

**ADSLOT LTD (ABN 70 001 287 510)**  
**RESULTS FOR ANNOUNCEMENT TO THE MARKET**  
**Appendix 4E - Final report**

*Details of the reporting period and the previous corresponding period.*

Reporting Period	Financial Year ended	<b>30 June 2013</b>
Previous Corresponding Period	Financial Year ended	<b>30 June 2012</b>

*The amount and percentage change up or down from the previous corresponding period of revenue from ordinary activities (Appendix 4E item 2.1)*

Revenue from ordinary activities	\$	<b>4,729,477</b>
Previous corresponding period	\$	<b>5,341,598</b>
Percentage change up or down from the previous corresponding period of revenue from ordinary activities	%	<b>(11.46%)</b>

*The amount and percentage change up or down from the previous corresponding period of profit (loss) from ordinary activities after tax attributable to members (Appendix 4E item 2.2)*

Loss from ordinary activities after tax	\$	<b>(6,460,947)</b>
Previous corresponding period	\$	<b>(7,331,658)</b>
Percentage change up or down from the previous corresponding period of loss from ordinary activities after tax attributable to members	%	<b>11.88%</b>

*The amount and percentage change up or down from the previous corresponding period of net profit (loss) for the period attributable to members (Appendix 4E item 2.3).*

Profit (loss) attributable to members	\$	<b>(6,460,947)</b>
Previous corresponding period	\$	<b>(7,331,658)</b>
Percentage change up or down from the previous corresponding period of net loss for the period attributable to members	%	<b>11.88%</b>

*The amount per security and franked amount per security of final and interim dividends or a statement that it is not proposed to pay dividends (Appendix 4E items 2.4 and 2.5).*

No dividends proposed relating to the reporting period

*Net tangible assets per security with the comparative figure for the previous corresponding period.*

Reporting Period	cents	<b>1.38</b>
Previous Corresponding Period	cents	<b>1.93</b>

***Explanations of income (Appendix 4E item 2.6)***

The reduction in current year income of \$612,121 from the previous corresponding period is due to:

- a reduction in interest income of \$365,060 as a result of lower cash balances and lower interest rates;
- a reduction in revenue from the Webfirm division of \$195,071; and
- a reduction in revenue from the Adslot division of \$60,676 due to a decrease in revenues from the 2010 Adimise acquisition, offset against an increase in revenues derived from media trading technology such as Adslot Publisher.

***Explanations of profit/(loss) from ordinary activities and net profit/(loss) after tax attributable to members (Appendix 4E item 2.6)***

The current reporting period loss after tax of \$6,460,947 is an improvement of \$870,711 from the previous corresponding period, and due largely to a lowering of operating costs, including:

- Website Publisher costs (\$410k) – mainly due to reduced cost of sales from ongoing operation of the 2010 Adimise acquisition;
- Employment costs (\$367k) – mainly due to the capitalisation of Research and Development wages of \$542,467;
- Consultancy fees (\$338k) – reduced reliance on consultants;
- Staff Recruitment (\$120k) – recruitment handled in-house
- Deferred Vendor Consideration expense (\$308k) – final adjustment against the QDC earn out liability.

***Audited results***

This report is based on the following financial statements that have been the subject of an independent audit and are not subject to any dispute or qualification.

***Other Appendix 4E disclosures***

Additional Appendix 4E disclosures can be found in the attached Adslot Ltd financial statements.

# ADSLOT LTD

ABN 70 001 287 510

## FINANCIAL STATEMENTS

**for the year ended 30 June 2013**

<b>CONTENTS</b>	Page
Directors' Report	4
Remuneration Report	10
Auditors Independence Declaration	19
Consolidated Statement of Profit or Loss and Other Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Notes to the Financial Statements	24
Directors' Declaration	67
Independent Audit Report to the Members	68
Corporate Governance Statement	70
Shareholder Information	73
Corporate Directory	74

## Directors' Report

Your Directors present their report, together with the financial report of Adslot Ltd (formerly Webfirm Group Limited) ACN 001 287 510 ('the Company') and its controlled entities ("the Group") for the financial year ended 30 June 2013 and the auditor's report thereon.

### Information on Directors

Mr Adrian Giles, Mr Andrew Barlow, Mr Chris Morris and Ms Tiffany Fuller were directors for the whole financial year and up to the date of this report.

Mr Andrew Barlow resigned from his appointment as acting chief executive officer on 8 October 2012.

Mr Ian Lowe was appointed as executive director and chief executive officer on 8 October 2012.

**Mr Adrian Giles**  
**Non-Executive**  
**Chairman**  
**(Age 39)**

Adrian Giles is an entrepreneur with businesses in the Internet, information technology and manufacturing industries. In 1997 Adrian co-founded Sinewave Interactive which researched and pioneered the concept of marketing a website using search engines and was the first company in Australia to offer Search Engine Optimisation (SEO) as a service.

In 1998 Adrian co-founded Hitwise which grew over 10 years to become one of the most recognised global internet measurement brands operating successfully in the USA, UK, Australia, NZ, Hong Kong, and Singapore. Whilst positioning the company for a NASDAQ listing in early 2007 Hitwise was sold to Experian (LSE: EXPN) in one of Australia's most successful venture backed Internet trade sales.

Adrian is a member of the Remuneration Committee and the Audit & Risk Committee.

**Andrew Barlow**  
**Non-Executive Director**  
**(Age 40)**

Mr Barlow is an experienced entrepreneur who acts as an investor and mentor to early-stage technology companies with unique IP, highly scalable business models and strong executive teams. Mr Barlow co-founded Hitwise with Adrian Giles in 1997, was Chairman and Managing Director of Hitwise from 1997 – 2000, and Director of R&D from 2000 – 2002. Hitwise was ranked one of the Top 10 fastest growing companies by Deloitte for five years running, before being sold to Experian Group (LSX.EXP) in May 2007 for US\$240m. Mr Barlow is also a co-founder of Adslot.

Mr Barlow is the Founder of Venturian, a privately-owned venture capital fund with investments in a number of other technology ventures, including Nitro PDF (the second biggest distributor of PDF editing software in the world), Brandscreen (Asia's leading demand side platform for online media buying) and QMCodes (which makes print media interactive via mobile devices). Mr Barlow has significant expertise in online media and business building with a strong understanding of the UK and North America markets.

Andrew is Chair of the Remuneration Committee.

**Mr Ian Lowe**  
**CEO and Executive**  
**Director**  
**(Age 43)**

Ian Lowe is one of Australia's most experienced digital media executives, having built and run a number of successful global media technology companies from Australia. He has also forged an impeccable reputation in the advertising, media and technology community domestically and internationally, and has a deep understanding of both agency (demand-side) and publisher (supply-side) businesses.

Mr Lowe previously held the role of Chief Executive Officer of Facilitate Digital Ltd, and prior to that, worked for and managed numerous other media and media technology businesses including Traffion, Red Sheriff, PMP Limited, and George Patterson Bates.

**Mr Chris Morris**  
**Non-Executive Director**  
**(Age 65)**

Chris Morris is among Australia's most accomplished entrepreneurs and business leaders, having founded Computershare (ASX:CPU) in 1978 – one of Australia's most successful global technology companies. Mr Morris was Chief Executive Officer of Computershare from 1990 to 2006, and Executive Chairman from 2006 to 2010. He is now Non-Executive Chairman of Computershare.

Mr Morris has extensive knowledge of the securities industry from both a national and international perspective, and his diverse experience in building and managing a large global enterprise will aid Webfirm in its international expansion aspirations.

Chris is a member of the Remuneration Committee and also the Audit & Risk Committee. Chris is also Chair of Smart Parking Limited (ASX:SPZ).

**Ms Tiffany Fuller**  
**Non-Executive Director**  
**(Age 43)**

Ms Fuller is a qualified Chartered Accountant who has a 20 year career across Chartered Accounting, Corporate Finance, Investment Banking and Private Equity. Ms Fuller joined Rothschild Australia in 1997 in the Investment Banking Group after 8 years at Arthur Andersen in Audit, Corporate Finance and Management Consulting in Australia, UK and the United States.

At Rothschild, Ms Fuller advised various public and private clients, was responsible for managing a Microcap Fund on behalf of a number of Australia's large superannuation funds, and was a founding director of the Rothschild e-Fund, a technology focused venture capital fund. In her roles Tiffany has worked closely with emerging technology companies at Board level and as corporate adviser.

Tiffany is Chair of the Audit & Risk Committee. Tiffany is also a Non-Executive Director of Smart Parking Limited (ASX:SPZ).

**Mr Brendan Maher**  
**Company Secretary**  
**(Age 45)**

Brendan Maher joined the Company in 2010 as a qualified Chartered Accountant with 23 years experience gained both in Australia and overseas with Arthur Andersen, National Westminster Bank and Skilled Group Limited.

Mr Maher has extensive experience in financial reporting, corporate transactions and was Company Secretary at ASX listed Skilled Group Limited (ASX:SKE) prior to joining Webfirm.

Mr Maher is a member of the Institute of Chartered Accountants in Australia and also a member of the Australian Institute of Company Directors.

**Directorships of other listed companies**

Other than those disclosed on pages 4 to 5 of this Annual Report no director holds a Directorship in any other listed companies in the three year period immediately before the end of the financial year.

## Director' shareholdings

The following table sets out each director's relevant interest in shares or options in shares of the Company as at the date of this report.

Directors	Ordinary Shares #	Share Rights #	Share Options #
Mr Adrian Giles	19,633,409	-	-
Mr Andrew Barlow	62,803,769	-	-
Mr Ian Lowe	-	20,000,000	-
Mr Chris Morris	70,410,696	-	-
Ms Tiffany Fuller	100,000	-	-

## Remuneration of directors and senior management

Information about the remuneration of directors and senior management is set out in the remuneration report of this directors' report.

## Principal activities

The company operates two main divisions:

The **Adslot** division provides advertising sales automation services that reduce selling costs and increase advertising revenue for publishers. It has three main products:

- *Adslot Publisher* (previously known as *Adslot Direct*) is a platform that automates the direct sale of online display advertising inventory - helping online publishers automate sales and grow profitability. *Adslot Publisher* allows advertisers to find and buy guaranteed, brand safe advertising inventory and develop creative content through a simple self-serve process.
- *Adslot Create* makes the creation of online display advertising content easy. Online publishers can drive more direct sales by empowering advertisers of all sizes to develop their own high quality creative with *Adslot Create's* simple yet powerful editing tools. *Adslot Create* reduces the time to develop creative from weeks to minutes.
- *Adslot Enterprise* provides online publishers with all the benefits of *Adslot Publisher*, but as an integrated solution and incorporating auction technology.

The **Webfirm** division offers online marketing services including search engine optimisation, search engine marketing (paid search advertising), social media marketing, website hosting and website development.

## Operating Results

The consolidated operating loss before interest, income tax, depreciation and amortisation (EBITDA) is \$4,275,300, compared to a loss for the prior year of \$5,564,742.

The consolidated operating loss after income tax is \$6,460,947, compared to a loss for the prior year of \$7,331,658.

## Review of Operations

**Adslot division** - The Adslot division provides advertising sales automation services that reduce selling costs and increase advertising revenue for its publisher clients. It was created via the acquisition of three core pieces of technology during 2010 (Adslot, QDC and Adimise). Once the technologies were integrated and further innovated it was successfully sold and implemented into a small number of large online classifieds publishers in Australia and New Zealand.

From FY 2012 the Company began to focus on increasingly productised iterations of its technology (versus what were previously highly customised installations), and correspondingly feature sets that would appeal to a broader set of online publishing businesses. Leveraging its various technology assets and knowledge acquired from working closely with publishers, in October 2012 the Company launched *Adslot Publisher*. *Adslot Publisher* is a purpose built platform that allows any online publisher to expose premium inventory into a purpose designed buying interface, from which an advertiser can purchase direct from the publisher via an entirely electronic process.

Since October 2012 the Company has signed 657 publishers across US, UK, Europe and Australia to the *Adslot Publisher* platform. The next phase of Adslot's strategy will see this diverse and growing catalogue of publishers assembled into a *marketplace*, in which large, sophisticated advertisers – such as media agencies – will be able to plan and buy premium display advertising inventory across multiple publishers simultaneously.

Adslot's *marketplace* capability will be released at the end of the (current) September quarter, followed by a global launch in October 2013. This product will be known as *Adslot Media*. Adslot is also in the process of partnering with organisations already servicing large buyers – such as media agencies – and large publishers. This is to optimise scale of supply and demand, and in turn optimise *marketplace* liquidity.

*Adslot Create* was also released as a stand-alone product in FY 2013, enabling advertisers to quickly and easily build banner ads via a library of banner ad design templates. This capability transforms a process of days into minutes, in the process removing manual labour and associated cost. *Adslot Create* is also a key component in all customised installations, as it is also in *Adslot Publisher* for advertisers that do not have appropriate creative assets readily available.

**Webfirm division** - The Webfirm division offers products and services aimed at helping small and medium enterprise customers grow their business online. Despite FY 2013 sales slightly reducing to \$2.6 million the Webfirm division contributed a profitable result of \$0.3 million after covering its share of corporate costs.

Whilst the Webfirm divisions strategic focus changed to primarily Search Engine Marketing services for its client base last year it has also successfully refocused on providing website development for new and existing clients.

**Corporate** - Adslot Ltd is exposed to the rapidly evolving digital media industry and its associated risks, however the existing and emerging opportunities make it an exciting space in which to operate. The potential rewards from the emerging opportunities could be substantial.

Group revenues were down on the previous year, to \$4.7 million primarily due to the winding back of unprofitable legacy businesses in the Group. The net loss after tax at \$6.4 million was a reduced loss as compared to FY12 primarily due to lower operating costs.

This result included approximately \$3.1 million in non-cash losses consisting of \$2.7 million in depreciation and amortisation expenses (mostly relating to acquired intangibles relating to the Adslot division) and \$0.4 million of non-cash share based expenses.

### **Matters Subsequent to the end of the financial year**

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in future years.

### **Likely developments and business strategies**

In September 2013 the Company will undertake a first release of its marketplace via the release of *Adslot Media*, a purpose designed buying interface for large buyers such as media agencies. *Adslot Media* will include advanced buying tools such as advanced inventory filtering tools, data driven audience profiling and programmatic optimisation of budget allocation.

The Company expects it will take 2 quarters post global launch in October to drive adoption of the platform, the growth of which we expect to drive significant increase in Group revenue in the years to come.

Whilst the Company expects growth in revenues from *Adslot Create*, *Adslot Publisher* and to a lesser extent *Adslot Enterprise* and the Webfirm Division, the majority of revenue growth will be derived from the *Adslot Media* platform.

The Company expects to continue to incur net underlying operational cash outflows during FY 2014, but the extent and timing of these are largely subject to the adoption rate of *Adslot Media*.

