ADEFFECTIVE LIMITED

(ASX: ABN)

ASX and Media Release

30 August 2013

Preliminary FY13 Results

- **Company records $45,471 profit in FY2013**
- **Establishment of e-commerce division**
- **Company well positioned to pursue future growth opportunities**

Company records $45,471 profit in FY2013

The Directors of AdEffective Limited (**"ABN"** or the **"Company"**) are pleased to report a profit of $45,471 for the full year ended 30 June 2013.

This result represents a significant improvement on the prior corresponding period where the Company announced a net loss of $1,649,942. The turnaround was a direct result of improved revenues, an increase in gross profit margin and the Company's stabilisation process undertaken throughout FY2013.

FY2013 sales were $2,778,518, a slight increase over FY2012 sales of $2,620,459.

Whilst revenues from the Company's Footar division improved in FY2013 in comparison to revenues generated from this division in FY2012, they failed to meet budgeted expectations. This performance ultimately led to the cessation of the Rubicon Agreement during May 2013. A decision has been made to merge the AdFeed and Footar businesses into one business unit, the Online Advertising division, which took effect from 1 July 2013. AdFeed sales for FY2013 were in line with budget but slightly down on FY2012 results.

FY2013 saw average gross profit margin increase to 43% (from 36% in FY2012).

The overall positive net profit result led to a net increase in cash and cash equivalents for FY2013 of $210,224.

Development of E-commerce Division

In April 2013 the Company announced its intention to create an e-commerce division and executed letters of intent for the purchase of the business assets of EzyDirect.com.au (**EzyDirect**) and Ohki.com.au (**Ohki**).

The Company's creation of an e-commerce division is a natural extension of its existing businesses and is being developed with minimal additional capital expenditure and resources. The Company is in discussions with several other companies operating in the online retail sector with a view to further augmenting its e-commerce division.

Positioned for Future Growth Opportunities - Outlook

Footar was well received by ABN's customers and partners but failed to meet budget revenue targets. This shortfall resulted in management changing the strategic direction of the Company and a decision was made to terminate the sales contract with Rubicon, the major customer of Footar, to enable a focused expansion into the e-commerce marketplace. The Company remains cautious about future earnings from the Footar product. The Footar division will be merged with the AdFeed division, to create one Online Advertising division with effect from 1 July 2013.

The AdFeed division continued to provide a steady source of revenue for the Company in FY2013 and this is expected to continue throughout FY2014, however the Directors remain cautious of the online search syndication market as a result of further changes expected from Microsoft's alliance with Yahoo in various markets.

The Board continues to explore possible options for strategic growth, either through acquisition or partnership and is optimistic that its key objective of improving sales revenue for FY2014 will be achieved, particularly as the e-commerce division commences operations.

-END

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About AdEffective Limited
AdEffective is an online advertising business focusing on the distribution of advertising to publishers and publisher networks. AdEffective has also formed a new e-commerce division which will acquire and create online stores and transaction based websites.
http://www.adeffective.com

ADEFFECTIVE LIMITED
and Controlled Entities
ABN 93 085 545 973

ASX APPENDIX 4E – PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

Lodged with ASX under Listing Rule 4.3A

ADEFFECTIVE LIMITED

ABN 93 085 545 973
(ASX:ABN)

ASX Announcement - Appendix 4E

PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2013

Name of Entity	AdEffective Limited
Australian Business Number	93 085 545 973
Current reporting period:	1 July 2012 to 30 June 2013
Previous corresponding reporting period:	1 July 2011 to 30 June 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		$
Revenues from ordinary activities	Up	6.03	to	2,778,518
Profit from ordinary activities after tax attributable to members	Up	102.7	to	45,471
Net Profit for the year attributable to members	Up	102.7	to	45,471

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2013

REVIEW OF OPERATIONS

In FY2013 AdEffective committed to focusing on further development of the Footar division and continued operations of the AdFeed division. Footar division revenues in FY2013 were not in line with expectations and it was decided to merge the AdFeed and Footar divisions into a new Online Advertising division effective 1 July 2013.

