	244,220	548,428
	<u>11,600,967</u>	<u>24,610,560</u>
<b>Non-current liabilities</b>		
Payables	74,672	100,985
Borrowings	120,314	193,379
Provisions	456,828	566,472
	<u>651,814</u>	<u>860,836</u>
<b>Total liabilities</b>	<u>12,252,781</u>	<u>25,471,396</u>
<b>Net assets/(liabilities)</b>	<u>4,057,624</u>	<u>(120,086)</u>
<b>Equity</b>		
Issued capital	35,178,993	32,353,386
Accumulated losses	<u>(31,121,369)</u>	<u>(32,473,472)</u>
<b>Total equity/(deficiency)</b>	<u>4,057,624</u>	<u>(120,086)</u>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 37. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax (expense)/benefit for the year	(1,573,397)	(2,084,743)
Adjustments for:		
Depreciation and amortisation	300,857	2,002,525
Impairment of intangibles	-	1,577
Net loss on disposal of property, plant and equipment	-	1,822
Share of loss/(profit) - associates	(132,028)	45,029
Foreign exchange differences	27,267	(27,581)
Amortisation of contract assets	1,084,988	-
Non-cash items	(1,146)	3,283
Non-operating finance costs	-	114,026
Change in operating assets and liabilities:		
Decrease in trade and other receivables	1,689,092	233,204
Increase in contract assets	(275,491)	-
Decrease in income tax refund due	87	7,800
Decrease/(increase) in deferred tax assets	44,653	(338,245)
Decrease in prepayments	181,773	88,379
Decrease in trade and other payables	(5,535,558)	(86,285)
Increase in contract liabilities and deferred revenue	337,656	-
Increase/(decrease) in provision for income tax	37,057	(72,388)
Increase/(decrease) in deferred tax liabilities	(75,603)	23,885
Decrease in other provisions	(146,357)	(43,340)
Decrease in other operating liabilities	(304,208)	(345,271)
Net cash used in operating activities	<u>(4,340,358)</u>	<u>(476,323)</u>

## Note 38. Non-cash investing and financing activities

	Consolidated	
	2019	2018
	\$	\$
Acquisition of intangibles	-	1,808,208

## Note 39. Changes in liabilities arising from financing activities

Consolidated	Invoice financing \$	Chattel mortgage \$	Total \$
Balance at 1 July 2017	481,525	(87,524)	394,001
Net cash used in financing activities	<u>(1,029,953)</u>	<u>(187,060)</u>	<u>(1,217,013)</u>
Balance at 30 June 2018	(548,428)	(274,584)	(823,012)
Net cash from financing activities	475,983	77,659	553,642
Other changes	<u>(171,775)</u>	<u>-</u>	<u>(171,775)</u>
Balance at 30 June 2019	<u>(244,220)</u>	<u>(196,925)</u>	<u>(441,145)</u>



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2019

## Note 40. Earnings per share

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax	(1,573,397)	(2,084,743)
Non-controlling interest	(20,990)	(24,883)
Loss after income tax attributable to the owners of Adcorp Australia Limited	<u>(1,594,387)</u>	<u>(2,109,626)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>379,519,718</u>	<u>182,029,806</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>379,519,718</u>	<u>182,029,806</u>
	Cents	Cents
Basic earnings per share	(0.42)	(1.16)
Diluted earnings per share	(0.42)	(1.16)

## Note 41. Share-based payments

### Executive Incentive Share Plan

On 7 June 2018, shareholders approved the Adcorp Australia Limited Executive Incentive Share Plan ('EISP') to assist in attracting, retaining and motivating key employees of the Consolidated Entity.

On 11 September 2018, the Company announced a renounceable entitlement offer and restructure of operations. As part of the restructure, all eligible employees to the EISP agreed to forfeit the yet to be issued share units. The EISP is no longer applicable.

## Note 42. Events after the reporting period

On 8 August 2019, the Company announced a minimum-holding share buy-back. The buy-back will allow shareholders who hold unmarketable parcels of shares in the Company (Eligible Shareholders) to sell their shares back to the Company at the Buy-Back price of \$0.009 cents per share. The aggregate value of the Company's ordinary shares held by Eligible Shareholders is \$51,161.58. Eligible Shareholders may elect to opt out before the closing date 23 September to 2019.

The Company also has a loan facility from Millennium Company Pty Ltd ATF The Rodwell (New Millennium) Trust ("Millennium"), a company associated with the Company's major shareholder and Chairman, Ian Rodwell. The loan facility is \$2,000,000 and on 29 August the repayment date was extended to 31 August 2020.

No other matter or circumstance has arisen since 30 June 2019 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 2019

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 2019 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 36 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



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David Morrison  
Chief Executive Officer and Managing Director

30 August 2019  
Sydney

## Independent Auditor's Report

To the Members of Adcorp Australia Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Adcorp Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, which indicates that the Group incurred a net loss of \$1,594,387 for the year ended 30 June 2019, and as of that date, the Group's current liabilities exceeded its total assets by \$2,340,686. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

#### Key audit matter

#### How our audit addressed the key audit matter

#### Recoverability of contract assets relating to TV production costs (Note 10)

The deferred production costs meet the definition of a contract asset and therefore should be accounted for under AASB 15: *Revenue from Contracts with Customers*. Management judgement is required in estimating the point of time when production projects enter the development stage and costs can commence being capitalised.

The recoverability of the capitalised production costs is dependent on the realisation of future cash flows relating to royalties earned and grants received on the productions for which the costs were incurred and has therefore been assessed in line with AASB 136: *Impairment of Assets*. The realisation of future cash flows requires significant management judgement.