### **Environmental regulations**

The group's operations are not subject to any significant environmental regulations under the Commonwealth, State or any other country in which the entity operates.

### **Dividends**

The Directors do not recommend the declaration of a dividend. No dividend has been declared or paid during the year.

### **Shares under option**

Details of unissued shares or interests under option as at the date of signing this report are:

<b>Type</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number under option</b>
Options over ordinary shares	08 Jul 2014	\$0.151	2,000,000
Options over ordinary shares	30 Sep 2014	\$0.116	3,000,000
Options over ordinary shares	30 Sep 2014	\$0.190	300,000
<b>Total</b>			<b>5,300,000</b>

There were no shares or interests issued during or since the end of the financial year as a result of exercise of an option.

### Shares subject to rights

Details of unissued shares or interests subject to rights as at the date of signing this report are:

Type	Share price required (a)	Number of rights
Right to receive ordinary shares	\$0.100	3,000,000
Right to receive ordinary shares	\$0.200	3,000,000
Right to receive ordinary shares	\$0.300	4,000,000
Right to receive ordinary shares	\$0.400	5,000,000
Right to receive ordinary shares	\$0.500	5,000,000
<b>Total</b>		<b>20,000,000</b>

(a) Share price required to trade above a 30 day VWAP before entitlement to Right

### Indemnification and Insurance of Officers

The Company has during the financial year, in respect of each person who is or has been an officer of the company or a related body Corporate, made a relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Since the end of the financial year, the Company has paid premiums to insure all directors and officers of Adslot Ltd and the Adslot Group of companies, against costs incurred in defending any legal proceedings arising out of their conduct as a director and officer of the Company, other than for conduct involving a wilful breach of duty or a contravention of Sections 232(5) or (6) of the *Corporations Act 2011*, as permitted by section 241A(3) of the *Corporations Act*. Disclosure of the premium amount is prohibited by the insurance contract.

### Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2013 and the number of meetings attended by each Director.

Directors	Board of Directors		Remuneration Committee		Audit and Risk Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr Adrian Giles	8	8	1	1	3	3
Mr Ian Lowe	7	7	-	-	-	-
Mr Andrew Barlow	8	8	1	1	-	-
Mr Chris Morris	8	8	1	1	3	2
Ms Tiffany Fuller	8	8	-	-	3	3

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 19 of the financial report. Details of amounts paid or payable to the auditor for non-audit services provided during the year are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

## REMUNERATION REPORT

The remuneration report is set out under the following headings:

- Section 1: Non-executive directors remuneration
- Section 2: Executive remuneration
- Section 3: Details of remuneration
- Section 4: Executive contracts of employment
- Section 5: Equity-based compensation

### Section 1: Non-executive remuneration

Non-executive directors' fees are reviewed annually and are determined by the Board. In making its determination it takes into account fees paid to other non-executive directors of comparable companies.

Non-executive directors' fees are within the maximum aggregate limit of \$350,000 per annum agreed to by shareholders at the Annual General Meeting held on 30 November 2009. To preserve the independence and integrity of their position, non-executive directors do not receive performance based bonuses.

The Chairman's fees are \$75,000 per annum. Non-executive directors fees are \$50,000 per annum. In addition the Chair of the Audit & Risk Committee receives a further \$25,000 in recognition of the additional workload of that position.

### Section 2: Executive remuneration

The Board of Directors are responsible for determining and reviewing compensation arrangements for key management personnel and the executive team. In June 2011, the Company established a Remuneration Committee who now makes recommendations on remuneration of key management personnel to the Board.

The Board assesses the appropriateness of the nature and amount of emoluments of these employees on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality executives. Executives' remuneration consists of a fixed cash component, short-term incentives in the form of cash bonuses, and long-term incentives in the form of equity based compensation linked to the long term prospects and future performance of the Company. The inclusion of equity-based compensation in executives' remuneration provides a direct link between their remuneration and shareholder wealth, otherwise there are no direct relationships.

### Section 3: Details of remuneration

Details of the remuneration of the directors and the key management of the Company and its controlled entities are set out in the following tables.

The key management personnel of Adslot Ltd (formerly Webfirm Group Limited) and its controlled entities include the following directors and executive officers:

<b>Directors</b>	<b>Position</b>	<b>Date appointed/resigned</b>
Mr Adrian Giles	Non-Executive Director Non-Executive Chairman Executive Chairman Non-Executive Chairman	Appointed 19 December 2007 From 8 October 2009 From 13 April 2010 From 8 October 2012
Mr Andrew Barlow	Non-Executive Director Executive Director Acting Chief Executive Officer Acting Chief Executive Officer Non-Executive Director	Appointed 16 February 2010 From 13 April 2010 Appointed 30 August 2011 Resigned 8 October 2012 From 31 December 2012
Mr Ian Lowe	Chief Executive Officer Executive Director	Appointed 8 October 2012 Appointed 8 October 2012
Mr Chris Morris	Non-Executive Director	Appointed 20 September 2010
Ms Tiffany Fuller	Non-Executive Director	Appointed 20 June 2011
<b>Executive Officers</b>		
Mr Brendan Maher	Company Secretary / Chief Financial Officer	Appointed 15 November 2010

### Section 3: Details of remuneration (Continued)

Group 2013  Name	Short-term benefits			Termination benefits	Post-employment benefits	Share-based payment	Total	% of remuneration that consists of options & shares %
	Salary & fees \$	Bonus \$	Other \$	\$	Superannuation \$	Shares & Rights <sup>1</sup> \$		
<i>Executive directors</i>								
Mr I Lowe (i)	221,320	-	-	-	12,352	186,766	420,438	44.4%
<i>Non-executive directors</i>								
Mr A Giles	76,040	-	-	-	-	-	76,040	-
Mr A Barlow	140,386	-	-	-	-	-	140,386	-
Mr C Morris	50,000	-	-	-	-	-	50,000	-
Ms T Fuller	75,000	-	-	-	-	-	75,000	-
<i>Other key management personnel</i>								
Mr B Maher	255,892	30,000	-	-	19,112	44,780	349,784	12.8%
<b>Totals</b>	<b>818,638</b>	<b>30,000</b>	<b>-</b>	<b>-</b>	<b>31,464</b>	<b>231,546</b>	<b>1,111,648</b>	<b>20.8%</b>

<sup>1</sup> Awards of Shares and Rights to Mr I Lowe and Awards of Shares to Mr B Maher are governed by the rules of the Company's ESOP, given the forfeiture conditions contained in that Plan these awards are in substance rights issues.

(i) from 8 October 2012

#### **Bonuses**

Bonuses appearing in the table above were paid for the year ended 30 June 2013 as follows:

Name	Amount Paid \$	Amount available in future periods \$	Total Bonus Opportunity \$	Assessment Criteria
Mr B Maher	30,000	-	45,063	Divisional performance, governance, reporting and performance related KPI's

No portion of the bonuses paid to key management personnel were forfeited.

### Section 3: Details of remuneration (Continued)

Group 2012  Name	Short-term benefits			Termination benefits  \$	Post- employment benefits  Superannuation \$	Share- based payment  Options, & rights <sup>1</sup> \$	Total \$	% of remuner ation that consists of options & shares %
	Salary & fees \$	Bonus \$	Other \$					
<i>Executive directors</i>								
Mr A Giles	83,840	-	-	-	-	-	83,840	-
Mr A Barlow	321,959	-	-	-	-	-	321,959	-
Mr D Burden (i)	133,058	79,834	-	6,593	6,525	-	226,010	-
Mr A Du Preez (ii)	170,915	-	-	13,705	11,831	-	196,451	-
<i>Non-executive directors</i>								
Mr C Morris	50,000	-	-	-	-	-	50,000	-
Ms T Fuller	75,000	-	-	-	-	-	75,000	-
<i>Other key management personnel</i>								
Mr B Maher	255,121	24,000	-	-	15,775	6,365	301,261	2.1%
Mr M Chamley (iii)	12,113	-	-	30,062	2,163	2,030	46,368	4.4%
<b>Totals</b>	<b>1,102,006</b>	<b>103,834</b>	<b>-</b>	<b>50,360</b>	<b>36,294</b>	<b>8,395</b>	<b>1,300,889</b>	<b>0.6%</b>

<sup>1</sup> Shares issued to Mr B Maher under the Employee Share Option Scheme are in substance rights issues and have been treated as such in the remuneration table.

- (i) to 30 August 2011
- (ii) to 30 March 2012
- (iii) to 20 July 2011

#### **Bonuses**

Bonuses appearing in the table above were paid for the year ended 30 June 2012 as follows:

Name	Amount Paid \$	Amount available in future periods \$	Total Bonus Opportunity \$	Assessment Criteria
Mr D Burden	79,834	-	79,834	New client signings, client platform volumes, divisional performance
Mr B Maher	24,000	-	43,750	Reporting, Governance and other performance related KPI's

No portion of bonuses paid to key management personnel were forfeited.

## REMUNERATION REPORT (Continued)

### Section 4. Executive contracts of employment

Formal contracts of employment for all members of the key management personnel are in place. Contractual terms for most executives are similar but do, on occasions, vary to suit different needs. The following table summarises the key contractual terms for all Key Management Personnel.

<b>Length of contract</b>	Open ended
<b>Fixed Remuneration</b>	Remuneration comprises salary and statutory employer superannuation contributions.
<b>Incentive Plans</b>	Eligible to participate. Incentive criteria and award opportunities vary for each executive.
<b>Notice Period</b>	All members of the key management, including executive directors, have a notice period of three months.
<b>Resignation</b>	Employment may be terminated by giving notice consistent with the notice period.
<b>Retirement</b>	There are no financial entitlements due from the Company on retirement of an executive.
<b>Termination by the Company</b>	The Company may terminate the employment agreement by providing notice consistent with the notice period or payment in lieu of the notice period.
<b>Redundancy</b>	Payments for redundancy are discretionary and are determined having regard to the particular circumstances. There are no contractual commitments to pay redundancy over and above any statutory entitlement.
<b>Termination for serious misconduct</b>	The Company may terminate the employment agreement at any time without notice, and the executive will be entitled to payment of remuneration only up to the date of termination.

## REMUNERATION REPORT (Continued)

### Section 5: Equity-based compensation

#### *Employee share ownership plan (ESOP)*

Between 2009 and July 2010 the Company operated an options based scheme for executives and senior employees of the Group. Each share option converted into one ordinary share of Adslot Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry no voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry, subject to the individual remaining an employee of the Company. The plan rules allow departed employees to retain their options for a period of time based on the length of their service with the Company and the nature of their separation from the Company.

The board considered these conditions appropriate to ensure the objective of maintaining key staff within the Company. The issue of share options are not subject to performance conditions.

In July 2010, the Board ceased issuing options to eligible employees under the scheme, as it believed that options were no longer the most effective way to remunerate employees.

In November 2012 the Company gained approval to establish an employee incentive scheme comprising the Adslot Limited Share Option Plan and the Adslot Employee Share Trust.

Rights to shares are available to be issued to eligible employees based on the performance against agreed key performance indicators. Any rights awarded are subject to a two year service period and if this service period is not met, the rights to shares will be forfeited by the eligible employee. Shares held by the Trust under the scheme will have voting and dividend rights, and the right to participate in further issues pro-rata to all ordinary shareholders.

The following table shows grants of share-based compensation to directors and senior management under the ESOP for the current financial year ended June 2013:

Name	ESOP Series	During the Financial year				% of Compensation for the year Consisting of Shares
		Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited	
Mr I Lowe	Accepted on 10 Oct 12	3,000,000	-	-	-	23.7%
Mr B Maher	Accepted on 14 Sep 12	1,674,872	-	-	-	12.8%

ESOP Series	Number of Shares	Vesting Date	Value of shares at grant date \$	Expensed in FY 2013	Fair Value Per Share \$	Date vested and exercisable
14-Sep-2012	1,674,872	13-Sep-2014	77,044	32,102	0.0460	-
10-Oct-2012	1,500,000	9-Oct-2013	88,500	66,375	0.0590	-
10-Oct-2012	1,500,000	9-Oct-2014	88,500	33,187	0.0590	-
			<b>254,044</b>	<b>131,664</b>		

## REMUNERATION REPORT (Continued)

### Section 5: Equity-based compensation (continued)

The following table shows grants of share-based compensation to directors and senior management under the ESOP during prior year ending June 2012:

Name	ESOP Series	During the Financial year				% of Compensation for the year Consisting of Shares
		Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited	
Mr B Maher	Accepted on 01 Dec 11	413,511	-	-	-	2.1%

ESOP Series	Number of Shares	Vesting Date	Value of shares at grant date \$	Expenses in FY 2012	Fair Value Per Share \$	Date vested and exercisable
01-Dec-2011	413,511	30 Nov 2013	21,916	6,365	0.0530	-
			21,916	6,365		

### Rights over Shares

Upon commencement of employment (8 October 2012) during the current year Mr Lowe has been granted the right to receive the following shares after the share price of the Company trades above a 30 day VWAP as per the table below. Each right would convert into one ordinary share of Adslot Ltd when the VWAP criteria is met. No amounts are paid or payable by the recipient on receipt of the right. The rights carry no voting rights. Some rights are subject to escrow per the below table and all rights are subject to Mr Lowe remaining an employee of the Company.

