



adcorp

**Adcorp Australia Limited
Half Year Results FY12
28 February 2012**

Billings	\$79.06m
Revenue	\$14.58m
Revenue Margin	18%
Net Profit After tax attributable to the owners of Adcorp Australia Ltd	\$784,000
Dividend per Share Fully Franked	1 cent

Adelaide
Auckland
Brisbane
Canberra
Christchurch
Darwin
Melbourne
Perth
Sydney
Tauranga
Wellington

Marketing and Advertising group, Adcorp Australia Limited, is pleased to announce a first-half operating profit of \$784,000 up 1.7% on the previous corresponding period.

The company has maintained a steady rate of earnings, with Earnings per Share increasing to 1.29 cents from the prior comparative period of 1.27 cents

Consolidated billings of \$79.06m are down 9.1% on the prior comparative period, primarily as a result of client movements in the real estate and retail sector. This decrease has been partially offset by the impact of a full six months of billings for the Northern Territory Government Advertising Contract (commenced October 2010).

Despite these reductions in billings, our revenue for the period of \$14.58m is only 2.4% down on the prior period's \$14.94m as a result of a higher margins brought about by our continuing focus on Creative and Digital services.

During the period we undertook a major review of our digital offering and are currently in the process of implementing the recommendations of this review with the objective of increasing our share of this rapidly growing market.

Throughout the industry, the level of new business activity and pitches is extremely high, and Adcorp is experiencing similar conditions. Pleasingly, our broader service offering is winning new business on improved margins when compared with our traditional transactional services.

Expenses have been closely managed and we are pleased to report savings in overheads of \$455,000 (3.3%) over the prior comparative period. Total overheads for the current six month period of \$13.38m includes savings in most categories including legal expenses, audit fees and travel, due to implementation of additional management controls and introduction of technology-based solutions.

We have also returned to a regionally-based management structure; providing a far closer oversight and accountability for all expenses. We have reduced our advertising costs for the period, though we will be re-investing some of these savings in H2 as we strengthen our market presence and increase business development activities.

Starting conversations

Adcorp Australia ABN 72 002 208 915

POSTAL

PO BOX 601
Broadway NSW 2007

SYDNEY

Level 1, 7 Kelly Street
Ultimo NSW 2007

adcorp.com.au

T: 02 8524 8500
F: 02 8524 8700



adcorp

During the period, we completed the changeover to our new auditors Grant Thornton, details of which were released in our AGM announcement in October 2011. We are confident this move will secure annual cost savings while providing a highly regarded independent assurance function for stakeholders.

Our 75% subsidiary, Andrews Advertising, is continuing with legal action against a former director and former manager. The costs of this action have been expensed as incurred.

Office and communications costs are similar to prior comparative period. We have secured savings in telephony with a change in service provider; these savings are partly offset by a general increase in premises costs and outgoings.

Our Client Service expenses have increased by \$196,000 (2.1%) which includes annual salary increases in July 2011, offset by reductions in other areas.

We continue to work with our clients to improve our trade credit procedures; accordingly our trade receivables balance has reduced to \$18.36m at 31 December. (30 June 2011: \$28.56m; 31 December 2010: \$24.41m) and our net working capital has improved by 4.1% to \$3.36m.

Our cash position remains solid with \$7.18m in cash and cash equivalents at 31 December 2011 (30 June 2011: \$10.27m; 31 December 2010: \$5.43m).

Our outlook for the remainder of this calendar year is that the market remains 'patchy' both geographically and by sector, though our diversification across both these facets is supporting our results and potentially limiting the exposure to the downturn that is being experienced by others in our sector.

Furthermore, we were very pleased to announce earlier today, the extension of our Australian Government Non Campaign Master Media Agency Services contract for another 12 months. This extension, the first of two options available to Finance under the contract, will commence from 5 May 2012.

We have a dedicated and energetic team that is being supported by new training initiatives, improved systems and additional investment in digital, creative and media services which puts us in a good position to take advantage of market opportunities as they arise.

