



**ADEFFECTIVE LIMITED
and Controlled Entities
ABN 93 085 545 973**

**ASX APPENDIX 4D - FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

**Lodged with ASX under Listing Rule 4.2A
This information should be read in conjunction with 30 June 2012
Annual report**

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2012

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ASX Announcement - Appendix 4D

HALF YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2012

Name of Entity	AdEffective Limited
Australian Business Number	93 085 545 973
Report for Half Year Ended:	31 December 2012
Previous corresponding Financial Year ended:	30 June 2012
And Half Year Ended:	31 December 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		\$
Revenues from ordinary activities	up	52.2	to	1,542,640
Profit from ordinary activities after tax attributable to members	up	100.3	to	4,635
Net profit for the period attributable to members	up	100.3	to	4,635
Dividends (distributions)	Amount per share		Franked amount per share	
Final dividend Interim dividend	Nil ¢		Nil ¢	
Previous corresponding period	Nil ¢		Nil ¢	
Record date for determining entitlements to the dividends	N/A			
Brief explanation of any of the figures reported above necessary to enable the figures to be understood:				
Revenue for the half-year ended 31 December 2012 was \$1,542,640, an increase of 52.2% over the previous corresponding period (2011: \$1,013,619).				
Net profit from continuing operations was \$4,635, an increase of 100.3% over the previous corresponding period (2011: net loss \$1,354,418).				
Net tangible asset backing per ordinary share at 31 December 2012 was 0.29 cents (2011: (0.80) cents).				
There was no gain or loss of control over any entities during the half-year ended 31 December 2012.				
The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.				

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2012

The Directors present their report together with the condensed financial report of the consolidated entity of AdEffective Limited and the entities it controlled for the half-year ended 31 December 2012 and independent auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*.

DIRECTORS

The names of the Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Andrew Plympton	Non-Executive Chairman
Damian London	Chief Executive Officer
Sophie Karzis	Non-Executive Director
Mark Gouloupoulos	Non-Executive Director (appointed on 1 November 2012)

REVIEW AND RESULTS OF OPERATIONS

The Group's results for the half-year ended 31 December 2012 were the strongest since its relisting in 2010, with a Net Profit of \$4,635 (first half of FY 2012 result was a loss of \$1,354,418).

The Group results reflect a considerable improvement in revenue generated from the Footar division. In comparison to the first half of FY2012, Footar revenues increased by \$551,488 to \$668,734. AdFeed revenues decreased from the previous corresponding period by \$22,017 to \$873,906.

The Company expects that revenue growth in the next six months will be generated mainly from the display advertising syndication and Footar ad unit syndication business. As previously announced, due to a number of challenges within the online search sector the Company does not expect significant growth from its AdFeed division in the short to medium term.

The Company recommenced display advertising syndication in late October 2012 and initial trials were positive, with average revenues meeting expectations. Display advertising is one of the most common forms of online advertising and display ad units can be located on web pages in many forms, including the commonly known "banner ad" format.

The Company continues to redevelop core components of its Footar and AdFeed Technology. Whilst the Company has suspended its white label development of this technology as a result of lower than expected revenues from its first venture in this area, further Footar technology development has provided the Company greater flexibility in the rollout of different Ad variations, and has provided significant cost savings in ad serving fees.

Forward Strategy

The Company remains committed to the provision and delivery of online advertising solutions to its growing list of publishing partners worldwide with steady revenue growth expected in the second half of FY2013. The Company will also continue to seek new publishing partners, advertising providers and intends to undertake further development of the Footar Ad Serving Platform.

The Company previously announced plans to expand the Footar offering and has now completed phase one redevelopment of the Footar Advertising Platform. Phase one involved bringing all external Footar ad serving requirements in house.

The change in ad serving provision for Footar provides greater flexibility for the rollout of different variations of the Footar ad unit providing greater flexibility in ad delivery.

Outlook

The Company remains cautiously optimistic about the outlook for AdEffective, and the Directors are encouraged by both the "break even" position and improvement in revenues for the first half of FY2013.

The Company's strategy continues to be the generation of organic growth of its Footer business by focusing its attention on signing up additional partners and clients for its range of Footer online advertising offerings, together with a proactive search for appropriate acquisition opportunities to diversify its current business offerings. The Company has recently completed a strategic review in relation to acquisition opportunities and will continue to keep the market updated as developments occur.

Financial performance

Revenue for the half-year ended 31 December 2012 was \$1,542,640, an increase of 52.2% over the previous corresponding period (2011: \$1,013,619).

Net profit from continuing operations was \$4,635, an increase of 100.3% over the previous corresponding period (2011: net loss \$1,354,418).

Financial position

The consolidated entity had net assets of \$610,984 as at 31 December 2012 (30 June 2012: \$593,492).

