ADEFFECTIVE LIMITED
(ASX: ABN)

ASX and Media Release

31 August 2011

- **Company Restructure Substantially Complete**
- **Results Reflect Restructuring Period**
- **Company well positioned to pursue future growth opportunities**

Restructure Substantially Complete

The Directors of AdEffective Limited (**AdEffective** or the **Company**) report that the evaluation and subsequent rationalisation of a number of areas within the business is now complete. Throughout the 2011 financial year, the Company has undertaken several key strategic steps which have resulted in:

- a substantial reduction in costs across the Company and its controlled entities (the **Group**);
- a strong refocus on the Company's traditional syndicated online advertising business AdFeed, together with its new product Footar; and
- the Company seeking divestment of a number of underperforming businesses within the digital music division.

Following the market testing of Footar and Yieldom over the last 6 months, the Board has determined that the Footar platform and the Company's traditional AdFeed business have the greatest potential for generating significant revenues for the Company in the short term and beyond. Accordingly these products have been assigned highest priority for resource deployment and market development.

Since Q2 FY2011, staff costs have been reduced from $383,000 to $220,000, with further reductions in Q1 2012. In total, employment benefits were reduced from $1.89 million in FY2010 to $1.05 million in FY2011. In addition, AdEffective's administration expenses were reduced from $1.08 million in FY2010 to $0.59 million in FY2011.

The current Board reviewed the Company's operations in its digital music, film and television and telecommunication sales sectors and determined that high levels of competition and decreasing margins within these sectors rendered such businesses to be of low commercial value to AdEffective. As a result, the Company is in the process of divesting of the assets of the businesses "Mp3.com.au", "TheScene" and "NiceShorts", and has effectively ceased operations in these sectors.

The Company has now exited both the marketing services agreement and Footar Representation agreement previously entered into with Excite Digital Media (the **Excite Agreements**). The Excite Agreements failed to deliver expected budgeted revenues and the Board decided that the Company would be able to achieve the same objectives by continuing to have the relevant services provided in-house.

The Company has now entered into a number of agreements with parties in the United States of America as part of the commercialisation of the Footar platform. One such agreement was entered into with Affinity Internet Inc., through its parent entity Hostway Corporation, under which the parties have agreed to conduct their business collaboration through a partnership instead of a joint venture as previously advised to the market. Another such agreement was entered into with the Rubicon Project Inc. The results of these arrangements are expected to yield attractive returns during the latter part of the current financial year.

Results

The Group's results for the year ended 30 June 2011 reflect the Group's focus on its core AdFeed business and the development of its Footar platform. Following its restructure, the Group is now well placed to execute its business development objectives.

Positioned for Growth - Outlook

Footar has been exceptionally well received globally by AdEffective's clients and partners, and has recently commenced commercial operations in the United States of America. AdEffective has recently established three significant collaborative partnerships with companies with the objectives of advancing the Footar platform. As a result of these partnerships, significant advertising inventory has been made available to the Company. It is expected that the combined total advertising inventory provided by these three partnerships will significantly improve earnings in AdEffective's Footar division over the next three months.

The Company's syndicated online advertising business AdFeed, which benefits from global partnership with Yahoo! Inc. in 16 countries across 4 continents, continues to be the Company's main source of revenue. AdFeed presents further opportunities to increase such revenues, particularly through further geographical expansion into North America and Europe.

AdEffective has implemented a program to significantly improve client online advertising revenue yields and to attract new partners to the Company's syndicated advertising feeds. As part of the process, a detailed analysis has been completed of all partners leading to the removal of partners with lower quality traffic. Although this will have an impact on revenue in the short term, it will allow the Company to explore additional opportunities with advertising suppliers such as Yahoo! Inc. moving forward into the future.

The Board continues to explore possible options for strategic growth through both acquisitions and collaborative partnerships. The Board is confident that such options, together with the restructuring activities that have been implemented over the past financial year, well positions the Company to achieve further growth of the successful AdFeed and Footar businesses, with the ultimate effect of enhancing shareholder value.