The Company is pleased to announce a profit of $45,471 for the year ended 30 June 2013. Sales for the year were $2,778,518, slightly higher than FY2012 of $2,620,459. FY2013 saw gross profit margin increase significantly to 43% (FY2012 gross profit margin: 36%) resulting from increases in earnings across Footar and Adfeed.

All revenues were generated from online advertising in FY2013. Revenues generated from the AdFeed division remained steady throughout the year whilst Footar display revenues declined quarter-on-quarter throughout FY2013 (Q1 FY2013 - $376,316, Q4 FY2013 - $160,279). The decrease in Footar display revenues resulted from a decrease in CPM (Cost per 1000 Page Impressions) payments being received. Overall revenues increased by $158,059 to $2,778,518 in 2013 (2012: $2,620,459) which can be attributed to better performance in the Footar division in Q1 and Q2.

In April 2013 the Company announced that it had commenced the creation of an e-commerce division. The new e-commerce division will sit alongside the Online Advertising division. The Company's creation of an e-commerce division is a natural extension of its existing businesses and is being developed with minimal additional capital expenditure and resources. The Company executed letters of intent for the purchase of the business assets of Ohki.com.au and Ezydirect.com.au, subject to certain completion milestones being achieved.

Ohki is an online e-commerce store established in 2010, specialising in electronics products. Ohki generated over $350,000 in sales via its website in calendar year 2012, which included the sales of over 2,000 items. Ohki has a subscriber base of over 30,000 users but ceased trading in December 2012. The acquisition of Ohki by the Company will complete in early FY 2014 and the Company will re-establish operations of the Ohki website and commence trading.

EzyDirect is an online e-commerce store established in 2006, specialising in electronics and office supply products. EzyDirect generated over $450,000 in total income for FY2012 and has access to over 16,000 sales items through a network of suppliers. Between the years of 2007-2011 the EzyDirect websites generated income in excess of $600,000 each year. Since its inception, over 12,000 customers have sourced goods from EzyDirect websites. The Company is in the final stages of the acquisition of EzyDirect.

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES

APPENDIX 4E PRELIMINARY FINAL REPORT FOR YEAR ENDED 30 JUNE 2013

Financial Performance

Revenue for the year ended 30 June 2013 was $2,778,518 (2012: $2,620,459). Net profit from operations was $45,471 (2012: Net loss $1,649,942). This year is the first year the Group is making net profits from operations.

	Consolidated 2013	Consolidated 2012
Earnings per share		
Basic earnings per share (cents)	**0.02**	(1.35)
Diluted earnings per share (cents)	**0.01**	(1.35)

Financial position

The Group had net assets of $638,963 as at 30 June 2013 (2012: $593,492).

The Group had receivables of $504,452 as at 30 June 2013 (2012: $946,821).

The Group had payables of $468,107 at 30 June 2013 (2012: $707,328).

Cash flows

The Group generated net operating cash inflows of $210,234 during the year ended 30 June 2013 (2012: net outflow $424,440). Net investing cash outflows were $10 in the year ended 30 June 2013 (2012: $nil).

Net financing cash inflows were $nil in the year ended 30 June 2013 (2012: Net inflow $643,416).

There was a cash balance at 30 June 2013 of $564,223 (2012: $353,999).

NET TANGIBLE ASSET BACKING PER SHARE

Net tangible asset backing per ordinary share at 30 June 2013 was 0.31 cents (2012: 0.20 cents).

STATUS OF AUDIT

The financial report is currently in the process of being audited and there exists a material uncertainty regarding the Company's ability to continue as a going concern. Continued use of the going concern assumption will be dependent on the consolidated entity being successful in generating continued positive operating cash flows, and if required, its capacity to raise capital to fund the Company's operations and growth plans. Failure to achieve these would cast 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.