Cash flows

During the six months ended 31 December 2012, the consolidated entity generated net operating cash inflows of \$62,044 (2011: net outflows \$222,349). The consolidated entity had cash of \$416,043 as at 31 December 2012 (30 June 2012: \$353,999).

Auditor's Independence Declaration

The Auditor's Independence Declaration under section 307C of the Corporation Act 2001 is included on page 7 and forms part of AdEffective Limited's Directors' report for the period from 1 July 2012 to 31 December 2012.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.

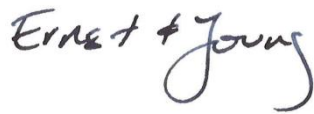


Andrew Plympton
Chairman

25 February 2013

Auditor's Independence Declaration to the Directors of AdEffective Limited

In relation to our review of the financial report of AdEffective Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm, written in a cursive script.

Ernst & Young

A handwritten signature of Ashley Butler, written in a cursive script.

Ashley Butler
Partner
25 February 2013

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Notes	Half Year to 31 Dec 2012 \$	Half Year to 31 Dec 2011 \$
Revenue			
Sales revenue		1,542,640	1,013,169
Finance revenue		4,884	965
		1,547,524	1,014,134
Direct costs		(909,959)	(639,442)
Gross profit		637,565	374,692
Employee benefits expense		(314,823)	(288,509)
Occupancy costs		(6,993)	(3,888)
Professional fees		(154,730)	(210,573)
Impairment expense		-	(789,789)
Depreciation and amortisation expenses		-	(77,971)
Other expenses		(141,637)	(296,974)
Performance rights issued (non-cash)	4	(12,857)	-
Finance costs		(1,890)	(61,406)
Profit/(Loss) before income tax		4,635	(1,354,418)
Income tax benefit/(expense)		-	-
Profit/(Loss) from continuing operations		4,635	(1,354,418)
Other Comprehensive Income		-	-
Total Comprehensive profit/(loss) for the period		4,635	(1,354,418)
Earnings per share from continuing operations (cents per share)			
- Basic earnings/(loss) per share		0.00	(1.36)
- Diluted earnings/(loss) per share		0.00	(1.36)

The accompanying notes form part of these financial statements.

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012

	Note	Consolidated 31 Dec 2012 \$	Consolidated 30 Jun 2012 \$
Current Assets			
Cash and cash equivalents		416,043	353,999
Trade and other receivables		695,949	946,821
Prepayments		3,600	-
Total Current Assets		1,115,592	1,300,820
Total Non-current Assets		-	-
Total Assets		1,115,592	1,300,820
Current Liabilities			
Trade and other payables		504,608	707,328
Total Current Liabilities		504,608	707,328
Total Liabilities		504,608	707,328
Net Assets		610,984	593,492
Equity			
Contributed equity		26,404,522	26,404,522
Reserves		36,857	24,000
Accumulated losses		(25,830,395)	(25,835,030)
Total Equity		610,984	593,492

The accompanying notes form part of these financial statements.

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Share Capital	Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2012	26,404,522	24,000	(25,835,030)	593,492
Profit for the year	-	-	4,635	4,635
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	4,635	4,635
Transactions with owners in their capacity as owners				
Performance rights issued	-	12,857	-	12,857
At 31 December 2012	26,404,522	36,857	(25,830,395)	610,984
At 1 July 2011	25,430,399	112,842	(24,714,262)	828,979
Loss for the year	-	-	(1,354,418)	(1,354,418)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(1,354,418)	(1,354,418)
Transactions with owners in their capacity as owners	-	-	-	-
At 31 December 2011	25,430,399	112,842	(26,068,680)	(525,439)

The accompanying notes form part of these financial statements.

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Half Year to 31 Dec 2012 \$	Half Year to 31 Dec 2011 \$
Cash Flows From Operating Activities		
Receipts from customers	1,972,864	1,184,068
Payments to suppliers and employees	(1,913,814)	(1,346,608)
Interest received	4,884	965
Borrowing costs	(1,890)	(60,774)
Net cash from / (used in) operating activities	62,044	(222,349)
Cash Flow From Investing Activities	-	-
Cash Flow From Financing Activities		
Proceeds from interest bearing loan	-	50,000
Proceeds from issue of convertible notes	-	436,521
Repayment of convertible notes	-	(224,241)
Net cash flows provided by financing activities	-	262,280
Net increase in cash and cash equivalents	62,044	39,931
Cash at beginning of period	353,999	135,023
Cash at end of period	416,043	174,954

The accompanying notes form part of these financial statements.

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

1. Basis of preparation of the half-year financial report

(a) Basis of preparation

This condensed half-year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

This half-year financial report does not include all the notes of the type usually included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2012 and any public announcements made by AdEffective Limited during the half-year ended 31 December 2012 in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

(b) Changes in accounting policy

The accounting policies and methods of computation are consistent with those of the most recent annual financial report.