We remain committed to providing the most appropriate return to shareholders, and accordingly, have declared an interim dividend of 1 cent per share, fully franked, out of profits for the six months to 31 December 2011.

~Ends~

Adelaide
Auckland
Brisbane
Canberra
Christchurch
Darwin
Melbourne
Perth
Sydney
Tauranga
Wellington

For further information, please contact:

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

Starting conversations

Adcorp Australia ABN 72 002 208 915

POSTAL

PO BOX 601
Broadway NSW 2007

SYDNEY

Level 1, 7 Kelly Street
Ultimo NSW 2007

adcorp.com.au

T: 02 8524 8500
F: 02 8524 8700

APPENDIX 4D HALF-YEAR REPORT

1. Company details

Name of entity:	Adcorp Australia Limited
ABN:	72 002 208 915
Reporting period:	Half-year ended 31 December 2011
Previous corresponding period:	Half-year ended 31 December 2010

2. Results for announcement to the market

Revenues from ordinary activities	down 2.4%	to	\$ 14,576,000
Profit from ordinary activities after tax attributable to the owners of Adcorp Australia Limited	up 1.7%	to	\$ 784,000
Profit for the period attributable to the owners of Adcorp Australia Limited	up 1.7%	to	\$ 784,000

Dividends

Final dividend totalling \$607,000 for the financial year ended 30 June 2011 paid on 28 September 2011 at 1 cent per ordinary share fully franked at a tax rate of 30%.

Comments

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$784,000 (31 December 2010: \$771,000).

For detailed commentary on results for the period, refer to the half-year results announcement preceding this Appendix 4D.

3. NTA backing

Net tangible asset backing per ordinary security	Reporting period 7.21 cents	Previous corresponding period 6.51 cents
--	--------------------------------	---

4. Control gained over entities

Name of entities (or group of entities) Not applicable

Date control gained

Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material) \$ -

Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period (where material) \$ -

5. Loss of control over entities

Name of entities (or group of entities)	Not applicable	
Date control lost		
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities during the period (where material)		\$ -
Profit/(loss) from ordinary activities after tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material)		\$ -

6. Dividends

Current period

Final dividend totalling \$607,000 for the financial year ended 30 June 2011 paid on 28 September 2011 at 1 cent per ordinary share fully franked at a tax rate of 30%.

Previous corresponding period

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

7. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

Not applicable.

The last date(s) for receipt of election notices for the dividend or distribution plans: Not applicable.

8. Details of associates and joint venture entities

Name of associate / joint venture	Reporting entity's percentage holding		Contribution to profit/(loss) (where material)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Not applicable.	0.00%	0.00%	\$ -	\$ -
<i>Group's aggregate share of associates and joint venture entities' profit/(loss) (where material)</i>				
Profit(loss) from ordinary activities before income tax			\$ -	\$ -
Income tax on operating activities			\$ -	\$ -

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

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

11. Attachments

Details of attachments (if any):

The Interim Report of Adcorp Australia Limited for the half-year ended 31 December 2011 is attached.

12. Signed



Signed: _____

Date: 28 February 2012

Craig McMenamin
Company Secretary
Sydney

Ancorp Australia Limited

ABN 72 002 208 915

Interim Report - 31 December 2011

Adcorp Australia Limited
Directors' report
31 December 2011

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Adcorp Australia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2011.

Directors

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

Bob Campbell
Ian Rodwell
David Morrison

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

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

Review of operations

The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to \$784,000 (31 December 2010: \$771,000).

Half-year profit after tax, attributable to the shareholders of Adcorp is up 1.7% on the prior comparative period.

Adcorp has maintained a steady rate of earnings during the first half of the financial year with earnings per share increasing to 1.29 cents from 1.27 cents in the prior corresponding period.

Consolidated billings of \$79.06m are down 9.1% on the prior comparative period, primarily as a result of client movements in the real estate and retail sector. This decrease has been partially offset by the impact of a full six months of billings for the Northern Territory Government Advertising Contract (commenced October 2010).

Despite these reductions in billings, our revenue for the period of \$14.58m is only 2.4% down on the prior period's \$14.94m as a result of a higher margins brought about by a continuing focus on Creative and Digital services.

