

2014

Annual Report

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Chairman's Report



Dear Shareholders,

The 2014 Financial Year has been a year of significant progress and achievement for Adslot, as the Company continues to establish a strategic leadership position in "automated guaranteed" media trading globally.

As with any company emerging as a leading player in a competitive global industry, our strategic positioning and ability to consistently deliver world-leading products is fundamental to the Company's ongoing success. We believe Adslot's ability to provide the world's media buyers and sellers with a global trading platform and service footprint; an unwavering focus to further build-out our ecosystem of both supply and demand partners; and continued investment in Adslot's best-in-class technology, will result in accelerated revenue growth in the years ahead.

During the year, we continued to grow our "supply-side" client base, which consists of some of the world's largest and most-recognised online publishers. These publishers recognise the significant efficiencies that can be achieved by selling their premium ad inventory in an automated way, and have agreed to share the revenue they derive via Adslot's platform with us. This is particularly meaningful, as it places Adslot in a strong position to build a highly-scalable and profitable business as the global media industry looks to migrate ad spend to automated media trading platforms.

Equally, the Company's acquisition of Facilitate Digital secured a meaningful position on the "demand-side" of the industry. It is anticipated that Facilitate's Symphony technology will manage in the order of \$2 Billion of annual online display ad spend via multi-year contracts with some of the world's largest media buying groups, once all current implementations are complete. As the Company further advances the integration of Symphony and Adslot Marketplace to create true end-to-end trading capabilities, it places the Company in the strongest possible position to capitalise on the strategic foundations it has spent the last four years building.

In October 2013, the Company announced the launch of Adslot Marketplace, which allows media buyers to purchase premium ad inventory across all Adslot's premium publishers. Since the launch of this product, initial agency demand has emerged, and transaction volume and value continue to grow. This presents very encouraging signs for the Company's future.

During the year, we saw the departure of directors Chris Morris and Tiffany Fuller, and welcomed onto the Board Geoff Dixon, Ben Dixon and independent US director, Quentin George. Shortly after the end of the financial year, we also raised \$6.5m in a share placement to sophisticated and institutional investors, firming up the Company's cash position to enable it to move faster on its product integration initiatives and world-wide roll-out.

All in all, it's been a big year for the Company, and the Board and Executive Team are optimistic about the Company's future. In calendar year 2015, we expect to see continued growth in trading revenues, as the industry moves towards "automated guaranteed" media buying at scale. Whilst we cannot prescribe a time-frame over which the media industry will make a full transition, we see unambiguous signs this transformation is gathering speed, and continue to execute the strategy that ensures we are well-positioned to capitalise on the considerable opportunity this creates.

I'd like to take this opportunity to thank all our customers and partners for their support and enthusiasm for our products; our shareholders for your ongoing interest and support as we build the foundations upon which to build a great Company; and finally our Board, Executive Team and every employee in our Company for their massive contribution this last financial year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A Barlow', with a long, sweeping horizontal line extending to the right.

Andrew Barlow
Chairman Adslot Ltd
28 August 2014

Directors' Report

Your Directors present their report, together with the financial report of Adslot Ltd ACN 001 287 510 ('the Company') and its controlled entities ('the Group') for the financial year ended 30 June 2014 and the auditor's report thereon.

Information on directors

Mr Adrian Giles, Mr Andrew Barlow and Mr Ian Lowe were directors for the whole financial year and up to the date of this report. Mr Adrian Giles resigned from his appointment as Chairman on 26 November 2013 but remains a non-executive director. Mr Andrew Barlow was appointed as Chairman on 26 November 2013. Mr Ben Dixon was appointed as director on 23 December 2013. Mr Geoff Dixon was appointed as director on 23 December 2013. Mr Chris Morris resigned from his appointment as director on 21 February 2014. Ms Tiffany Fuller resigned from her appointment as director on 14 June 2014. Mr Quentin George was appointed as director on 16 June 2014.



Andrew Barlow

Non-Executive Chairman
(Age 41)

Andrew Barlow is the founder of Adslot and an experienced technology entrepreneur. 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. Mr Barlow is also the Founder of Venturian, a privately-owned venture capital fund with investments in early-stage technology companies with unique IP, highly scalable business models and global market potential. Mr Barlow was also Founder and CEO of Max Super, an online retail superannuation fund sold to Orchard Funds Management in 2007.

Mr Barlow is currently a director of Nitro Software, Inc., the second largest PDF editing software company in the world, and Mocom Pty Ltd – owner of the Viewa augmented reality mobile app. Mr Barlow has significant expertise in online media and business building.



Mr Adrian Giles

Non-Executive Director
(Age 40)

Adrian Giles is an entrepreneur with businesses in the Internet, information technology and manufacturing industries. In 1997 Mr Giles 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 Mr Giles 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.

Mr Giles is Chair of the Remuneration Committee.



Mr Ian Lowe

CEO and Executive Director
(Age 44)

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 Ben Dixon**

Executive Director
(Age 41)

Ben Dixon's career in the advertising industry goes back over 17 years and includes roles at several large multinational agency groups including DDB and Mojo. He has wide experience across both the media buying and account management fields having held senior positions directing accounts for advertisers such as Telstra and Kraft Foods. In particular he was responsible for the development and implementation of eCommerce and online strategies across a number of advertisers.

In late 1999 Ben conceptualised and then co-founded Facilitate Digital Pty Ltd, assuming the role of General Manager. In the subsequent 3 years he played an integral role in steering the business through an industry collapse to a position of strength. Ben was appointed Chief Executive Officer of Facilitate when Adslot acquired it in December 2013.

**Mr Geoff Dixon**

Non-Executive Director
(Age 74)

Geoff Dixon is one of Australia's most experienced and successful corporate executives. He is the former Managing Director and Chief Executive Officer of Qantas Airways Limited and has wide experience at board level in the media, general business and philanthropic sectors. He is a director of Crown Limited and Consolidated Media Holdings Limited. He is also Chairman of the Garvan Research Foundation, and Chairman of Tourism Australia.

Directorships of other Australian Listed Companies during the past 3 years:

- Consolidated Media Holdings Limited from 31 May 2006 to current.
- Crown Limited from 7 July 2007 to current.

**Mr Quentin George**

Non-Executive Director
(Age 44)

Quentin George is one of the advertising industry's most credentialed and respected thought leaders. Based in the United States, Mr George has previously served as the Chief Digital and Innovation Officer at IPG Mediabrands, where he was responsible for overseeing \$2B in digital media spend across global media agency networks, as well as specialist digital agencies for Fortune 500 brands.

Mr George has also previously held the positions of Global Head of Digital Media and Strategic Innovation, and President, Global at Universal McCann. In 2008, Mr George led the team that architected and built the industry's first ever, standalone programmatic media-buying agency, Cadreon, which he successfully grew into a multi-national organisation encompassing North America, Europe and Asia-Pacific.

Mr George has also previously served on the customer advisory boards of Google, Microsoft Advertising, Yahoo! and AOL. He has also served on high-profile industry advisory boards including the Internet Advertising Bureau (IAB) and the American Association of Advertising Agencies (AAAA's), and has held senior leadership roles at digital agencies such as Razorfish and Organic.

Mr George is currently co-founder of Unbound, a global strategic consultancy advising some of the world's largest companies on digital strategy.

**Mr Brendan Maher**

Company Secretary
(Age 46)

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 Adslot.

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

Directors' Report (continued)

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.

Directors' 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 #	ESOP Shares #
Mr Andrew Barlow	62,803,769	-	-	-
Mr Adrian Giles	19,633,409	-	-	-
Mr Ian Lowe	9,961,929	17,000,000	-	3,000,000
Mr Ben Dixon	35,119,513	-	-	-
Mr Geoff Dixon	86,252,015	-	-	-
Mr Quentin George	-	-	-	1,000,000

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

Adslot Ltd derives revenue from three principal activities:

1. **Trading Technology** – comprises Adslot, a leading global media trading technology, and Symphony, market leading workflow automation technology, purpose built for digital media agencies.
2. **Services** – comprising marketing services that are provided by the company's Webfirm division to SME clients and project based feature customisation of Trading Technology.
3. **AdServing** – technology that enables advertisers to deliver and measure the performance of online display advertising (including impressions, clicks and online sales).

Operating Results

Consolidated Group revenues from continuing operations for the FY14 period of \$5,066,180 realised an increase of 25% versus the prior year result of \$4,055,721.

The consolidated operating loss before interest, income tax, depreciation and amortisation (EBITDA), including transaction costs associated with the acquisition of Facilitate Digital, is \$5,336,412, compared to a loss for the prior year of \$4,275,300. EBITDA excluding transaction costs associated with the acquisition of Facilitate Digital is a loss of \$4,688,723.