ADEFFECTIVE LIMITED
(formerly The Swish Group Limited)
ABN 93 085 545 973
AND CONTROLLED ENTITIES

Appendix 4E

Preliminary final report
For year ended 30 June 2011
provided to the ASX under Listing Rule 4.3a

Reporting Period

The current reporting period is 1 July 2010 to 30 June 2011
The previous corresponding reporting period is 1 July 2009 to 30 June 2010

Results for announcement to the market

		% Change		$
Revenues from ordinary activities	Up	142	to	2,132,559
(Loss)/profit from ordinary activities after tax attributable to members	Down	280	to	(1,073,638)
Net (loss)/profit attributable to members	Down	280	to	(1,073,638)

Dividends	Amount per share	Franked amount per share
Interim dividend	Nil ¢	Nil ¢
Final dividend	Nil ¢	Nil ¢

Record date for determining entitlements to the dividends	Not applicable

OPERATING AND FINANCIAL REVIEW

Group Overview and results

The Group's results for the year ended 30 June 2011 reflect revenues predominantly generated from the acquired AdFeed business in FY2010. No other divisions of the Company generated any significant revenues. Revenues increased by $1.25 million to $2.13 million in FY2011 due to a full year of financial results being recorded as opposed to only a partial year of results in FY2010.

AdEffective believes the development of the Footar platform and continuing global commercialisation of the platform will be significant in generating revenue in FY2012. The recent partnership established with the Rubicon Project Inc. provides global advertising coverage for all Footar partners.

There was a significant decline in Other Income generated in FY2011. No other significant revenues were recorded in any other divisions of the Company and the Company decided to cease its operations in the digital music, film and television and telecommunication sectors, all of which contributed to Other Income in FY2010.

Following its restructure, the Group is now well placed to execute its business development objectives and will remain focused on both its AdFeed and Footar divisions.

Financial Performance

Revenue for the year ended 30 June 2011 was $2,132,559 (2010: $879,466). Earnings before interest, tax, depreciation and amortisation and impairment (**EBITDA**) were a loss of $830,007 (2010: profit $1,218,681). The Group incurred a net loss of $1,073,638 in the year ended 30 June 2011 (2010: profit $597,234).

	Consolidated 2011	Consolidated 2010
Earnings per share		
Basic earnings/(loss) per share (cents)	**(0.02)**	0.01
Diluted earnings/(loss) per share (cents)	**(0.02)**	0.01

Financial position

The Group had net assets of $861,168 as at 30 June 2011 (2010: $1,896,002).

The Group had receivables of $513,345 as at 30 June 2011 (2010: $295,293).

The Group had $121,172 net book value of plant and equipment (2010: $156,330) and had $1,017,831 (2010: $1,142,218) intangible assets as at 30 June 2011.

The Group had payables of $594,806 at 30 June 2011 (2010: $523,791). The Group had a convertible note of $531,397 as at 30 June 2011 (2010: nil).

The Group had undrawn available facilities of $5,000,000 at the date of this report subject to the terms and conditions.

Cash flows

The Group incurred net operating cash outflows of $973,661 during the year ended 30 June 2011 (2010: net outflow $1,236,907). Net investing cash outflows were $nil in the year ended 30 June 2011 (2010: net outflow $nil).

Net financing cash inflows were $532,732 in the year ended 30 June 2011, (2010: net inflow $1,804,274). During the financial year the Group took out new convertible notes of $531,397.

There was a cash balance at 30 June 2011 of $135,023 (2010: $575,952).

Results of segments

The Group's has only one operating segment being the internet search and advertising business. As part of a reconstruction, the focus of the main activity of the Group is derivation of income through search advertising in the digital media sector. All other segments have been discontinued.

NET TANGIBLE ASSET BACKING PER SHARE

Net tangible asset backing per ordinary share at 30 June 2011 was 0.0 cents (2010: 0.0 cents).

STATUS OF AUDIT

The financial report is currently in the process of being audited. It is likely that the audited accounts will contain an emphasis of matter in relation to inherent uncertainty regarding going concern (refer Note 1). This was also disclosed in the prior year's independent audit report.