During the period we undertook a major review of our digital offering and are currently in the process of implementing the recommendations of this review with the objective of increasing our share of this rapidly growing market.

The level of new business is extremely high. Pleasingly, our broader service offering is winning new business on improved margins when compared with our traditional transactional services.

Expenses have been closely managed and we are pleased to report savings in overheads including finance and impairment costs of \$455,000 (3.3%) over the prior comparative period. Total overheads for the current six month period of \$13.38m includes savings in most categories including legal and audit fees and significantly reduced travel and entertainment due to implementation of additional management controls and introduction of technology-based solutions. We have also implemented a return to a regionally-based management structure; providing a far closer oversight and accountability for all expenses. We have reduced Advertising costs (prior year included a re-branding exercise) though we will be incurring some additional expense in H2 in this category as we strengthen our market presence and increase business development activities.

Office and communications costs are similar to prior comparative period. We have secured savings in telephony with a change in service provider, these savings partly offset by general increase in premises costs and outgoings.

Our Client Service expenses have increased by \$196,000 (2.1%) which includes annual salary increases in July 2011 offset by reductions in other areas.

Adcorp Australia Limited
Directors' report
31 December 2011

The half-year review also sees the changeover to our newly engaged auditors, Grant Thornton, details of which were released in our AGM announcement in October 2011. We are confident this move will secure annual cost savings while providing a highly regarded independent assurance function for stakeholders.

Our cash position remains solid with \$7.18m in cash and cash equivalents at the 31 December 2011 (30 June 2011: \$10.27m; 31 December 2010: \$5.43m).

We continue to work with our clients to improve our trade credit procedures and during the period, renewed our Trade Credit Insurance for a further 12 months to the end of October 2012. Our trade receivables has reduced to \$18.36m (30 June 2011: \$28.56m; 31 December 2010: \$24.41m) and our net working capital (Current assets less current liabilities) has improved by 4.1% to \$3.36m.

There is no change to the \$6.00m Commercial Bill facility with the ANZ bank which is available for working capital purposes. There were no drawings on this facility at 31 December 2011 (30 June 2011 and 31 December 2010: Nil drawings).

Our 75% subsidiary Andrews Advertising Pty Ltd is continuing with legal proceedings against a former manager and director for their part in the demise of this once profitable entity. The Adcorp Board remains resolute in pursuing this matter to the full extent of the law. The consolidated results include legal fees expensed to date and we do not expect any material negative impact on the business as a result of this action being undertaken.

In terms of outlook, we feel that the market remains 'patchy' both geographically and by sector, though our diversification across both these facets is supporting our results and potentially limiting the exposure to the downturn that is being experienced by others in our sector.

We have a dedicated and energetic team that is being supported by new training initiatives, improved systems and additional investment in digital, creative and media services which puts us in a good position to take advantage of market opportunities as they arise.

We remain committed to providing the most appropriate return to shareholders, and accordingly, have declared an interim dividend of 1 cent per share, fully franked, to be paid out of profits for the six months to 31 December 2011.

Significant changes in the state of affairs

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

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.


Adcorp Australia Limited
Directors' report
31 December 2011

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 on the following page.

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

On behalf of the directors



David Morrison
Director and Chief Executive Officer



Bob Campbell
Chairman

28 February 2012
Sydney

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Adcorp Australia Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Adam-Smith
Partner – Audit & Assurance

Sydney, 28 February 2012

Adcorp Australia Limited
Financial report
For the half-year ended 31 December 2011

Contents

	Page
Financial report	
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	17
Independent auditor's review report to the members of Adcorp Australia Limited	18

General information

The financial report covers Adcorp Australia Limited as a consolidated entity consisting of Adcorp Australia Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Adcorp Australia Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

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 1
7 Kelly Street
Ultimo NSW 2007

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 report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 28 February 2012. The directors have the power to amend and reissue the financial report.