The consolidated operating loss after income tax and including transaction costs associated with the acquisition of Facilitate Digital is \$10,095,562, compared to a loss for the prior year of \$6,460,947. The consolidated operating loss after income tax excluding transaction costs associated with the acquisition of Facilitate Digital is a loss of \$9,447,873, which includes \$2,072,836 of amortisation associated with the acquisition of Facilitate Digital.

Review of Operations

Online Advertising Industry – Background

Global online advertising grew from USD \$72 billion in 2010 to USD \$135 billion in 2014, continues to grow at a rate of approximately 15% CAGR and is projected to grow to USD \$163 billion by 2016. Online advertising consists of three core segments:

- Search advertising (e.g. advertisers buying search links from Google)
- Display advertising (banners, video ads, rich media)
- Classifieds advertising (listings appearing on online classifieds websites such as realestate.com.au, Carsales and SEEK)

In 2014, display advertising is worth approximately \$50 billion, and is also growing at circa 15% CAGR. Display advertising is in turn made up of two segments:

- premium display advertising (a circa USD \$40 billion market)
- remnant display advertising (a circa USD \$10 billion market)

The Problem Adslot Is Solving

The USD \$40 billion premium online display advertising market is a highly inefficient market, due in large part to the absence of a purpose built platform through which large buyers (media agencies) and sellers (online publishers) can trade at scale. Premium online display advertising is also a largely disorganised market, characterised by the following:

- The supply side of the premium online display market is highly fragmented. In a market such as Australia, a large media agency will typically trade with 50 or more different publishers. In a market such as US, a large media agency will typically trade with over 100 different publishers over a 1 year period;
- Different publishers describe and define the inventory and audience they are selling differently, creating complexity for the buyer;
- There is no single 'marketplace' for buyers to access that aggregates all publishers and their inventory; and
- The toolsets used by buyers and sellers in support of a trade are separate and several. Furthermore, almost none of the tools used by buyers talk to the tools used by sellers, and vice versa.

As a consequence, the selling of premium online display advertising for publishers is a manual, slow and expensive process. Correspondingly, the buying of premium online display advertising for media agencies is also a manual, slow and expensive process.

The Opportunity

The media industry has realised the trading process for premium display advertising is unsustainable, and is aware that purpose built technology is required to bring efficiency and scalability.

Industry research points to a cost to the industry of this inefficiency of approximately 30% of revenue, or 30% of USD \$40 billion (USD \$12 billion). Adslot conducted its own study in 2013 and determined this cost to be approximately 28% of revenue.

As the inefficiencies of trading premium display advertising are universal across all markets and regions globally, the opportunity to establish a technology solution is also global.

Accordingly, Adslot's vision is to become the world's leading provider of premium display media trading technology. Importantly, to achieve this Adslot is not required to remove or replace an existing platform or technology. Rather, Adslot is reducing cost for the industry.

Adslot generates revenue in the form of a percentage of media spend traded through its platform. This percentage is paid to Adslot by the seller (publisher).

Review of Operations (continued)

Strategy

Adslot's strategy is predicated on building a market leading trading platform for premium display media, and bringing supply and demand together at scale.

Supply and Demand at Scale

To capture supply and demand at scale, the Company has implemented a strategy that consists of the following in sequence:

1. Sign a critical mass of significant publishers;
2. Using this inventory, drive phase 1 adoption from large media buyers (agencies); and
3. As phase 1 adoption from media buyers builds, use this to sign additional publishers.

In parallel with this sales strategy, the Company is pursuing a partnership strategy. The objective of the partnership strategy is twofold:

1. Rapidly grow the number of publishers and media buyers that have access to Adslot's trading technology through a community of partners; and
2. Integrate Adslot's trading technology into other tools and systems already being used by publishers and media buyers.

Significant Achievements

The Company has made strong progress in FY14 as it executes its product, sales and partnership strategy. Highlights include:

- Global launch of *Adslot Marketplace* – a media buying interface designed specifically for large media buyers (media agencies). The Company has since secured a number of multi-national agency customers who have traded via Adslot Marketplace. The number of buyers and the frequency and value of trades is now growing month on month.
- Acquisition of Facilitate Digital – see section titled 'Acquisition of Facilitate Digital' for more detail.
- Partnership with Kantar Media – Kantar Media are a US based provider of media planning tools for media buyers constituting a large percentage of the US market. Adslot's partnership with Kantar will allow publishers signed with Adslot to have their inventory exposed directly into the Kantar Media interface. This means media buyers using Kantar will be able to identify publishers that offer the inventory and audience they need, then transact with them via Adslot in a single, seamless experience.
- Partnership with MediaMath – MediaMath are one of the world's largest providers of real time bidding (RTB) technology for media buyers, operating in all major markets around the world. RTB technology is used by buyers and sellers to monetise unsold or remnant inventory, which today is a circa USD \$10 billion market. Adslot's partnership with MediaMath will allow media buyers to buy both premium (via Adslot) and remnant inventory via the one interface.
- Extension of *Symphony* contract with GroupM APAC – GroupM are a division of WPP and the world's largest media buying company. Symphony is a workflow automation technology used by media agencies to compile and share buying information across the various systems they use to track, optimise, report, invoice and pay for online advertising. Symphony was a key asset acquired by Adslot as part of the Facilitate Digital acquisition – see section titled "Acquisition of Facilitate Digital" for more detail.
- Collaboration with Nielsen Australia – Nielsen is the industry appointed provider of online audience data in Australia, and a global provider of ratings and research intelligence. The Adslot-Nielsen collaboration allows media buyers to profile inventory in the Adslot Marketplace using audience data from Nielsen Online Ratings.
- Premium online publishers across US, UK and Australia have signed with Adslot, including some of the world's largest and most respected publishing brands, including The Daily Mail, CBS, ESPN, BBC, eBay, Carsales, REA, NPR, Fairfax and SEEK.

Acquisition of Facilitate Digital

In December 2013, Adslot announced it had completed the acquisition of Australian technology company Facilitate Digital Holdings Ltd. The underlying premise of the acquisition of Facilitate Digital is the following:

- The vast majority of media agencies in Australia and the Asia Pacific region currently use Facilitate Digital's *Symphony* software to manage the work-flow surrounding the buying of premium digital advertising;
- *Adslot* believes that the current media buying managed within *Symphony* will ultimately be replaced by more automated, integrated buying technology such as that provided by the *Adslot Marketplace*; and
- *Adslot* believes that the quickest and least disruptive way to get the Adslot Marketplace in front of media buyers, is to make it available to them within the platform they already use every day – *Symphony*.

The acquisition of Facilitate Digital has allowed *Adslot* to make its *Adslot Marketplace* ad inventory available in the current *Symphony* buying platform for media buyers to purchase directly from publishers.

The acquisition of Facilitate Digital was therefore a strategic acquisition undertaken to achieve three valuable outcomes:

1. Ownership of industry leading workflow automation technology (Symphony) for media buyers. *Symphony* allows media buyers to input, output and transfer media buying information into their back-office toolset, including finance systems (accounting, billing, invoice reconciliation), adservers (campaign performance tracking and optimisation) and business intelligence systems (tracking spend, pricing and contract auditing by agency, agency group and market/region).
2. Direct access to USD \$1 billion of premium online display ad spend, which will grow to \$2 billion as contracted new deployments of Symphony occur. This ad spend comes from the growing list of agencies using Symphony to automate back-office process.
3. Media Agency (or “buy-side”) DNA – over a period of more than 10 years, the Facilitate Digital team have developed a rich understanding of the challenges and opportunities available to large, sophisticated media buyers such as media agencies. This is knowledge and experience that will accelerate Adslot’s development of world-class media buying solutions, and the sales/support of these solutions globally.

Matters subsequent to the end of the financial year

On 3 July 2014, the Company announced a Share Placement (“Placement”). On 10 July 2014, the Placement was completed and consisted of 65 million ordinary shares at \$0.10 per share.

The funds raised will be applied to:

- Accelerate development and integration of the Adslot and Symphony platforms;
- Strengthen the balance sheet; and
- Provide additional working capital.

Other significant matters subsequent to the end of the financial year include:

- Global launch of first Adslot-Symphony integration – announced on 1 August 2014 the integration of the Adslot trading platform and the Symphony workflow platform is a key focus for the Company, forms a critical part of the strategy to integrate Adslot trading tools into other systems being used by media agencies, and is the underlying purpose behind the acquisition of Facilitate Digital. First agency trades have already been transacted via the Adslot-Symphony integration;
- Partnership with Microsoft – announced on 13 August 2014, Microsoft is one of the world’s largest online publishers. Adslot’s partnership with Microsoft will allow Microsoft advertising inventory to be purchased through the Adslot Marketplace;
- *Symphony* contract with Starcom Australia – announced on 19 August 2014, Starcom is a Publicis Groupe agency and one of Australia’s largest media buyers. The Starcom contract realises Adslot’s ambition to forge close ties with the three largest agency groups in the world, being GroupM (WPP), Omnicom and Publicis. In Australia, Symphony contracts are now in place across all three of these groups.