Issue Date	Number of Rights over shares	Required VWAP Price \$	Value of rights at grant date \$	Fair Value Per right \$	Escrow Required from award
8-Oct-2012	3,000,000	0.10	93,000	0.0310	2 years
8-Oct-2012	3,000,000	0.20	64,500	0.0215	2 years
8-Oct-2012	4,000,000	0.30	66,000	0.0165	-
8-Oct-2012	5,000,000	0.40	73,000	0.0146	-
8-Oct-2012	5,000,000	0.50	63,500	0.0127	-
			360,000		

## REMUNERATION REPORT (Continued)

### Section 5: Equity-based compensation (continued)

Details of ESOP and other rights to ordinary shares in the company provided as remuneration of directors and the key management personnel of the Company are set out below:

Name	Rights/Options Granted During the Year				Rights/Options Vested During the Year			
	2013		2012		2013		2012	
	Number	\$	Number	\$	Number	\$	Number	\$
<b>Directors</b>								
Mr Adrian Giles	-	-	-	-	-	-	-	-
Mr Ian Lowe (i)	23,000,000	\$537,000	-	-	-	-	-	-
Mr Andrew Barlow	-	-	-	-	-	-	-	-
Mr Chris Morris	-	-	-	-	-	-	-	-
Ms Tiffany Fuller	-	-	-	-	-	-	-	-
<b>Other Key Management Personnel</b>								
Mr B Maher	1,674,872	\$77,044	413,511	\$25,356	-	-	-	-

(i) from 8 October 2012

The assessed fair value at issue date of the options granted to the executive is allocated equally over the period from issue date to vesting date, and the amount is included in the remuneration tables above. Fair values at issue date are independently determined using the binomial option pricing model that takes into account the exercise price, the term of the option, the share price at issue date and the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for **ESOP rights** to shares granted during the year ended 30 June 2013 included:

Model Input	ESOP #13-1	ESOP #13-2	ESOP #13-3
Grant Date	14/09/12	10/10/12	10/10/12
Escrow End Date	13/09/14	09/10/13	09/10/14
Exercise Price	-	-	-
Price at Grant Date	\$0.046	\$0.059	\$0.059
Expected Volatility	108.3%	106.5%	106.5%
Expected Dividend Yield	0%	0%	0%
Risk Free Interest Rate	2.86%	2.44%	2.44%

The model inputs for **other rights** granted during the year ended 30 June 2013 included:

Model Input	Class #C1	Class #C2	Class #C3	Class #C4	Class #C5
Grant Date	08/10/12	08/10/12	08/10/12	08/10/12	08/10/12
Exercise Date (i)	-	-	-	-	-
Expiry Date (ii)	-	-	-	-	-
Exercise Price	\$0.100	\$0.200	\$0.300	\$0.400	\$0.500
Price at Grant Date	\$0.059	\$0.059	\$0.059	\$0.059	\$0.059
Expected Volatility	97.7%	97.7%	97.7%	97.7%	97.7%
Expected Dividend Yield	0%	0%	0%	0%	0%
Risk Free Interest Rate	2.68%	2.68%	2.68%	2.68%	2.68%

- (i) There is no exercise date as the right vests upon the company shares reaching the exercise price, assumed to be after three (3) years for the purpose of valuation.
- (ii) There is no expiry dates related to these rights, but assumed to be five (5) years for the purpose of valuation.

## REMUNERATION REPORT (Continued)

### Section 5: Equity-based compensation (continued)

The model inputs for ESOP rights to shares granted during the year ended 30 June 2012 included:

Model Input	ESOP #12-1
Grant Date	01/12/11
Escrow End Date	30/11/13
Exercise Price	-
Price at Grant Date	\$0.053
Expected Volatility	45.0%
Expected Dividend Yield	0%
Risk Free Interest Rate	3.22%

Details of options granted, exercised and lapsed during the year appear in the following table:

2013 Name	Balance at the start of the year (Number)	Granted during the year as compensation (Number)	Exercised during the year (Number)	Forfeited during the year (Number)	Lapsed during the year (Number)	Balance at the end of the year (Number)	Vested and exercisable at the year end (Number)
<i>Directors</i>							
Mr A Giles	11,800,000	-	-	-	(11,800,000)	-	-
Mr A Barlow	7,900,000	-	-	-	(7,900,000)	-	-
Mr I Lowe	-	-	-	-	-	-	-
Mr C Morris	-	-	-	-	-	-	-
Ms T Fuller	-	-	-	-	-	-	-
Other key management personnel							
Mr B Maher	-	-	-	-	-	-	-
<b>Totals</b>	<b>19,700,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,700,000)</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The fair value of options lapsed during the year was \$460,980

This marks the end of the audited remuneration report.

This report is made in accordance with a resolution of directors.



Adrian Giles  
Chairman

28 August 2013

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**Auditor's Independence Declaration  
To the Directors of Adslot Ltd**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Adslot Ltd for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*Eric W Passaris*

Eric Passaris  
Partner - Audit & Assurance

Melbourne, 28 August 2013

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Total revenue from continuing operations	3	4,055,721	4,682,469
Other income	3	673,756	659,129
Website publishers & related costs		(748,257)	(1,158,310)
Depreciation and amortisation expenses	4	(2,711,403)	(2,658,506)
Salaries and employment related costs		(5,137,214)	(5,504,663)
Consultancy and contractor costs		(249,846)	(587,591)
Directors' fees		(249,995)	(246,471)
Staff recruitment		(82,629)	(202,238)
Telephone and internet		(80,164)	(114,231)
Share based payment expense		(429,785)	(211,045)
Marketing costs		(256,716)	(44,904)
Lease – rental premises	4	(320,100)	(377,231)
Impairment of intangibles	4	-	(50,000)
Impairment of receivables	4	(12,670)	(70,091)
Listing & registrar fees		(89,136)	(87,723)
Legal fees		(113,178)	(130,375)
Travel expenses		(237,407)	(222,029)
Audit and accountancy fees		(129,720)	(177,090)
Other expenses		(341,430)	(830,758)
<b>Loss before income tax expense</b>		<b>(6,460,173)</b>	<b>(7,331,658)</b>
Income tax expense	5	(774)	-
<b>Loss after income tax expense</b>		<b>(6,460,947)</b>	<b>(7,331,658)</b>
<b>Net loss attributable to members</b>		<b>(6,460,947)</b>	<b>(7,331,658)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation		29,777	36,452
Total other comprehensive income		29,777	36,452
<b>Total comprehensive loss attributable to the members</b>		<b>(6,431,170)</b>	<b>(7,295,206)</b>
		2013	2012
		Cents	Cents
<b>Earnings per share (EPS) from loss from continuing operations attributable to the ordinary equity holders of the company</b>			
Basic earnings per share	17	(0.94)	(1.08)
Diluted earnings per share	17	(0.94)	(1.08)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Statement of  
Financial Position**  
As at 30 June 2013

	Notes	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	9,132,037	13,746,124
Trade and other receivables	8	1,796,793	1,361,994
Total current assets		10,928,830	15,108,118
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	9	130,079	167,738
Other financial assets	10	212,664	212,664
Intangible assets	11	5,771,645	7,869,963
Total non-current assets		6,114,388	8,250,365
Total assets		17,043,218	23,358,483
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	813,104	1,015,805
Other liabilities	13	651,185	1,011,050
Provisions	14	212,059	174,727
Total current liabilities		1,676,348	2,201,582
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	46,618	26,294
Total non-current liabilities		46,618	26,294
Total liabilities		1,722,966	2,227,876
<b>NET ASSETS</b>		15,320,252	21,130,607
<b>EQUITY</b>			
Issued capital	15	76,871,148	76,674,272
Reserves	16	1,039,039	1,945,845
Accumulated losses		(62,589,935)	(57,489,510)
<b>TOTAL EQUITY</b>		15,320,252	21,130,607

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

### 2013

	Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2012</b>		76,674,272	1,945,845	(57,489,510)	21,130,607
Movement in foreign exchange translation reserve	16	-	29,777	-	29,777
Other comprehensive income		-	29,777	-	29,777
Loss attributable to members of the company		-	-	(6,460,947)	(6,460,947)
<b>Total comprehensive income</b>		-	<b>29,777</b>	<b>(6,460,947)</b>	<b>(6,431,170)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Contributions of equity, net of transaction costs	15	648,721	-	-	648,721
Treasury shares	15	(457,691)	-	-	(457,691)
Reclassification of lapsed options to retained earnings	16	-	(1,360,522)	1,360,522	-
Reclassification of vested ESOP	16	5,846	(5,846)	-	-
Increase in employees share based payments reserve	16	-	429,785	-	429,785
		196,876	(936,583)	1,360,522	620,815
<b>Balance 30 June 2013</b>		<b>76,871,148</b>	<b>1,039,039</b>	<b>(62,589,935)</b>	<b>15,320,252</b>

### 2012

	Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2011</b>		76,547,875	5,830,556	(54,290,060)	28,088,371
Movement in foreign exchange translation reserve	16	-	36,452	-	36,452
Other comprehensive income		-	36,452	-	36,452
Loss attributable to members of the company		-	-	(7,331,658)	(7,331,658)
<b>Total comprehensive income</b>		-	<b>36,452</b>	<b>(7,331,658)</b>	<b>(7,295,206)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Contributions of equity, net of transaction costs	15	259,413	-	-	259,413
Treasury shares	15	(133,016)	-	-	(133,016)
Reclassification of lapsed options to retained earnings	16	-	(4,132,208)	4,132,208	-
Increase in employees share based payments reserve	16	-	211,045	-	211,045
		126,397	(3,921,163)	4,132,208	337,442
<b>Balance 30 June 2012</b>		<b>76,674,272</b>	<b>1,945,845</b>	<b>(57,489,510)</b>	<b>21,130,607</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Consolidated Statement of Cash Flows

For the year ended 30 June 2013

		2013	2012
	Notes	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from trade and other debtors		3,294,614	4,169,273
Interest received		547,574	1,154,422
Government grants and other receipts		822,844	-
Payments to trade creditors, other creditors and employees		(8,238,911)	(10,020,116)
Income tax paid		(774)	-
Net cash outflows from operating activities	25	<u>(3,574,653)</u>	<u>(4,696,421)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(33,123)	(56,813)
Proceeds from sale of fixed assets		855	20,274
Payments for intangible assets		(986,304)	(13,741)
Net cash outflows from investing activities		<u>(1,018,572)</u>	<u>(50,280)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		-	82,880
Net cash inflows from financing activities		<u>-</u>	<u>82,880</u>
Net increase/(decrease) in cash held		(4,593,225)	(4,663,821)
Cash at the beginning of the financial year		13,746,124	18,352,609
Effects of exchange rate changes on cash		(20,862)	57,336
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	7	<u>9,132,037</u>	<u>13,746,124</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies

The financial report covers Adslot Ltd, formerly Webfirm Group Limited (“Company”) and controlled entities (“Group”). Separate financial statements for Adslot Ltd as an individual entity are no longer presented as a consequence of a change to the *Corporations Act 2001*. However limited financial information for Adslot Ltd, as an individual entity is included in Note 27. Adslot Ltd is a listed public company, incorporated and domiciled in Australia. The financial report is for the financial year ended 30 June 2013 and is presented in Australian dollars.

The principal accounting policies adopted in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

##### *Compliance with IFRS*

Australian Accounting Standards include International Financial Reporting Standards as adopted in Australia. Compliance with Australian Accounting Standards ensures that the financial statements and notes of Adslot Ltd (formerly Webfirm Group Limited) comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Adslot Ltd is a for-profit entity for the purpose of preparing the financial statements.

##### *Adoption of new and amended standards*

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2012:

- *AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* provides clarification on the determination of deferred assets and deferred liabilities when investment property is measured using the fair value model in AASB 140 *Investment Property*.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 *Property, Plant and Equipment* should always be based on recovery through sale.

These amendments have had no impact on the Group.

- *AASB 2011-9 Amendments to Australian Interpretations – Presentation of Items of Other Comprehensive Income* requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently and changes the title of ‘statement of comprehensive income’ to ‘statement of profit or loss and other comprehensive income’.

The adoption of AASB 2011-9 has resulted in changes to Group’s presentation of its financial statements.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets. Under the historical cost convention assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (a) Basis of preparation (Continued)

##### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### (b) Going concern

Management continue to invest resources to successfully launch the Adslot products in multiple geographies. The Group has incurred a net cash outflows from operations of \$3.6m for the year, and management anticipate incurring further net cash outflows from operations until such time as sufficient revenue growth is achieved.

Accordingly the ability of the Group to continue as a going concern is dependent upon revenue growth in the Adslot division. During FY 2013 Adslot started earning revenues from its Adslot Publisher product. During FY 2014 the Group expects increase in revenues from the Adslot Publisher Product and new revenues from the launch of the Adslot Market Place (Adslot Media) and from the Adslot Create Product. Despite this, it is likely, net operating cash flows from operations will continue to be negative in FY 2014. However the directors believe the Group can continue to pay its debts as and when the fall due for the following reasons:

- The Group has a cash position as at 30 June 2013 of \$9.1m;
- The Webfirm division is expected to make continued positive net cash flows from its operations during FY 2014; and
- Management could reduce the level of resources dedicated to expanding the business if so required.

Accordingly the directors believe there exists a reasonable expectation that the Group can continue to pay its debts as and when they fall due, and the financial report has been prepared on a going concern basis.

#### (c) Principles of consolidation

##### *Subsidiaries*

The consolidated financial statements comprise those of the Company, and the entities it controlled at the end of, or during, the financial year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. All intra-group transactions, balances, income and expenses between entities in the Group included in the financial statements have been eliminated in full. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The accounting policies adopted in preparing the financial statements have been consistently applied by entities in the Group.

Investments in subsidiaries are accounted for at cost less impairment losses in the parent entity information in Note 27.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (c) Principles of consolidation (Continued)

##### *Business combinations*

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

The group recognises identifiable assets and liabilities assumed in the business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values. Goodwill is stated after separate recognition of identifiable intangible assets calculated as the excess of the sum of the fair value of the consideration transferred over the acquisition date fair value of identifiable net assets. If the identifiable net assets exceeds the consideration transferred, the excess amount is recognised in profit or loss immediately.

Any deferred settlement of cash consideration is discounted to its present value as at the date of acquisition. The discount rate used is the incremental borrowing rate that the Group can obtain from an independent financier under comparable terms and conditions.

##### *Foreign Currency Exchange*

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance date. Exchange differences are recognised in statement of profit or loss and other comprehensive income in the period in which they arise.

On consolidation, the assets and liabilities of the Group's foreign operations are translated into Australian dollars at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are charged/credited to other comprehensive income and recognised in the Group's foreign currency translation reserve in equity. On disposal of a foreign operation the cumulative translation difference recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

#### (d) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and deposits at call which are readily convertible to cash and are not subject to significant risk of changes in value, net of bank overdrafts.

Publisher Account Cash represents share of advertising revenue held before release to Adslot Publishers.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Leasehold improvements are depreciated over the estimated useful life using the straight-line method with any balance written off at termination of lease.

Depreciation is calculated on a straight line basis for all plant and equipment. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of asset and is recognised in profit or loss. The following depreciation rates are used for each class of depreciable asset:

Computer Equipment	20 – 40% per annum
Plant & Equipment	20 – 25% per annum
Leasehold Improvements	20% per annum

#### (f) Receivables

Trade receivables are recognised initially at fair value and thereafter are measured at amortised cost, less provision for impairment. They are non-derivative financial assets with fixed or determinable amounts not quoted in an active market. Trade accounts receivable are generally settled between 14 and 60 days and carried at amounts recoverable.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss. Subsequent recoveries of amounts previously written off are credited against the allowance account.

#### (g) Investments and other financial assets

Financial assets are recognised when the group entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to recognition at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any other category of financial assets. Available-for-sale financial assets are measured at fair value. Gains or losses arising from changes in available-for-sale financial assets are presented in other comprehensive income in the period in which they arise.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (h) Trade and other creditors – financial liabilities

Trade accounts payable and other creditors represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

#### (i) Borrowings

Borrowings are initially recognised at fair value (less transaction costs) and subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised in the consolidated statement profit or loss and other of comprehensive income over the period of the borrowing using the effective interest method.