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	**Consolidated 30 June 2013 $**	Consolidated 30 June 2012 $
Revenue			
Sales revenue		**2,778,518**	2,620,459
Other income		**11,680**	11,376
		2,790,198	2,631,835
Direct costs		**(1,603,325)**	(1,696,356)
Gross profit		**1,186,873**	935,479
Contractor and director expenses		**(627,100)**	(590,224)
Administrative expenses		**(509,008)**	(531,356)
Depreciation and amortisation expenses		**-**	(180,915)
Impairment of goodwill, intangibles and plant & equipment expense		**-**	(983,088)
Write off of Furneaux facility fee		**-**	(175,000)
Finance costs		**(5,294)**	(124,838)
Profit/(loss) before income tax		**45,471**	(1,649,942)
Income tax expense		**-**	-
Profit/(loss) for the year attributable to members		**45,471**	(1,649,942)
Other Comprehensive Income		**-**	-
Total Comprehensive profit/(loss) for the year		**45,471**	(1,649,942)
Earnings/(loss) per share (cents per share)			
- Basic earnings/(loss) per share	3	**0.02**	(1.35)
- Diluted earnings/(loss) per share	3	**0.01**	(1.35)

The accompanying notes form part of this preliminary final report

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	**Consolidated 30 June 2013 $**	Consolidated 30 Jun 2012 $
Current Assets			
Cash and cash equivalents		**564,223**	353,999
Trade and other receivables		**504,452**	946,821
Prepayments and deposits		**38,395**	-
Total Current Assets		**1,107,070**	1,300,820
Total Non-current Assets		**-**	-
Total Assets		**1,107,070**	1,300,820
Current Liabilities			
Trade and other payables		**468,107**	707,328
Total Current Liabilities		**468,107**	707,328
Total Liabilities		**468,107**	707,328
Net Assets		**638,963**	593,492
Equity			
Contributed equity	5	**26,404,522**	26,404,522
Reserves		**24,000**	24,000
Accumulated losses		**(25,789,559)**	(25,835,030)
Total Equity		**638,963**	593,492

The accompanying notes form part of this preliminary final report

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Share Capital $	Reserves $	Accumulated Losses $	Total Equity $
At 1 July 2012	**26,404,522**	**24,000**	**(25,835,030)**	**593,492**
Profit for the year	**-**	**-**	**45,471**	**45,471**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**45,471**	**45,471**
Transactions with owners in their capacity as owners	**-**	**-**	**-**	**-**
At 30 June 2013	**26,404,522**	**24,000**	**(25,789,559)**	**638,963**
At 1 July 2011	**25,430,399**	**112,842**	**(24,714,262)**	**828,979**
Loss for the year	**-**	**-**	**(1,649,942)**	**(1,649,942)**
Other comprehensive income	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**(1,649,942)**	**(1,649,942)**
Transactions with owners in their capacity as owners				
Rights issued	**1,487,843**	**-**	**-**	**1,487,843**
PlanetW deferred consideration	**142,780**	**-**	**-**	**142,780**
Cash on exercise of share options	**63**	**-**	**-**	**63**
Listed options valued	**117,720**	**-**	**-**	**117,720**
Transaction costs	**(333,678)**	**-**	**(273)**	**(333,951)**
Transferred to accumulated losses	**(440,605)**	**(88,842)**	**529,447**	**-**
At 30 June 2012	**26,404,522**	**24,000**	**(25,835,030)**	**593,492**