Adcorp Australia Limited
Statement of comprehensive income
For the half-year ended 31 December 2011

		Consolidated	
	Note	31 Dec 2011	31 Dec 2010
		\$'000	\$'000
Revenue	3	14,576	14,941
Expenses			
Client service expenses		(9,445)	(9,249)
Administrative expenses		(668)	(711)
Marketing expenses		(743)	(1,249)
Office and communication expenses		(2,529)	(2,551)
Finance costs	4	(3)	(78)
Impairment of property, plant and equipment		-	(5)
Profit before income tax expense		1,188	1,098
Income tax expense		(436)	(356)
Profit after income tax expense for the half-year		752	742
Other comprehensive income			
Foreign currency translation		35	(216)
Other comprehensive income for the half-year, net of tax		35	(216)
Total comprehensive income for the half-year		<u>787</u>	<u>526</u>
Profit for the half-year is attributable to:			
Non-controlling interest		(32)	(29)
Owners of Adcorp Australia Limited		784	771
		<u>752</u>	<u>742</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(32)	(29)
Owners of Adcorp Australia Limited		819	555
		<u>787</u>	<u>526</u>
		Cents	Cents
Basic earnings per share	10	1.29	1.27
Diluted earnings per share	10	1.29	1.27

The above statement of comprehensive income should be read in conjunction with the accompanying notes

Adcorp Australia Limited
Statement of financial position
As at 31 December 2011

	Consolidated	
Note	31 Dec 2011	30 Jun 2011
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	7,179	10,273
Trade and other receivables	5 18,358	28,557
Income tax refund due	740	65
Other	409	168
Total current assets	<u>26,686</u>	<u>39,063</u>
Non-current assets		
Property, plant and equipment	1,668	1,350
Intangibles	3,311	3,154
Deferred tax	904	1,283
Total non-current assets	<u>5,883</u>	<u>5,787</u>
Total assets	<u>32,569</u>	<u>44,850</u>
Liabilities		
Current liabilities		
Trade and other payables	6 22,060	34,519
Income tax	430	424
Provisions	841	898
Total current liabilities	<u>23,331</u>	<u>35,841</u>
Non-current liabilities		
Deferred tax	25	4
Provisions	651	623
Total non-current liabilities	<u>676</u>	<u>627</u>
Total liabilities	<u>24,007</u>	<u>36,468</u>
Net assets	<u>8,562</u>	<u>8,382</u>
Equity		
Contributed equity	28,894	28,894
Reserves	(433)	(468)
Accumulated losses	(19,795)	(19,972)
Equity attributable to the owners of Adcorp Australia Limited	8,666	8,454
Non-controlling interest	(104)	(72)
Total equity	<u>8,562</u>	<u>8,382</u>

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

Adcorp Australia Limited
Statement of changes in equity
For the half-year ended 31 December 2011

	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2010	28,894	(298)	(20,757)	50	7,889
Other comprehensive income for the half-year, net of tax	-	(216)	-	-	(216)
Profit/(loss) after income tax expense for the half-year	-	-	771	(29)	742
Total comprehensive income for the half-year	-	(216)	771	(29)	526
Balance at 31 December 2010	<u>28,894</u>	<u>(514)</u>	<u>(19,986)</u>	<u>21</u>	<u>8,415</u>
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
Consolidated					
Balance at 1 July 2011	28,894	(468)	(19,972)	(72)	8,382
Other comprehensive income for the half-year, net of tax	-	35	-	-	35
Profit/(loss) after income tax expense for the half-year	-	-	784	(32)	752
Total comprehensive income for the half-year	-	35	784	(32)	787
<i>Transactions with owners in their capacity as owners:</i>					
Dividends paid	-	-	(607)	-	(607)
Balance at 31 December 2011	<u>28,894</u>	<u>(433)</u>	<u>(19,795)</u>	<u>(104)</u>	<u>8,562</u>

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

Adcorp Australia Limited
Statement of cash flows
For the half-year ended 31 December 2011