#### (j) Finance costs

Finance costs are recognised as expenses in the period in which they are incurred except where they are incurred in the construction of a qualifying asset in which case the finance costs are capitalised as part of the asset.

#### (k) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences 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 deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities are always provided for in full.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (k) Income tax

##### *Tax consolidation legislation*

Adslot Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Adslot Ltd, and the controlled entities in the tax consolidated group account for their own current and tax deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

To the extent that it is not probable that taxable profit will be available in the foreseeable future against which the unused tax losses or unused tax credits can be utilised, the deferred tax assets of its own and its controlled entities are not recognised by Adslot Ltd (formerly Webfirm Group Limited).

#### (l) Employee benefits

##### *Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### *Long service leave*

Long service leave liability commences to be accrued for staff at four (4) year anniversary date. The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in provisions for employee entitlements and is measured at the amount expected to be paid when the liabilities are settled. The liability for long service leave expected to be settled more than 12 months from the reporting date, is recognised in the non-current provision for employee benefits and is measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

##### *Share-based compensation benefits*

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. The fair value at grant date is determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value determined at the grant date of the equity-settled share-based payments is recognised as an expense, with a corresponding increase in equity (share-based payments reserve) on a straight line basis over the vesting period.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (m) Intangible Assets

##### **Goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (acquisition date). Goodwill is measured as the excess of the fair value of consideration paid over the fair value of the identifiable net assets of the entity or operations acquired. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, being allocated to the cash flows of the relevant cash generating unit and is carried at cost less accumulated impairment losses. An impairment loss for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

##### **Research & development expenditure**

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the assets to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development costs is tested for impairment annually when the asset is not yet available for use or more frequently when an indicator of impairment arises during the reporting period.

##### **Intellectual property**

The intellectual property relates to the names, platform technology, branding and domains acquired as a result of the acquisition of Adslot, Adimise, Full Circle Online and QDC IP Technology businesses. Where the useful life is assessed as indefinite, assets are not amortised and the carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate impairment. It is carried at cost less impairment losses. For those assets assessed as having a finite life, they are amortised on a straight-line basis over the estimated useful life of the asset. The expected accounting useful life of intellectual property relating to the Adslot, Adimise and QDC IP Technology business is 5 years.

##### **Domain name**

Acquired domain names are brought to account at cost, useful life is assessed as indefinite and the assets are not amortised. The carrying value is tested for impairment annually or more frequently if events or changes in circumstances indicate impairment. They are carried at cost less impairment losses.

##### **Software**

Software represents internally developed software platforms capitalised according to accounting standards. Software is assessed as having a finite life and is amortised on a straight-line basis over the estimated useful life of the asset. The expected accounting useful life of software is 5 years.

The carrying value of the software is tested for impairment when an indicator of impairment arises during the reporting period.

## **Notes to the Financial Statements (Continued)**

For the year ended 30 June 2013

### **1. Summary of Significant Accounting Policies (Continued)**

#### **(n) Leased assets**

Leases of assets under which the Group assumes substantially all the risks and benefits of ownership are classified as finance leases as distinct from operating leases under which the lessor effectively retains substantially all such risks and benefits. Property, plant and equipment acquired by finance leases is capitalised at the present value of the minimum lease payments as a finance lease asset and as a corresponding lease liability from date of inception of the lease. Lease assets are amortised over the period the entity is expected to benefit from the use of the assets or the term of the lease, whichever is shorter. Finance lease liabilities are reduced by the component of principal repaid. Lease payments are allocated between the principal component of the liability and interest expense.

Operating lease payments are charged to statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease term. Associated costs such as maintenance and insurance are expensed as incurred.

#### **(o) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. Where the amount of GST incurred is not recoverable from taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

## **Notes to the Financial Statements (Continued)**

For the year ended 30 June 2013

### **1. Summary of Significant Accounting Policies (Continued)**

#### **(p) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and duties and taxes paid.

Revenue is recognised for the major business activities as follows:

##### ***Rendering of services***

Service revenue is recognised on an accruals basis as and when the service has been passed onto the customer.

Website development revenue is recorded based on project delivery. All projects are assigned percentages of project completion (based on actual work in progress) and all website development revenue applicable to percentage of incomplete work is recorded as unearned revenue.

Website hosting, SSL certificate and domain name registration revenue is recorded over one year duration. While 30% of search engine renewal revenue is recorded as earned in first month of renewal contract, the balance 70% revenue is recognised over one year duration. Prepaid revenue calculated in this regard is excluded from revenue and is being treated as unearned revenue in the Consolidated Statement of Financial Position.

Adslot Publisher revenue is accounted for in accordance with AASB 118 *Revenue* such that only the portion of the media campaign that is retained by Adslot for their services is recorded as revenue. Where underlying campaigns selected by advertisers are served over a period a time, the portion that extends beyond the reporting period is not taken up as revenue. Where the funds for these campaigns are prepaid by advertisers those amounts are treated as unearned revenue in the Consolidated Statement of Financial Position.

Funds collected from advertisers and due to publisher clients are separated from Company funds and are disclosed in the accounts as "Cash held on behalf of Publishers" and "Publisher Creditors".

##### ***Interest revenue***

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount can be measured reliably, taking into account the effective yield on the financial asset.

##### ***Government grants***

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income and are amortised on a straight line basis over the expected lives of the assets.

##### ***Sale of non-current assets***

The net gain from the sale of non-current asset sales is recognised in income at the date control of the asset passes to the buyer, usually when the signed contract of sale becomes unconditional.

## **Notes to the Financial Statements (Continued)**

For the year ended 30 June 2013

### **1. Summary of Significant Accounting Policies (Continued)**

#### **(q) Leasehold improvements**

The cost of improvements to leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the group, whichever is the shorter.

#### **(r) Earnings per share**

##### *Basic earnings per share*

Basic earnings per share for continuing operations and total operations attributable to members of the Company are determined by dividing net profit after income tax from continuing operations and the net profit attributable to members of the Company respectively, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period. The number of shares used in the calculation at any time during the period is based on the physical number of shares issued.

##### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### **(s) Dividends**

Provision is made for the amount of any dividend determined or recommended by the directors on or before the end of the financial year but not distributed at balance date.

## **Notes to the Financial Statements (Continued)**

For the year ended 30 June 2013

### **1. Summary of Significant Accounting Policies (Continued)**

#### **(t) Impairment of assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

#### **(u) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer.

Each of the operating segments is managed separately as each of these service lines requires different technologies, service different clients and sells different products. All inter-segment transactions are carried out at arm's length prices.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

#### **(v) Critical accounting judgements and key sources of estimation uncertainty**

##### ***Critical judgements in applying the entity's accounting policies***

The following are the critical judgements (apart from those involving estimations, which are dealt with below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

##### ***Revenue recognition***

In web development and web hosting business operations, management assesses stage of completion of each project and recognises revenue in the period in which development work is undertaken. In making its judgement, management considered the standard duration of such contracts, stage of progress in contracts and commencement date of such contracts. Accordingly, management has deferred recognising some web development and web hosting revenue of an estimated value of services to be rendered in the future.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (v) Critical accounting judgements and key sources of estimation uncertainty (Continued)

##### Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### *Impairment of goodwill and intangible assets*

Determining whether goodwill and intangible assets are impaired required an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The future cash flows included in the assessment are predicted largely on the successful launch of Adslot Media in September 2013. In the event that this product does not generate revenues as planned an impairment of the related intangible assets may result.

The carrying amount of goodwill and intangible assets at the reporting date was \$5,771,645 (2012: \$7,869,963) and there were no impairment losses (2012: \$50,000) recognised during the current financial year. Refer to Note 11 for further details.

##### *Capitalisation of internally developed software*

Distinguishing the research and development phases of software projects and determining whether the recognition requirements for the capitalisation of development costs are met, requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

##### *Share based payments*

The calculation of the fair value of options issued requires significant estimates to be made in regards to several variables such as volatility, dividend policy and the probability of options reaching their vesting period. The estimations made are subject to variability that may alter the overall fair value determined. The share based payment expenses for the year was \$429,785 (2012: \$211,045).

##### *Unrecognised deferred tax assets*

As disclosed in Note 5, the Group has not recognised deferred tax assets relating to temporary differences, capital losses or operating losses. Deferred tax assets are only recognised when it is probable that they will be able to be utilised in future reporting periods. Due to the continuing operating losses, the directors have determined it not appropriate to recognise deferred tax assets until a point in time where it is probable that future taxable income is going to be available to utilise the assets. The tax benefit of deferred tax assets not recognised is \$5,352,038 (2012: \$4,182,251).

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 1. Summary of Significant Accounting Policies (Continued)

#### (v) Critical accounting judgements and key sources of estimation uncertainty (Continued)

##### *Research and development tax concessions*

A receivable of \$953,878 (2012: \$659,129) has been recognised in relation to a research and development tax concession for the 2013 financial year. The actual claim is yet to be submitted with the Australian Tax Office and therefore there remains some uncertainty in regards to the quantum of the concession to be received. The financial statements reflect the Directors estimate of the receivable after taking into account the likelihood of each component of the claim being received.

##### *Contingent consideration – QDC Technologies*

As detailed in Notes 13 the Company agreed to pay to the vendors of QDC Technologies Pty Ltd (QDC) further consideration of up to 13,333,333 additional shares if after eighteen (18) months post acquisition the total consideration paid to the vendors was less than \$4.0 million. On 6 June 2012 all 13,333,333 additional shares became payable and nine out of eleven vendors of QDC were issued with 8,557,576 additional shares in accordance with the QDC acquisition agreement.

During 2013 financial year, additional shares to the remaining two QDC vendors who are related parties of the Company, were approved paid by shareholders at the 2012 Annual General Meeting. At reporting date, the deferred vendor consideration has a nil balance (2012: \$286,545). The difference between deferred vendor consideration liability at 2012 financial year end and the actual payment amount during the year has been recognised in other expenses in the consolidated statement of profit or loss and other comprehensive income.

#### (w) New standards and interpretations issued but not effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods, and have not yet been adopted by the Group. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

The following new or amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2013 or later periods, but have not been adopted. They are expected to result in minimum or no impact to the Group's financial statements.

- AASB 9 *Financial Instruments*
- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures*;
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement* and related AASB 2012-8 *Amendments to Australian Accounting Standards* arising from AASB 13;
- AASB 119 *Employee Benefits (2011)*, AASB 2012-10 *Amendments to Australian Accounting Standards* arising from AASB 119 (2011) and AASB 2012-11 *Amendments to AASB 119 (September 2011)* arising from *Reduced Disclosure Requirements*;

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 2. Segment Information

2013	Adslot	Webfirm	Total
<b>Business segments</b>			
External sales	927,526	2,623,674	3,551,200
Segment result from continuing operations	(7,593,420)	256,998	(7,336,422)
Depreciation included in segment result (note 9)	54,837	15,781	70,618
Amortisation included in segment result (note 11)	2,593,954	46,831	2,640,785
Additions to non-current assets (PP&E)	24,996	6,378	31,374
Impairment of intangibles	-	-	-
<b>Statement of Financial Position</b>			
Segment assets	13,522,381	520,619	14,043,000
Segment liabilities	(12,983,823)	(732,600)	(13,716,423)

2012	Adslot	Webfirm	Total
<b>Business segments</b>			
External sales	988,202	2,818,745	3,806,947
Segment result from continuing operations	(8,325,243)	90,914	(8,234,329)
Depreciation included in segment result (note 9)	24,654	6,707	31,361
Amortisation included in segment result (note 11)	2,533,915	46,831	2,580,746
Additions to non-current assets (PP&E)	17,043	3,136	20,179
Impairment of intangibles	-	50,000	50,000
<b>Statement of Financial Position</b>			
Segment assets	15,169,232	607,814	15,777,046
Segment liabilities	(13,480,099)	(783,344)	(14,263,443)

Segment revenue reconciles to total revenue from continuing operations as follows:

Revenue	2013	2012
	\$	\$
Total segment revenue	3,551,200	3,806,947
Head office revenue	-	11,257
Interest revenue	526,530	891,590
Intersegment eliminations	(22,009)	(27,325)
<b>Total revenue from continuing operations</b>	<b>4,055,721</b>	<b>4,682,469</b>

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 2. Segment Information (Continued)

A reconciliation from segment result to operating profit before income tax is provided as follows:

<b>Segment Result</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Total segment result	(7,336,422)	(8,234,329)
Interest revenue	526,530	891,590
Other revenue	673,756	670,386
Impairment of intangibles	-	(50,000)
Deferred vendor consideration	95,515	(308,302)
Share option expenses	(429,785)	(211,045)
Loss on foreign exchange	(20,862)	-
Income tax paid	(774)	-
Profit on sale of fixed assets	691	-
Other head office income/(expenses) not allocated in segment result	30,404	(89,958)
<b>Loss before income tax from continuing operations</b>	<b>(6,460,947)</b>	<b>(7,331,658)</b>

Reportable segment assets are reconciled to total assets as follows:

<b>Segment assets</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Total segment assets	14,043,000	15,777,046
Head office assets	22,826,015	26,816,537
Intersegment eliminations	(19,825,797)	(19,235,100)
<b>Total assets as per the statement of financial position</b>	<b>17,043,218</b>	<b>23,358,483</b>

Reportable segment liabilities are reconciled to total liabilities as follows:

<b>Segment liabilities</b>	<b>2013</b>	<b>2012</b>
	\$	\$
Total segment liabilities	(13,716,423)	(14,263,443)
Head office liabilities	(869,926)	(827,836)
Intersegment eliminations	12,863,383	12,863,403
<b>Total liabilities as per the statement of financial position</b>	<b>(1,722,966)</b>	<b>(2,227,876)</b>

### Notes to and forming part of the segment information

#### Business segments

The Group is organised into the following segments by product and service type:

##### *Adslot*

The Adslot division provides advertising sales automation services that reduce selling costs and increase advertising revenue for publishers through its three main products: Adslot Publisher, Adslot Create and Adslot Enterprise.

##### *Webfirm*

The Webfirm division offers online marketing services including search engine optimisation, search engine marketing (paid search advertising), social media marketing, website hosting and website amendments.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 2. Segment Information (Continued)

#### Notes to and forming part of the segment information (continued)

##### Accounting policies

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment profit represents the profit earned by each segment without investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, capitalised R&D and other intangible assets, net of related provisions but do not include non-current inter-entity assets and liabilities which are considered quasi-equity in substance.

Segment liabilities consist primarily of trade and other creditors, employee benefits and sundry provisions and accruals. Segment assets and liabilities do not include income taxes.