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	Consolidated
		2011	**2010**
		$	$
Continuing operations			
Revenue			
Sales revenue		2,132,559	879,466
Other income		6,055	3,965,802
		2,138,614	4,845,268
Direct costs		(1,321,464)	(659,864)
Gross profit		**817,150**	**4,185,404**
Employee benefits expense		(1,053,857)	(1,889,583)
Administrative expenses		(593,300)	(1,077,140)
Depreciation and amortisation expenses		(209,545)	(36,001)
Impairment expenses		-	(453,928)
Finance costs		(34,086)	(32,661)
Profit/(loss) before income tax		**(1,073,638)**	**696,091**
Income tax expense		-	-
Net profit/(loss) from continuing operations after income tax		**(1,073,638)**	**696,091**
Discontinued operations			
Loss from discontinued operations after income tax		-	(98,857)
Net profit/(loss) for the year		**(1,073,638)**	**597,234**
Other Comprehensive Income for the period, net of tax		-	-
Total Comprehensive income/(loss) for the year		**(1,073,638)**	597,234
Profit/(loss) per share from continuing operations (cents per share)			
- Basic loss per share	3	(0.02)	0.01
- Diluted loss per share	3	(0.02)	0.01
Loss per share from discontinued operations (cents per share)			
- Basic loss per share	3	-	0.0
- Diluted loss per share	3	-	0.0

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	**Consolidated 2011 $**	Consolidated 2010 $
CURRENT ASSETS			
Cash and cash equivalents		135,023	575,952
Trade and other receivables		513,345	295,293
Pre-payments		50,000	50,000
TOTAL CURRENT ASSETS		698,368	921,245
NON-CURRENT ASSETS			
Prepayments		150,000	200,000
Plant and equipment		121,172	156,330
Goodwill and intangible assets	7	1,017,831	1,142,218
TOTAL NON-CURRENT ASSETS		1,289,003	1,498,548
TOTAL ASSETS		1,987,371	2,419,793
CURRENT LIABILITIES			
Trade and other payables		594,806	523,791
Convertible Notes		531,397	-
TOTAL CURRENT LIABILITIES		1,126,203	523,791
TOTAL LIABILITIES		1,126,203	523,791
NET ASSETS		861,168	1,896,002
EQUITY			
Contributed equity		25,430,399	25,392,930
Reserves		112,842	111,507
Accumulated losses		(24,682,073)	(23,608,435)
TOTAL EQUITY		861,168	1,896,002

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Share Capital $	Reserves $	Accumulated Losses $	Total Equity $
At 1 July 2010	25,392,930	111,507	(23,608,435)	1,896,002
Loss for the year	-	-	(1,073,638)	(1,073,638)
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**-**	**(1,073,638)**	**(1,073,638)**
Transactions with owners in their capacity as owners				
Share based payments	37,469	16,335	-	53,804
Transaction costs		(15,000)	-	(15,000)
At 30 June 2011	**25,430,399**	**112,842**	**(24,682,073)**	**861,168**
At 1 July 2009	21,842,309	57,485	(24,205,669)	(2,305,875)
Profit for the year	-	-	597,234	597,234
Other comprehensive income	-	-	-	-
Total comprehensive income	-	**-**	**597,234**	**597,234**
Transactions with owners in their capacity as owners				
Share based payments	-	54,022	-	54,022
Shares issued	3,638,330	-	-	3,638,330
Transaction costs	(87,709)	-	-	(87,709)
At 30 June 2010	**25,392,930**	**111,507**	**(23,698,435)**	**1,896,002**

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Receipts from customers		2,102,655	775,533
Payments to suppliers and employees		(3,048,286)	(2,009,779)
Interest received		6,055	4,191
Borrowing costs		(34,085)	(2,661)
Net cash used in operating activities		(973,661)	(1,236,907)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	-
Payment for plant and equipment		-	-
Purchase of businesses		-	-
Net cash used in investing activities		-	-
Cash flows from financing activities			
Proceeds from share and option issues		1,335	1,750,000
Proceeds from borrowings and convertible notes		531,397	306,538
Repayment of borrowings and convertible notes		-	-
Payment to administrator		-	(450,000)
Prepaid facility fees		-	250,000
Capital raising costs		-	(2,264)
Net cash provided by financing activities		532,732	1,804,274
Net increase/ (decrease) in cash and cash equivalents		(440,929)	567,367
Cash and cash equivalents at beginning of financial year		575,952	8,585
Cash and cash equivalents at end of financial year		135,023	575,952