	Consolidated	
Note	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	89,484	103,388
Payments to suppliers and employees (inclusive of GST)	<u>(92,042)</u>	<u>(108,013)</u>
	(2,558)	(4,625)
Interest received	138	157
Interest and other finance costs paid	(3)	(78)
Income taxes refunded	839	-
Income taxes paid	<u>-</u>	<u>(283)</u>
Net cash used in operating activities	<u>(1,584)</u>	<u>(4,829)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(632)	(405)
Payments for intangibles	(355)	(210)
Payments for security deposits	-	(11)
Proceeds from sale of property, plant and equipment	51	8
Proceeds from sale of intangibles	26	-
Proceeds from release of security deposits	<u>7</u>	<u>-</u>
Net cash used in investing activities	<u>(903)</u>	<u>(618)</u>
Cash flows from financing activities		
Dividends paid	7 <u>(607)</u>	<u>-</u>
Net cash used in financing activities	<u>(607)</u>	<u>-</u>
Net decrease in cash and cash equivalents	(3,094)	(5,447)
Cash and cash equivalents at the beginning of the financial half-year	<u>10,273</u>	<u>10,875</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>7,179</u></u>	<u><u>5,428</u></u>

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

Adcorp Australia Limited
Notes to the financial statements
31 December 2011

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2011 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. 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 124 Related Party Disclosures (December 2009)

The consolidated entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 2009-12 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2009-12 from 1 July 2011. These amendments make numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which had no major impact on the requirements of the amended pronouncements. The main amendment was to AASB 8 'Operating Segments' and required an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

AASB 2010-5 Amendments to Australian Accounting Standards

The consolidated entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

The consolidated entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amend disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. The amendments will increase the disclosure requirements on the consolidated entity when an asset is transferred but is not derecognised and new disclosure required when assets are derecognised but the consolidated entity continues to have a continuing exposure to the asset after the sale.

Note 1. Significant accounting policies (continued)

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project
The consolidated entity has applied AASB 2011-1 amendments from 1 July 2011. The amendments make changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The amendments remove certain guidance and definitions from Australian Accounting Standards for conformity of drafting with International Financial Reporting Standards but without any intention to change requirements.

Note 2. Operating segments

Identification of reportable operating segments

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

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

A further assessment is conducted based on the revenue and profit contribution by each segment to the consolidated entity's result. Segments identified as meeting any of the 3 thresholds below, have been separately reported:

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

Intersegment transactions

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

Corporate charges

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

Inter-entity sales

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

Intersegment loans

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

Income tax expense

Income tax expense is calculated based on the segment operating profit using a notional 30% rate (2010: 30%).

Major customers

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

Adcorp Australia Limited
Notes to the financial statements
31 December 2011

Note 2. Operating segments (continued)

Operating segment information

31 Dec 2011	Australia \$'000	New Zealand \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
Revenue				
Sales to external customers	13,016	1,357	-	14,373
Total sales revenue	13,016	1,357	-	14,373
Other income	184	19	-	203
Total revenue	13,200	1,376	-	14,576
Segment result	1,361	134	-	1,495
Depreciation and amortisation	(423)	(38)	-	(461)
Interest revenue	138	19	-	157
Finance costs	(3)	-	-	(3)
Profit before income tax expense	1,073	115	-	1,188
Income tax expense				(436)
Profit after income tax expense				752
Assets				
Segment assets	28,454	4,115	-	32,569
Total assets				32,569
Liabilities				
Segment liabilities	23,111	896	-	24,007
Total liabilities				24,007

Adcorp Australia Limited
Notes to the financial statements
31 December 2011

Note 2. Operating segments (continued)

	Australia \$'000	New Zealand \$'000	Intersegment eliminations/ unallocated \$'000	Consolidated \$'000
31 Dec 2010				
Revenue				
Sales to external customers	13,254	1,486	-	14,740
Total sales revenue	13,254	1,486	-	14,740
Other income	158	43	-	201
Total revenue	13,412	1,529	-	14,941
Segment result				
Depreciation and amortisation	1,118	257	-	1,375
Impairment of assets	(266)	(85)	-	(351)
Interest revenue	(5)	-	-	(5)
Finance costs	136	21	-	157
	(78)	-	-	(78)
Profit before income tax expense	905	193	-	1,098
Income tax expense				(356)
Profit after income tax expense				742
30 Jun 2011				
Assets				
Segment assets	38,853	4,584	130	43,567
<i>Unallocated assets:</i>				
Deferred tax asset				1,283
Total assets				44,850
Liabilities				
Segment liabilities	34,937	1,397	130	36,464
<i>Unallocated liabilities:</i>				
Deferred tax liability				4
Total liabilities				36,468

