

**Adslot Ltd (formerly Webfirm Group Limited) ABN 70 001 287 510
and controlled entities**

**Half-Year Financial Report
31 December 2012**

Lodged with the ASX under Listing Rule 4.2A.3

The half-year financial report does not include full disclosures of the type normally included in an Annual Financial Report. Accordingly, this financial report should be read in conjunction with the Annual Financial Report for the year ended 30 June 2012 and any public announcements made by Adslot Ltd (formerly Webfirm Group Limited) during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

HALF-YEAR REPORT – 31 DECEMBER 2012
APPENDIX 4D (Rule 4.2A.3)
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2012	December 2011	Movement	
	\$	\$	\$	%
Total revenue from continuing operations	2,471,449	2,307,137	164,313	7%
Net loss attributable to members of the parent entity after tax	(3,299,327)	(4,417,478)	1,118,151	25%
Net loss attributable to members of the parent entity	(3,299,327)	(4,417,478)	1,118,151	25%

Dividends

The Company has not proposed or declared to pay dividends.

Earnings Per Share

Weighted average number of ordinary shares on issue used in the calculation of earnings per share

Basic loss per share (cents)

Diluted loss per share (cents)

31-Dec-2012**31-Dec-2011****688,454,626**

681,698,900

(0.48)

(0.65)

(0.48)

(0.65)

Net Tangible Assets per share

Number of ordinary shares on issue used in the calculation of net tangible assets per share

Net tangible assets per share (cents)

31-Dec-2012**30-Jun-2012****692,343,059**

687,567,332

1.66

1.93

Audit

The Half-Year Financial Report has been subject to review by Grant Thornton Audit Pty Ltd and is not subject to dispute or qualification.

Directors' Report

Your Directors submit the financial report of the Company and its controlled entities ("the Group") for the half-year ended 31 December 2012.

Directors

The names of Directors who held office during or since the end of the half-year:

Mr Adrian Giles:	Chairman
Mr Ian Lowe:	CEO and Executive Director (appointed on 8 October 2012)
Mr Andrew Barlow:	Non-Executive Director (resigned as acting CEO on 8 October 2012)
Mr Chris Morris:	Non-Executive Director
Ms Tiffany Fuller:	Non-Executive Director

Result of Operations

The net loss of the Group after providing for income tax for the half-year ended 31 December 2012 amounted to \$3,299,327 versus a loss in the corresponding period in 2011 of \$4,417,478.

Review of Operations

The half-year to 31 December 2012 saw the Group make significant progress against the strategic objectives core to the future of the business, including:

- Expanded the Company's sales footprint into United States.
- The global launch of Adslot Publisher (October 2012), an advertising sales platform for online publishers.
- Since launch, 439 customers from markets such as United States, United Kingdom and Australia have been signed to Adslot Publisher.
- The global launch of Adslot Create (December 2012) a platform that allows users to simply and quickly build high quality online display ads.
- Continued profitability of the Webfirm Division.

In October 2012, Mr Ian Lowe commenced as CEO and in November the Group was renamed Adslot Ltd to better reflect the strategic direction of the Company.

Adslot Division

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 Direct) is a platform that automates direct sales of advertising inventory helping on-line publishers grow revenues and profitability. Advertisers can find and buy guaranteed, brand safe inventory and develop creative content through a simple self-serve process.
- **Adslot Create** makes display ad creation easy. On-line 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 deeper integrated solutions to large classified publishers enabling them to sell their on line advertising inventory direct to advertisers.

Since the launch of Adslot Publisher in October 2012, the Company has signed 439 publishers to the platform, some 111 of which are actively promoting their Adslot store. Phase one of the Company's growth strategy is to build the breadth and depth of publishers using this platform across multiple geographies and industry verticals. Sales and marketing efforts to date have therefore focused on rapidly acquiring a diverse catalogue of publishers, and these efforts are ongoing.

Phase two of the strategy will see the Company aggregate this diverse and growing publisher catalogue into a marketplace, in which large advertisers can buy advertising space across multiple publishers simultaneously. Given the revenue model for Adslot Publisher is free to setup for the publisher and then charges a percentage for all advertising space purchased through the platform, the revenue growth objectives of the Company will only be realised once this marketplace is sufficient in size and diversity to attract the advertisers. Phase two of this strategy also importantly places emphasis on building partnerships with companies who can access these advertisers (directly or via agencies) and feed that demand through the platform.