1. BASIS OF PREPARATION

Going concern basis of accounting

Notwithstanding the loss for the year ended of $1,073,638 and net cash outflows used in operations of $973,661 for the year ended 30 June 2011, the financial report has been prepared on a going concern basis. The directors are confident that the combination of careful management of overheads, the continuation of its revenue growth from the online search advertising operations, and the potential to raise capital should circumstances require, will provide 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 consolidated entity not continue as a going concern.

2. DIVIDENDS

The Group does not intend to pay a dividend in respect of the year ended 30 June 2011 (2010: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

3. EARNINGS PER SHARE AND THE NATURE OF ANY DILUTION ASPECTS

Basic earnings/(loss) per share: (0.02) cents (2010: 0.0 cents)

Net loss: $1,073,638 (2010: Net profit $597,234)

Weighted average number of shares used in calculating basic earnings per share: 4,942,176,125 (2010: 4,922,004,599)

Diluted earnings/(loss) per share: (0.02) cents (2010: 0.0 cents)

Weighted average number of shares used in calculating diluted earnings per share: 5,155,093,933 (2010: 4,922,004,599)

As the consolidated entity has made a loss in the current year, the impact of options is anti-dilutive, and as such has not been included in the calculation of diluted EPS.

4. DETAILS OF ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE YEAR

Control gained over entities

During the year ended 30 June 2011, the Group did not acquire any subsidiary entities.

Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2011.

5. ASSOCIATES AND JOINT VENTURE ENTITIES

The Group did not have any interests in associates or joint venture entities during the year ended 30 June 2011 (2010: nil).

6. BUSINESS COMBINATION

The fair value of the identifiable assets of Planet W Pty Ltd has been reviewed after 12 months post acquisition, dated 30 April 2010, for any necessary fair value adjustment to goodwill arising on acquisition. The purchase of Planet W comprised identifiable assets and goodwill and there were no liabilities identified in the purchase. As a result of the review, intangible assets have been identified as customer contracts and goodwill.

The adjusted fair value of the identifiable assets of Planet W Pty Ltd has been restated at the date of acquisition as below:

	Fair Value $	Provisional $
Fair value of identifiable assets	158,051	
Contracts acquired through acquisition	373,160	
Gain/(loss) arising on acquisition	789,789	1,507,216
	1,321,000	1,507,216
Acquisition-date fair value of consideration transferred:		
Cash paid	-	-
Earn out agreement	121,000	211,000
Consideration transferred	1,200,000	1,296,216
	1,321,000	1,507,216

7. INTANGIBLE ASSETS

	30 June 2011	30 June 2010 Restated	Adjustment	30 June 2010
	$	$	$	$
Carrying values				
Goodwill	789,789	789,789	(717,427)	1,507,216
Intangible assets	373,160	373,160	373,160	-
Accumulated amortisation	(145,118)	(20,731)	(20,731)	-
	1,017,831	1,142,218	(364,998)	1,507,216

At 30 June 2011, the Group assessed that the recoverable amount of goodwill and contracts acquired on acquisition, and determined based on value-in-use assessment and discounted forecast future cash flows, no write down of the carrying amount of goodwill was necessary.

The recoverable amount of the goodwill has been determined based on value in use basis, using cash flow projections for a five year period, based on a financial budget prepared by senior management for Year 1 and financial projections for a further four year period, The discount rate applied to the cash flow projections was 15% (2010:15%) with an expected growth rate of 3% for Years 2-5.

With the assessment of the recoverable amount, the management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

8. SUBSEQUENT EVENTS

No matter or circumstance has occurred or been identified since 30 June 2011 to the date of this report, that has significantly affected, or may significantly affect the Group's continuing business operations.

9. SEGMENT REPORTING

Disclosures are not provided because they are consistent with the financial statements and there is only one operating segment.

Andrew Plympton
Non-Executive Chairman

Melbourne
31 August 2011