Note 3. Revenue

	Consolidated	
	31 Dec 2011 \$'000	31 Dec 2010 \$'000
<i>Sales revenue</i>		
Operating revenues	14,373	14,740
<i>Other revenue</i>		
Interest	157	157
Rent	46	44
	203	201
Revenue	14,576	14,941

Adcorp Australia Limited
Notes to the financial statements
31 December 2011

Note 4. Expenses

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Office equipment	111	76
Plant and equipment	198	85
	<u>309</u>	<u>161</u>
Total depreciation		
<i>Amortisation</i>		
Customer list	-	49
Software licences	152	141
	<u>152</u>	<u>190</u>
Total amortisation		
Total depreciation and amortisation	<u>461</u>	<u>351</u>
<i>Impairment</i>		
Office equipment	-	5
	<u>-</u>	<u>5</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	3	78
	<u>3</u>	<u>78</u>
<i>Net foreign exchange loss</i>		
Net foreign exchange loss	57	8
	<u>57</u>	<u>8</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	593	611
	<u>593</u>	<u>611</u>
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	8,852	8,641
	<u>8,852</u>	<u>8,641</u>

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2011	30 Jun 2011
	\$'000	\$'000
Trade receivables	18,881	28,043
Less: Provision for impairment of receivables	(523)	(510)
	<u>18,358</u>	<u>27,533</u>
Other receivables	-	1,024
	<u>-</u>	<u>1,024</u>
	<u>18,358</u>	<u>28,557</u>

Adcorp Australia Limited
Notes to the financial statements
31 December 2011

Note 6. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2011	30 Jun 2011
	\$'000	\$'000
Trade payables	18,304	27,304
Other payables	3,756	7,215
	<u>22,060</u>	<u>34,519</u>

Note 7. Equity - dividends

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Final dividend for the year ended 30 June 2011 of 1 cent per ordinary share paid on 28 September 2011 fully franked based on a tax rate of 30%	607	-
	<u>607</u>	<u>-</u>

Note 8. Contingent liabilities

	Consolidated	
	31 Dec 2011	30 Jun 2011
	\$'000	\$'000
Premises	1,276	1,276
	<u>1,276</u>	<u>1,276</u>

Note 9. Events after the reporting period

Legal action against a former director

Andrews Advertising, a 75% held subsidiary, is continuing with legal proceedings against a former director and former manager. The directors of Adcorp do not expect any negative impact on the group as a result of this action.

No other matter or circumstance has arisen since 31 December 2011 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Adcorp Australia Limited
Notes to the financial statements
31 December 2011

Note 10. Earnings per share

	Consolidated	
	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Profit after income tax	752	742
Non-controlling interest	32	29
	<u>784</u>	<u>771</u>
Profit after income tax attributable to the owners of Adcorp Australia Limited	<u>784</u>	<u>771</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>60,676,602</u>	<u>60,676,602</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>60,676,602</u>	<u>60,676,602</u>
	Cents	Cents
Basic earnings per share	1.29	1.27
Diluted earnings per share	1.29	1.27

Adcorp Australia Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



David Morrison
Director and Chief Executive Officer



Bob Campbell
Chairman

28 February 2012
Sydney

Grant Thornton Audit Pty Ltd
ACN 130 913 594

Level 17, 383 Kent Street
Sydney NSW 2000
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

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

We have reviewed the accompanying half-year financial report of Adcorp Australia Limited ("Company"), which comprises the consolidated financial statements being the consolidated statement of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Company, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the

auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adcorp Australia Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Adam-Smith
Partner - Audit & Assurance

Sydney, 28 February 2012