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

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2011

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LETTER FROM THE CHAIRMAN

Dear Shareholder,

The Year in Review

I enclose the Annual Report for AdEffective Limited and its controlled entities (the Group) for the financial year ended 30 June 2011.

During the year, the Group's main focus was on completing the reconstruction of the business around online advertising (which was completed with the name change to AdEffective in December 2010) and the evaluation and subsequent rationalisation of a number of areas within the business.

Throughout the 2011 financial year, the Group settled outstanding debts, and also undertook several initiatives that resulted in a significant decrease in operating costs. In addition, the Company developed and subsequently launched new online advertising platforms created to provide better yields to advertisers and publishers.

The Group's sales revenue from online advertising continued to grow during the year, increasing 8.5% from July 2010 to 30 June 2011.

Directors remain confident that the Company will achieve a sustainable profitable position on a month-by-month basis shortly.

Forward Strategy

AdEffective is an online advertising business focusing on the distribution of search advertising to publishers and publisher networks and more recently, on the design and development of innovative new platforms and technologies in the online advertising space to help improve advertiser returns and generate more revenue for its publisher partners.

The delivery of online advertising is a rapidly maturing industry with innovation largely happening at the technology layer, resources and funds in the planning, design and development of new online advertising platforms.

The first of these, Footar was launched December 2010.

Footar, is a fully customisable "digital" search, content and advertising delivery platform which is fixed to the base of a web browser on any web site delivering online advertising. It supports text ads; search, rich media, display, video or a combination of these and while only recently launched, it is already live on hundreds of web sites (and counting).

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. The results of these arrangements are expected to yield attractive returns during the latter part of the 2011/2012.

Outlook

The Directors remain cautiously optimistic about the outlook for AdEffective.

Footar has been exceptionally well received by AdEffective's clients and partners, and has recently commenced commercial operations in the United States of America. Revenue from AdEffective's Footar division is expected to commence making a positive contribution to the Group in the next three months.

The Company's syndicated online advertising business AdFeed, which benefits from a 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 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.

In light of the above, the Company is confident that it will meet its current and future financial obligations as and when they fall due whilst generating future cash flows.

The Directors believe the Company is well placed to leverage a number of opportunities and look forward to being in a position to provide shareholders with further updates on the Company's progress shortly.

Andrew Plympton
Non-Executive Chairman

Melbourne, 29 September 2011

CORPORATE INFORMATION

DIRECTORS

Andrew Plympton	Non-Executive Chairman
Damian London	Executive Director, Chief Executive Officer
Barry Green	Executive Director

COMPANY SECRETARY

Sophie Karzis (Appointed 26 October 2010)
Cary Stynes (Resigned 26 October 2010)

REGISTERED OFFICE

Level 3
1 Collins Street
Melbourne Victoria 3000

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

LAWYERS

HWL Ebsworth
Level 26, 530 Collins Street
Melbourne Victoria 3000

BANKERS

Westpac
360 Collins Street
Melbourne Victoria 3000

SHARE REGISTRY

Computershare Registry Services
GPO Box 242
Melbourne Victoria 3001
Tel: 1300 137 328

EXCHANGE LISTING

AdEffective Limited's ordinary shares are quoted on the Australian Securities Exchange Limited.
(ASX: ABN)

STATE OF INCORPORATION

Victoria

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity consisting of AdEffective Limited and its controlled entities ("The Group"), for the financial year ended 30 June 2011 and independent auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a Director of AdEffective Limited, together with details of the Company Secretary, 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.

Names, qualifications, experience and special responsibilities

Name	Particulars
Mr. Andrew Plympton	**Non Executive Chairman** Mr Plympton joined the Company in February 2010 and brings to the role a wealth of experience in a diverse range of commercial and sporting activities. In the financial services sector, Mr Plympton has been either the managing director and/or executive chairman of a number of International insurance brokers, underwriting agencies and captive insurance managers. In addition, Mr Plympton has served as chairman of a specialist aviation underwriting company and chairman of a high profile captive insurance operation. In the public company sector, Andrew is the chairman of Beyond Sportswear International Limited, Entellect Limited and is a director of Newsat Limited. In the private company arena, he is also director of the New Zealand company Energy Mad Limited. He is also a Commissioner of the Australian Sports Commission and is a director of The Australian Olympic Foundation. During the last three years, Mr Plympton has not served as a director of any other listed companies.
Mr. Damian London	**Executive Director and Chief Executive Officer** **Appointed on 17 May 2011** Mr. London co-founded Planet W in 2007 and brings with him over 15 years' experience in management, software and web development, search engine marketing and online advertising. In 2004 he co-founded Ansearch (later to become Ansearch Ltd) and spent 3 years as Chief Technology Officer and Group Search and Information Technology Manager, during which time he was responsible for the Search Divisions overall business activities including marketing, technology, business development and innovation. Mr. London has a particularly strong technical background in the online search and marketing area and has also co-founded a number of online advertising and marketing companies in the last four years including PlanetW, Project Search and Hot Shot Media. During the last three years, Mr London has not served as a director of any other listed companies.
Mr. Barry Green	**Executive Director** **Appointed 17 May 2011** Barry Green, based in the San Francisco Bay Area is the head of Business Development for AdEffective Ltd. He was President at Barry Green & Associates, an internet consultancy, from March 1996 until August 1998. He was Western Regional Manager at Media Space Solutions from September 1998 until August 1999 and Sales Director Western Region at Northern Light search engine from September 1999 until January 2002. He subsequently joined Submitnet as VP Sales & Business Development in Feb 2002 and then became Vice President, Business Development at ExactSeek.com and Jayde Online Network in October 2004. In conjunction he was also Vice President of the ISEDN.org, starting in June 2005. He was also Co-Founder of Online Media Ventures LLC from August 2007. He joined the Ad Effective as Senior Vice President Business Development in 2010 and was appointed to the AdEffective Board in May 2011. During the last three years, Mr Green has not served as a director of any other listed companies.

Mr. Dean Jones

Dean Jones was appointed as Managing Director of the Company on 17 December 2009 and resigned on 17 May 2011.

Mr. Jones brings with him over 20 years experience in marketing and web based businesses having built a number of profitable businesses in the media and technology areas during that period. He co-founded Ansearch Pty Ltd in 2004, a company that was ultimately listed on the ASX and at its peak had a market capitalization of over $50m when he stepped down as Chief Executive Officer. Since leaving Ansearch, Mr. Jones has worked on developing a range of internet projects as well as some of the components of the Planet W business. Mr. Jones has particular expertise in marketing and the strategic development of early stage businesses in the information technology field.

Mr. Cary Peter Stynes

Cary Peter Stynes was appointed as Executive Director of the Company on 14 January 2003 and resigned on 26 October 2010.

Mr. Stynes spent six years in senior financial and management roles for a number of international hotel organisations. He spent five years as a commercial lawyer with international law firm Minter Ellison specialising in commercial litigation, insolvency, media, tourism, mergers and acquisition and corporate advisory work. In 1993 he co-founded Point of Sale Media Pty Ltd, which was subsequently acquired in 1995 by ASX-listed Media Entertainment Group Limited. He was appointed to the board of Media Entertainment Group Limited in 1995 and was Managing Director from 1997 to 1999. He is a former Managing Director of ASX-listed Software Communication Group Limited from 2000 to 2001 and CBD Energy Limited from 2002 to 2003. He was Managing Director of The Swish Group Limited from 2003 to 2009. Mr. Stynes is also a former Non Executive Director of ASX-listed Traffic Technologies Limited and MCM Entertainment Limited and is a director of a range of private companies.

Ms Sophie Karzis

Company Secretary
Appointed on 26 October 201
B. Juris. LLB.

Ms Karzis is a practising lawyer with over 10 years' experience in corporate law. She is company secretary and general counsel to a number of public (listed and unlisted) and private companies and is the principal of Corporate Counsel, a business which provides corporate and company secretarial services to Australian companies.

Directors' Meetings

The number of meetings of the Board of Directors held during the financial year and the numbers of meetings attended by each Director (while they were a Director) were as follows:

Director	Eligible to Attend	Attended
Mr. Andrew Plympton	9	9
Mr. Damian London	9	9
Mr. Barry Green	1	1
Mr. Dean Jones	8	8
Mr. Cary Stynes	3	3

Board Committees

During the financial year and as at the date of this report, the Group did not have separately established nomination, audit or remuneration committees (refer Corporate Governance Statement below).

Directors' Interests in Shares and Options of the Group

As at the date of this report, the relevant interests of the Directors in the shares and options of the Group were:

Director	Fully Paid Ordinary Shares	Options
Mr. Andrew Plympton	Nil	30,000,000
Mr. Damian London (1)	1,250,000,000**	50,000,000
Mr. Barry Green	11,350,000	Nil

1. Includes shares held by Planet W Pty Ltd in which the director holds approximately a 25% interest. In addition the director holds shares and options individually and through his director related entity.