Other than these 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

Further Growth in Trading Technology Revenues

As highlighted in the section ‘Revenue by Segment’, the Company is seeing a number of factors that will combine to deliver continued growth in Trading Technology revenues. Whilst this growth is expected to continue quarter on quarter, the Company also anticipates growth to accelerate as momentum builds from adoption of the platform, and integrations with partners to create further scale are completed.

The Trading Technology revenues will also deliver improved profit performance and a reduction in net cash outflows. Adslot Trading Technology is provided under a fixed cost base model and provisioned via the cloud, meaning there is virtually no incremental cost to provide the technology, and virtually no incremental cost to provision a growing number of users.

Advancement of the Adslot-Symphony integration

The Company is committed to advancement of the integration of Adslot and Symphony to ensure those agencies using Symphony find it increasingly compelling to trade via Adslot. On this basis the Company will continue to invest significant resources and capital to realise new features and capabilities on an ongoing basis.

Further partnerships

In accordance with the Company’s partner strategy, Adslot is committed to expanding its current list of partners. Discussions have commenced with a range of additional partner prospects and further partnership agreements are anticipated.

Review of Operations (continued)

Likely developments and business strategies (continued)

APIs to enable partnerships

In order to benefit from partnerships, Adslot must provide partners with access to its platform via an API (application programming interface). These APIs will allow supply-side partners to expose their inventory into the Adslot Marketplace (e.g. Microsoft), and demand-side partners representing media spend to get access to all Adslot inventory. A successful first release of Adslot's demand-side API was undertaken in FY14, with the supply-side API and further enhancements to both API's scheduled for FY15.

Further Symphony contracts

As per the Company's strategy to migrate ad spend within Symphony to trade via Adslot, the Company continues to sell Symphony as a stand alone solution to large media buying groups and agencies. Agencies that adopt Symphony constitute a good opportunity to also adopt Adslot. New Symphony contracts are anticipated in FY15.

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:

Type	Expiry Date	Exercise Price	Number under option
Options over ordinary shares	30 Sep 2014	\$0.116	2,000,000
Options over ordinary shares	30 Sep 2014	\$0.190	300,000
Total			2,300,000

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	\$0.200	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
Total		17,000,000

(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 2014 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 Andrew Barlow	12	12	1	1	-	-
Mr Ian Lowe	12	12	-	-	-	-
Mr Adrian Giles	12	12	1	1	4	4
Mr Chris Morris	8	7	1	0	3	1
Ms Tiffany Fuller	12	10	-	-	4	4
Mr Ben Dixon	4	4	-	-	-	-
Mr Geoff Dixon	4	4	-	-	-	-
Mr Quentin George	0	0	-	-	-	-

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 2014 has been received and can be found on page 22 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 6: Equity holdings and transactions

Section 7: Other transactions with key management personnel

Section 1: Non-executive directors' 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 and its controlled entities include the following directors and executive officers:

Directors	Position	Date appointed/resigned
Mr Adrian Giles	Non-Executive Director Non-Executive Chairman Non-Executive Director	Appointed 19 December 2007 Resigned 26 November 2013 Appointed 26 November 2013
Mr Andrew Barlow	Non-Executive Director Non-Executive Chairman	Appointed 16 February 2010 Appointed 26 November 2013
Mr Ian Lowe	Chief Executive Officer Executive Director	Appointed 8 October 2012 Appointed 8 October 2012
Mr Chris Morris	Non-Executive Director Non-Executive Director	Appointed 20 September 2010 Resigned 21 February 2014
Ms Tiffany Fuller	Non-Executive Director Non-Executive Director	Appointed 20 June 2011 Resigned 14 June 2014
Mr Ben Dixon	Executive Director	Appointed 23 December 2013
Mr Geoff Dixon	Non-Executive Director	Appointed 23 December 2013
Mr Quentin George	Non-Executive Director	Appointed 16 June 2014
Executive Officers		
Mr Brendan Maher	Company Secretary / Chief Financial Officer	Appointed 15 November 2010
Mr Tom Peacock	Group Commercial Director	Appointed 23 December 2013

Group 2014	Short-term benefits			Long Term Benefits	Post- employment benefits	Share-based payment		
	Salary & fees \$	Bonus \$	Other \$	Long Service Leave \$	Super- annuation \$	Shares & Rights ¹ \$	Total \$	% of remuneration that consists of options & shares
<i>Executive directors</i>								
Mr I Lowe	300,000	53,215	-	-	17,775	228,232	599,222	38%
Mr B Dixon (i)	91,734	-	-	1,737	8,485	-	101,956	-
<i>Non-executive directors</i>								
Mr A Giles	60,165	-	-	-	-	-	60,165	-
Mr A Barlow	60,844	-	-	-	4,086	-	64,930	-
Mr C Morris (ii)	32,583	-	-	-	-	-	32,583	-
Ms T Fuller (iii)	71,666	-	-	-	-	-	71,666	-
Mr G Dixon (i)	24,097	-	-	-	2,229	-	26,326	-
Mr Q George (iv)	-	-	-	-	-	2,158	2,158	100%
<i>Other key management personnel</i>								
Mr B Maher	259,089	45,063	-	-	17,775	63,537	385,464	16%
Mr T Peacock (i)	104,839	-	-	1,707	9,698	38,706	154,950	25%
Totals	1,005,017	98,278	-	3,444	60,048	332,633	1,499,420	22%

¹ 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 23 December 2013 | (iii) to 14 June 2014 |
| (ii) to 21 February 2014 | (iv) from 16 June 2014 |

Remuneration report (continued)

Section 3: Details of remuneration (continued)

Bonuses

Bonuses appearing in the table above were paid for the year ended 30 June 2014 (but relate to the performance from the prior year) as follows:

Name	Amount Paid \$	Amount available in future periods \$	Total Bonus Opportunity \$	Assessment Criteria
Mr I Lowe	53,215	-	125,000	Company performance to budget, product development and launch, and client & partnership signings.
Mr B Maher	45,063	-	45,063	Division performance, governance, reporting and performance related KPI's.

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

Group 2013	Short-term benefits		Long Term Benefits	Post- employment benefits	Share-based payment			
Name	Salary & fees \$	Bonus \$	Other \$	Long Service Leave \$	Super- annuation \$	Shares & Rights ¹ \$	Total \$	% of remuneration that consists of options & shares
<i>Executive directors</i>								
Mr I Lowe (i)	221,320	-	-	-	12,352	186,766	420,438	44%
<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	13%
Totals	818,638	30,000	-	-	31,464	231,546	1,111,648	21%

¹ 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 bonuses paid to key management personnel were forfeited.

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.

Length of contract	Open ended
Fixed Remuneration	Remuneration comprises salary and statutory employer superannuation contributions.
Incentive Plans	Eligible to participate. Incentive criteria and award opportunities vary for each executive.
Notice Period	Members of the key management, including executive directors, have notice periods ranging from three weeks to three months. The Chief Executive Officer and Chief Financial Officer have notice periods of 3 months. Other Executives have notice periods ranging from 3 weeks to 1 month.
Resignation	Employment may be terminated by giving notice consistent with the notice period.
Retirement	There are no financial entitlements due from the Company on retirement of an executive.
Termination by the Company	The Company may terminate the employment agreement by providing notice consistent with the notice period or payment in lieu of the notice period.
Redundancy	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.
Termination for serious misconduct	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.

Section 5: Equity-based compensation

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.

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 2014:

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	Dec 2011	-	413,511	100%	-	16%
	Sept 2013	763,602	-	-	-	
	March 2014	561,526	-	-	-	
Mr T Peacock	Jan 2014	176,928	-	-	-	25%
	March 2014	2,823,072	-	-	-	

Remuneration report (continued)

Section 5: Equity-based compensation (continued)

ESOP Series	Number of Shares	Vesting Date	Value of shares at grant date \$	Expensed in FY 2014 \$	Fair Value Per Share \$	Date vested and exercisable
Sept 2013	763,602	05-Sep-2015	45,816	18,703	0.060	-
Jan 2014	176,928	28-Jan-2016	21,231	4,450	0.120	-
March 2014	3,384,598	04-Mar-2016	304,045	41,573	0.090	-
			371,092	64,726		

The following table shows grants of share-based compensation to directors and senior management under the ESOP during prior year ending June 2013:

During the Financial year						% of Compensation for the year Consisting of Shares
Name	ESOP Series	Number Granted	Number Vested	% of Grant Vested	% of Grant Forfeited	
Mr I Lowe	Accepted on 10 Oct 12	3,000,000	-	-	-	24%
Mr B Maher	Accepted on 14 Sep 12	1,674,872	-	-	-	13%

ESOP Series	Number of Shares	Vesting Date	Value of shares at grant date \$	Expensed in FY 2014 \$	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	-
			254,044	131,664		

Rights over Shares

Upon commencement of employment (8 October 2012) Mr Lowe was 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.