##### Inter-segment transfers

Segment revenue reported above represents revenue generated from external customers. Inter segment revenue transfers of \$22,009 (2012: \$27,325), and corresponding expenses have been eliminated on consolidation.

##### Major customers

The Group provides services to and derives revenue from a number of customers in both the Adslot and Webfirm divisions. During the year, the Group has derived over 10% of consolidated revenue from continuing operations from one customer within the Adslot division.

##### Geographical information

Revenues from external customers are attributed to individual countries based on the invoiced address for the services.

	Revenue from external customers		Non-current assets	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Continuing Operations</b>				
Australia and New Zealand	3,512,426	3,780,305	6,107,973	8,248,359
North America	11,086	-	3,085	-
Europe	5,679	10,574	3,330	2,006
Total revenue and non-current assets from continuing operations	<b>3,529,191</b>	<b>3,790,879</b>	<b>6,114,388</b>	<b>8,250,365</b>

**Notes to the Financial Statements (Continued)**  
For the year ended 30 June 2013

	2013	2012
	\$	\$
<b>3. Revenue and Other Income</b>		
<b>Revenue</b>		
Revenue for services rendered	3,529,191	3,790,879
Interest income	526,530	891,590
Total revenue	<u>4,055,721</u>	<u>4,682,469</u>
<b>Other income</b>		
R&D grant	673,756	659,129
	<u>673,756</u>	<u>659,129</u>
<b>Total revenue and other income</b>	<u><u>4,729,477</u></u>	<u><u>5,341,598</u></u>

	2013	2012
	\$	\$
<b>4. Expenses</b>		
<b>Loss before income tax includes the following specific expenses:</b>		
<b>Depreciation and amortisation</b>		
Amortisation – Leasehold improvements	7,277	7,169
Amortisation – Software development costs	2,640,785	2,580,746
Depreciation – Plant & equipment	63,341	70,591
Total depreciation and amortisation	<u>2,711,403</u>	<u>2,658,506</u>
<b>Other charges against assets</b>		
Impairment of intangibles	-	50,000
Impairment of trade receivables	12,670	70,091
Rental expense – operating leases	320,100	377,231
Defined contribution superannuation expense	410,294	362,917
(Profit)/Loss on sale of PP&E & internally developed software	(691)	(20,274)
Deferred vendor consideration	(95,515)	308,302
Foreign currency loss	20,862	43,541

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

	2013	2012
	\$	\$
<b>5 Income Tax Expense</b>		
<b>(a) Numerical reconciliation of income tax expense to prima facie tax benefit</b>		
Loss before income tax	(6,460,173)	(7,331,658)
Prima facie tax benefit on loss before income tax at 30% (2012: 30%)	(1,938,052)	(2,199,497)
Tax effect of:		
Other non-allowable items	4,185	17,027
Share options expensed during year	128,936	63,314
Research & development tax concession	635,918	544,441
Income tax benefit attributable to entity	(1,169,013)	(1,574,715)
Deferred tax assets relating to tax losses not recognised	1,169,787	1,574,715
Income tax expense attributable to entity	774	-
<b>(b) Deferred tax assets not brought to account</b>		
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out on Note 1(k) occur		
Temporary differences	(4,605,182)	(6,025,183)
Tax Losses:		
Operating losses	22,313,431	19,834,142
Capital losses	131,879	131,879
Potential tax benefit (30%)	17,840,128	13,940,838
	5,352,038	4,182,251

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Adslot Ltd.

## 6. Dividends

The Company declared no dividends in the current year or prior year. There are no franking credits available to shareholders of the Company.

## 7. Cash and Cash Equivalents

Cash at bank and on hand	9,123,060	13,746,124
Publisher account	8,977	-
	9,132,037	13,746,124

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

8. Trade and Other Receivables	2013	2012
<b>Current:</b>	<b>\$</b>	<b>\$</b>
Trade debtors	605,003	983,411
Less: Allowance for impairment	(20,480)	(470,684)
	<u>584,523</u>	<u>512,727</u>
Other receivables	1,082,879	800,037
Prepayments	129,391	49,230
	<u>1,796,793</u>	<u>1,361,994</u>

The average age of the Company's trade receivables is 35 days (2012: 44 days).

### (a) Ageing of past due but not impaired

	2013	2012
	\$	\$
0 – 30 days	67,817	54,571
31 – 60 days	1,206	49,665
61 – 90 days	72	27,567
Over 91 days	-	390
	<u>69,095</u>	<u>132,193</u>

### (b) Movement in the provision for impairment

Balance at beginning of the year	470,684	523,190
Impairment recognised during the year	13,937	77,100
Amounts written off as uncollectible	(458,473)	(108,390)
Amounts recovered during the year	(5,668)	(21,216)
Balance at the end of the year	<u>20,480</u>	<u>470,684</u>

In determining the recoverability of a trade receivable, the Company considers any recent history of payments and the status of the projects to which the debt relates. No payment terms have been renegotiated. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further provision required in excess of the allowance for impairment.

Included in the amounts written off as uncollectible in 2013 is an amount of \$445,703 which relates to a legacy business for which an allowance for impairment was made in 2009.

### Fair value of receivables

Fair value of receivables at year end is measured to be the same as receivables net of the allowance for impairment.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

	2013	2012
	\$	\$
<b>9. Non-Current Assets – Property, Plant and Equipment</b>		
Leasehold improvements – at cost	36,385	36,385
Less: Accumulated amortisation	(14,871)	(7,594)
	<u>21,514</u>	<u>28,791</u>
Plant and equipment – at cost	159,090	159,090
Less: Accumulated depreciation	(100,144)	(78,608)
	<u>58,946</u>	<u>80,482</u>
Computer equipment – at cost	215,159	187,116
Less: Accumulated depreciation	(165,540)	(128,651)
	<u>49,619</u>	<u>58,465</u>
Total carrying amount of property, plant and equipment	<u>130,079</u>	<u>167,738</u>

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

### 2013

	Leasehold Improvements	Plant and Equipment	Computer Equipment	Total
	\$	\$	\$	\$
Carrying amount at 1 July 2012	28,791	80,482	58,465	167,738
Additions	-	-	53,613	53,613
Disposals/write offs	-	-	(20,654)	(20,654)
Depreciation/amortisation expense	(7,277)	(21,536)	(41,805)	(70,618)
Carrying amount at 30 June 2013	<u>21,514</u>	<u>58,946</u>	<u>49,619</u>	<u>130,079</u>

### 2012

	Leasehold Improvements	Plant and Equipment	Computer Equipment	Total
	\$	\$	\$	\$
Carrying amount at 1 July 2011	32,704	89,207	75,128	197,039
Additions	3,256	19,587	59,000	81,843
Disposals/write offs	-	(3,367)	(30,017)	(33,384)
Depreciation/amortisation expense	(7,169)	(24,945)	(45,646)	(77,760)
Carrying amount at 30 June 2012	<u>28,791</u>	<u>80,482</u>	<u>58,465</u>	<u>167,738</u>

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

2013                      2012  
\$                              \$

### 10. Non-Current Assets – Other Financial Assets

#### Available for sale investment carried at fair value

Investment – at fair value	212,664	212,664
----------------------------	---------	---------

Uncertainty exists with regards to the fair value of our investment in Brandscreen Pte Ltd (an unlisted foreign entity). Despite the absence of a quoted market price based on share transactions that Brandscreen have conducted during the year and discussions with the Brandscreen Board, the directors are satisfied that the fair value it is not below the current carrying value

### 11. Non-Current Assets – Intangible Assets

	Internally Developed Software \$	Domain Name \$	Intellectual Property \$	Goodwill \$	Total \$
<b>Year ended 30 June 2013</b>					
Opening net book amount	113,236	38,267	7,718,460	-	7,869,963
Acquisitions	542,467	-	-	-	542,467
Amortisation	(106,869)	-	(2,533,916)	-	(2,640,785)
Impairment of assets	-	-	-	-	-
Carrying amount at 30 June 2013	548,834	38,267	5,184,544	-	5,771,645

#### At 30 June 2013

Cost	790,361	288,267	12,669,578	5,381,652	23,027,186
Accumulated amortisation and impairment	(241,527)	(250,000)	(7,485,034)	(5,381,652)	(17,255,541)
Carrying amount at 30 June 2013	548,834	38,267	5,184,544	-	5,771,645

#### Internally Developed Software

Internally developed software represents a number of software platforms developed with the Webfirm and Adslot divisions.

During the year a net \$542,467 (2012: \$13,741) of innovation research & development wage costs arising from the development of the Adslot Enterprise and Publisher platforms were capitalised. Associated R&D Grant claims of \$443,837 (2012: \$nil) arising from the capitalised costs offset the gross amount of expenditure. Research and development costs of \$1,133,425 (2012: \$2,092,473) were recognised in profit or loss.

The directors have assessed the accounting useful life of these internally developed software systems, for accounting purposes, to be five years. This assessment has given regard to the expected financial benefits of the technology. The remaining useful life is approximately four years.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 11. Non-Current Assets – Intangible Assets (Continued)

#### Domain names

Domain names opening carrying value of \$38,267 relates to the various domain names held by Webfirm and Adslot. The Directors have assessed that this intellectual property has an indefinite useful life on the basis that the Directors do not believe that there is a foreseeable limit on the period over which this asset is expected to generate cash inflows for the entity.

#### Intellectual property

Adslot Technologies Pty Ltd (“Adslot”) holds valuable copyright and patent licences (“Licences”) in respect of Combinatorial Auction Platform Technology (“CAP” or “Core IP”) owned by Enterprise Point Pty Ltd and its controlled entities (“Enterprise”). \$5,932,006 of the opening balance relates to this “CAP” technology. Accumulated amortisation of this asset as at 30 June 2013 was \$4,004,103 (2012: \$2,817,702).

Adimise Pty Ltd (“Adimise”) holding online ad-serving technology had \$271,055 of Ad-serving IP in the opening balance and attached to the Adslot CGU. Accumulated amortisation of this asset as at 30 June 2013 was \$162,634 (2012: \$108,422).

QDC IP Technology (“QDC”) holding creative ad building and video advertising technology had licences to the Core IP valued at \$6,466,517 in opening balance and attached to Adslot CGU. Accumulated amortisation of this asset as at 30 June 2013 was \$3,318,297 (2012: \$2,024,994).

The directors have assessed the accounting useful life of all of the above technologies for accounting purposes to be five years. This assessment has given regard to the expected financial benefits of the technologies to be potentially well beyond a five year period, together with the risk that competitors could replicate these technologies and in light of the Company’s ongoing commitment to research and development of the Core IP. The remaining useful life for accounting purposes is approximately two years.

#### Goodwill

The Goodwill balances related to the acquisitions of Webfirm and Full Circle Online which have been fully amortised or impaired in prior periods.

Prior Year comparison	Internally developed Software \$	Domain Name \$	Intellectual Property \$	Goodwill \$	Total \$
<b>Year ended 30 June 2012</b>					
Opening net book amount	146,326	38,267	10,302,375	-	10,486,968
Acquisitions	13,741	-	-	-	13,741
Amortisation	(46,831)	-	(2,533,915)	-	(2,580,746)
Impairment of assets	-	-	(50,000)	-	(50,000)
Carrying amount at 30 June 2012	113,236	38,267	7,718,460	-	7,869,963
<b>At 30 June 2012</b>					
Cost	247,894	288,267	16,566,906	5,381,652	22,484,719
Accumulated amortisation and impairment	(134,658)	(250,000)	(8,848,446)	(5,381,652)	(14,614,756)
Carrying amount at 30 June 2012	113,236	38,267	7,718,460	-	7,869,963

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

	2013	2012
	\$	\$
<b>12. Trade and Other Payables</b>		
Trade creditors	113,854	72,618
Publisher creditors (i)	8,977	-
Other creditors	690,273	943,187
	<u>813,104</u>	<u>1,015,805</u>

(i) Refer to note 1(p) for further information on publisher creditors

## 13. Other Liabilities

Current:

Unearned revenue (i)	651,185	724,505
Deferred vendor consideration- QDC (ii)	-	286,545
	<u>651,185</u>	<u>1,011,050</u>

- (i) Unearned revenue relates to website development and hosting invoices that are rendered based on full contract terms at the contracts inception, however performed over stages which straddle the reporting date, and advertising campaigns that have been purchased but whose deliver will occur after the reporting date.
- (ii) Deferred vendor consideration was the estimated value at 30 June 2012 of the balance of additional shares that became due on 6 June 2012 as further vendor consideration from the acquisition of QDC. This deferred vendor consideration was settled in full during the year after approval was gained at the 2012 Annual General Meeting.

	2013	2012
	\$	\$
<b>14. Provisions</b>		
Current:		
Employee benefits	212,059	174,727
Non current:		
Employee benefits	<u>46,618</u>	<u>26,294</u>

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

	2013	2012	2013	2012
	Number	Number	\$	\$
<b>15. Contributed equity</b>				
Ordinary Shares – Fully Paid	692,432,056	687,567,332	76,871,148	76,674,272

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the numbers of shares.

At the shareholders meeting each ordinary share is entitled to one vote when a poll is called, otherwise each shareholders has one vote on a show of hands.

### Movements in Paid-Up Capital

Date	Details	Number of shares	Issue price	Capital raising costs	Value
		Number	\$	\$	\$
<b>30-Jun-11</b>	<b>Balance</b>	681,698,900		933,903	76,547,875
06-Feb12	Exercise of employee options	1,480,000	0.056	-	82,880
20-Mar-12	Cancellation of shares held in escrow	(2,000,000)	0.100	-	(200,000)
06-Jun-12	Issue of shares- QDC deferred vendor consideration	8,557,576	0.044	-	376,533
<b>30-Jun-12</b>		<b>689,736,476</b>		<b>933,903</b>	<b>76,807,288</b>
	Less: Treasury shares <sup>1</sup>	(2,169,144)	0.061	-	(133,016)
<b>30-Jun12</b>	<b>Balance</b>	<b>687,567,332</b>		<b>933,903</b>	<b>76,674,272</b>
14-Sep-12	Issue of shares – employee ESOP	6,229,054	0.046	-	286,537
10-Oct-12	Issue of shares – employee ESOP	3,000,000	0.059	-	177,000
27-Nov-12	Issue of shares- Balance QDC deferred vendor consideration	4,775,757	0.040	-	191,030
<b>30-Jun-13</b>		<b>701,572,143</b>		<b>933,903</b>	<b>77,328,839</b>
	Less: Treasury shares <sup>1</sup>	(9,140,087)	0.050	-	(457,691)
<b>30-Jun13</b>	<b>Balance</b>	<b>692,432,056</b>		<b>933,903</b>	<b>76,871,148</b>

#### 1. Treasury shares

Treasury shares are shares in Adslot Ltd that are held by the Adslot Employee Share Trust, which administers the Adslot Share Ownership Plan (ESOP). This Trust has been consolidated in accordance with note 1(c). Shares held by the Trust on behalf of eligible employees are shown as treasury shares in the financial statements.