The accompanying notes form part of this preliminary final report

ADEFFECTIVE LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated 30 June 2013 $	Consolidated 30 June 2012 $
Cash Flows From Operating Activities		
Receipts from customers	**3,531,030**	2,410,779
Payments to suppliers and employees	**(3,327,182)**	(2,818,619)
Interest received	**11,680**	11,376
Finance costs	**(5,294)**	(27,976)
Net cash flows provided by/(used in) operating activities	**210,234**	(424,440)
Cash Flows From Investing Activities		
Investment in subsidiary	**(10)**	-
Net cash flows provided by/(used in) investing activities	**(10)**	-
Cash Flows From Financing Activities		
Proceeds from options issued	**-**	-
Proceeds from rights issued	**-**	1,487,843
Cash from exercise of share options	**-**	63
Proceeds from convertible notes	**-**	400,000
Repayment of convertible notes	**-**	(991,520)
Capital raising costs	**-**	(252,970)
Net cash flows provided by financing activities	**-**	643,416
Net increase in cash and cash equivalents	**210,224**	218,976
Cash and cash equivalents at the beginning of financial year	**353,999**	135,023
Cash and cash equivalents at the end of financial year	**564,223**	353,999

The accompanying notes form part of this preliminary final report

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

1. Basis of preparation

(a) Basis of preparation

This financial report covers AdEffective Limited (the **Company**) and controlled entities (the **Group**) 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.

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

(b) Going concern basis of accounting

The Group generated a profit of $45,471 (2012: net loss of $1,649,942) and net cash inflows from operations of $210,224 (2012: outflows of $424,440) for the year ended 30 June 2013.

The Directors are confident that the combination of careful management of overheads, continued sustained revenue from AdFeed, successful completion of the e-commerce asset purchases, 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 above, 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.

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

2. Dividends

The Group does not intend to pay a dividend in respect of the year ended 30 June 2013 (2012: nil). The Group does not have any dividend or distribution reinvestment plans in operation.

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

3. Earnings per share and the nature of any dilution aspects

Basic earnings per share: 0.02 cents (2012: Basic loss 1.35 cents)

Net profit: $45,471 (2012: Net loss $1,649,942)

Weighted average number of shares used in calculating basic earnings per share:
207,901,921 (2012: 121,825,174)

Diluted earnings per share: 0.01 cents (2012: Diluted loss 1.35 cents)

Weighted average number of shares used in calculating diluted earnings per share:
357,750,411 (2012: 121,825,174)

4. Net tangible assets per share

Net tangible asset backing per ordinary share at 30 June 2013 was 0.31 cents (2012: 0.20 cents).

5. CONTRIBUTED EQUITY

	Consolidated 2013 $	Consolidated 2012 $
Ordinary shares fully paid	**26,286,802**	26,620,480
Listed options	**117,720**	117,720
Share issue costs	**-**	(333,678)
Contributed equity	**26,404,522**	26,404,522

Movements in ordinary shares on issue	**Number of Shares**	Number of Shares
Opening balance	**207,901,921**	4,959,473,337
Shares issued during the year:		
Share consolidation on 17 Feb 2012	**-**	(4,860,283,817)
Issue of rights issue on 14 April 2012	**-**	99,189,520
PlanetW deferred consideration on 18 April 2012	**-**	9,518,667
Cash on exercise of share options	**-**	4,214
Closing balance	**207,901,921**	207,901,921

ADEFFECTIVE LIMITED AND CONTROLLED ENTITIES
NOTES TO THE (UNAUDITED) PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2013

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

Control gained over entities

On 27 May 2013, the Group incorporated a fully-owned subsidiary entity with 10 $1.00 fully paid shares in the name of AER Group Pty Ltd.

Loss of control of entities

There was no disposal of subsidiary entities in the year ended 30 June 2013.

7. Associates and joint venture entities

The Group did not have any interests in associates or joint venture entities during the year ended 30 June 2013 (2012: nil).

8. Company announcements

Refer to the ASX website (ASX: ABN) for details of Company announcements made during the period.

9. Subsequent events

Since 30 June 2013, the Company announced that as part of its ongoing strategy to augment its current business with the establishment of an e-commerce division, Mr Damian London resigned as Chief Executive Officer effective 2 August 2013, and Mr Simon Crean will assume this role, with effect from 9 September 2013.

On behalf of the board

Andrew Plympton
Chairman

30 August 2013