During the year the Company achieved the required VWAP share price (10 cents) such that 3,000,000 of the rights were placed into the Company's ESOP Share Trust for the required 2 year escrow period. Escrow on those shares end on 24 December 2015.

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)	Exercised during the year (Number)	Balance at the 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
		20,000,000	-	-	3,000,000	17,000,000

The following table shows grants of rights over shares to directors and senior management during prior year ending June 2013:

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			
	2014		2013		2014		2013	
	Number	\$	Number	\$	Number	\$	Number	\$
<i>Directors</i>								
Mr Adrian Giles	-	-	-	-	-	-	-	-
Mr Ian Lowe (i)	-	-	23,000,000	\$537,000	1,500,000	\$88,500	-	-
Mr Andrew Barlow	-	-	-	-	-	-	-	-
Mr Chris Morris (ii)	-	-	-	-	-	-	-	-
Ms Tiffany Fuller (iii)	-	-	-	-	-	-	-	-
Mr B Dixon (iv)	-	-	-	-	-	-	-	-
Mr G Dixon (iv)	-	-	-	-	-	-	-	-
Mr Q George (v)	1,000,000	\$105,000	-	-	-	-	-	-
<i>Other Key Management Personnel</i>								
Mr B Maher	1,325,128	\$91,861	1,674,872	\$77,044	413,511	\$21,916	-	-
Mr T Peacock (iv)	3,000,000	\$264,015	-	-	-	-	-	-

(i) from 8 October 2012

(ii) to 21 February 2014

(iii) to 14 June 2014

(iv) from 23 December 2013

(v) from 16 June 2014

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 2014 included:

Model Input	ESOP #14-1	ESOP #14-2	ESOP #14-3	ESOP #14-4	ESOP #14-5	ESOP #14-6
Grant Date	9/07/13	5/09/13	28/01/14	06/03/14	15/06/14	15/06/14
Escrow End Date	9/07/15	5/09/15	28/01/16	04/03/16	15/06/15	2015-2018
Exercise Price	-	-	-	-	-	-
Price at Grant Date	\$0.042	\$0.061	\$0.120	\$0.090	\$0.105	\$0.105

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

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 are no expiry dates related to these rights, but assumed to be five (5) years for the purpose of valuation.

Options

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, and as such no options were granted during the year. Further no options were exercised or lapsed during the year with respect to Directors and other key management personnel.

Remuneration report (continued)

Section 5: Equity-based compensation (continued)

Details of options granted, exercised and lapsed during the prior 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)¹	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	-	-	-	-	-	-	-
<i>Other key management personnel</i>							
Mr B Maher	-	-	-	-	-	-	-
Totals	19,700,000	-	-	-	(19,700,000)	-	-

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

Section 6: Equity holdings and transactions

The number of 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:

2014

Name	Balance at the start of the year (Number)	Received during the year on exercise of options (Number)	Received during the year as compensation (Number)	Net other changes during the year (Number)	Balance at the end of the year (Number)
<i>Directors</i>					
Mr A Giles	19,633,409	-	-	-	19,633,409
Mr A Barlow	62,803,769	-	-	-	62,803,769
Mr I Lowe (i)	-	-	1,500,000	8,461,929	9,961,929
Mr C Morris (ii)	70,410,696	-	-	(70,410,696)	-
Ms T Fuller (iii)	100,000	-	-	(100,000)	-
Mr B Dixon (iv)	-	-	-	35,119,513	35,119,513
Mr G Dixon (iv)	-	-	-	86,252,015	86,252,015
Mr Q George (v)	-	-	-	-	-
<i>Other key management personnel</i>					
Mr B Maher	665,000	-	413,511	(1,078,511)	-
Mr T Peacock (iv)	-	-	-	742,642	742,642
Totals	153,612,874	-	1,913,511	58,986,892	214,513,277

(i) from 8 October 2012

(ii) to 21 February 2014

(iii) to 14 June 2014

(iv) from 23 December 2013

(v) from 16 June 2014

Section 7: Other transactions with Key Management Personnel

Transactions with Directors and their personally related entities:

During the year receipts of \$61,594 were received from an entity related to Mr Chris Morris for website hosting and search marketing services on normal terms and conditions.

During the year receipts of \$1,050 were received from an entity related to Mr Adrian Giles for a website development project on normal terms and conditions.

During the year receipts of \$4,750 were received from an entity related to Mr Andrew Barlow and Mr Adrian Giles for a website design and development project on normal terms and conditions.

This marks the end of the audited remuneration report.

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



Andrew Barlow
Chairman

28 August 2014

Auditor's Independence Declaration



The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.granthornton.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 2014, 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 2014

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	2014 \$	2013 \$
Total revenue from continuing operations	3	5,066,180	4,055,721
Other income	3	627,482	673,756
Website publishers & related costs		(1,207,632)	(748,257)
Depreciation and amortisation expenses	4	(5,025,021)	(2,711,403)
Salaries and employment related costs		(5,539,323)	(5,137,214)
Consultancy and contractor costs		(419,015)	(249,846)
Directors' fees		(259,220)	(249,995)
Staff recruitment		(35,899)	(82,629)
Telephone and internet		(101,984)	(80,164)
Share based payment expense		(560,307)	(429,785)
Marketing costs		(362,838)	(256,716)
Lease – rental premises	4	(595,430)	(320,100)
Impairment of receivables	4	(3,145)	(12,670)
Listing & registrar fees		(177,291)	(89,136)
Legal fees		(278,490)	(113,178)
Travel expenses		(283,510)	(237,407)
Audit and accountancy fees		(222,915)	(129,720)
Finance costs		(3,451)	-
Other expenses		(743,688)	(341,430)
Loss before income tax expense		(10,125,497)	(6,460,173)
Income tax benefit/(expense)	5	29,935	(774)
Loss after income tax expense		(10,095,562)	(6,460,947)
Net loss attributable to members		(10,095,562)	(6,460,947)
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation		35,515	29,777
Write off available for sale investment		(106,335)	-
Total other comprehensive income / (loss)		(70,820)	29,777
Total comprehensive loss attributable to the members		(10,166,382)	(6,431,170)
		2014 Cents	2013 Cents
Earnings per share (EPS) from loss from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	17	(1.20)	(0.94)
Diluted earnings per share	17	(1.20)	(0.94)

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 2014

	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	7	3,354,051	9,132,037
Trade and other receivables	8	3,582,201	1,796,793
Total current assets		6,936,252	10,928,830
NON-CURRENT ASSETS			
Property, plant & equipment	9	100,078	130,079
Other financial assets	10	-	212,664
Deferred tax assets	5	39,677	-
Intangible assets	11	33,941,462	5,771,645
Total non-current assets		34,081,217	6,114,388
Total assets		41,017,469	17,043,218
CURRENT LIABILITIES			
Trade and other payables	12	2,422,088	813,104
Other liabilities	13	667,707	651,185
Provisions	14	462,287	212,059
Total current liabilities		3,552,082	1,676,348
NON-CURRENT LIABILITIES			
Provisions	14	232,494	46,618
Deferred tax liabilities	5	39,677	-
Total non-current liabilities		272,171	46,618
Total liabilities		3,824,253	1,722,966
NET ASSETS		37,193,216	15,320,252
EQUITY			
Issued capital	15	108,515,858	76,871,148
Reserves	16	1,242,375	1,039,039
Accumulated losses		(72,565,017)	(62,589,935)
TOTAL EQUITY		37,193,216	15,320,252