(c) Going concern basis of accounting

The Group generated a marginal profit of \$4,635 (2011: loss of \$1,354,418) and net cash inflows from operations of \$62,044 (2011: outflows of \$222,349) for the half year ended 31 December 2012.

The directors are confident that the combination of careful management of overheads, the continuation of its revenue growth from the Footar Division and sustaining AdFeed Division, and the potential to raise capital should circumstances require, provides sufficient funds to meet ongoing capital requirements of the Group and the Company for the foreseeable future.

Whilst there is significant uncertainty, the directors consider it appropriate to prepare the accounts on a going concern basis as they are satisfied that based on the factors outlined, the Group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

Accordingly without funding from positive operating cash flows and ability to raise capital if required, there would be a material uncertainty as to whether the consolidated entity would be able to continue as a going concern and therefore whether it would be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts or classifications of liabilities that might be necessary should the Group not continue as a going concern.

2. Dividends

The Company does not intend to pay a dividend in respect of the period ended 31 December 2012 (2011: nil). The Company does not have any dividend or distribution reinvestment plans in operation.

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

3. Net tangible assets per share

Net tangible asset backing per ordinary share at 31 December 2012 was 0.29 cents (2011: (0.80) cents).

4. Performance rights issued

The Company granted 6,000,000 Performance Rights to Directors as an incentive to provide dedicated and ongoing commitment and effort to the Company. The performance rights were granted under the Notice of 2012 Annual General Meeting of the Company on 28 November 2012. The exercise price of the rights was zero cents. The rights vest if the Director is continuously employed until 30 June 2013 and the Company achieves its budgeted revenue and profit after tax for the year ending 30 June 2013. The rights lapse if the vesting conditions are not met and expire on 31 December 2013.

The Company expensed the grant-date fair value of the rights over the vesting period from 1 July 2012 to 30 June 2013. In view of the performance rights only vesting upon the achievement of the above-said performance conditions, management took into account the probability of achievement of the performance conditions in determining the expense.

The fair value of the performance rights granted at grant date was \$0.011 per the ASX daily closing price on the date of the AGM

The Company recognised the performance rights expense of \$12,857 during the six months ended December 31, 2012 in the income statement.

5. Details of entities over which control has been gained or lost during the period

Control gained over entities

During the half year ended 31 December 2012, the Company did not acquire any subsidiary entities.

Loss of control of entities

There was no disposal of subsidiary entities in the half-year ended 31 December 2012

6. Associates and joint venture entities

The Company did not have any interests in associates or joint venture entities during the period ended 31 December 2012 (2011: nil).

7. Subsequent events

Since 31 December 2012 to the date of this report there has been no event of which the Directors are aware which has had a material effect on the Company or its financial position.

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

8. Segment information

Identification of reportable segments

The Group has identified its operating segments based on the information used by management in assessing the performance of the Group, and determining investment requirements. The operating segments are based on the manner in which services are provided to a market.

The Group has two operating segments being the AdFeed, the syndication online advertising business and Footar, the premium ad unit.

Operating Segments

	31 December 2012			31 December 2011		
	AdFeed	Footar	Consolidated	AdFeed	Footar	Consolidated
	\$	\$		\$	\$	
Segment Revenue						
External Sales	873,906	668,734	1,542,640	895,923	117,246	1,013,169
Total segment revenue	873,906	668,734	1,542,640	895,923	117,246	1,013,169
Segment net profit/(loss) before tax	210,504	76,976	287,480	114,990	(141,105)	(26,115)
Reconciliation of segment result to group net profit						
Impairment of goodwill and intangibles	-	-	-	-	-	(789,789)
Amortisation and depreciation	-	-	-	-	-	(277,971)
Finance Cost	-	-	(1,890)	-	-	(61,406)
Corporate costs	-	-	(280,955)	-	-	(199,137)
Group net profit/(loss) before tax	-	-	4,635	-	-	(1,354,418)

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

In accordance with a resolution of Directors of AdEffective Limited, the Directors declare that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the financial position as at 31 December 2012 and of the performance for the half-year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the AdEffective Limited will be able to pay its debts as and when they become due and payable. This declaration is made in accordance with a resolution of the Directors.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the Board

A handwritten signature in black ink, appearing to read "Andrew Plympton".

Andrew Plympton
Chairman

25 February 2013

To the members of AdEffective Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AdEffective Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the 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 2012 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 AdEffective Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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 AdEffective 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 2012 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As indicated in Note 1 (c) to the interim financial statements, the consolidated entity's ability to continue as a going concern is dependent on the consolidated entity being successful in generating continued positive operating cashflows, and if required, its capacity to raise capital to fund the Company's operations and growth plans.

Accordingly without funding from positive operating cashflows and the ability to raise capital if required, there would be material uncertainty as to whether the consolidated entity would be able to continue as a going concern and therefore whether it would be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts or classifications of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



Ashley Butler
Partner
Melbourne
25 February 2013