** *Shares held in escrow until 30 April 2012.*

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in note 26 to the consolidated financial statements.

EARNINGS PER SHARE

	Cents
Basic earnings per share	(0.02)
Diluted earnings per share	(0.02)

DIVIDENDS, PAID, RECOMMENDED AND DECLARED

No dividends were paid, declared or recommended since the start of the financial year ended 30 June 2011.

CORPORATE INFORMATION

Corporate structure

AdEffective Limited is a company limited by shares that is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (ASX). AdEffective Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year ending 30 June 2011. The Company's subsidiary entity is set out in note 27 to the consolidated financial statements.

Nature of operations and principal activities

The Group's principal activities in the course of the financial year were in the area of online Internet search. There has been no significant change in the nature of these activities during the financial year.

Employees

The Group employed no employees as at 30 June 2011 (2010: Nil employees). The Group had consulting agreements with 5 contractors at 30 June 2011 (2010: 8 contractors) who performed the primary activities of the Group at 30 June 2011.

OPERATING AND FINANCIAL REVIEW

Group overview

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 $2.13million in FY2011 due to a full year of financial results being recorded as opposed to only a partial year of results in FY2010.

The Directors of AdEffective are of the view that the development of the 'Footar' platform and its continual global commercialisation will be key in generating increasing revenue over the current financial year. The recent strategic commercial partnerships entered into with a number of businesses in the U.S.A. are expected to provide global advertising coverage for all 'Footar' partners and result in growing revenue for the Group.

There was a significant decline in other income generated in FY 2011. No other significant revenues were recorded in any other divisions of the Company and the Directors, after undertaking a strategic review of all sections of the business, determined to cease 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 the AdFeed and Footar divisions.

Review of operations

During the year, the Group continued to engage in the online Internet search and advertising business. The Group is proposing to further develop that business both in Australia and internationally.

Results

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**) was a loss of $862,196 (2010: profit $1,218,681). The Group incurred a net loss of $1,105,827 in the year ended 30 June 2011 (2010: profit $597,234).

Group Performance over the five-year period

	2011	**2010***	**2009**	**2008**	**2007**
Basic earnings per share (cents)	(0.02)	0.01	(0.5)	(0.3)	(0.5)

** Change of business structure and ownership.*

Financial position

The Group had net assets of $828,979 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 $626,995 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 as set out in Note 10.

Cash flows

The Group incurred net operating cash outflows of $973,661 during the year ended 30 June 2011 (2010: net outflow $1,286,907). 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 $1,854,274. During the financial year the Group issued new convertible notes of $531,397.

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

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial years has been made, in part, in the Chairman's Letter of this Annual Report. Any further such disclosure and the expected results of those operations are likely to result in unreasonable prejudice to the Group and has accordingly not been disclosed in this report.

RISK MANAGEMENT

The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 20 December 2010 and 14 January 2011, the Group issued unsecured convertible notes of $300,000 and $200,000 respectively to raise funds for the ongoing working capital requirements of the business.

AFTER BALANCE DATE 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.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

SHARE OPTIONS

A total of 50,000,000 options were issued during the financial year, and no options have been issued since 30 June 2011. No options have been exercised during the financial year ended 30 June 2011 and until the date of this report. 106,000,000 options lapsed during the financial year. As at the date of this report, there were 130,000,000 options outstanding. Refer to note 26 of the financial statements and the Remuneration Report for further details of options outstanding.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

No indemnities have been given or insurance premiums paid during or since the end of the financial year for any Directors, officers or auditors of the Group.

PROCEEDINGS ON BEHALF OF THE CONSOLIDATED ENTITY

No person has applied for leave of Court to bring proceedings on behalf of the Group.

REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for Directors and executives of the Group.

Remuneration policy
The performance of the Group depends upon the quality of its Directors and executives. To be successful, the Group must attract, motivate and retain highly skilled Directors and executives. To this end, the Group seeks to provide competitive rewards to attract high calibre executives. The Board of Directors is responsible for determining and reviewing remuneration arrangements for the Directors, the Managing Director and the executive team. The Board of Directors assesses the appropriateness of the nature and amount of remuneration 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.

Hedging of equity awards
The Group has a policy in place to prohibit Directors and executives from entering into arrangements to protect the value of unvested options.

Remuneration committee
In view of the size of the Group, the Group does not have a separately established remuneration committee.

Remuneration structure
In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

Executive Director and senior manager remuneration
Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for the Group and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and

REMUNERATION REPORT (Audited) (Continued)

- Ensure total remuneration is competitive by market standards.

Structure
Currently remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. The Group's remuneration policy was not directly related to Group performance during the FY11 year due to the fact that the Company arranged these remuneration packages when coming out of administration and prior to its shares being requoted on the ASX; at that point in time, the Board of Directors took the view that the business was at an early stage and the key rationale of issuing share options was to serve as a retention incentive. For the financial year ending 30 June 2012, the Directors have put in place remuneration packages with key executives that are dependent on performance conditions being met; these will be appropriately disclosed in the relevant reporting periods in the future. The Group paid bonuses during the financial year ended 30 June 2011. Further details of the remuneration of the Directors and Key Management Personnel are provided in note 26 to the consolidated financial statements.

Share options
All Directors, employees, and consultants, have the opportunity to qualify for participation in the Group Share Option Plan. The issue of options under this plan is at the discretion of the Board and is not currently based on Company performance. Options are used by the Group as a non-cash form of remuneration and have the objective of aligning employee interests with the objective of increasing shareholder wealth. Any issue of options under the plan to Directors is subject to shareholder approval. 50,000,000 options were granted as part of Directors' remuneration during the year ended 30 June 2011 (2010: 180,000,000). Details regarding the issue of share options under the Group Share Option Plan to Directors during the year are provided in note 17 to the consolidated financial statements. No options were issued to executives or staff during the year ended 30 June 2011 (2010: nil).

Employment contracts
The CEO has formal service agreements with the Group.

The Company has entered into a service contract with DL Consulting Group Pty Ltd ACN 127 541 011 under which DL Consulting Group Pty Ltd is obliged to provide the services of Mr Damian London to the Company to perform the functions of the Chief Executive Officer. Under this Contract, either party can terminate the arrangement at any time by giving to the other notice in writing for a period of not less than three (3) months or in the case of the Company by providing an equivalent payment in lieu of such notice. The amount of the fees payable under the Contract is $6,000.00 per month plus GST (but inclusive of any superannuation if applicable) until 30 September 2011 and $12,500.00 per month plus GST (but inclusive of any superannuation if applicable) from 1 October 2011 until further review or the termination of this Agreement. In addition, a performance bonus is set on an annual basis. This is as determined by the Board for a combination of achievement of net profit after tax and achievement of personal KPIs as approved by the Board. The incentive is subject to specific annual agreement between the parties so as to reflect relevant circumstances at the time. No bonus was payable to the CEO for the 2011 financial year.

The Company has entered into a service contract with Barry Green under which Mr Green is obliged to perform the functions of Senior Vice President Business Development. Under this Contract, the Company can terminate the arrangement at any time by giving to Mr Green notice in writing for a period of not less than one (1) months and providing a payment equivalent to three months' salary. The amount of the fees payable under the Contract is US$12,000.00 per month. In addition, health insurance payments are made on Mr Green's behalf and he is entitled to receive commissions on revenues received by the Company as a result of his services. In addition, a performance bonus is set on an annual basis. This is as determined by the Board for a combination of achievement of net profit after tax and achievement of personal KPIs as approved by the Board. The incentive is subject to specific annual agreement between the parties so as to reflect relevant circumstances at the time. A bonus of $32,189 was payable to Barry Green as at 30 June 2011.

Other staff and contractors are employed on contracts which are generally terminable on either party giving one month's written notice.

Non-Executive Director Remuneration
The Group's constitution provides that the total amount of remuneration provided to all non-executive Directors must not exceed $200,000.