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 2014

2014	Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2013		76,871,148	1,039,039	(62,589,935)	15,320,252
Movement in foreign exchange translation reserve	16	-	35,515	-	35,515
Decrease in available for sale investment reserve			(106,335)	-	(106,335)
Other comprehensive income		-	(70,820)	-	(70,820)
Loss attributable to members of the company		-	-	(10,095,562)	(10,095,562)
Total comprehensive income		-	(70,820)	(10,095,562)	(10,166,382)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of transaction costs	15	32,953,718	-	-	32,953,718
Treasury shares	15	(1,474,679)	-	-	(1,474,679)
Reclassification of lapsed options to retained earnings	16	-	(120,480)	120,480	-
Reclassification of vested ESOP	16	165,671	(165,671)	-	-
Increase in employees share based payments reserve	16	-	560,307	-	560,307
		31,644,710	274,156	120,480	32,039,346
Balance 30 June 2014		108,515,858	1,242,375	(72,565,017)	37,193,216

2013	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	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)
Total comprehensive income		-	29,777	(6,460,947)	(6,431,170)
Transactions with equity holders in their capacity as equity holders					
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
Balance 30 June 2013		76,871,148	1,039,039	(62,589,935)	15,320,252

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 2014

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from trade and other debtors		4,774,215	3,294,614
Interest received		337,769	547,574
Government grants and other receipts		2,298,493	822,844
Payments to trade creditors, other creditors and employees		(11,135,733)	(8,238,911)
Income tax paid		(7,329)	(774)
Interest paid		(3,445)	-
Net cash outflows from operating activities	25	(3,736,030)	(3,574,653)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(15,622)	(33,123)
Proceeds from sale of fixed assets		1,477	855
Net cash acquired via business acquisition		503,593	-
Payments for intangible assets		(2,458,170)	(986,304)
Net cash outflows from investing activities		(1,968,722)	(1,018,572)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflows from financing activities		-	-
Net increase/(decrease) in cash held		(5,704,752)	(4,593,225)
Cash at the beginning of the financial year		9,132,037	13,746,124
Effects of exchange rate changes on cash		(73,234)	(20,862)
CASH AT THE END OF THE FINANCIAL YEAR	7	3,354,051	9,132,037

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 2014

1. Summary of Significant Accounting Policies

The financial report covers Adslot Ltd ("Company") and controlled entities ("Group"). Adslot Ltd is a listed public company, incorporated and domiciled in Australia. The financial report is for the financial year ended 30 June 2014 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 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 2013:

- AASB 10 *Consolidated Financial Statements* revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures are unchanged.

The Group has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

- AASB 119 *Employee Benefits* (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. Furthermore, AASB 119 (as revised in 2011) changes the accounting for short term employee benefits. This change has resulted in the way annual leave entitlements are measured, with all amounts expected to be settled over a period greater than 12 months from reporting date needing to be discounted back to present value with an allowance for further salary increases.

As the Group expects all annual leave for all employees to be used wholly within 12 months of the end of the reporting period, this change has had no impact on the measurement of the annual leave entitlements included in the financial statements.

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* relocates the reporting of individual key management personnel disclosures relating to options/right holdings, equity holdings, loans and other transactions from the financial report to the remuneration report.

The adoption of AASB 2011-4 has resulted in changes to the 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)

1. Summary of Significant Accounting Policies (continued)

(a) Basis of preparation

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 net cash outflows from operations of \$3.7m for the year, and management anticipate incurring further net cash outflows from operations until such time as sufficient revenue growth is achieved.

The ability of the Group to continue as a going concern is dependent upon revenue growth in the Adslot division and levels of cash reserves. During FY 2014 the Company increased the earnings from its Adslot Publisher product, and acquired new revenue streams from the Facilitate Digital acquisition. During FY 2015 the Group expects an increase in revenues from Adslot Publisher, Symphony and also revenues from the integration of these two products.

Despite this, the Company anticipates net operating cash flows from operations will continue to be negative in FY 2015. However the Directors believe the Group can continue to pay its debts as and when they fall due for the following reasons:

- The Group had a cash position as at 30 June 2014 of \$3.4m;
- The Group raised \$6.5m in July 2014 to fund growth in the business;
- The Webfirm division is expected to make continued positive net cash flows from its operations during FY 2015; 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. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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.

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 the Consolidated 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.

(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	20–30% 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)

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 of Profit or Loss and Other 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.

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 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.

(l) Employee benefits

Wages and salaries, annual leave and sick leave

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in 'provisions'. The Group does not discount the leave liability calculations as the Group expects all annual leave for all employees to be used wholly within 12 months of the end of reporting period.

Long service leave

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, 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 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 while the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(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, QDC IP Technology and Facilitate Digital 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, QDC IP Technology and Facilitate Digital business is 4 to 5 years.

Domain name

Acquired domain names are accounted for 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)

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. This is distinct from operating leases under which the lessor effectively retains substantially all such risks and benefits. Property, plant and equipment acquired by finance leases are 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 the 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 the 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.

(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, 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 a one year duration. While 30% of search engine optimisation renewal revenue is recorded as earned in first month of renewal contract, the remaining 70% revenue is recognised over a 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 as income at the date control of the asset passes to the buyer, usually when the signed contract of sale becomes unconditional.

(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.

(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.

The activities of the Group have previously been described within two main segments being Adslot and Webfirm. Following the acquisition of the Facilitate Digital business, the Group now reports its segments based on geographical locations:

- APAC – Australia, New Zealand and Asia;
- EMEA – Europe, the Middle East and Africa; and
- The Americas – North, Central and South America.

Notes to the Financial Statements (continued)

1. Summary of Significant Accounting Policies (continued)

(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.

Intellectual Property valuation

The valuation of Intellectual Property acquired during this year has been determined based on a value in use calculation using expected revenues and expenses over a two-year period from client contracts with an assumed minimum growth rate in revenues of 20% for a further eight years. Future cashflows were discounted at 18.23%, which included a market risk premium of 15%. No terminal value has been assumed in the valuation.

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 requires 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 assessments are predicated largely on:

- the continued adoption of the Adslot Marketplace product;
- the rollout of Symphony to contracted and new users; and
- the successful launch of the integrated Adslot and Symphony products.

In the event that these products do 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 \$33,941,462 (2013: \$5,771,645) and there were no impairment losses (2013: \$Nil) 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 expense for the year was \$560,307 (2013: \$429,785).

Unrecognised deferred tax assets

As disclosed in Note 5, the Group recognises deferred tax assets relating to temporary differences, capital losses or operating losses 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 \$7,228,777 (2013: \$5,352,038).

Research and development tax concessions

A receivable of \$2,041,942 (2013: \$953,878) has been recognised in relation to a research and development tax concession for the 2014 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.

(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 2014 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 July 2014 or later periods, but have not been adopted. They are expected to result in minimum or no impact to the Group's financial statements, other than IFRS 15 for which the extent of impact has yet to be determined.

- AASB 9 *Financial Instruments*;
- AASB 1031 *Materiality* (December 2013) and related AASB 2013-9 *Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*;
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*;
- AASB 2013-3 *Recoverable Amount Disclosures for Non-Financial Assets*;
- AASB 2014-1 *Amendments to Australian Accounting Standards*; and
- IFRS 15 *Revenue from Contracts with Customers*.

Notes to the Financial Statements (continued)

2. Segment Information

2014

Business segments	APAC	EMEA	The Americas	Total
External sales (i)	4,551,808	155,785	136,625	4,844,218
Segment result from continuing operations	(7,708,784)	(711,268)	(1,225,821)	(9,645,873)
Depreciation included in segment result (Note 9)	66,256	5,600	2,797	74,653
Amortisation included in segment result (Note 11)	4,950,368	-	-	4,950,368
Additions to non-current assets (PP&E)	10,758	1,281	2,949	14,988
Impairment of intangibles	-	-	-	-
Statement of Financial Position				
Segment assets	43,803,054	203,673	185,753	44,192,480
Segment liabilities	(14,937,538)	(234,137)	(157,338)	(15,329,013)

2013

Business segments	APAC	EMEA	The Americas	Total
External sales (i)	3,541,368	5,661	4,171	3,551,200
Segment result from continuing operations	(6,224,916)	(367,417)	(744,089)	(7,336,422)
Depreciation included in segment result (Note 9)	67,950	1,275	1,393	70,618
Amortisation included in segment result (Note 11)	2,640,785	-	-	2,640,785
Additions to non-current assets (PP&E)	24,298	2,598	4,478	31,374
Impairment of intangibles	-	-	-	-
Statement of Financial Position				
Segment assets	13,802,417	64,083	176,500	14,043,000
Segment liabilities	(13,633,780)	(32,911)	(49,732)	(13,716,423)

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

Revenue	2014	2013
	\$	\$
Total segment revenue	4,844,218	3,551,200
Head office revenue	-	-
Interest revenue	239,387	526,530
Intersegment eliminations	(17,425)	(22,009)
Total revenue from continuing operations	5,066,180	4,055,721

(i) Refer to Note 3 for a description of product lines from external customers.