Shares issued under this scheme will, subject to the provision of the Trust deed, rank equally in all respects and will have the same rights and entitlements as ordinary shares under the Constitution of the Company.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 15. Contributed equity (Continued)

Options movements during the financial year are summarised below:

Issue Type	Expiry Date	Exercise Price \$	Balance at beginning of the year (Number)	Issued during the year (Number)	Expired during the year (Number)	Exercised during the year (Number)	Balance at end of the year (Number)
Ordinary options	22/10/12	0.090	1,000,000	-	(1,000,000)	-	-
Ordinary options	31/01/13	0.053	51,700,000	-	(51,700,000)	-	-
Ordinary options	31/01/13	0.056	7,258,824	-	(7,258,824)	-	-
Ordinary options	08/07/14	0.151	2,000,000	-	-	-	2,000,000
Ordinary options	30/09/14	0.116	3,000,000	-	-	-	3,000,000
Ordinary options	30/09/14	0.190	300,000	-	-	-	300,000
			<b>65,258,824</b>	<b>-</b>	<b>(59,958,824)</b>	<b>-</b>	<b>5,300,000</b>

Rights over shares movements during the financial year are summarised below:

Issue Type	Required VWAP Price \$	Balance at beginning of the year (Number)	Granted during the year (Number)	Expired during the year (Number)	Vested during the year (Number)	Balance at end of the year (Number)
Rights over shares	0.100	-	3,000,000	-	-	3,000,000
Rights over shares	0.200	-	3,000,000	-	-	3,000,000
Rights over shares	0.300	-	4,000,000	-	-	4,000,000
Rights over shares	0.400	-	5,000,000	-	-	5,000,000
Rights over shares	0.500	-	5,000,000	-	-	5,000,000
			<b>- 20,000,000</b>	<b>-</b>	<b>-</b>	<b>20,000,000</b>

ESOP shares, treated as Treasury Shares, movements during the financial year are summarised below:

Issue Type	Escrow End Date	Valuation Price \$	Balance at beginning of the year (Number)	Awarded during the year (Number)	Forfeited during the year (Number)	Transfers during the year (Number)	Balance at end of the year (Number)
Employee ESOP	30/11/13	0.053	413,511	-	-	-	413,511
Employee ESOP	01/12/13	0.060	88,967	-	-	(88,967)	-
Employee ESOP	12/12/13	0.064	833,333	-	-	-	833,333
Employee ESOP	18/01/14	0.060	833,333	-	-	-	833,333
Employee ESOP	13/09/14	0.046	-	6,229,054	-	-	6,229,054
Employee ESOP	09/10/13	0.059	-	1,500,000	-	-	1,500,000
Employee ESOP	09/10/14	0.059	-	1,500,000	-	-	1,500,000
			<b>2,169,144</b>	<b>9,229,054</b>	<b>-</b>	<b>(88,967)</b>	<b>11,309,231</b>

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

	2013	2012
	\$	\$
<b>16. Reserves</b>		
<b>Reserves</b>		
Share-based payments reserve	902,927	1,839,510
Available for sale investment reserve	106,335	106,335
Foreign currency translation reserve	29,777	-
	<b>1,039,039</b>	<b>1,945,845</b>
<i>Share-based payments reserve</i>		
Opening balance	1,839,510	5,760,673
Reclassification of lapsed options	(1,360,522)	(4,132,208)
Reclassification vested ESOP	(5,846)	-
Share based payment expense	429,785	211,045
Closing balance	<b>902,927</b>	<b>1,839,510</b>
<i>Available for sale investment reserve</i>		
Opening balance	106,335	106,335
Movement in fair value	-	-
Closing balance	<b>106,335</b>	<b>106,335</b>
<i>Foreign currency translation reserve</i>		
Opening balance	-	(36,452)
Movement on currency translation	29,777	-
Transfer to retained earnings <sup>1</sup>	-	36,452
Closing balance	<b>29,777</b>	<b>-</b>

<sup>1</sup> The foreign currency translation reserve was transferred to retained earnings in the prior year, due to the exit of the Ansearch Inc business.

The Share-based payments reserve is used to record the value of options accounted for in accordance with AASB2: *Share Based Payments*.

The available-for sale investment reserve is used to record net gain/loss arising on revaluation of available-for sale financial assets in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*.

The foreign currency translation reserve is used to record the value of aggregate movements in the translation of foreign currency in accordance with AASB 121: *The Effects of Changes in Foreign Exchange Rates*.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 17. Earnings Per Share

	2013 Cents	2012 Cents
<b>(a) Basic earnings per share</b>		
Loss attributable to the ordinary equity holders of the Company	(0.94)	(1.08)
<b>(b) Diluted earnings per share</b>		
Loss attributable to the ordinary equity holders of the Company	(0.94)	(1.08)
<b>(c) Reconciliation of earnings used on calculating earnings per share (i)</b>		
Loss from continuing operations attributable to the members of the Company used on calculating basic and diluted earnings per share	(6,460,947)	(7,331,658)
<b>(d) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares on issue used in the calculation of basic EPS	690,411,814	681,316,767
<b>(e) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares on issue used in the calculation of diluted EPS	690,411,814	681,316,767
(i) During 2013 and 2012 there were no discontinued operations or values attributable to minority interests.		
Weighted average number of options that could potentially dilute basic earnings per share in the future, but are not included in the calculation of diluted EPS because they are anti-dilutive for the period presented.	57,537,132	74,062,833

### 18. Discontinued Operations

There were no discontinued operations during the year ended 30 June 2013.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 19. Business Combinations

There were no business combinations during the year ended 30 June 2013 or the prior year ended 30 June 2012.

### 20. Contingencies

No contingent assets or liabilities are noted.

### 21. Commitments

	2013	2012
	\$	\$
<i>Operating lease commitments</i>		
Total operating lease expenditure contracted for at balance date but not capitalised in the financial statements payable:		
Within 1 year	296,282	296,425
Between 1 and 5 years	6,538	261,188
	302,820	557,613
	302,820	557,613

The lease commitments detailed above relate to rental premises and lease rental of printer/copier.

#### *Capital commitments*

The Group and the Company have not entered any capital expenditure contracts at reporting date that are not recognised as liabilities on the Statement of Financial Position.

2013	2012
\$	\$

### 22. Remuneration of auditors

During the year the following fees were paid/payable to the auditor of the company:

#### **Audit services**

Audit and review of financial reports	93,000	90,000
---------------------------------------	--------	--------

During the year the following fees were paid/payable to a related entity of auditor of the company:

#### **Other services**

Indirect tax services	7,700	39,500
	100,700	129,500
	100,700	129,500

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 23. Key Management Personnel Disclosures

#### *Directors*

The following persons were directors of the Company during the financial year:

Mr Adrian Giles (Non-Executive Chairman)  
Mr Andrew Barlow (Non-Executive Director)  
Mr Ian Lowe (Executive Director & CEO) (from 8 October 2012)  
Mr Chris Morris (Non-Executive Director)  
Ms Tiffany Fuller (Non-Executive Director)

#### *Other key management personnel*

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position
Mr Brendan Maher	Chief Financial Officer and Company Secretary

### Key management personnel compensation

	2013	2012
	\$	\$
Short-term employee benefits	848,638	1,205,840
Post-employment benefits	31,464	36,294
Other long-term employee benefits	-	-
Termination benefits	-	50,360
Share based payments	231,546	8,395
<b>Total compensation</b>	<b>1,111,658</b>	<b>1,300,889</b>

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 23. Key Management Personnel Disclosures (continued)

#### Other transactions with key management personnel

##### *Loans to key management personnel*

Aggregate loans to key management personnel and their related parties:

Loans to key management personnel	Balance at beginning \$	Loans granted \$	Interest charged \$	Amounts repaid/set off \$	Balance at end \$	Highest in period
2013	-	-	-	-	-	-
2012	200,000	-	-	(200,000)	-	200,000

The \$200,000 loan represented financial assistance provided to a former CEO (David Burden) for the purpose of acquiring 10,000,000 shares (pre-consolidation equivalent to 2,000,000 post consolidation), on escrow (subject to settlement of loan) in the Company. The loan was provided on an interest free basis. The loan was approved by shareholders at an Extraordinary General Meeting held 16 September 2008. Mr Burden resigned on 30 August 2011 and the loan became due and payable at the end of February 2012. These shares were cancelled in March 2012.

#### **Business Acquisitions:**

No related party transactions during the year ended 30 June 2013.

#### **Transactions with Directors and their personally related entities:**

During the year payments of \$90,391 were made to Venturian Pty Ltd for Andrew Barlow's services as CEO of the Group, which is included in key management personnel compensation.

During the year a payment of \$1,040 was made to Yarra Ventures Pty Ltd an entity related to Adrian Giles for consulting services on normal terms and conditions.

During the year receipts of \$80,460 were received from Colonial Leisure Group an entity related to Mr Chris Morris for website hosting and search marketing services on normal terms and conditions.

During the year receipts of \$2,650 was received from Venturian Pty Ltd an entity related to Mr Andrew Barlow for a website development on normal terms and conditions.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 23. Key Management Personnel Disclosures (continued)

#### Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Adslot Ltd and other key management personnel of the group, including their personally related parties are set out below:

2013	Balance at the start of the year (Number)	Granted during the year as compensation (Number)	Exercised during the year (Number)	Forfeited/ Lapsed during the year (Number)	Balance at the end of the year (Number)	Vested and exercisable at the year end (Number)
<i>Directors</i>						
Mr A Giles	11,800,000	-	-	(11,800,000)	-	-
Mr A Barlow	7,900,000	-	-	(7,900,000)	-	-
Mr I Lowe	-	-	-	-	-	-
Mr C Morris	-	-	-	-	-	-
Ms T Fuller	-	-	-	-	-	-
Other key management personnel						
Mr B Maher	-	-	-	-	-	-
<b>Totals</b>	<b>19,700,000</b>	<b>-</b>	<b>-</b>	<b>(19,700,000)</b>	<b>-</b>	<b>-</b>

2012	Balance at the start of the year (Number)	Granted during the year as compensation (Number)	Exercised during the year (Number)	Forfeited/ Lapsed during the year (Number)	Balance at the end of the year (Number)	Vested and exercisable at the year end (Number)
<i>Directors</i>						
Mr A Giles	13,800,001	-	-	(2,000,001)	11,800,000	11,800,000
Mr A Barlow	9,900,001	-	-	(2,000,001)	7,900,000	7,900,000
Mr D Burden *	13,000,000	-	-	-	13,000,000	13,000,000
Mr A Du Preez *	8,500,000	-	-	-	8,500,000	8,500,000
Mr C Morris	-	-	-	-	-	-
Ms T Fuller	-	-	-	-	-	-
Other key management personnel						
Mr M Chamley	4,000,000	-	(1,480,000)	(1,441,176)	1,078,824	1,078,824
Mr B Maher	-	-	-	-	-	-
<b>Totals</b>	<b>49,200,002</b>	<b>-</b>	<b>(1,480,000)</b>	<b>(5,441,178)</b>	<b>42,278,824</b>	<b>42,278,824</b>

\* Employees departed during FY 2012 but options held for a period of time post employment based on length of service with the Company. All options held at end of the year lapsed in FY 2013

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 23. Key Management Personnel Disclosures (continued)

#### Equity holdings and transactions

The numbers of shares in the company held during the financial year by each director of Adslot Ltd (formerly Webfirm Group Limited) and other key management personnel of the Group, including their personally related parties, are set out below.

2013					
Name	Held at 1 July 2012	Received during the year on exercise of options	Received during the year as compensation	Net other changes during the year	Held at 30 June 2013
<b>Ordinary shares</b>					
<i>Directors</i>					
Mr A Giles	18,421,288	-	-	1,212,121	19,633,409
Mr A Barlow	57,140,133	-	-	5,663,636	62,803,769
Mr I Lowe*	-	-	-	-	-
Mr C Morris	62,739,318	-	-	7,671,378	70,410,696
Ms T Fuller	100,000	-	-	-	100,000
<i>Other key management personnel</i>					
Mr B Maher	-	-	-	665,000	665,000
<b>Totals</b>	<b>138,400,739</b>	<b>-</b>	<b>-</b>	<b>15,212,135</b>	<b>153,612,874</b>

\*shareholding effective from date of employment

2012					
Name	Held at 1 July 2011	Received during the year on exercise of options	Received during the year as compensation	Net other changes during the year	Held at 30 June 2012
<b>Ordinary shares</b>					
<i>Directors</i>					
Mr A Giles	18,421,288	-	-	-	18,421,288
Mr A Barlow	57,140,133	-	-	-	57,140,133
Mr D Burden*	5,631,499	-	-	(5,631,499)	-
Mr A Du Preez*	12,968,051	-	-	(12,968,051)	-
Mr C Morris	57,130,848	-	-	5,608,470	62,739,318
Ms T Fuller	100,000	-	-	-	100,000
<i>Other key management personnel</i>					
Mr B Maher	-	-	-	-	-
Mr M Chamley*	229,089	-	-	(229,089)	-
<b>Totals</b>	<b>151,620,908</b>	<b>-</b>	<b>-</b>	<b>(13,220,169)</b>	<b>138,400,739</b>

\*shareholding effective as at date of resignation

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 24. Share Based Payments

#### Employee Option Plan

Between 2009 and July 2010 the Company operated an options based scheme for executives and senior employees of the Group. Each share option converted into one ordinary share of Adslot Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry no voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry, subject to the individual remaining an employee of the Company. The plan rules allow departed employees to retain their options for a period of time based on the length of their service with the Company and the nature of their separation from the Company.

The board considered these conditions appropriate to ensure the objective of maintaining key staff within the Company. The issue of share options are not subject to performance conditions.