Director's remuneration

Details of the nature and amount of each element of the emoluments of each Director of the Group for the financial year ended 30 June 2011 are as follows:

Name	Short Term Benefits			Post Employment	Equity					
	Salary & Fees $	Bonus $	Director's Fees $	Super-annuation Contri-butions $	Number of Shares Granted No.	Value of Shares Granted $	Number of Options Granted No.	Value of Options Granted $	Percentage of options value that represent remu-neration %	Total $
2011										
Mr. Andrew Plympton Non Executive Chairman	-	-	$24,000	$2,160	-	-	-	-	-	$26,160
Mr. Damian London Exec Director, CEO	$64,462	-	-	$6,096	-	-	-	-	-	$70,558
Mr Barry Green Exec Director	$179,442	$32,189	-	-	-	-	-	-	-	$211,631
Mr. Dean Jones Managing* Director	$197,940	-	-	$14,105	-	-	-	-	-	$212,045
Mr. Cary Stynes Exec Director *	$153,083	-	-	$9,282	37,468,738	$37,468	50,000,000	$16,335	20	$216,168
Total	$594,927	$32,189	$24,000	$31,643	37,468,738	$37,468	50,000,000	$16,335	-	$736,562

* *Resigned during the year.*

Name	Short Term Benefits		Post Employment	Equity					
	Salary & Fees $	Director's Fees $	Super-annuation Contri-butions $	Number of Shares Granted No.	Value of Shares Granted $	Number of Options Granted No.	Value of Options Granted $	Percentage of options value that represent remu-neration %	Total $
2010									
Mr. Andrew Plympton Non Executive Chairman	-	$8,000	-	-	-	30,000,000	$8,713	52	$16,713
Mr. Dean Jones Managing Director	$144,134	-	$14,255	-	-	50,000,000	$14,522	8	$172,911
Mr. Cary Peter Stynes Exec Director*	$189,967	-	$14,255	193,329,987	$193,330	50,000,000	$14,522	8	$412,074
Mr. Damian London Exec Director	$68,750	-	$6,187	-	-	50,000,000	$14,522	16	$89,459
Mr. Gary Mackenzie Exec Director *	$22,000	-	-	-	-	-	-	-	$22,000
Mr. Stephen Layton Non Executive *	-	$6,000	-	-	-	-	-	-	$6,000
Mr. William Graham Non Executive *	-	$6,000	-	-	-	-	-	-	$6,000
Total	$424,851	$20,000	$34,697	193,329,987	$193,330	180,000,000	$52,279	-	$725,157

* *Resigned during the year.*

Executives

Details of the nature and amount of each element of the emoluments of each Key Management Personnel of the Group for the financial year ended 30 June 2011 were as follows:

Name	Short Term Benefits Salary & Fees $	Post Employment Superannuation Contributions $	Equity Number of Options Granted No.	Equity Value of Options Granted $	Total $
2011					
Ms Sophie Karzis, Co Secretary	45,500	-	-	-	45,500
Total	45.500	-	-	-	45.500

Name	Short Term Benefits Salary & Fees $	Post Employment Superannuation Contributions $	Equity Number of Options Granted No.	Equity Value of Options Granted $	Total $
2010					
Mr. Peter Crafter, Financial Consultant	$24,000	-	-	-	$24,000
Total	$24,000	-	-	-	$24,000

Shares

On 20 December 2010, the Company issued 37,468,738 fully paid ordinary shares to Cary Peter Stynes pursuant to a resolution passed by the Company's shareholders on 8 December 2010. The shares were issued to Mr Stynes at nil consideration and with a deemed issue price of $0.001 in connection with his resignation as Director.

Options

50,000,000 options were granted as part of Directors' remuneration during the year ended 30 June 2011 (2010: 180,000,000). The options were granted on 20 December 2010 and each options has an exercise price of $0.002 and is exercisable at any time until 20 December 2015.

No other options were issued to executives or staff during the year ended 30 June 2011 (2010: nil).

Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. 106,000,000 options of $212,000 previously granted as remuneration lapsed during the year. No options previously granted as remuneration were exercised during the year.

The purpose of prior period option issues to executives was to incentivise executives. None of the options are subject to any performance conditions. Options vested on the date they were granted.

Fair value of options

In the 2011 financial year 50,000,000 options were issued to the directors (2010: 180,000,000). The fair value of each option has been estimated at the date of grant using the Binomial option-pricing model with the following weighted average assumptions used:

	2011	2010
Dividend yield	Nil	Nil
Expected volatility	50%	50%
Risk-free interest rate	4.25%	4.25%
Expected life of option	3.75 years	5 years

The dividend yield reflects the assumption that no dividends will be paid by the Group for the foreseeable future. The expected life of the options is based on the term of the options and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. All options issued to date have vested. Refer to note 17 of the financial statements for further details.

TAX CONSOLIDATION

The Company and its subsidiaries have not as at the date of this report elected to form a tax consolidated group.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of an auditor's independence declaration in relation to the audit for the financial year is provided with this report.

NON-AUDIT SERVICES

The auditor, Ernst & Young, did not provide any non-audit services to the Group during the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors.

Andrew Plympton
Non-Executive Chairman

Melbourne
29 September 2011

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Auditor's Independence Declaration to the Directors of AdEffective Limited

In relation to our audit of the financial report of AdEffective Limited for the financial year ended 30 June 2011, 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.

Ernst & Young

Robert J Dalton
Partner
29 September 2011

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of AdEffective Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board of Directors has implemented the Best Practice Recommendations of the ASX Corporate Governance Council to the extent appropriate for the size and nature of the Group's business as described below. References contained in this Corporate Governance Statement are to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" 2nd Edition. The Corporate Governance Statement must contain specific information and also report on the Group's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Group, together with the reasons why they have not been adopted. The Group's corporate governance practices were in place throughout the year ended 30 June 2011.

Board Functions

The Board has been structured to ensure that an appropriate mix of experience and expertise is available to provide strategic guidance for the Group and effective oversight of management.

The Board acts on behalf of and is accountable to shareholders. The Board seeks to identify the expectations of shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. In accordance with Recommendation 1.1, the functions reserved to the Board are as follows:

- Approving and periodically reviewing the business and financial objectives and strategies and plans of the Company;
- Monitoring the financial performance of the Group, including approval of the Group's financial statements;
- Ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- Identifying areas of significant business or financial risk to the Group and ensuring management takes appropriate action to manage those risks;
- Reviewing the performance and remuneration of Board members and key members of staff;
- Monitoring the operations of the Group and the performance of management;
- Establishing and maintaining appropriate ethical standards; and
- Reporting to the shareholders, the Australian Securities and Investments Commission and the Australian Securities Exchange as required.

Executive Team

The Board delegates to the CEO and the executive team responsibility for the operation and administration of the Group.

The Board delegates to the CEO and the executive management team responsibility for the operation and administration of the Group. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team.

Functions delegated to senior executives include:

- Responsibility for the day-to-day management of the Group and each business unit;
- Reporting to the Board to enable the Board to discharge its functions;
- Develop of strategic plans and budgets for approval for the Board;
- Maintaining an adequate system of internal control to ensure that financial and operational information is recorded and managed;
- Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored;
- Ensuring that the Group is in compliance with legal and regulatory requirements; and
- Ensuring that the Group is in compliance with ASX and ASIC reporting and disclosure requirements.

CORPORATE GOVERNANCE STATEMENT (Continued)

Executive Performance

The performance of the CEO is reviewed regularly by the Board during the financial year. The performance of other senior executives is reviewed regularly by the Managing Director during the financial year against the results of the part of the business for which they are responsible.

Chairman and Managing Director Roles

Recommendation 2.2 requires the chair of the Group to be independent. Recommendation 2.3 requires that the roles of the chair and chief executive officer should not be exercised by the same individual. The Group has an independent chair.

Election of Directors

The nomination and appointment of new Directors is dealt with by the Board as a whole. If new Directors are appointed by the Board, they are submitted for election by shareholders at the next Annual General Meeting.

The Group's constitution provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election. All Directors must be elected by the members. It is not a requirement for a person who is a Director to own shares in the Group.

Board Committees

Recommendation 2.4, 4.2 and 9.2 require listed entities to establish nomination, audit and remuneration committees. During the financial year ended 30 June 2011, the Group did not have separately established nomination, audit or remuneration committees. In view of the size of the Group the Board considers that establishing formally constituted committees for board nominations, audit, and remuneration would contribute little to its effective management. Accordingly, the nomination of new Directors, audit matters and the setting and review of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolutions of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice will be taken and reviewed prior to a final decision being made by the Board.

Professional Advice

The Group provides the capacity for any Director to obtain separate professional advice on any matter being discussed by the Board and for the Group to pay the cost incurred. Before the engagement is made, the Director is required to obtain the Chairman of the Board's approval. Approval will not be unreasonably denied and the Director will be expected to provide the Board with a copy of that advice.

Board Performance

In accordance with Recommendation 2.5, the performance of the Board and individual Directors are evaluated on an ongoing basis by the Board as a whole. During the reporting period, the Board reviewed the performance of each Board member. The performance criteria against which Directors are assessed are aligned with the financial and non-financial objectives of the Group. Directors whose performance is consistently unsatisfactory may be asked to retire.

CORPORATE GOVERNANCE STATEMENT (Continued)

Ethics

All Directors and officers of the Group are required to discharge their responsibilities ethically and with integrity.

Code of Conduct

The Board has established a code of conduct to guide Board members, executives and employees in carrying out their duties and responsibilities, to guide compliance with legal and other obligations and to maintain confidence in the Group's integrity, as required by Recommendation 3.1. Executives and employees are encouraged to report to Board members any concerns regarding potentially unethical practices.

The Code of Conduct covers matters such as:

- Responsibilities to shareholders and the financial community;
- Responsibilities to clients and customers;
- Commitment to best practice employment procedures; and
- Obligations relative to fair trading and dealing with others in the conduct of the Group's business.