The Adslot Create product was beta tested through the half-year and officially launched in December 2012. The sales pipeline for Adslot Create is now building and first customers are imminent.

The Adslot Enterprise product continues to service its foundation customers.

Webfirm Division

The Webfirm Division offers products and services aimed at helping small and medium enterprise (SME) customers grow their business through online marketing services including search engine optimisation, paid search marketing, social marketing, website development and hosting.

During the six months to December 2012 the Webfirm Division has continued to trade profitably after its restructure in August 2011. The focus for the Webfirm division through calendar 2013 will be to increase the focus on search and social marketing products and pursue synergies with the Adslot Division in the form of sales, marketing and support services.

Dividends

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2012 under Section 307C of the *Corporations Act 2001* is set out on page 15.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors.



Chairman
Adrian Giles

Melbourne
26 February 2013

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2012**

	Note	31-Dec-2012	31-Dec-2011
		\$	\$
Revenue from continuing operations	3	2,087,198	2,307,137
Other income	3	384,251	-
Total revenue and other income		2,471,449	2,307,137
Website publishers & related costs		(457,829)	(613,631)
Gross profit		2,013,620	1,693,506
Depreciation and amortisation expenses	4	(1,338,165)	(1,331,475)
Salaries and employment related costs		(2,745,443)	(2,796,882)
Consultancy and contractor costs		(141,391)	(312,715)
Directors' fees		(124,998)	(121,471)
Staff recruitment		(53,676)	(89,223)
Telephone and internet		(47,381)	(63,875)
Share based payment expense		(175,276)	(100,340)
Marketing costs		(115,339)	(26,109)
Lease - rental premises		(156,189)	(215,704)
Impairment of intangibles		-	(50,000)
Impairment of trade receivables		(13,702)	(58,781)
Listing & registrar fees		(52,927)	(47,032)
Legal fees		(54,399)	(63,348)
Travel expenses		(82,289)	(132,780)
Audit and accountancy fees		(68,872)	(64,310)
Other expenses		(142,900)	(636,939)
Loss before income tax		(3,299,327)	(4,417,478)
Income tax expense		-	-
Loss after income tax expense		(3,299,327)	(4,417,478)
Net loss attributable to members of Adslot Ltd		(3,299,327)	(4,417,478)
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign exchange translation		699	-
Total other comprehensive income attributable to members of Adslot Ltd		699	-
Total comprehensive loss for the half-year		(3,298,628)	(4,417,478)
Earnings per share			
Basic loss per share (cents)		(0.48)	(0.65)
Diluted loss per share (cents)		(0.48)	(0.65)

The above 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 31 December 2012

	31-Dec-2012	30-Jun-2012
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	10,868,438	13,746,124
Trade and other receivables	1,978,200	1,361,994
Total current assets	12,846,638	15,108,118
NON-CURRENT ASSETS		
Property, plant and equipment	141,583	167,738
Other financial assets	212,664	212,664
Intangible assets	6,732,092	7,869,963
Total non-current assets	7,086,339	8,250,365
TOTAL ASSETS	19,932,977	23,358,483
CURRENT LIABILITIES		
Trade and other payables	878,940	1,015,805
Other liabilities	637,826	1,011,050
Provisions	184,107	174,727
Total current liabilities	1,700,873	2,201,582
NON-CURRENT LIABILITIES		
Provisions	33,819	26,294
Total non-current liabilities	33,819	26,294
TOTAL LIABILITIES	1,734,692	2,227,876
NET ASSETS	18,198,285	21,130,607
EQUITY		
Issued capital	76,865,302	76,674,272
Reserves	1,896,239	1,945,845
Accumulated losses	(60,563,256)	(57,489,510)
TOTAL EQUITY	18,198,285	21,130,607

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

Consolidated Statement of Changes in Equity For the Half-Year Ended 31 December 2012

31 December 2012

Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2012	76,674,272	1,945,845	(57,489,510)	21,130,607
Movement in foreign exchange translation reserve	-	699	-	699
Other comprehensive income	-	699	-	699
Loss attributable to members of the company	-	-	(3,299,327)	(3,299,327)
Total comprehensive income	-	699	(3,299,327)	(3,298,628)
Transactions with equity holders in their capacity as equity holders				
Contributions of equity	191,030	-	-	191,030
Reclassification of lapsed options to retained earnings	-	(225,581)	225,581	-
Increase in employees share based payments reserve	-	175,276	-	175,276
	191,030	(50,305)	225,581	366,306
Balance 31 December 2012	76,865,302	1,896,239	(60,563,256)	18,198,285