The total value of these options vested was assessed at \$54,490. The remaining value of options to be expensed in future years amounts to \$124,751. Options for the reporting period were:

#### 2013

Grant Date	Expiry Date	Exercise Price \$	Balance at start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Lapsed during the year (Number)	Forfeited during the year (Number)	Balance at end of the year (Number)	Vested and exercisable at the end of the year (Number)
21/10/09	22/10/12	0.090	1,000,000	-	-	(1,000,000)	-	-	-
16/02/10	31/01/13	0.053	51,700,000	-	-	(43,200,000)	(8,500,000)	-	-
16/02/10	31/01/13	0.056	7,258,824	-	-	(6,958,824)	(300,000)	-	-
28/07/10	08/07/14	0.151	2,000,000	-	-	-	-	2,000,000	1,333,334
14/10/10	30/09/14	0.116	3,000,000	-	-	-	-	3,000,000	2,000,000
14/10/10	30/09/14	0.190	300,000	-	-	-	-	300,000	200,000
<b>Total</b>			<b>65,258,824</b>	<b>-</b>	<b>-</b>	<b>(51,158,824)</b>	<b>(8,800,000)</b>	<b>5,300,000</b>	<b>3,533,334</b>
<b>Weighted average exercise price</b>			<b>\$0.060</b>	<b>-</b>	<b>-</b>	<b>\$0.054</b>	<b>\$0.053</b>	<b>\$0.133</b>	<b>\$0.133</b>

Weighted average remaining contractual life at 30 June 2013 (days)

425

There were no options granted during the year ended 30 June 2013.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 24. Share Based Payments (continued)

Options analysis for the prior period were:

2012

Grant Date	Expiry Date	Exercise Price \$	Balance at start of the year (Number)	Granted during the year (Number)	Exercised during the year (Number)	Lapsed during the year (Number)	Forfeited during the year (Number)	Balance at end of the year (Number)	Vested and exercisable at the end of the year (Number)
27/08/08	30/06/12	0.100	350,000	-	-	(300,000)	(50,000)	-	-
23/09/08	30/06/12	0.100	6,000,003	-	-	(6,000,003)	-	-	-
21/10/09	22/10/12	0.090	1,000,000	-	-	-	-	1,000,000	1,000,000
16/02/10	31/01/13	0.053	51,700,000	-	-	-	-	51,700,000	51,700,000
16/02/10	31/01/13	0.056	10,180,000	-	(1,480,000)	-	(1,441,176)	7,258,824	7,258,824
28/07/10	08/07/14	0.151	2,000,000	-	-	-	-	2,000,000	666,667
30/08/10	29/08/14	0.096	309,589	-	-	(309,589)	-	-	-
14/10/10	30/09/14	0.116	3,000,000	-	-	-	-	3,000,000	1,000,000
14/10/10	30/09/14	0.190	300,000	-	-	-	-	300,000	100,000
<b>Total</b>			<b>74,839,592</b>	<b>-</b>	<b>(1,480,000)</b>	<b>(6,609,592)</b>	<b>(1,491,176)</b>	<b>65,258,824</b>	<b>61,725,491</b>

Weighted average exercise price

\$0.064

-

\$0.056

\$0.100

\$0.057

\$0.060

\$0.056

Weighted average remaining contractual life at 30 June 2012 (days)

260

There were no options granted during the year ended 30 June 2012.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 24. Share Based Payments (continued)

#### Employee Share Ownership Plan (ESOP)

In November 2012 the Company gained approval to establish an employee incentive scheme comprising the Adslot Limited Share Option Plan and the Adslot Employee Share Trust.

Awards of rights to shares are available to be issued to eligible employees based on the performance against agreed key performance indicators. Any rights awarded are subject to a two-year service period and if this service period is not met, the rights to shares will be forfeited by the eligible employee. Shares held by the Trust under the scheme will have voting and dividend rights, and the right to participate in further issues pro-rata to all ordinary shareholders.

The following table shows grants of share-based compensation to directors and senior management under the ESOP for the current financial year:

#### 2013

Grant Date	Escrow End Date	Valuation Price \$	Balance at start of the year (Number)	Granted during the year (Number)	Transferred during the year (Number)	Lapsed during the year (Number)	Forfeited during the year (Number)	Balance at end of the year (Number)	Vested at the end of the year (Number)
01/12/11	30/11/13	0.053	413,511	-	-	-	-	413,511	-
02/12/11	01/12/13	0.060	88,967	-	(88,967)	-	-	-	-
13/12/11	12/12/13	0.064	833,333	-	-	-	-	833,333	-
19/01/12	18/01/14	0.060	833,333	-	-	-	-	833,333	-
14/09/12	13/09/14	0.046	-	6,229,054	-	-	-	6,229,054	-
10/10/12	09/10/13	0.059	-	1,500,000	-	-	-	1,500,000	-
10/10/12	09/10/14	0.059	-	1,500,000	-	-	-	1,500,000	-
<b>Total</b>			<b>2,169,144</b>	<b>9,229,054</b>	<b>(88,967)</b>	<b>-</b>	<b>-</b>	<b>11,309,231</b>	<b>-</b>
<b>Weighted average share price</b>			<b>\$0.060</b>	<b>\$0.050</b>	<b>\$0.060</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.052</b>	<b>\$0.000</b>

Weighted average remaining contractual life at 30 June 2013 (days)

715

#### 2012

Grant Date	Escrow End Date	Valuation Price \$	Balance at start of the year (Number)	Granted during the year (Number)	Vested during the year (Number)	Lapsed during the year (Number)	Forfeited during the year (Number)	Balance at end of the year (Number)	Vested at the end of the year (Number)
01/12/11	30/11/13	0.053	-	413,511	-	-	-	413,511	-
02/12/11	01/12/13	0.060	-	88,967	-	-	-	88,967	-
13/12/11	12/12/13	0.064	-	833,333	-	-	-	833,333	-
19/01/12	18/01/14	0.060	-	833,333	-	-	-	833,333	-
<b>Total</b>			<b>-</b>	<b>2,169,144</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,169,144</b>	<b>-</b>
<b>Weighted average share price</b>			<b>\$0.000</b>	<b>\$0.060</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.000</b>	<b>\$0.060</b>	<b>\$0.000</b>

Weighted average remaining contractual life at 30 June 2012 (days)

542

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 24. Share Based Payments (continued)

The model inputs for ESOP rights to shares granted during the year ended 30 June 2013 included:

Model Input	ESOP #13-1	ESOP #13-2	ESOP #13-3
Grant Date	14/09/12	10/10/12	10/10/12
Exercise Date	14/09/14	10/10/13	10/10/14
Escrow End Date	13/09/14	09/10/13	09/10/14
Exercise Price	-	-	-
Price at Grant Date	\$0.046	\$0.059	\$0.059
Expected Volatility	108.3%	106.5%	106.5%
Expected Dividend Yield	0%	0%	0%
Risk Free Interest Rate	2.86%	2.44%	2.44%

The model inputs for ESOP rights to shares granted during the year ended 30 June 2012 included:

Model Input	ESOP #12-1	ESOP #12-2	ESOP #12-3	ESOP #12-4
Grant Date	01/12/11	02/12/11	13/12/11	19/01/12
Exercise Date	01/12/13	02/12/13	13/12/13	19/01/14
Escrow End Date	30/11/13	01/12/13	12/12/13	18/01/14
Exercise Price	-	-	-	-
Price at Grant Date	\$0.053	\$0.060	\$0.064	\$0.060
Expected Volatility	45.0%	45.0%	49.0%	54.0%
Expected Dividend Yield	0%	0%	0%	0%
Risk Free Interest Rate	3.22%	3.22%	3.08%	3.21%

ESOP rights to shares are valued using the Binomial option-pricing model.

The volatility calculation is based upon historical share price information for the same period as the option life to the date that the options were granted.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 24. Share Based Payments (continued)

#### Rights over Shares

Upon commencement of employment (8 October 2012) during the current year Mr Lowe has been granted the right to receive the following shares after the share price of the Company trades above a 30 day VWAP as per the table below. Each right would convert into one ordinary share of Adslot Ltd when the VWAP criteria is met. No amounts are paid or payable by the recipient on receipt of the right. The rights carry no voting rights. Some rights are subject to escrow per the below table and all rights are subject to Mr Lowe remaining an employee of the Company.

Issue Date	Number of Rights over shares	Required VWAP Price \$	Value of rights at grant date \$	Fair Value Per right \$	Escrow Required from award
8-Oct-2012	3,000,000	0.10	93,000	0.0310	2 years
8-Oct-2012	3,000,000	0.20	64,500	0.0215	2 years
8-Oct-2012	4,000,000	0.30	66,000	0.0165	-
8-Oct-2012	5,000,000	0.40	73,000	0.0146	-
8-Oct-2012	5,000,000	0.50	63,500	0.0127	-
			<b>360,000</b>		

The model inputs for these **rights** granted during the year ended 30 June 2013 included:

Model Input	Class #C1	Class #C2	Class #C3	Class #C4	Class #C5
Grant Date	08/10/12	08/10/12	08/10/12	08/10/12	08/10/12
Exercise Date (i)	-	-	-	-	-
Expiry Date (ii)	-	-	-	-	-
Exercise Price	\$0.100	\$0.200	\$0.300	\$0.400	\$0.500
Price at Grant Date	\$0.059	\$0.059	\$0.059	\$0.059	\$0.059
Expected Volatility	97.7%	97.7%	97.7%	97.7%	97.7%
Expected Dividend Yield	0%	0%	0%	0%	0%
Risk Free Interest Rate	2.468%	2.68%	2.68%	2.68%	2.68%

- (i) There is no exercise date as the right vests upon the company shares reaching the exercise price, assumed to be after three (3) years for the purpose of valuation.
- (ii) There is no expiry dates related to these rights, but assumed to be five (5) years for the purpose of valuation.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

	2013	2012
	\$	\$
<b>25. Cash Flow reconciliation</b>		
<b>Reconciliation of Net Cash Flows from Operating Activities to Loss for the year</b>		
Loss for the year after income tax	(6,460,947)	(7,331,658)
Depreciation and amortisation	2,711,403	2,658,506
Impairment of intangibles	-	50,000
Share based payment	429,785	211,045
Impairment of receivables	12,670	70,091
(Profit)/Loss on asset write off	(691)	(20,274)
Unrealised foreign currency (loss)/gain	29,777	43,541
Grant receivable offset against capitalised intangible assets	443,837	-
<i>Changes in assets and liabilities (net of effects of acquisition and disposal of entities)</i>		
(Increase)/Decrease in receivables	(447,469)	(40,650)
(Decrease)/Increase in payables and other provisions	(293,018)	(337,022)
Net cash outflow from operating activities	<u>(3,574,653)</u>	<u>(4,696,421)</u>

## 26. Financial Risk Management

The Group's operations expose it to various financial risks including market, credit, liquidity and cash flow risks. Risk management programmes and policies are employed to mitigate the potential adverse effects of these exposures on the results of the Group.

Financial risk management is carried out by the Chief Financial Officer with oversight provided by the Board.

### (a) Market risks

Market risks include foreign exchange risk, interest rate risk and other price risk. The Group's activities expose it to the financial risks of changes in foreign currency, interest rate risk relating to interest earned on cash and cash equivalents and price risk on available-for-sale financial assets.

Disclosures relating foreign currency risks are covered in Note 26(d), interest rate risk covered in Note 26(e) and price risk is covered in Note 26(f). The Group does not have formal policies that address the risks associated with changes in interest rates or changes in fair values on available-for-sale financial assets.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 26. Financial Risk Management (Continued)

#### (b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, other than investments, of the Group which have been recognised in the Consolidated Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

The Group has no significant concentrations of credit risk. As disclosed in Note 8 (a), 'Impairment of receivables', The Group has policies in place to ensure that sales of services are made to customers with appropriate credit history. Before accepting any new customers, the Group internally reviews the potential customer's credit quality. A substantial deposit on contract in website development and hosting segment of the Group mitigates initial credit risk.

The Group held the following financial assets with potential credit risk exposure:

	2013	2012
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	9,132,037	13,746,124
Trade and other receivables	1,687,882	1,783,448
	<u>10,819,919</u>	<u>15,529,572</u>

#### (c) Liquidity risk

##### Financial liabilities

Trade and other payables	<u>813,104</u>	<u>1,015,805</u>
--------------------------	----------------	------------------

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. Due to the dynamic nature of the underlying business, the Board aims at maintaining flexibility in funding by keeping committed credit lines and sufficient cash available.

All financial liabilities are expected to be settled within 12 months of the reporting date, per the contractual terms of the obligations.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 26. Financial Risk Management (Continued)

#### (d) Foreign currency risk

Most of the Group's transactions are carried out in Australian Dollars (AUD). Exposures to currency exchange rates arise from the Group's overseas operations which are primarily denominated in US dollars (USD) and Pound Sterling (GBP).

Foreign currency exposure is monitored by the Board on a monthly basis.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into AUD at the closing rate:

	USD \$	GBP \$	Euro \$
<b>30 June 2013</b>			
Financial Assets	175,877	65,473	54
Financial Liabilities	(49,732)	(32,911)	-
<b>Total Exposure</b>	<b>126,145</b>	<b>32,562</b>	<b>54</b>
<b>30 June 2012</b>			
Financial Assets	639,073	64,652	98
Financial Liabilities	-	(11,542)	-
<b>Total Exposure</b>	<b>639,073</b>	<b>53,110</b>	<b>98</b>

The following table illustrates the sensitivity of profit in regards to the Group's financial assets and financial liabilities and the USD/AUD exchange rate and GBP/AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the AUD/USD exchange rate for the year ended at 30 June 2013 (2012: 10%). A +/- 10% change is considered for the AUD/GBP exchange rate (2012: 10%). Both of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. There is no Equity exposure to foreign currency risk.

	+10%			-10%		
	USD \$	GBP \$	Total \$	USD \$	GBP \$	Total \$
30 June 2013	(11,468)	(2,960)	<b>(14,428)</b>	14,016	3,618	<b>17,634</b>
30 June 2012	(58,098)	(4,646)	<b>(62,744)</b>	71,008	5,678	<b>76,686</b>

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 26. Financial Risk Management (Continued)

#### (e) Cash flow and interest rate risk

As the Group has no significant interest-bearing assets or liabilities (except cash), the Group's income and operating cash flows are not materially exposed to changes in market interest rates.

#### *Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on exposure to interest rates on interest bearing bank balances throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates (also comparable to movement in interest rates during the reporting year).

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's net profit would;

	+1%	-1%
	\$	\$
30-Jun-13	155,723	(113,294)
30-Jun-12	163,667	(155,139)

This is mainly attributable to the Group's exposure to interest rate on its bank balances bearing interest.

#### (f) Price risk

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

*AASB 7 Financial Instruments*: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All financial assets held by the Group have been classified as level 3 as the available-for-sale financial assets are unlisted equities. The fair value of the available-for-sale financial assets were:

	2013	2012
	\$	\$
<b>Available-for-sale financial assets</b>		
Investments in unlisted equities	212,664	212,664

The fair value of unlisted equities has been determined with reference to comparable equity transactions made by the unlisted company. No change in the fair value of the investments has occurred since the end of the end of the prior financial year.

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 26. Financial Risk Management (Continued)

#### (g) Net fair value of financial assets and liabilities

The net fair value of cash and cash equivalents and other short-term financial assets and financial liabilities of the Group approximates their carrying value.

The net fair value of other financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

### 27. Parent Entity Information

The following details of information are related to the parent entity, Adslot Ltd (formerly Webfirm Group Limited), at 30 June 2013. This information has been prepared using consistent accounting policies as presented in Note 1.