Trading Policy

Dealings are not permitted in the Group's securities at any time when Directors, officers or employees are in the possession of price sensitive information not already available to the market, as required by Recommendation 3.2. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the Company's securities. The Group Secretary must be notified of any trading and must also be provided with confirmation that the trading has occurred. As required by the ASX Listing Rules, the Group notifies the ASX of any transaction conducted by the Directors in the securities of the Group.

Audit Committee

Principle 4 requires listed entities to establish an audit committee. In view of the size of the Group, the Group did not have a separately established audit committee during the financial year ended 30 June 2011. In view of the size of the Group and the Board, the Board considers that establishing a formally constituted audit committee would contribute little to its effective management.

Disclosure Policy

The Group has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance, as required by Recommendation 5.1. All ASX announcements are handled by the Managing Director or Company Secretary and there are requirements within the Group to ensure that the ASX's continuous disclosure requirements are strictly followed and that unauthorised disclosure of price sensitive information is not made other than through the ASX's Company Announcements Office.

CORPORATE GOVERNANCE STATEMENT (Continued)

Shareholder Communication

The Board recognises the importance of communicating effectively with its shareholders, as required by Recommendation 6.1. Information is communicated to shareholders and the market through:

- The Annual Report which is distributed to shareholders;
- The Annual General Meeting and other shareholder meetings called to obtain approval for Board action as appropriate and required;
- The Half-Yearly Financial Report and Quarterly Cash Flow Statements;
- Other announcements made in accordance with ASX Listing Rules; and
- Information provided on the Group's website www.adeffective.com.au, including the Group's Annual Report, a link to announcements made to the market and other information for investors.

The Group's reports and ASX announcements may be viewed and downloaded from the ASX website: www.asx.com.au (stock code: ABN).

Participation at Annual General Meetings

The Board encourages full participation of shareholders at Annual General Meetings and other shareholder meetings, to ensure a high level of accountability and identification with the Group's strategy and goals. The external auditor is required to attend the Annual General Meeting of the Company and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report, as required by Recommendation 6.2.

Risk

The Board determines the Group's risk profile and is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Group believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee.

The Board has established policies on the oversight and management of material business risk, as required by Recommendation 7.1, including risks related to the Group's business operations, financial position, safeguarding its assets and the interests of its stakeholders, including its security holders, employees, customers, suppliers and bankers. The executive Directors are closely involved in the day-to-day management of the Group's operations and, given the current size of the operations of the Group, are in a position to continually monitor risk with the assistance of the executive team.

In accordance with Recommendation 7.2, the Board has required management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. Management reports to the Board on the effectiveness of the Group's management of its material business risks.

CEO Certification

The CEO who has provided a written statement to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects, as required by Recommendation 7.3.

Remuneration Policy

The Board is responsible for determining and reviewing remuneration arrangements for the Directors themselves, the Managing Director and the executive team.

CORPORATE GOVERNANCE STATEMENT (Continued)

Executive Remuneration

Executive remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions and their experience and expertise. To assist in achieving this objective, the Board takes account of the Group's financial and operating performance in setting the nature and amount of executive Directors' and executives' remuneration. In relation to the payment of bonuses, options or other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Group and the performance of the individual during the period. The expected outcomes of the remuneration structure are:

- Attraction of quality management to the Group.
- Retention and motivation of key executives.
- Performance incentives which allow executives to share the rewards of the success of the Group.

Remuneration Committee

In view of the size of the Group and the Board, the Company does not have a separately established remuneration committee, as required by Recommendation 8.1.

Further details of the Group's remuneration policy, including details of the amount of remuneration and all monetary and non-monetary components for each of the (non-Director) executives during the year and for each of the Directors, are set out in the Remuneration Report forming part of the Directors' Report in accordance with Recommendation 8.2.

Non-executive Director Remuneration

Non-executive Directors are not remunerated on the same basis as executives, in accordance with the Guidelines for Non-Executive Recommendation included in Principal 8. The Group's constitution provides that the total amount of remuneration provided to all non-executive Directors must not exceed an amount set by the Group in general meeting. Non-Executive Directors do not receive bonus payments. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors. The Non-Executive Directors have received options in respect of their services to the Group, although Shareholder approval is required and has been obtained for all equity-based remuneration payable to Board members.

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

	Note	**Consolidated 2011 $**	Consolidated 2010 $
Continuing operations			
Revenue			
Sales revenue	6	2,132,559	879,466
Other income	6	6,055	3,965,802
		2,138,614	4,845,268
Direct costs	7	(1,321,464)	(659,864)
Gross profit		**817,150**	4,185,404
Employee benefits expense	7	(1,086,046)	(1,889,583)
Administrative expenses	7	(593,300)	(1,077,140)
Depreciation and amortisation expenses	7	(209,545)	(36,001)
Impairment expenses	7	-	(453,928)
Finance costs	7	(34,086)	(32,661)
Profit/(loss) before income tax		**(1,105,827)**	696,091
Income tax expense	8	-	-
Net profit/(loss) from continuing operations after income tax		**(1,105,827)**	696,091
Discontinued operations			
Loss from discontinued operations after income tax		-	(98,857)
Net profit/(loss) for the year		**(1,105,827)**	597,234
Other Comprehensive Income		-	-
Total Comprehensive income/(loss) for the year		**(1,105,827)**	597,234
Profit/(loss) per share from continuing operations (cents per share)			
- Basic loss per share	9	(0.02)	0.01
- Diluted loss per share	9	(0.02)	0.01
Loss per share from discontinued operations (cents per share)			
- Basic loss per share	9	-	0.0
- Diluted loss per share	9	-	0.0

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	**Consolidated 2011 $**	Consolidated 2010 $
CURRENT ASSETS			
Cash and cash equivalents	10	135,023	575,952
Trade and other receivables	11	513,345	295,293
Prepayments	12	50,000	50,000
TOTAL CURRENT ASSETS		698,368	921,245
NON-CURRENT ASSETS			
Prepayments	12	150,000	200,000
Plant and equipment	13	121,172	156,330
Goodwill and intangible assets	14	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	15	626,995	523,791
Convertible Notes	16	531,397	-
TOTAL CURRENT LIABILITIES		1,158,392	523,791
TOTAL LIABILITIES		1,158,392	523,791
NET ASSETS		828,979	1,896,002
EQUITY			
Contributed equity	17	25,430,399	25,392,930
Reserves	18	112,842	111,507
Accumulated losses	19	(24,714,262)	(23,608,435)
TOTAL EQUITY		828,979	1,896,002

The accompanying notes form part of these financial statements.

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

	Note	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	19	-	-	(1,105,827)	(1,105,827)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	**(1,105,827)**	**(1,105,827)**
Transactions with owners in their capacity as owners					
Share based payments	18	37,469	16,335	-	53,804
Transaction costs	17		(15,000)	-	(15,000)
At 30 June 2011		**25,430,399**	**112,842**	**(24,714,262)**	**828,979**
At 1 July 2009		21,842,309	57,485	(24,205,669)	(2,305,875)
Profit for the year	19	-	-	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	18	-	54,022	-	54,022
Shares issued	17	3,638,330	-	-	3,638,330
Transaction costs	17	(87,709)	-	-	(87,709)
At 30 June 2010		**25,392,930**	**111,507**	**(23,608,435)**	**1,896,002**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 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)	(2,063,970)
Interest received		6,055	4,191
Borrowing costs		(34,085)	(2,661)
Net cash used in operating activities	10	(973,661)	(1,286,907)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		-	-
Payment for plant and equipment		-	-
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	1,854,274
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	10	135,023	575,952

The accompanying notes form part of these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

1. CORPORATE INFORMATION

The consolidated financial report of AdEffective Limited and controlled entities for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 30 September 2011.

AdEffective Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers AdEffective Limited and controlled entities as a consolidated entity. AdEffective Limited is a listed public company, limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the historical cost convention and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Comparatives have been restated where appropriate to ensure consistency and comparability with the current year.

(a) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

(b) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures.
The accounting policies adopted are consistent with those of the previous financial year except as follows:
The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2010:

Reference	Title	Application date of standard*	Application date for Group*
AASB 2009-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project – The subject of amendments to the standards are set out below: • AASB 5 – Disclosures in relation to non-current assets (or disposal groups) classified as held for sale or discontinued operations • AASB 8 – Disclosure of information about segment assets • AASB 101 – Current/non-current classification of convertible instruments • AASB 107 – Classification of expenditures that does not give rise to an asset • AASB 117 – Classification of leases of land • AASB 118 – Determining whether an entity is acting as a principle or an agent • AASB 136 – Clarifying the unit of account for goodwill impairment test is not larger than an operating segment before aggregation • AASB 139 – Treating loan prepayment penalties as closely related embedded derivatives, and revising the scope exemption for forward contracts to enter into a business combination contract	1 January 2010	1 October 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (AASB 2)	1 January 2010	1 October 2010
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's sharebased payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	1 October 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

(b) New accounting standards and interpretations

(i) Changes in accounting policy and disclosures (continued).