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

Segment Result	2014 \$	2013 \$
Total segment result	(9,645,873)	(7,336,422)
Interest revenue	239,387	526,530
Other revenue	627,482	673,756
Impairment of intangibles	-	-
Deferred vendor consideration	-	95,515
Share option expenses	(560,307)	(429,785)
Loss on foreign exchange	(42,090)	(20,862)
Income tax benefit/(expense)	29,935	(774)
Profit/(Loss) on sale of fixed assets	32	691
Loss on write off of asset	(106,329)	-
Other head office income/(expenses) not allocated in segment result	(637,799)	30,404
Loss before income tax from continuing operations	(10,095,562)	(6,460,947)

Reportable segment assets are reconciled to total assets as follows:

Segment Result	2014 \$	2013 \$
Total segment assets	44,192,480	14,043,000
Head office assets	48,310,079	22,826,015
Intersegment eliminations	(51,485,090)	(19,825,797)
Total assets as per the statement of financial position	41,017,469	17,043,218

Reportable segment liabilities are reconciled to total liabilities as follows:

Segment Result	2014 \$	2013 \$
Total segment liabilities	(15,329,013)	(13,716,423)
Head office liabilities	(865,766)	(869,926)
Intersegment eliminations	12,370,526	12,863,383
Total liabilities as per the statement of financial position	(3,824,253)	(1,722,966)

Notes to the Financial Statements (continued)

2. Segment Information (continued)

The Group's revenues from external customers and its non-current assets (other than financial instruments) are divided into the following geographical areas:

	2014 \$		2013 \$	
	Revenue	Non-Current Assets	Revenue	Non-Current Assets
Australia (Domicile)	4,001,542	34,069,371	3,541,368	5,895,309
New Zealand	398,713	510	-	-
United Kingdom	51,241	2,840	5,661	3,330
USA	136,625	3,376	4,171	3,085
Other countries	256,097	5,120	-	-
Total	4,844,218	34,081,217	3,551,200	5,901,724

Revenues from external customers in the Group's domicile, Australia, as well as its major markets, New Zealand, the United Kingdom and the USA, have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

Notes to and forming part of the segment information

Business segments

The activities of the Group have previously been described within two main segments being Adslot and Webfirm. Following the acquisition of the Facilitate Digital business, the Group now reports its segments based on geographical locations:

- APAC – Australia, New Zealand and Asia;
- EMEA – Europe, the Middle East and Africa; and
- The Americas – North, Central and South America.

The Group has restated the comparative segment information based on the new segment allocations.

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 \$17,425 (2013: \$22,009), and corresponding expenses have been eliminated on consolidation.

Major customers

The Group provides services to and derives revenue from a number of customers across all the divisions. During the year, the Group did not derive revenue that was greater than 10% of consolidated revenue from continuing operations from one customer.

3. Revenue and Other Income

	2014 \$	2013 \$
Revenue		
Revenue from Trading Technology	1,568,673	905,517
Revenue from Services	2,449,584	2,623,674
Revenue from Adserving	808,536	-
Total revenue for services rendered	4,826,793	3,529,191
Interest income	239,387	526,530
Total revenue	5,066,180	4,055,721
Other income		
Grant income	627,482	673,756
	627,482	673,756
Total revenue and other income	5,693,662	4,729,477

Revenue derived from the three product lines are described as follows:

Trading Technology

Advertising sales automation services that reduce selling costs and increase advertising revenue for publishers, and streamline the trading process for media buyers.

Services

Online marketing services including search engine optimisation, paid search marketing, social marketing, website hosting, non-bespoke website builds and website amendments.

AdServing

Workflow automation technology and campaign execution toolsets that serve, track and optimise online display ad content, rich media such as online video, and search marketing.

Notes to the Financial Statements (continued)

4. Expenses

	2014 \$	2013 \$
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation		
Amortisation – Leasehold improvements	14,175	7,277
Amortisation – Software development costs	4,950,368	2,640,785
Depreciation – Plant & equipment	60,478	63,341
Total depreciation and amortisation	5,025,021	2,711,403
Finance costs		
Interest paid/payable to unrelated entities	3,451	-
Other charges against assets		
Impairment of trade receivables	3,145	12,670
Rental expense – operating leases	595,430	320,100
Defined contribution superannuation expense	420,676	410,294
Loss on write off of available for sale asset	106,329	-
(Profit)/Loss on sale of PP&E & internally developed software	(32)	(691)
Deferred vendor consideration	-	(95,515)
Foreign currency loss	42,090	20,862

5. Income Tax Expense

	2014 \$	2013 \$
(a) Numerical reconciliation of income tax expense to prima facie tax benefit		
Loss before income tax	(10,125,497)	(6,460,173)
Prima facie tax benefit on loss before income tax at 30% (2013: 30%)	(3,037,649)	(1,938,052)
Tax effect of:		
Other non-allowable items	6,854	4,185
Share options expensed during year	168,092	128,936
Research & development tax concession	995,706	635,918
Income tax benefit attributable to entity	(1,866,997)	(1,169,013)
Deferred tax income relating to utilisation of unused tax losses	(39,677)	-
Deferred tax assets relating to tax losses not recognised	1,876,739	1,169,787
Income tax (benefit)/expense attributable to entity	(29,935)	774

(b) Movement in deferred tax balances

	Balance at 30 June 2014					
	Balance at 1 July 2013 \$	Recognised in Profit & Loss \$	Acquired in Business combination \$	Net \$	Deferred tax assets \$	Deferred tax liabilities \$
Trade and other receivables	-		(125,957)	(125,957)		(125,957)
Property, plant and equipment			199	199		199
Intangible assets	-		165,435	165,435		165,435
Unused tax losses	-	(39,677)	-	(39,677)	(39,677)	-
Net tax (assets)/liabilities	-	(39,677)	39,677	-	(39,677)	39,677

(c) Deferred tax assets not brought to account

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.

	2014 \$	2013 \$
Temporary differences	(3,217,981)	(4,605,182)
Tax Losses:		
Operating losses	27,182,025	22,313,431
Capital losses	131,879	131,879
	24,095,923	17,840,128
Potential tax benefit (30%)	7,228,777	5,352,038

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.

Notes to the Financial Statements (continued)

6. Dividends

The Company did not declare any dividends in the current year or prior year. There are no franking credits available to shareholders of the Company.

7. Cash and Cash Equivalents

	2014 \$	2013 \$
Cash at bank and on hand	3,140,845	9,123,060
Publisher account	213,206	8,977
	3,354,051	9,132,037

8. Trade and Other Receivables

	2014 \$	2013 \$
Current:		
Trade debtors	1,725,119	605,003
Less: Allowance for impairment	(413,987)	(20,480)
	1,311,132	584,523
Other receivables	2,060,296	1,082,879
Prepayments	210,773	129,391
	3,582,201	1,796,793

The average age of the Company's trade receivables is 61 days (2013: 35 days).

(a) Ageing of past due but not impaired

	2014 \$	2013 \$
0–30 days	85,161	67,817
31–60 days	43,775	1,206
61–90 days	63,117	72
Over 91 days	65,450	-
	257,503	69,095

(b) Movement in the provision for impairment

Balance at beginning of the year	20,480	470,684
Impairment recognised during the year	15,108	13,937
Impairment recognised during the year from business combinations	408,309	-
Amounts written off as uncollectible	(22,122)	(458,473)
Amounts recovered during the year	(7,788)	(5,668)
Balance at the end of the year	413,987	20,480

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.

9. Non-Current Assets – Property, Plant and Equipment

	2014 \$	2013 \$
Leasehold improvements – at cost	91,320	36,385
Less: Accumulated amortisation	(58,680)	(14,871)
	32,640	21,514
Plant and equipment – at cost	182,107	159,090
Less: Accumulated depreciation	(143,615)	(100,144)
	38,492	58,946
Computer equipment – at cost	432,398	215,159
Less: Accumulated depreciation	(403,452)	(165,540)
	28,946	49,619
Total carrying amount of property, plant and equipment	100,078	130,079

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:

2014

	Leasehold Improvements \$	Plant and Equipment \$	Computer Equipment \$	Total \$
Carrying amount at 1 July 2013	21,514	58,946	49,619	130,079
Additions	-	-	14,988	14,988
Additions through business combinations (Note 19)	25,301	-	12,002	37,303
Disposals/write offs	-	-	(8,578)	(8,578)
Depreciation/amortisation expense	(14,175)	(20,454)	(40,024)	(74,653)
Net foreign exchange differences	-	-	939	939
Carrying amount at 30 June 2014	32,640	38,492	28,946	100,078

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	21,514	58,946	49,619	130,079

Notes to the Financial Statements (continued)

10. Available for sale investment carried at fair value

	2014 \$	2013 \$
Investment – at fair value	-	212,664

During the year the investment in Brandscreen Pte Ltd (Brandscreen) (an unlisted foreign entity) was written off.