	2013	2012
	\$	\$
Current assets	8,971,377	12,887,682
Non-current assets	13,666,774	13,209,612
<b>Total assets</b>	<b>22,638,151</b>	<b>26,097,294</b>
Current liabilities	120,969	168,682
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>120,969</b>	<b>168,682</b>
Contributed equity	77,461,855	76,807,288
Share-based payments reserve	902,927	1,839,510
Available for sale investment reserve	106,335	106,335
Retained losses	(55,953,935)	(52,824,521)
<b>Total equity</b>	<b>22,517,182</b>	<b>25,928,612</b>
Loss for the year	(2,202,065)	(11,547,299)
<b>Total comprehensive loss for the year</b>	<b>(2,202,065)</b>	<b>(11,547,299)</b>

The Commitments Note 21 includes commitments incurred by the parent entity related to leases of the head office premises at 85 Coventry Street, South Melbourne for an amount of \$274,234 (2012: \$544,537).

## Notes to the Financial Statements (Continued)

For the year ended 30 June 2013

### 28. Related Party Transactions

Other than the transactions disclosed in Note 23 relating to Key Management Personnel, there have been no related party transactions that have occurred during the current or prior financial year.

### 29. Events Subsequent to Reporting Date

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in future years.

### 30. Consolidated Entities

Name	Country of Incorporation	Ordinary Share Consolidated Equity Interest	
		2013 %	2012 %
<b>Parent entity</b>			
Adslot Ltd (formerly Webfirm Group Limited)	Australia		
<b>Controlled entities</b>			
Adslot Technologies Pty Ltd	Australia	100	100
Ansearch.com.au Pty Ltd	Australia	100	100
Ansearch Group Services Pty Ltd	Australia	100	100
Webfirm Media Pty Ltd	Australia	100	100
Searchworld Pty Ltd	Australia	100	100
Webfirm Pty Ltd	Australia	100	100
Adimise Pty Ltd	Australia	100	100
Full Circle Online Pty Ltd	Australia	100	100
QDC IP Technologies Pty Ltd	Australia	100	100
Adslot UK Limited	United Kingdom	100	100
Adslot Inc.	United States	100	100

Equity interests in all controlled entities are by way of ordinary shares.

## Directors' Declaration

The directors declare that the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, accompanying notes, as set out on pages 20 to 66 are in accordance with the *Corporations Act 2001* and:

- (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements in Australia;
- (b) give a true and fair view of the group's financial position as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (c) the company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

In the directors' opinion:

- (a) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (b) the audited remuneration disclosures set out on pages 10 to 18 of the Directors' Report comply with section 300A of the *Corporations Act 2001*.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**Adrian Giles**  
Chairman  
Adslot Ltd

28 August 2013

Grant Thornton Audit Pty Ltd  
ACN 130 913 594

The Rialto, Level 30  
525 Collins St  
Melbourne Victoria 3000  
GPO Box 4736  
Melbourne Victoria 3001

T +61 3 8320 2222  
F +61 3 8320 2200  
E [info.vic@au.gt.com](mailto:info.vic@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

## **Independent Auditor's Report To the Members of Adslot Ltd**

### **Report on the financial report**

We have audited the accompanying financial report of Adslot Ltd (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and loss statement and other comprehensive income, consolidated statement of changes in equity and 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. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 Company's internal control. 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.

### **Auditor's opinion**

In our opinion the financial report of Adslot Ltd 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 2013 and of its performance for the year ended on that date; and
- ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- iii the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 10 to 18 of the directors' report for the year ended 30 June 2013. 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.

### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Adslot Ltd for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*Eric W Passaris*

Eric Passaris  
Partner - Audit & Assurance

Melbourne, 28 August 2013

## Corporate Governance Statement

The directors of Adslot Ltd have a commitment to maintain long term shareholder value, and recognise the benefits of good corporate governance in achieving this aim.

Having regard to the size and resources available to the company, the company endeavours at all times to comply with the Australian Stock Exchange Corporate Governance Principles and Recommendations ('ASX Principles'). Unless otherwise stated, the company complies with the ASX recommendations.

### *Principle 1: Lay solid foundations for management and oversight*

The Company has separate functions for board and senior management. The board and senior management functions are disclosed publicly in the Company Board Charter which is published on the Company's website. The board meet regularly to perform their prescribed functions, including formal meetings held each two months as well as additional ad hoc meetings where required.

Each of the board members is in regular contact with the CEO and CFO/Company Secretary. The company has a process for evaluating the performance of senior executives, including the evaluation of performance against key performance indicators by both the CEO and Board. A performance review of the chief executive officer and senior executives of the company has taken place prior to the date of this report, in accordance with the established process.

### *Principle 2: Structure the board to add value*

The Board seeks to ensure that its membership represents an appropriate balance between directors with experience and knowledge of the company, and directors with an external or fresh perspective, and that the size of the board is conducive to effective discussion and efficient decision making.

The Board is currently comprised of four board members, three of which are not considered independent directors. The only independent director is Ms Tiffany Fuller.

As such, the board composition is not in accordance with ASX corporate governance principles 2.1 (majority of board members be independent) and 2.2 (independent chair). However, the board considers that the individuals on the board can and do make quality and independent judgements in the best interest of the company on all relevant issues.

Different individuals hold the role of chair and chief executive officer. A description of the skills and experience of each of the directors and their period in office is contained in the Director's Report section of the Annual Report.

Because the Company has a board consisting of only four directors, the directors collectively perform the functions of a nomination committee, as the directors do not consider that any increase in efficiency or effectiveness would be achieved through the formation of a nomination committee.

The directors have access to a broad range of professional advisors who provide advice and assistance as requested by the directors, and at the expense of the Company. The company is yet to implement a formal process for evaluating the performance of the board, its committees or individual directors.

## Corporate Governance Statement (Continued)

### *Principle 3: Promote ethical and responsible decision-making*

The Company has a code of conduct for directors that provides policy and guidance on matters of conduct as directors. The aim of the code is to guide directors in the execution of their responsibilities, to ensure all legal obligations and stakeholder requirements are considered, and to provide all stakeholders with confidence in the integrity of the Company and the directors. The company actively complies with this policy. The code of conduct is published on the Company's website.

The Company has a policy concerning trading in company securities by directors and employees. The aim of this policy to provide guidance to directors and senior employees when acquiring or disposing of shares in the Company, and to ensure any acquisition or disposal of shares in the Company by a director or senior employee is conducted in accordance with legal and regulatory requirements and good corporate governance practice. The company actively complies with this policy. This policy is published on the Company's website.

To enable a director to carry out his or her duties, the board allows individual directors to seek independent professional advice after discussion with the chairman in the first instance. The aim of this practice is to ensure that all directors are in a position to have or to obtain all necessary information required for them to make an informed decision about any matter concerning the Company. Any necessary advice is obtained at the company's expense and advice obtained is made available to all directors.

The Company is committed to diversity in the work place and the benefit from accessing all available talent. The Company has not yet adopted or published an Equality and Diversity Policy. At 30 June 2013 Women filled 25% of the Company's Board, 0% of the Company's Senior Management and 24% of all staff positions within the Company.

### *Principle 4: Safeguard integrity in financial reporting*

In July 2012 the Company formed an Audit & Risk Committee. Ms Tiffany Fuller chairs the Audit & Risk Committee. Mr Chris Morris and Mr Adrian Giles are the committee's other two members.

As recommended by the ASX Principles the committee has at least 3 members, and is chaired by an independent chair who is not chair of the board. It however does not have only non-executive directors as members nor consist of a majority of independent directors.

The Audit & Risk Committee Charter can be found at the Company's website.

The board continues to have the power to make call upon the attendance of the CEO, CFO, the external auditor or any other person to the meeting from time to time. The directors also have access to professional advisors who provide advice and assistance as requested by the directors.

Compliance with accounting and financial reporting standards and procedures are subject to board review and review by the external auditors. Any non-executive director has direct access to the external auditor and is permitted to make such enquiries of the auditor, as they feel necessary. The external auditor is invited to attend the annual general meeting and make themselves available to answer any questions pertaining to the conduct of the audit, the content of the audit report or the financial affairs of the Company.

## **Corporate Governance Statement (Continued)**

### *Principle 5: Make timely and balanced disclosure*

The company has a policy of complying with ASX disclosure requirements. The directors and senior management have received education and training on the subject of ASX disclosure requirements. The company actively complies with this policy. The policy is published on the Company website.

### *Principle 6: Respect the rights of shareholders*

The company has a policy for promoting effective communication with shareholders. The company actively complies with this policy, by way of regular ASX announcements, letters posted to shareholders, and shareholder presentations. The Company also provides the last three years' press releases and announcements on our website. The policy is published on the Company website.

### *Principle 7: Recognise and manage risk*

The directors of the Company take the management of business risk seriously, and via the Audit & Risk Committee it identifies and evaluates risks, and their associated mitigation strategies.

The area of risk considered under the risk policy include: strategic and market risk; financial; asset and resources; personnel and productivity; intellectual property and information; product and operations; technological and systems; and legal and compliance risk. Financial risk management, including market risks, credit risk, liquidity risk, cash flow and fair value interest rate risk are each addressed in the annual report of the Company.

In accordance with section 295A of the Corporation Act, the board has received assurance from both the CEO and CFO that a system of risk management and internal control appropriate to the size and nature of the organisation is in place and is operating effectively in all material respects.

### *Principle 8: Remunerate fairly and responsibly*

The Company operates a Remuneration Committee and its Charter is published on the Company website. The members of the Remuneration Committee are Mr Andrew Barlow (Chair), Mr Chris Morris and Mr Adrian Giles.

The committee meets the ASX principles by having at least three members, however it is not chaired by an independent director, nor are a majority of its members independent. Despite this the Board believe the composition of this Remuneration Committee operates effectively. The directors have access to professional advisors who provide advice and assistance as requested by the directors.

The non-executive directors and the executive directors and senior management of the company have clearly distinguishable remuneration structures that are set out in documented service agreements. Full remuneration details for directors and key executives are provided in the director's report and the notes to the annual financial statements in this annual report.

## Shareholder Information

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 13 August 2013.

Distribution of equity securities	Ordinary Shares		Options	
	Number of Holders	Number of Shares	Number of Holders	Number of Options
The number of shareholders by size of shareholding in each class of shares are:				
1 – 1,000	123	13,639	-	-
1,001 – 5,000	229	702,403	-	-
5,001 – 10,000	297	2,409,899	-	-
10,001 – 100,000	1,026	42,956,306	-	-
100,001 +	767	657,659,040	4	5,300,000
<b>TOTAL</b>	<b>2,442</b>	<b>703,741,287</b>	<b>4</b>	<b>5,300,000</b>

The number of shareholders holding less than a marketable parcel of shares (11,628 shares):

	685	3,520,420
--	-----	-----------

### Twenty largest shareholders

#### Listed Ordinary Shares

	Number of Shares	% of Shares
--	------------------	-------------

The names of the twenty largest holders of quoted shares are:

1	VENTURIAN PTY LTD <MAVERICK INNOVATION A/C>	61,055,667	8.68
2	FINICO PTY LIMITED	55,148,796	7.84
3	OVERACHIEVE PTY LTD <OVERACHIEVE A/C NO 1>	28,500,000	4.05
4	ANDAMA HOLDINGS PTY LTD <J & M BARLOW PENSION A/C>	23,000,000	3.27
5	ANSEARCH COM AU PTY LTD	11,309,232	1.61
6	CAPITAL ACCRETION PTY LTD <THE FORTIFIED VALUE A/C>	10,000,000	1.42
7	FINICO PTY LIMITED <MORRIS SUPER FUND A/C>	9,179,849	1.30
8	YARRA VENTURES PTY LTD <GILES SHARE A/C>	8,706,577	1.24
9	MR JASON CONRAD SQUIRE <THE JASQUI A/C>	8,500,000	1.21
10	KHALON PTY LIMITED	7,990,330	1.14
11	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	7,755,539	1.10
12	COTU INVESTMENTS PTY LTD <COTU SUPER FUND A/C>	7,600,000	1.08
13	PHILIP MURPHY INVESTMENTS PTY LTD <P & J MURPHY S/F A/C>	7,310,222	1.04
14	K PAGNIN PTY LTD <K PAGNIN FAMILY A/C>	6,700,000	0.95
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,386,531	0.91
16	SISUG PTY LTD <SISU SUPERANNUATION FUND A/C>	6,194,236	0.88
17	D & J PAGNIN SUPERANNUATION FUND PTY LTD <D & J PAGNIN SUPER FUND A/C>	5,968,522	0.85
18	YARRA VENTURES PTY LTD <GILES SHARE A/C>	5,569,629	0.79
19	ALCATT PTY LTD <TRUSTCAT INVESTMENT A/C>	5,487,858	0.78
20	MS & IM 67 FUND PTY LTD <MS & IM FUND A/C>	5,000,000	0.71
	<b>Total Top 20 holders of Ordinary Shares</b>	<b>287,362,988</b>	<b>40.83</b>
	<b>Remaining holders balance</b>	<b>416,378,299</b>	<b>59.17</b>

### Classes of Shares

Adslot Ltd has only one class of share on issue, being fully paid ordinary shares.

### Substantial Shareholders

	Shares	% Shares
Chris Morris	70,410,696	10.01%
Andrew Barlow	62,803,769	8.92%

### Voting Rights

All ordinary shares carry one vote per share without restrictions.

## Corporate Directory

### Directors

Mr Adrian Giles – Chairman  
Mr Ian Lowe – Executive Director  
Mr Andrew Barlow – Non-Executive Director  
Mr Chris Morris – Non-Executive Director  
Ms Tiffany Fuller – Non-Executive Director

### Chief Executive Officer

Mr Ian Lowe

### Company Secretary

Mr Brendan Maher

### Head Office

Adslot Ltd  
Level 2, 85 Coventry Street  
South Melbourne Vic 3205 Australia  
Phone: + 61 3 8695 9199  
Fax: + 61 3 9696 0700  
Toll free 1300 852 722

### Registered Office

Adslot Ltd  
Level 2, 85 Coventry Street  
South Melbourne Vic 3205 Australia  
Phone: + 61 3 8695 9199  
Fax: + 61 3 9696 0700  
Toll free 1300 852 722

### Auditors

Grant Thornton Australia  
The Rialto  
Level 30, 525 Collins Street  
MELBOURNE VIC 3000

### Bankers

National Australia Bank Limited  
424 St Kilda Road  
St Kilda VIC 3004

### Share Register

Computershare Registry Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford, VIC 3001

### Home Stock Exchange

Australian Stock Exchange Limited  
Level 45, South Tower  
Rialto, 525 Collins St  
Melbourne, VIC 3000  
ASX Code: ADJ