Reference	Application date of standard*	Application date of standard*	Application date for Group*
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 October 2010

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2011, outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) 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 (c) The definition now identifies that, 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 A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	No impact expected	1 October 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

(b) New accounting standards and interpretations (continued)

(ii) Accounting Standards and Interpretations issued but not yet effective (continued).

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI). ► The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11	1 January 2013	The impact of AASB 9 has yet to be determined	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	► These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. ► <u>This Standard shall be applied when AASB 9 is applied.</u>	1 January 2013	The impact has yet to be determined	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) 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 (c) The definition now identifies that, 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 A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	No impact expected	1 July 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The impact of AASB 9 has yet to be determined.	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 127.	1 January 2013	AdEffective will review its controlled entities to determine whether they should be consolidated, no changes are anticipated	1 October 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(b) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	No impact expected	1 October 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments).	1 July 2012	The impact has yet to be determined	1 October 2012
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)	This Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.	1 July 2013	The impact has yet to be determined	1 October 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which AdEffective Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(d) Going concern basis of accounting

Notwithstanding the loss for the year ended of $1,105,827 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, 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 consolidated entity not continue as a going concern.

(e) Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from the provision of services to customers is recognised upon delivery of the service to the customer. Revenue from internet advertising is recognised on the basis of underlying performance of key contracted metrics, for which revenue is contracted.

Government grants received that relate to specific assets or expenses are deferred and recognised as income in the same period as the asset is consumed or when the associated expenses are incurred. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Cost

Property, plant and equipment is stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed for impairment annually by the Directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Depreciation

The depreciable amounts of fixed assets are depreciated on a straight-line basis or diminishing balance basis as appropriate over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The useful lives for each class of assets are:

	2011	2010
Plant and equipment:	2 to 10 years	2 to 10 years
Leasehold improvements:	2 to 10 years	2 to 10 years

(h) Goodwill and intangibles

Goodwill

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

Intangibles

Intangible assets acquired in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(i) Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(i) Business Combinations (continued)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(j) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired. An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(k) Taxes

Current income tax expense is the tax payable on the current period’s taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses

Current and deferred tax balances attributable to amounts recognized directly in equity are also recognised directly in equity.

(l) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share-based payments
The group operates an Executives & Employee share option plan.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. The fair value of options at grant date is determined using a Binomial option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option.

(m) Financial instruments

Classification
The group classifies its financial instruments in the following categories: loans and receivables and financial liabilities. The classification of investments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(m) Financial instruments (continued)

Loans and Receivables
Loan and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities
Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised fair value and carried at amortised cost, comprising original debt less principal payments and amortisation.

(n) Foreign Currencies

Functional and Presentation Currency
The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and Balances
Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Group Companies
The financial statements of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity in the balance sheet.

(o) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(p) Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

On issuance of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent convertible bond and this amount is carried as a liability on an amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholder's equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

2. SUMMARY OF ACCOUNTING POLICIES (Continued)

(p) Convertible notes (continued)

Interest on the liability component of the instrument is recognised as an expense in profit and loss.

Transaction costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity component when the instruments are first recognised.

(q) Share based payments

Equity settled transactions
The Group provides benefits to the directors in the form of share options under the AdEffective Share Option Plan. These are equity settled transactions under Australian Accounting Standards.

The cost of these equity-settled transactions with directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the binomial option model, further details of which are given in note 17.

In valuing equity-settled transactions, no account is taken of any vesting conditions.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated less the amounts already charged in previous periods. There is a corresponding entry to equity.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 9).

(r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash, receivables, payables, borrowings, finance leases and hire purchase agreements and convertible notes.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for interest rate risk, credit allowances and future cash flow forecast projections.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Risk exposures and responses

Interest rate risk

The Group has no exposure to market interest rates due to the Group having no debt.

At balance date, the Group had the following financial asset exposed to Australian variable interest rate risk:

	Consolidated 2011 $	Consolidated 2010 $
Financial assets		
Cash and cash equivalents	**135,023**	575,952
Net exposure	**135,023**	575,952

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June 2011, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and other comprehensive income would have been affected as follows:

	Post Tax Profit/(Loss)		**Other Comprehensive Income**	
	Higher/ 2011 $	**(Lower)** 2010 $	**Higher/ 2011 $**	**(Lower)** 2010 $
Consolidated				
+1% (100 basis points)	**1,350**	5,760	**-**	-
-0.5% (50 basis points)	**(675)**	(2,880)	**-**	-

The movements in post tax profit/(loss) and other comprehensive income are due to lower cash balances on hand as at 30 June 2011. The sensitivity is lower in 2011 than in 2010 because the cash balances in 2011 are lower.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are assessed as to creditworthiness, including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for individual customers.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group generates its revenue and major purchases denominated in United States dollars. Hence, the Group's statement of financial position can be affected significantly by movements in the US$/A$ exchange rates. The Group do not have a hedge policy in place.

Approximately 60% of the Group's sales and 41% cost are denominated in US$ whilst 59% of costs are denominated in the functional currencies.

At balance date, the Group had the following exposure to US$ foreign currency that is not designated in cash flow hedges:

	Consolidated 2011 $	Consolidated 2010 $
Financial assets		
Trade and other receivables	**178,875**	77,587
Financial liabilities		
Trade and other payables	**290,733**	43,774
Net exposure	**(111,858)**	33,813

At 30 June 2011, the Group has not hedged its US$ sales or purchases.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

At 30 June 2011, if Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, post tax profit/(loss) and other comprehensive income would have been affected as follows:

	Post Tax Profit/(Loss)		**Other Comprehensive Income**	
	Higher/ 2011 $	**(Lower)** 2010 $	**Higher/ 2011 $**	**(Lower)** 2010 $
Consolidated				
AUD to US Dollar +15% (2010: +15%)	**16,779**	5,072	**-**	-
AUD to US Dollar -15% (2010: -15%)	**(16,779)**	(5,072)	**-**	-

The movements in post tax profit/(loss) and other comprehensive income are due to lower net exposure balance as at 30 June 2011. The sensitivity is lower in 2011 than in 2010 because net exposure balance for 2011 is lower.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank facilities, a convertible note facility and equity raisings.

At 30 June 2011, 100% of the Group's debt will mature in less than one year (2010: 100%).

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. The respective undiscounted cash flows for the respective upcoming fiscal periods are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2011.

The remaining contractual maturities of the Group's financial assets and liabilities are:

Year ended 30 June 2011	**< 6 months $000**	**6-12 months $000**	**1-5 years $000**	**> 5 years $000**	**Total $000**
Financial assets					
Cash and cash equivalents	135,023	-	-	-	135,023
Trade and other receivables	563,345	-	-	-	563,345
	698,368	**-**	**-**	**-**	**698,368**
Financial liabilities					
Trade and other payables	626,995	-	-	-	626,995
Convertible notes	531,397	-	-	-	531,397
	1,158,392	**-**	**-**	**-**	**1,158,392**
Net maturity	**(460,024)**	**-**	**-**	**-**	**(460,024)**

Year ended 30 June 2010	< 6 months $000	6-12 months $000	1-5 years $000	> 5 years $000	Total $000
Financial assets					
Cash and cash equivalents	575,952	-	-	-	575,952
Trade and other receivables	345,293	-	-	-	345,293
	921,245	-	-	-	921,245
Financial liabilities					
Trade and other payables	523,791	-	-	-	523,791
	523,791	-	-	-	523,791
Net maturity	397,454	-	-	-	397,454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (continued)

Maturity analysis of financial assets and liabilities based on management's expectation.

Management's expectation reflects a balanced view of cash inflows and outflows. Leasing obligations, trade payables and other financial obligations mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment and investments in working capital, e.g. trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future assets, the Group has established risk reporting covering its business units that reflect expectations of management of expected settlement of financial assets and liabilities.

All financial assets and liabilities are payable within six months of balance date. Accordingly, the book value of each liability is equivalent to its fair value.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectations for the future.

Critical accounting estimates and assumptions

The group makes certain estimates and assumptions concerning the future, which, by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are discussed below.

Impairment of goodwill

Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

The Group has completed fully its assessment of the allocation of the purchase price of the Planet W Internet search and advertising business, the mp3.com.au, Nice Shorts and The Scene online businesses on 30 April 2011. An adjustment to the estimated earn-out liability of $210,000 on the acquisition of the Planet W business has been booked retrospectively in the year ended 30 June 2010, resulting in a $90,000 reduction in the estimated liability.