11. Non-Current Assets – Intangible Assets

	Internally Developed Software \$	Domain Name \$	Intellectual Property \$	Goodwill \$	Total \$
Year ended 30 June 2014					
Opening net book amount	548,834	38,267	5,184,544	-	5,771,645
Acquisitions	1,311,519	-	-	-	1,311,519
Acquisitions through business combinations (Note 19)	-	-	16,646,727	15,161,939	31,808,666
Amortisation	(343,616)	-	(4,606,752)	-	(4,950,368)
Impairment of assets	-	-	-	-	-
Carrying amount at 30 June 2014	1,516,737	38,267	17,224,519	15,161,939	33,941,462
At 30 June 2014					
Cost	2,101,880	38,267	29,316,305	20,543,591	52,000,043
Accumulated amortisation and impairment	(585,143)	-	(12,091,786)	(5,381,652)	(18,058,581)
Carrying amount at 30 June 2014	1,516,737	38,267	17,224,519	15,161,939	33,941,462

Internally Developed Software

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

During the year a net \$844,201 (2013: \$542,467) 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 \$690,710 (2013: \$443,837) arising from the capitalised costs offset the gross amount of expenditure. Research and development costs of \$860,850 (2013: \$1,133,425) were recognised in profit or loss.

During the year a net \$467,318 (2013: nil) of innovation research & development wage costs arising from the development of the Symphony platform was capitalised. Associated R&D Grant claims of \$457,656 (2013: nil) arising from the capitalised costs offset the gross amount of expenditure.

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.

Domain names

Domain names opening carrying value of \$38,267 (2013: \$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 (2013: \$5,932,006) of the opening balance relates to this "CAP" technology. Accumulated amortisation of this asset as at 30 June 2014 was \$5,190,504 (2013: \$4,004,103). This asset has a remaining useful life for accounting purposes of one year.

Adimise Pty Ltd ("Adimise") holding online ad-serving technology had \$271,055 (2013: \$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 2014 was \$216,845 (2013: \$162,634). This asset has a remaining useful life for accounting purposes of one year.

QDC IP Technology ("QDC") holding creative ad building and video advertising technology had licences to the Core IP valued at \$6,466,517 (2013: \$6,466,517) in the opening balance and attached to the Adslot CGU. Accumulated amortisation of this asset as at 30 June 2014 was \$4,611,601 (2013: \$3,318,297). This asset has a remaining useful life for accounting purposes of one year.

The Symphony platform technology was acquired as part of the Facilitate Digital Holdings Limited acquisition (Note 19). The fair value attributable to the Symphony technology platform intellectual property was \$16,191,496. Accumulated amortisation of this asset at 30 June 2014 was \$2,013,126. This asset has a remaining useful life for accounting purposes of four and a half years.

The Facilitate for Agencies ("FFA") platform technology was acquired as part of the Facilitate Digital Holdings Limited acquisition (Note 19). The fair value attributable to the FFA technology platform intellectual property was \$455,231. Accumulated amortisation of this asset at 30 June 2014 was \$59,710. This asset has a remaining useful life for accounting purposes of three and a half years.

With the exception of FFA, 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. FFA has an accounting useful life of four 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.

The Goodwill balance relating to the acquisition of Facilitate has an attributed fair value of \$15,161,939 and has not been amortised or impaired. The directors have considered the time period between the acquisition date and year-end and the movements in the share price during this time in determining that the goodwill balance is not impaired and the fair value at the date of acquisition is still relevant.

	Internally developed Software \$	Domain Name \$	Intellectual Property \$	Goodwill \$	Total \$
Prior Year comparison					
Year ended 30 June 2013					
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

Notes to the Financial Statements (continued)

12. Trade and Other Payables

	2014 \$	2013 \$
Trade creditors	311,703	113,854
Publisher creditors (i)	213,206	8,977
Other creditors	1,897,179	690,273
	2,422,088	813,104

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

13. Other Liabilities

	2014 \$	2013 \$
Current:		
Unearned revenue (i)	667,707	651,185
	667,707	651,185

(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 delivery will occur after the reporting date.

14. Provisions

	2014 \$	2013 \$
Current:		
Employee benefits	462,287	212,059
Non current:		
Employee benefits	232,494	46,618

15. Contributed equity

	2014 Number	2013 Number	2014 \$	2013 \$
Ordinary Shares – Fully Paid	969,952,370	692,432,056	108,515,858	76,871,148

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 Number	Issue price \$	Capital raising costs \$	Value \$
30-Jun-12	Balance (including Treasury shares)	689,736,476		933,903	76,807,288
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
30-Jun-13		703,741,287		933,903	77,461,855
	Less: Treasury shares ¹	(11,309,231)		-	(590,707)
30-Jun-13	Balance	692,432,056		933,903	76,871,148
24-09-13	Issue of shares – employee ESOP	3,828,691	0.059	-	225,893
23-12-13	Scheme consideration – Facilitate Digital acquisition	273,730,778	0.115	-	31,479,039
23-12-13	Issue of shares – employee ESOP	6,250,000	0.115	-	718,750
16-06-14	Issue of shares – employee ESOP	1,000,000	0.105	-	105,000
30-Jun-14		988,550,756		933,903	109,990,537
	Less: Treasury shares	(18,598,386)		-	(1,474,679)
30-Jun14	Balance	969,952,370		933,903	108,515,858

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.

Treasury Shares movements during the financial year are summarised below:

Issue Type	Issue or Acquisition Date	Issue Price \$	Balance at beginning of the year (Number)	Issued during the year (Number)	Transfers during the year (Number)	Balance at end of the year (Number)
Employee ESOP	09/12/12	0.053	413,511	-	(413,511)	-
Employee ESOP	05/01/12	0.064	833,333	-	(833,333)	-
Employee ESOP	05/01/12	0.060	833,333	-	(833,333)	-
Employee ESOP	14/09/12	0.046	6,229,054	-	(209,359)	6,019,695
Employee ESOP	10/10/12	0.059	3,000,000	-	(1,500,000)	1,500,000
Employee ESOP	24/09/14	0.059	-	3,828,691	-	3,828,691
Employee ESOP	23/12/14	0.115	-	6,250,000	-	6,250,000
Employee ESOP	16/06/14	0.105	-	1,000,000	-	1,000,000
			11,309,231	11,078,691	(3,789,536)	18,598,386

Notes to the Financial Statements (continued)

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	08/07/14	0.151	2,000,000	-	-	-	2,000,000
Ordinary options	30/09/14	0.116	3,000,000	-	-	(1,000,000)	2,000,000
Ordinary options	30/09/14	0.190	300,000	-	-	-	300,000
			5,300,000	-	-	(1,000,000)	4,300,000

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
		20,000,000	-	-	(3,000,000)	17,000,000

16. Reserves

	2014 \$	2013 \$
Reserves		
Share-based payments reserve	1,177,083	902,927
Available for sale investment reserve	-	106,335
Foreign currency translation reserve	65,292	29,777
	1,242,375	1,039,039
Share-based payments reserve		
Opening balance	902,927	1,839,510
Reclassification of lapsed options	(120,480)	(1,360,522)
Reclassification vested ESOP	(165,671)	(5,846)
Share based payment expense	560,307	429,785
Closing balance	1,177,083	902,927
Available for sale investment reserve		
Opening balance	106,335	106,335
Decrease in available for sale investment reserve	(106,335)	-
Closing balance	-	106,335
Foreign currency translation reserve		
Opening balance	29,777	-
Movement on currency translation	35,515	29,777
Transfer to retained earnings	-	-
Closing balance	65,292	29,777

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)

17. Earnings Per Share

	2014 Cents	2013 Cents
(a) Basic earnings per share		
Loss attributable to the ordinary equity holders of the Company	(1.20)	(0.94)
(b) Diluted earnings per share		
Loss attributable to the ordinary equity holders of the Company	(1.20)	(0.94)
	2014 \$	2013 \$
(c) Reconciliation of earnings used on calculating earnings per share (i)		
Loss from continuing operations attributable to the members of the Company used on calculating basic and diluted earnings per share	(10,095,562)	(6,460,947)
	2014 Number	2013 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of shares on issue used in the calculation of basic EPS	844,352,084	690,411,814
(e) Weighted average number of shares used as the denominator		
Weighted average number of shares on issue used in the calculation of diluted EPS	844,352,804	690,411,814

(i) During 2014 and 2013 there were no discontinued operations or values attributable to minority interests.