31 December 2011

Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	76,547,875	5,830,556	(54,290,060)	28,088,371
Loss attributable to members of the company	-	-	(4,417,478)	(4,417,478)
Total comprehensive income	-	-	(4,417,478)	(4,417,478)
Transactions with equity holders in their capacity as equity holders				
Increase in employees share based payments reserve	-	100,340	-	100,340
	-	100,340	-	100,340
Balance 31 December 2011	76,547,875	5,930,896	(58,707,538)	23,771,233

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

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2012

	Note	31-Dec-2012	31-Dec-2011
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,702,481	2,321,924
Interest received		289,586	498,965
Payments to suppliers and employees (inclusive of GST)		(4,790,566)	(5,273,936)
Net cash outflows from operating activities		(2,798,499)	(2,453,047)
Cash flows from investing activities			
Payments for property, plant and equipment		(11,289)	(33,941)
Proceeds from sale of non-current assets		-	22,164
Payment for internally developed intangible assets		(237,737)	-
Net cash outflows from investing activities		(249,026)	(11,777)
Cash flows from financing activities			
Proceeds from issue of shares		191,030	-
Net cash inflows from financing activities		191,030	-
Net increase in cash held		(2,856,495)	(2,464,824)
Cash at the beginning of the half-year		13,746,124	18,352,609
Effect of exchange rate changes on cash		(21,191)	(10,882)
Cash at the end of the half-year		10,868,438	15,876,903

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

Notes to the Financial Statements for the Half-Year ended 31 December 2012

Note 1: Basis of preparation of half-year financial report

This general purpose financial report for the half-year ended 31 December 2012 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2012 and any public announcements made by Adslot Ltd (formerly Webfirm Group Limited) during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

a) Reporting Bases and Conventions

The half-year consolidated financial statements have been prepared on an accruals basis and are based upon historical costs. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the group's annual financial report for the year ended 30 June 2012. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Notes to the Financial Statements for the Half-Year ended 31 December 2012 (Continued)**Note 2: Segment Information****Primary Reporting – Business Segments****Half-year ended 31 December 2012**

	Adslot	Webfirm	Total
	\$	\$	\$
External sales	428,788	1,358,589	1,787,377
Segment result from continuing operations	(3,984,867)	75,421	(3,909,446)
Depreciation	13,659	2,702	16,361
Amortisation	1,277,305	23,416	1,300,721
Additions to non-current assets	6,862	4,248	11,110
Balance Sheet 31 December 2012			
Segment assets	14,909,817	506,171	15,415,988
Segment liabilities	(13,105,054)	(691,744)	(13,796,798)

Half-year ended 31 December 2011

	Adslot	Webfirm	Total
	\$	\$	\$
External sales	470,277	1,356,995	1,827,272
Segment result from continuing operations	(4,209,023)	(134,847)	(4,343,870)
Depreciation	12,123	5,042	17,165
Amortisation	1,266,958	23,415	1,290,373
Additions to non-current assets	7,745	1,792	9,537
Balance Sheet 30 June 2012			
Segment assets	15,169,232	607,814	15,777,046
Segment liabilities	(13,480,099)	(783,344)	(14,263,443)

Sales in the Adslot segment decreased compared to the prior corresponding period as the Group wound back legacy clients acquired through the Adimise and Full Circle businesses, which have historically operated at a loss. The reduction in revenue from these legacy clients compared to the prior period was \$139,148. The main purpose of the acquisition of these businesses was to acquire their Ad-Serving technology, which the Group has incorporated into its end-to-end Adslot Publisher solution. Sales from the core Adslot products increased by \$97,659 as compared to the prior corresponding period.

Notes to the Financial Statements for the Half-Year ended 31 December 2012 (Continued)**Note 2: Segment Information (continued)**

Sales in the Webfirm segment were slightly higher than to the prior corresponding period with reductions in Search Engine Optimisation being offset by increases in Website Development revenues. The Webfirm segment continues to provide to customers Search Engine Optimisation, Search Engine Advertising, Hosting and non bespoke Website development services.