For the purpose of impairment testing, goodwill acquired through business combinations in the year ended 30 June 2011 has been allocated to the Online Search and Advertising cash generating unit, which is the only operating segment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

The impairment test performed has been based on a value in use assessment, using pre-tax 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 projects was 15% with an expected growth rate of up to 3% for years 2-5. Senior management believes this growth rate is justified as compared to the average growth rate for the industry. The group has recorded no impairment loss based on the impairment identified through the testing performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

5. PARENT ENTITY INFORMATION

Information relating to AdEffective Ltd - Parent:	**2011** **$**	2010 $
Current assets	**335,023**	825,953
Total assets	**1,474,026**	2,256,716
Current liabilities	**612,858**	258,367
Total liabilities	**612,858**	258,367
Issued capital	**25,430,399**	25,392,930
Accumulated losses	**(24,682,073)**	(23,456,097)
Share based payments reserve	**112,842**	111,507
Total shareholders' equity	**861,168**	1,998,340
Profit/(loss) of the parent entity	**(202,283)**	(364,398)
Total comprehensive income of the parent entity	**(202,283)**	(364,389)

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiary.

The parent entity has no contingent liabilities.

The parent entity has no contractual commitments for the acquisition of property, plant or equipment.

6. REVENUE

	Consolidated 2011 $	Consolidated 2010 $
Revenue from operating activities		
Sale of goods	**-**	2,922
Sale of services	**2,132,559**	876,544
Total sales revenue	**2,132,559**	879,466
Other income		
Effectuation of the Deed of Company Arrangement	**-**	3,961,611
Bank interest receivable	**6,055**	4,191
Total other income	**6,055**	3,965,802

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

7. EXPENSES

	Consolidated 2011 $	Consolidated 2010* $
Direct Costs	**1,321,464**	659,864
	1,321,464	659,864
Employee benefits expense		
Wages, salaries and contractors	**934,583**	1,887,369
Defined contribution plan expense	**65,470**	26,187
Annual leave provision	**-**	27,902
Other employee benefits expense	**85,993**	8,002
Total employee benefits expense	**1,086,046**	1,949,460
Administrative expenses		
Occupancy costs	**76,794**	128,800
Advertising and marketing expenses	**41,712**	24,991
Communications costs	**41,500**	46,783
Professional fees	**305,687**	385,303
Office administration costs	**53,276**	165,428
Other expenses	**74,331**	360,407
Total administrative expenses	**593,300**	1,111,712
Other expenses		
Bad and doubtful debts expense	**3,003**	257,276
Net foreign exchange differences	**-**	(2,650)
Surplus lease space charge/(credit)	**-**	(98,804)
Other	**-**	204,585
	3,003	360,407
Impairment losses		
Impairment loss on goodwill	**-**	453,928
	-	453,928
Depreciation expense		
Depreciation of non-current assets:		
Amortisation	**174,387**	20,731
Plant and equipment	**35,158**	19,218
Leasehold improvements	**-**	460
Total depreciation expense	**209,545**	40,409
Finance costs		
Interest expense:		
Other loans	**31,397**	30,008
Bank interest	**2,689**	2,653
Total finance costs	**34,086**	32,661

* Consolidated FY 2010 expenses included the discontinued operations expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

8. INCOME TAXES

	Consolidated 2011 $	Consolidated 2010 $
Current and deferred tax expense for the year ended 30 June 2011 were $nil (2010: $nil)		
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax	**(1,105,827)**	597,234
At the Group's statutory income tax rate of 30% (2010: 30%)	-	(179,170)
Temporary differences and tax losses not brought to account as deferred tax assets	-	179,170
Income tax benefit reported in the consolidated income statement	-	-

Income tax losses

Unused tax losses for which no deferred tax asset has been recognised	**-**	5,348,971

Tax Loss Deferred Tax Asset recognition

Deferred tax assets will only be recognised if:
(a) future assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
(b) the conditions for deductibility imposed by tax legislation are complied with; and
(c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Deferred tax assets not recognised comprise estimated tax losses whose recoupment against future taxable profits is unconfirmed, and is subject to determination of the Group's satisfaction of the Continuity of Ownership and Same Business tests.

Unrecognised temporary differences

At 30 June 2011 there are no temporary differences recognised in the balance sheet, on the basis of an assessment that recovery through future taxable income of those amounts is not probable at 30 June 2011(2010: nil).

Tax consolidation

The Company and its subsidiaries have not as at the date of this report elected to form a tax consolidated group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	Consolidated 2011	Consolidated 2010
Basic earnings per share	(0.02) cents	0.01 cents
Diluted earnings per share	(0.02) cents	0.01 cents
Net profit/(loss)	**($1,105,827)**	$597,234
Weighted average number of ordinary shares used in calculating basic earnings per share	4,942,176,125	1,640,879,761
Weighted average number of ordinary shares used in calculating diluted earnings per share	5,098,028,180	1,799,446,421

10. CASH AND CASH EQUIVALENTS

	Consolidated 2011 $	Consolidated 2010 $
Cash	**135,023**	575,952
Closing cash balance	**135,023**	575,952

Cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at bank earns interest at floating rates based on daily bank deposit rates. Deposits at call earn interest at short-term deposit rates.

	Consolidated 2011 $	Consolidated 2010 $
Reconciliation of net profit/(loss) after tax to net cash flows from operations		
Net profit/(loss)	(1,105,827)	597,234
Adjustments for:		
Bad debt written off	3,003	-
Depreciation of non-current assets	35,158	19,678
Amortisation	174,387	20,731
Impairment losses	-	453,928
Share based payments	37,469	347,352
Deed of Company Arrangement Income relating to financing Activities	-	(663,561)
Equity transaction costs in payables	-	(85,444)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(221,055)	305,868
(Increase)/decrease in inventories	-	65,701
Increase/(decrease) in trade and other payables	103,204	(2,193,099)
Increase/(decrease) in provisions	-	(155,295)
Net cash used in operating activities	(973,661)	(1,286,907)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011**

10. CASH AND CASH EQUIVALENTS (CONTINUED)

	Consolidated 2011 $	Consolidated 2010 $
Facilities		
Equity Line of Credit and Convertible Note Facility – Furneaux Equity	5,000,000	-
Total	5,000,000	-
Facilities used at reporting date		
Equity Line of Credit and Convertible Note Facility – Furneaux Equity	-	-
Total	-	-
Facilities unused at reporting date		
Equity Line of Credit and Convertible Note Facility – Furneaux Equity	5,000,000	-
Total	5,000,000	-

In July 2010 the Group announced that it had entered into a $5,000,000 Equity Finance Facility with Furneaux Equities Limited. Under the facility the Group can draw down up to $250,000 in any 30 day period subject to the Company's ability to issue equity, including any approvals of shareholders where the 15% threshold is met. At the date of this report the facility remained undrawn.

11. RECEIVABLES (CURRENT)

	Consolidated 2011 $	Consolidated 2010 $
Trade receivables	513,345	295,293
Provision for doubtful debts	-	-
	513,345	295,293
Other receivables	-	-
	513,345	295,293

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Trade receivables are non-interest bearing and generally on 45 day terms (2010: 30 days).
(ii) Other receivables are non-interest bearing and have repayment terms between 30 and 90 days.
(iii) For terms and conditions relating to related party receivables refer to note 27.

(b) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 45 day terms (2010: 30 days). A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. There is no impairment loss recognised by the Group during the year (2010: $257,276).

Movements in the provision for impairment loss were as follows:

	Consolidated 2011 $	Consolidated 2010 $
At 1 July	-	215,439
Charge for the year	-	41,837
Amounts written off	-	(257,276)
At 30 June	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

11. RECEIVABLES (CURRENT) (continued)

(b) Allowance for impairment loss (continued)

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	0-30 days	31-60 days	61-90 days PDNI*	+91 Days
2011	Consolidated	513,345	458,199	44,515	10,631	-
2010	Consolidated	295,293	139,973	155,320	-	-

*Past due not impaired ('PDNI')

Receivables past due but not considered impaired are: $10,631 (2010: $Nil). Payment terms on these amounts have not been re-negotiated however credit has been stopped until full payment is made.

Other balances within trade and other receivables do not contain impaired assets and are not past due.

(c) Related party receivables

For terms and conditions of related party receivables refer to note 27.

(d) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value has been assessed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(e) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

12. PREPAYMENTS

	Consolidated 2011 $	Consolidated 2010 $
Current assets		
Prepaid facility fee *(a)*	50,000	50,000
Non-current assets		
Prepaid facility fee *(a)*	150,000	200,000

(a) Prepayment in respect of the Furneaux Equity finance facility which was executed in July 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

13. PLANT AND EQUIPMENT

	Consolidated 2011 $	Consolidated 2010 $
(a) Carrying values		
Plant and equipment:		
At cost	**161,835**	161,835
Accumulated depreciation	**(40,663)**	(5,505)
Net carrying amount	**121,172**	156,330

(b) Reconciliations

Reconciliations of the carrying amounts at the beginning and end of the period:

	Plant and Equipment 2011 $	Plant and Equipment 2010 $
Consolidated entity		
Balance at the beginning of the year	**156,330**	3,784
Assets acquired through acquisition	**-**	158,051
Disposals	**-**	-
Depreciation expense	**(35,158)**	(5,505)
Balance at the end of the year	**121,172**	156,330

14. GOODWILL AND INTANGIBLE ASSETS

	Consolidated 2011 $	Consolidated 2011 $
(a) Carrying values		
Goodwill	789,789	789,789
Intangible assets	373,160	373,160
Accumulated amortisation	(145,118)	(20,731)
Net carrying amount	1,017,831	1,142,218

(b) Reconciliations

Reconciliations of the carrying amounts at the beginning and end of the period:-

	2011 $	Restated 2010 $	Adjustment 2010 $	Original 2010 $
Consolidated entity				
Balance at the beginning of the year				-
- Goodwill through acquisition	**789,789**	789,789	(717,427)	1,507,216
- Intangible assets identified through acquisition	373,160	373,160	373,160	-
Accumulated amortisation	**(145,118)**	(20,731)	(20,731)	-
Balance at the end of the year	**1,017,831**	1,142,218	(364,998)	1,507,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

14. INTANGIBLE ASSETS (Continued)

At 30 June 2011, the Group assessed that the recoverable amount of goodwill and contracts (intangible asset) 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.

15. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated 2011 $	Consolidated 2010 $
Trade payables	**374,166**	248,197
Other payables	**122,026**	-
Related parties	**130,803**	275,594
	626,995	523,791

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Other creditors are non-interest-bearing and are normally payable within 30 and 90 days
(iii) Details of the terms and conditions of related party payables are set out in notes 30 and 31.

(b) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(c) Related party payables

For details of related party payables refer to note 27.

(d) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

16. CONVERTIBLE NOTES (CURRENT)

	Consolidated 2011 $	Consolidated 2010 $
Convertible Notes	**531,397**	-
	531,397	-

During the year, $500,000 convertible notes were issued. Each note has a face value of $25,000 and the notes bear interest at a rate of 12% per annum on the face value of the notes. The convertible notes are redeemable if a “Default Event” occurs and are convertible into fully paid ordinary shares in the Group at a price of $0.001 per share at the Noteholders discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

17. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	Consolidated 2011 $	Consolidated 2010 $
Ordinary shares		
Ordinary shares fully paid	**24,989,794**	24,952,325
Options	**440,605**	440,605
Contributed equity	**25,430,399**	25,392,930

Movements in ordinary shares on issue	**Number of Shares**		Number of Shares	
Opening balance	**4,922,004,599**	**24,952,325**	1,283,674,612	21,401,704
Shares issued during the year:				
Issue of shares on 25 May 2010			3,538,329,987	3,538,330
Issue of shares on 4 June 2010			100,000,000	100,000
Issue of shares on 20 December 2010	**37,468,738**	**37,469**		
Transaction costs relating to share issues	**-**	**-**	-	(87,709)
Closing balance	**4,959,473,337**	**24,989,794**	4,922,004,599	24,952,325

(b) Movements in shares on issue

On 20 December 2010, after receiving approval of shareholders at the 2010 Annual General Meeting, the Group issued 37,468,738 shares at 0.1 cents to a nominee of Cary Peter Stynes, a former executive Director of the Group, for his contribution and assistance to the Group in enabling the Group to successfully restructure and recapitalise.

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company. A total of 500,000 ordinary shares are held in escrow.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

17. CONTRIBUTED EQUITY (Continued)

(d) Share options

Details of options outstanding and movements in options during the financial year are set out below:

Options outstanding

	2011 Number of Options	**2011 Weighted Average Exercise Price**	2010 Number of Options	2010 Weighted Average Exercise Price
Balance at beginning of year	**186,000,000**	**$0.002**	280,702,342	$0.02
Granted	**50,000,000**	**$0.002**	180,000,000	$0.01
Expired	**(106,000,000)**	**$0.002**	(260,302,342)	$0.02
Forfeited	**-**	**-**	(14,400,000)	$0.02
Balance at end of year	**130,000,000**	**$0.002**	186,000,000	$0.01
Exercisable at end of year	**130,000,000**	**$0.002**	186,000,000	$0.01

Options held at the beginning of the reporting period

Options brought forward at beginning of financial year ended 30 June 2011	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Director Mr Cary Stynes	50,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Director Mr Cary Stynes	6,000,000	29 Nov 2006	1 Dec 2006	30 Nov 2011	$0.03
Director Mr Dean Jones	50,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Director Mr Damian London	50,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Director Mr Andrew Plympton	30,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Total	186,000,000				$0.002

Options granted

Options granted during the financial year ended 30 June 2011	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Director Mr Cary Stynes	50,000,000	8 Dec 2010	20 Dec 2010	8 Dec 2015	$0.002
Total	50,000,000				$0.002

Options expiring/forfeited

Options expiring during the financial year ended 30 June 2011	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Director Mr Dean Jones	50,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Director Mr Cary Stynes	6,000,000	29 Nov 2006	1 Dec 2006	30 Nov 2011	$0.03
Director Mr Cary Stynes	50,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Total	106,000,000				$0.002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

17. CONTRIBUTED EQUITY (Continued)

(d) Share options (Continued)

Options exercised

No options were exercised during the financial year or until the date of this report.

Options held at the end of the reporting period

Options carried forward at end of financial year ended 30 June 2011	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Director Mr Cary Stynes	50,000,000	8 Dec 2010	20 Dec 2010	8 Dec 2015	$0.002
Director Mr Damian London	50,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Director Mr Andrew Plympton	30,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Total	130,000,000				$0.002

Company Share Option Plan

For further details of the Company Share Option Plan, refer note 22.

Fair value of options

The market value of ordinary shares in AdEffective Limited closed at 0.1 cents per share on 30 June 2011 (0.1 cents per share on 30 June 2010).

The fair value of each option has been estimated at the date of grant using the Binomial option-pricing model with the following weighted average assumptions used:

	2011	2010
Dividend yield	Nil	Nil
Expected volatility	50%	50%
Risk-free interest rate	4.250%	4.250%
Expected life of option	3.75 years	5.0 years

The dividend yield reflects the assumption that no dividends will be paid by the Company for the foreseeable future. The expected life of the options is based on the term of the options and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. All options issued to date have vested.

All options are vested as at the date of grant.

An expense of $16,335 (2011: $54,022) was recognised in respect of these share based payments.

18. RESERVES

	Consolidated 2011 $	Consolidated 2010 $
Options granted reserve		
Balance at beginning of financial year	**111,507**	57,485
Net movement for the year	**1,335**	54,022
Balance at end of financial year	**112,842**	111,507

Nature and Purpose of Options Granted Reserve

This reserve is used to record the value of share based payments to employees, including key management personnel, as part of their remuneration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

19. ACCUMULATED LOSSES

	Consolidated 2011 $	Consolidated 2010 $
Balance at beginning of financial year	**(23,608,435)**	(24,205,669)
Net (loss)/profit for the year	**(1,105,827)**	597,234
Balance at end of financial year	**(24,714,262)**	(23,608,435)

20. 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

21. COMMITMENTS

At 30 June 2011, AdEffective Limited had not entered into any operating and finance lease commitments (2010: nil).

22. EMPLOYEE ENTITLEMENTS

(a) Share options

Under AdEffective Group's Company Share Option Plan for Directors, employees and contractors of the Company under which the Board can issue options at no cash consideration to purchase fully paid ordinary shares in the Company on the basis of one option for one share at an exercise price to be determined by the Board at the time the options are issued. Options will be exercisable from the time of issue and will lapse on the fifth anniversary of the date of grant if they have not been exercised before that time. Options can be issued up to a maximum of 10% of the issued share capital of the Company. The options cannot be transferred and will not be quoted on the ASX. Eligible persons under the Company Share Option Plan are Directors, employees and contractors of the Company. If the Directorship, employment or contract of the participant terminates, the participant may, within 28 days after the date of termination, exercise all or part of those of the participant's options. Any option not exercised within that 28 day period will lapse. For details of options outstanding and movements in options during the financial year, refer note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

23. CONTINGENT ASSETS AND LIABILITIES

The Company had no contingent assets and liabilities as at 30 June 2011 (2010: nil).

24. AFTER BALANCE DATE 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.

25. AUDITORS REMUNERATION

	Consolidated 2011 $	Consolidated 2010 $
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated entity	70,268	67,500
Other services	7,000	-
	77,268	67,500

26. DIRECTORS' AND EXECUTIVES' COMPENSATION

(a) Details of Key Management Personnel during the financial year

(i) Directors

Mr. Andrew Plympton	Non Executive Chairman
Mr. Damian London	Executive Director & Chief Executive Officer
Mr. Barry Green	Director
Mr. Dean Jones	Managing Director (resigned on 17 May 2011)
Mr. Cary Stynes	Executive Director (resigned on 26 October 2010)

(b) Remuneration options: granted and vested during the year

50,000,000 options were granted as part of Directors' remuneration during the year ended 30 June 2011 (2010: 180,000,000)

(c) Shares issued on exercise of remuneration options

No shares were issued in the financial year ended 30 June 2011 as a result of the exercise of remuneration options (2010: Nil).