This area is a key audit matter due to the degree of complexity and management judgement involved in estimating the recoverability of the deferred costs.

Our procedures included, amongst others:

- Obtaining an understanding of the current progress of the TV productions and discussing with management any major updates on the projects;
- Agreeing a sample of costs capitalised and determining if these costs directly relate to the productions and are expected to generate revenue that will be used to satisfy future performance obligations;
- Agreeing a sample of royalty revenue and assessing whether these amounts meet the recognition criteria in accordance with AASB 15;
- Considering the amortisation method applied by management to ensure that this is recorded on a systematic basis in a manner that is consistent with the transfer of the performance obligations of each production;
- Assessing the current and non-current classification of the production assets by determining when they are expected to be recouped;
- Comparing the carrying value of the production costs to expected projected cash flows to ensure production costs did not exceed the projected cash flows. Where cash flows were not based on contractual inflows, we obtained further explanations, supporting documentation and used previous history from management to corroborate these estimates;
- Assessing for any indicators of impairment in accordance with AASB 136; and
- Reviewing the appropriateness of the accounting policy and disclosures relating to the recoverability of the contract asset.

#### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

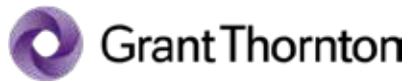
A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

#### Report on the remuneration report

##### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 8 to 11 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Adcorp Australia Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.



### Responsibilities

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.

*Grant Thornton*

Grant Thornton Audit Pty Ltd  
Chartered Accountants

*R J Isbell*

R J Isbell  
Partner – Audit & Assurance

Sydney, 30 August 2019

# SHAREHOLDER INFORMATION

30 JUNE 2019

The shareholder information set out below was applicable as at 7 October 2019.

## 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	12
1,001 to 5,000	26
5,001 to 10,000	19
10,001 to 100,000	49
100,001 and over	49
	<hr/>
	155
	<hr/> <hr/>
Holding less than a marketable parcel	78
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## Equity security holders

### Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
RF GROUP NOMINEES PTY LTD (AAU UNIT A/C)	384,832,057	85.40
RF GROUP NOMINEES PTY LTD (THE RODWELL FAMILY S/F A/C)	12,912,471	2.87
MILLENNIUM COMPANY PTY LTD (RODWELL (NEW MILLENNIUM) A/C)	11,932,336	2.65
BOND STREET CUSTODIANS LIMITED <HARDE - TT0302 A/C>	8,080,288	1.79
EGO PTY LTD	5,312,343	1.18
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	3,677,081	0.82
MRS MARIA CZARNOCKA	3,300,000	0.73
LOZOTU PTY LIMITED <SUPERANNUATION FUND A/C>	2,500,000	0.55
CRAIG G TREASURE PTY LTD <TREASURE SUPER FUND A/C>	1,762,290	0.39
CYBERLOOM PTY LTD	1,390,057	0.31
MR ANTHONY DAVID SCOTT	1,200,000	0.27
TEETIM PTY LTD <DONOHUE FAMILY A/C>	928,300	0.21
MR DONG RONG LUN + MISS DAN YAN LUN (LUN SUPERANNUATION FUND A/C) MS	648,209	0.14
CHRISTINE DAN YAN LUN	630,000	0.14
MR HORST DIETER GROSS	625,000	0.14
MR ADAM PIERRE KLUTS	585,092	0.13
MR ANDREW PETER KAYE	550,000	0.12
MARK S CAMPBELL PTY LTD <MARK CAMPBELL PROV FUND A/C>	520,901	0.12
MR KONSTANTINOS LAZOS	510,000	0.11
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	440,975	0.10
	<hr/>	
	442,337,400	98.17
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### Unquoted equity securities

There are no unquoted equity securities.

# SHAREHOLDER INFORMATION

30 JUNE 2019

## Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
RF GROUP NOMINEES PTY LTD (AAU UNIT A/C)	384,832,057	85.40
RF GROUP NOMINEES PTY LTD (THE RODWELL FAMILY S/F A/C)	12,912,471	2.87
MILLENNIUM COMPANY PTY LTD (RODWELL (NEW MILLENNIUM) A/C)	11,932,336	2.65
BOND STREET CUSTODIANS LIMITED <HARDE - TT0302 A/C>	8,080,288	1.79

## 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.



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# OFFICE INFORMATION

## SYDNEY

Level 2, 309 George Street,  
Sydney, NSW, 2000  
Tel: +61 2 8524 8500  
Fax: +61 2 8524 8700  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)

## BRISBANE

Tel: +61 7 3302 8500  
Fax: +61 7 3302 8599  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)

## PERTH

Level 3, 502 Hay Street,  
Subiaco WA 6008  
Tel: +61 8 9210 9500  
Fax: +61 8 9210 0833  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)

## CANBERRA

Tel: +61 2 8524 8500  
Fax: +61 2 8524 8700  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)

## AUCKLAND

Level 2, 20 Beaumont Street,  
Auckland 1010 NZ  
Tel: +64 9968 4800  
Fax: +64 9968 4810  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)

## TAURANGA

Level 2, 29 Grey Street,  
Tauranga NZ  
Tel: +64 7927 8700  
Fax: +64 7927 8718  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)

## CHRISTCHURCH

Level 1, 192 Papanui Road  
Merivale, Christchurch NZ  
Tel: +64 3964 2300  
Fax: +64 3964 2303  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)

## WELLINGTON

Level 8, 50 Manners Street,  
Wellington NZ  
Tel: +64 4931 1400  
Fax: +64 4931 1414  
Email: [enquiries@neonlogicagency.com](mailto:enquiries@neonlogicagency.com)



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STARTING CONVERSATIONS

Adcorp Australia Limited  
ABN 72 002 208 915