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

	31-Dec-2012	31-Dec-2011
	\$	\$
Total segment revenue	1,787,377	1,827,272
Interest revenue	301,321	498,965
Intersegment eliminations	(1,500)	(19,100)
Total revenue from continuing operations	2,087,198	2,307,137

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

	31-Dec-2012	31-Dec-2011
	\$	\$
Total segment result	(3,909,446)	(4,343,870)
Interest revenue	301,321	498,965
Other income	384,251	-
Interest expenses	-	-
Impairment of intangibles	-	(50,000)
Deferred vendor consideration credit/(expenses)	95,515	(402,582)
Share option expenses	(175,276)	(100,340)
Loss on foreign exchange	(21,191)	(10,882)
Other head office income/(expenses)	25,499	(8,769)
Loss before tax from continuing operations	(3,299,327)	(4,417,478)

Notes to the Financial Statements for the Half-Year ended 31 December 2012 (Continued)**Note 2: Segment Information (continued)**

Reportable segment assets are reconciled to total assets as follows:

	31-Dec-2012	30-Jun-2012
	\$	\$
Total segment assets	15,415,988	15,777,046
Head office assets	23,752,089	26,816,537
Intersegment eliminations	(19,235,100)	(19,235,100)
Total assets per the statement of financial position	19,932,977	23,358,483

Reportable segment liabilities are reconciled to total liabilities as follows:

	31-Dec-2012	30-Jun-2012
	\$	\$
Total segment liabilities	(13,796,798)	(14,263,443)
Head office liabilities	(801,296)	(827,836)
Intersegment eliminations	12,863,402	12,863,403
Total liabilities per the statement of financial position	(1,734,692)	(2,227,876)

Note 3: Revenue and Other Income

	31-Dec-2012	31-Dec-2011
	\$	\$
Revenue		
Service income	1,785,877	1,808,172
Interest income	301,321	498,965
Total revenue from continuing operations	2,087,198	2,307,137
Other income		
Research & development grants	384,251	-
Total other income	384,251	-

Notes to the Financial Statements for the Half-Year ended 31 December 2012 (Continued)**Note 4: Expenses**

Loss before income tax includes the following specific expenses:

	31-Dec-2012	31-Dec-2011
	\$	\$
Depreciation and amortisation		
Amortisation – Leasehold improvements	3,638	3,530
Amortisation – Software development costs	1,300,721	1,290,373
Depreciation - Plant and equipment	33,806	37,572
Total depreciation and amortisation	<u>1,338,165</u>	<u>1,331,475</u>
Other charges against assets		
Defined contribution superannuation expense	210,239	177,777
Profit on disposal of non-current assets	-	(22,164)
Research & development wages	685,573	563,082
Deferred vendor consideration	(95,515)	402,582
Foreign currency loss	21,191	10,882

Note 5: Equity Securities Issued

	31-Dec-2012	31-Dec-2011
	\$	\$
Issues of Ordinary Shares during the half-year		
Ordinary Shares issued – value \$	<u>191,030</u>	-
Ordinary Shares issued – number	<u>4,775,757</u>	-

An additional 9,229,054 shares were issued to the Webfirm Group Employee Share Trust during the period which forms part of the consolidated group.

Note 6: Contingencies

There are no contingencies to be disclosed in the financial statements.

Note 7: Events subsequent to reporting date

There have been no events subsequent to the reporting date that have a significant impact on the financial statements or are expected to have a significant impact on future financial statements.

Directors' Declaration

In the Directors' opinion:

- (a) The financial statements and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Adslot Ltd (formerly Webfirm Group Limited) will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors.

A handwritten signature in black ink, consisting of a stylized, scribbled initial 'A' followed by a long horizontal line extending to the right.

Adrian Giles
Chairman

Melbourne
26 February 2013

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**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 review of Adslot Ltd for the half-year ended 31 December 2012, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Eric W Passaris

Eric Passaris
Partner

Melbourne, 26 February 2013

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Independent Auditor's Review Report To the Members of Adslot Ltd

We have reviewed the accompanying half-year financial report of Adslot Ltd ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Adslot Limited consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Adslot Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Electronic presentation of reviewed financial report

This auditor's review report relates to the financial report of Adslot Ltd for the half-year ended 31 December 2012 included on Adslot Ltd's web site. The Company's directors are responsible for the integrity of Adslot Limited's web site. We have not been engaged to report on the integrity of Adslot Ltd's web site. The auditor's review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adslot Ltd is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Eric Passaris
Partner

Melbourne, 26 February 2013