(d) Option holdings of Directors

	Balance at 1 July 2010 No.	Issued during year No.	Purchased during year No.	Lapsed during year No.	Exercised during year No.	Balance at 30 June 2011 No.
Director						
Mr. Cary Stynes*	56,000,000	50,000,000	-	(56,000,000)	-	50,,000,000
Mr. Dean Jones*	50,000,000	-	-	(50,000,000)	-	-
Mr. Andrew Plympton	30,000,000	-	-	-	-	30,000,000
Mr. Damian London	50,000,000	-	-	-	-	50,000,000
Total	186,000,000	50,000,000	-	(106,000,000)	-	130,000,000

**Resigned during the year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

26. DIRECTORS' AND EXECUTIVES' COMPENSATION (Continued)

(e) Shareholdings of Directors

Director	Note	Balance at 1 July 2010 No.	Purchased during year No.	Placement during year No.	Issued during year No.	Sold during year No.	Balance at 30 June 2011 No.
Mr Andrew Plympton		-	-	-	-	-	-
Mr. Damian London	2	50,000,000	-	-	-	-	50,000,000
Mr Barry Green		11,350,000	-	-	-	-	11,350,000
Mr Dean Jones*	2	112,500,000	-	-	-	-	112,500,000
Mr. Cary Stynes*	1	313,635,120	-	-	37,468,738	-	351,103,858
Total		487,485,120	-	-	37,468,738	-	524,953,858

Notes

1. Mr Stynes holds shares both individually and in a director related entity.
2. Mr Jones and Mr London also have an interest in Planet W Pty Ltd for which 1,200,000,000 shares were issued and are held in escrow to April 2012 relating to the acquisition of the Planet W business.

**Resigned during the year.*

(f) Shareholdings of Executives

No Executives hold any shares in the Company other than the Executive Directors detailed in the table above.

(g) Total Remuneration of Key Management Personnel

Total remuneration of key management personnel is shown as follows:

	Short Term Benefits	Post Employment	Equity		
	Salary & Fees $	Superannuation Contributions $	Number of Options/ Shares Granted No.	Value of Options / Shares Granted $	Total $
2011	**$696,616**	**$31,643**	**27,468,738 shares** **50,000,000 options**	**$37,468** **$16,335**	**$782,062**
2010	$448,851	$34,697	193,329,987 shares 180,000,00 options	$193,330 $54,279	$749,157

(h) Loans to Directors

There were no loans made to Directors during the financial year and none are outstanding as at the date of this report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

26. DIRECTORS' AND EXECUTIVES' COMPENSATION (Continued)

(i) Other transactions and balances with Directors

Loans with Director-related entities

There were no loans with Director-related entities during the financial year and none are outstanding as at the date of this report.

Payables to Director-related entities

	Consolidated 2011 $	Consolidated 2010 $
Related party payables		
Accrued salary payable to Directors	**128,643**	58,957
Accrued fees payable to Non Executive Directors	**2,160**	4,000
Total related party payables	**130,803**	62,957

Other transactions with Director-related entities

During the financial year ended 30 June 2011 there were no other transactions with Director-related entities (2010: nil), other than the payment of certain expenses on behalf of the Company by Planet W Pty Ltd, a company that Mr Damian London has an interest in.

27. RELATED PARTY DISCLOSURES

(a) Subsidiary

The consolidated financial statements include the financial statement of AdEffective Limited and the subsidiary listed in the following table:-

Name of entity	**Country of Incorporation**	**% of Equity interest**		**Investment**	
		2011 %	2010 %	**2011 $**	2010 $
AdEffective Business Networks Pty Ltd	Australia	**100**	**-**	**-**	**-**

(b) Ultimate parent

The consolidated financial statements include the financial statements of AdEffective Limited and its controlled entities. AdEffective Limited is the ultimate parent company.

(c) Inter-group transactions

Loans

There is no inter-group loan during the year as the previous Swish Group Limited and its subsidiary entities had been put through the administration process.

(d) Transactions with Directors and Director-related entities

Transactions with Directors and Director-related entities are set out in note 26.

(e) Other related party transactions

During the financial year ended 30 June 2011, no other related party transactions took place (2010: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

28. SEGMENT REPORTING

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

DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

In the opinion of the Directors, the financial statements and notes of AdEffective Limited and its controlled entities are in accordance with the Corporations Act 2001:

(a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) Give a true and fair value of the financial position of the Group as at 30 June 2011 and of their performance as represented by the results of their operations, change in equity and their cash flows for the year ended on that date;

In the Directors' opinion there are reasonable grounds to believe that AdEffective Limited will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the managing director to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards board.

Andrew Plympton
Non-Executive Chairman

Melbourne
29 September 2011

Ernst & Young

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Independent auditor's report to the members of AdEffective Limited

Report on the financial report

We have audited the accompanying financial report of AdEffective Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit 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. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a. the financial report of AdEffective Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 2 (d) in the financial report which indicates that the consolidated entity has continued to incur operating cash outflows during the year ended 30 June 2011 of $1,105,827.

The ability of the consolidated entity to continue as a going concern is dependent upon the consolidated entity being successful in:

- generating positive operating cashflows from its existing and newly acquired businesses;
- being able to utilise its existing financing facilities entered into since 30 June 2011; and
- raising capital to fund the Company's growth plans.

Unless the consolidated entity has access to funds as set out above, there is significant uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will 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 asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of AdEffective Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Robert Dalton
Partner
Melbourne
29 September 2011

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 24 September 2011.

(a) Distribution of Equity Securities

The number of shareholders, by size of holding, in each class of share are:

RANGE	TOTAL HOLDERS	UNITS	% OF ISSUED CAPITAL
1-1,000	257	153,791	0.00
1,001 – 5,000	496	1,338,254	0.03
5,001 – 10,000	145	1,128,708	0.02
10,001 – 100,000	284	11,9095,908	0.24
100,001 – 9,999,999,999	522	4,944,856,675	99.71
Rounding			0.00
UNMARKETABLE PARCELS			
	MINIMUM PARCEL SIZE	**HOLDERS**	**UNITS**
Minimum $500.00 parcel at $0.0010 per unit	500,000	1363	58,477,654

(b) Twenty Largest Holders

RANK	NAME	UNITS	% OF UNITS
1.	PLANET W PTY LTD	1,200,000,000	24.20
2.	PENLEIGH BANNER PTY LTD <THE PURSE SUPER FUND A/C	245,000,000	4.94
3.	SAM GOULOPOULOS PTY LTD <S GOULOPOULOS F/SUPER A/C>	146,000,000	2.94
4.	T E & J PASIAS PTY LTD	125,000,000	2.52
5.	MYNDARIE NOMINEES PTY LTD <ICT INVESTMENTS A/C>	112,500,000	2.27
6.	MP3 AUSTRALIA PTY LTD <THE MP3 UNIT A/C>	100,000,000	2.02
7.	FURNEAUX MANAGEMENT PTY LTD	93,908,412	1.89
8.	SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	92,755,000	1.87
9.	BARRIJAG PTY LTD <HADLEY SUPER FUND A/C>	90,000,000	1.81
10.	MR TIMOTHY LITTLE + MRS DORIS LITTLE <TRL SUPERANNUATION FUND A/C>	90,000,000	1.81
11.	G & N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C>	80,000,000	1.61
12.	MS LORNA JEAN OSBORNE	80,000,000	1.61
13.	ATLANTIS MG PTY LTD <MG FAMILY A/C>	73,000,000	1.47
14.	RETZOS INVESTMENTS PTY LTD <RETZOS ALTONA PROPERTY A/C>	56,000,000	1.13
15.	MR ROSS STANSFIELD-SMITH <NARONG SUPER FUND A/C>	54,918,823	1.11
16.	ADVANCE PUBLICITY PTY LTD <THE IZMAR FAMILY A/C>	50,000,000	1.01
17.	ATLANTIS MG PTY LTD <MG FAMILY SUPER FUND A/C>	50,000,000	1.01
18.	DL GROUP HOLDINGS PTY LTD <THE LONDON FAMILY A/C>	50,000,000	1.01
19.	GANBROS PTY LTD <JOE GANIM SUPER FUND A/C>	50,000,000	1.01
20.	I E PROPERTIES PTY LTD	50,000,000	1.01

ASX ADDITIONAL INFORMATION

(c) Substantial Shareholders (greater than 5%)

There are no substantial holders who have notified the Company in accordance with section 671B of the Corporations Act 2001.

(d) Voting Rights

All ordinary shares carry one vote per share without restriction.

(e) Options

The following options are outstanding:

Options carried forward at end of financial year ended 30 June 2011	Number of Options	Grant Date	Vesting Date	Expiry Date	Weighted Average Exercise Price
Director Mr Cary Stynes	50,000,000	8 Dec 2010	20 Dec 2010	8 Dec 2015	$0.002
Director Mr Damian London	50,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Director Mr Andrew Plympton	30,000,000	30 April 2010	30 April 2010	30 April 2015	$0.002
Total	**130,000,000**				**$0.002**