	2014 Number	2013 Number
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.	32,490,393	57,537,132

18. Discontinued Operations

There were no discontinued operations during the year ended 30 June 2014.

19. Business Combinations

2014 – Facilitate Digital Holdings Limited and controlled entities

On 23 December 2013, Adslot Ltd acquired 100% of the equity of Facilitate Digital Holdings Limited (Facilitate) via a court approved Scheme of Arrangement. Facilitate is a global provider of digital workflow and trading technology for media agencies. The acquisition will combine Adslot's expertise in media technology for publishers with Facilitate's platform for media buyers. The benefits expected to arise from this integration are reflected in the goodwill balance as detailed below.

The purchase consideration was 1.216 Adslot shares for each Facilitate share and is valued as follows:

	\$
Equity 273,730,778 fully paid ordinary shares @ 11.5 cents per share (i)	31,479,039
Total consideration paid	31,479,039

(i) Being the closing price of Adslot shares on 20 December 2013. This was the last trading day prior to the Scheme Implementation.

Details of assets and liabilities acquired are as follows:

	Acquiree's Carrying Amount \$	Fair Value \$	\$
Purchase consideration			31,479,039
Fair value of net identifiable assets acquired:			
Cash and cash equivalents	503,593	503,593	
Trade and other receivables	2,205,040	2,205,040	
Property, plant and equipment	37,303	37,303	
Trade and other payables	(2,554,514)	(2,554,514)	
Employee benefits	(481,372)	(481,372)	
Deferred tax liabilities	-	(39,677)	
Intellectual property – platform technology	4,739,577	16,646,727	
Goodwill on business acquisition	-	15,161,939	
Net identifiable assets acquired	4,449,627	31,479,039	31,479,039

The valuation of Intellectual Property acquired during this year has been determined based on a value in use calculation using expected revenues and expenses over a two-year period from client contracts with an assumed minimum growth rate in revenues of 20% for a further eight years. Future cashflows were discounted at 18.23%, which included a market risk premium of 15%. No terminal value has been assumed in the valuation.

The Symphony technology platform intellectual property will be amortised over five years and the Facilitate for Agencies ("FFA") technology platform intellectual property will be amortised over four years, in accordance with AASB 138 Intangible Assets.

At 31 December 2013, the fair values of the identifiable intangible assets were determined provisionally, which was reflected in the Appendix 4D issued at half year. Based on further analysis, the Group has restated the acquired intangibles giving rise to a decrease of \$166,984 to Goodwill on business acquisition. The main contributors to this decrease in Goodwill is a combination of the re-measurement of the fair value of Trade Receivables and other receivables, and the revaluation of the Symphony and FFA platforms.

The acquisition costs related to this acquisition were \$647,689 which has been included in Consulting, Legal, Listing and Registrar fees in the Statement of Profit or Loss and Other Comprehensive Income.

The acquired business contributed \$1,448,196 in revenue and a net loss of \$2,717,563 to the Group for the period from 23 December 2013 to 30 June 2014. Had the acquisition occurred on 1 July 2013, the Group's revenue would have been \$6,622,783 and loss would have been \$12,670,587. The additional pre acquisition net loss that would have been contributed by Facilitate has been calculated using Facilitate's accounting policies and includes one-off acquisition related costs of \$667,007.

Notes to the Financial Statements (continued)

19. Business Combinations (continued)

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the acquisition resulted in net cash acquired of \$503,593.

2013

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

20. Contingencies

No contingent assets or liabilities are noted.

21. Commitments

	2014 \$	2013 \$
<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	640,432	296,282
Between 1 and 5 years	788,260	6,538
	1,428,692	302,820

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.

22. Remuneration of auditors

	2014 \$	2013 \$
During the year the following fees were paid/payable to the auditor of the Company:		
Audit services		
Audit and review of financial reports	115,500	93,000
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
	115,500	100,700

23. Key Management Personnel Disclosures

Directors

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

Mr Andrew Barlow (Non-Executive Chairman)	
Mr Adrian Giles (Non-Executive Director)	
Mr Ian Lowe (Executive Director & CEO)	
Mr Chris Morris (Non-Executive Director)	(to 21 February 2014)
Ms Tiffany Fuller (Non-Executive Director)	(to 14 June 2014)
Mr Ben Dixon (Executive Director)	(from 23 December 2013)
Mr Geoff Dixon (Non-Executive Director)	(from 23 December 2013)
Mr Quentin George (Non-Executive Director)	(from 16 June 2014)

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
Mr Tom Peacock	Group Commercial Director

Key management personnel compensation

	2014 \$	2013 \$
Short-term employee benefits	1,103,295	848,638
Post-employment benefits	60,048	31,464
Other long-term employee benefits	3,444	-
Termination benefits	-	-
Share based payments	332,633	231,546
Total compensation (a)	1,499,420	1,111,648

(a) There were 10 key management personnel throughout 2014, some of whom have a part year of service (2013: 6).

Business Acquisitions:

No related party transactions during the year ended 30 June 2014.

Transactions with Directors and their personally related entities:

During the year receipts of \$61,594 (2013: \$80,460) were received from an entity related to a Director for website hosting and search marketing services on normal terms and conditions.

During the year receipts of \$1,050 (2013: nil) were received from an entity related to a Director for a website development project on normal terms and conditions.

During the year receipts of \$4,750 (2013: nil) were received from an entity related to two Directors for a website design and development project on normal terms and conditions.

Notes to the Financial Statements (continued)

24. Share Based Payments

Employee Option Plan

Between 2009 and October 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 \$6,397. The remaining value of options to be expensed in future years amounts is Nil. There were no options granted during the years ended 30 June 2014 and 30 June 2013. Options for the reporting period were:

2014

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)
28/07/10	08/07/14	0.151	2,000,000	-	-	-	-	2,000,000	2,000,000
14/10/10	30/09/14	0.116	3,000,000	-	-	-	(1,000,000)	2,000,000	2,000,000
14/10/10	30/09/14	0.190	300,000	-	-	-	-	300,000	200,000
Total			5,300,000	-	-	-	(1,000,000)	4,300,000	4,200,000
Weighted average exercise price			\$0.133	-	-	-	\$0.116	\$0.137	\$0.137
Weighted average remaining contractual life at 30 June 2014 (days)								53	

Options analysis for the prior 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
Total			65,258,824	-	-	(51,158,824)	(8,800,000)	5,300,000	3,533,334
Weighted average exercise price			\$0.060	-	-	\$0.054	\$0.053	\$0.133	\$0.133
Weighted average remaining contractual life at 30 June 2013 (days)								425	

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:

2014

Grant Date	Escrow End Date	Valuation Price \$	Balance at start of the year (Number)	Granted during the year (Number)	Transferred 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)	-	-	-
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	-	(209,359)	(977,010)	5,042,685	-
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	-
09/07/13	09/07/15	0.042	-	666,667	-	-	666,667	-
05/09/13	05/09/15	0.061	-	3,580,744	-	(677,809)	2,902,935	-
24/12/13	24/12/15	Converted Right	-	3,000,000	-	-	3,000,000	-
28/01/14	24/01/16	0.120	-	176,928	-	-	176,928	-
06/03/14	04/03/16	0.090	-	7,845,045	-	-	7,845,045	-
15/06/14	15/06/15	0.105	-	250,000	-	-	250,000	-
15/06/14	2015-2018	0.105	-	750,000	-	-	750,000	-
Total			11,309,231	16,269,384	(3,789,536)	(1,654,819)	22,134,260	-
Weighted average share price			\$0.052	\$0.081	\$0.060	\$0.052	\$0.061	
Weighted average remaining contractual life at 30 June 2014 (days)								416

Notes to the Financial Statements (continued)

24. Share Based Payments (continued)

2013

Grant Date	Escrow End Date	Valuation Price \$	Balance at start of the year (Number)	Granted during the year (Number)	Vested 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	-
Total			2,169,144	9,229,054	(88,967)	-	11,309,231	-
Weighted average share price			\$0.060	\$0.050	\$0.060	\$0.000	\$0.052	\$0.000
Weighted average remaining contractual life at 30 June 2013 (days)								715

The model inputs for ESOP rights to shares granted during the year ended 30 June 2014 included:

Model Input	ESOP #14-1	ESOP #14-2	ESOP #14-3	ESOP #14-4	ESOP #14-5	ESOP #14-6
Grant Date	9/07/13	5/09/13	28/01/14	06/03/14	15/06/14	15/06/14
Escrow End Date	9/07/15	5/09/15	28/01/16	04/03/16	15/06/15	2015-2018
Exercise Price	-	-	-	-	-	-
Price at Grant Date	\$0.042	\$0.061	\$0.120	\$0.090	\$0.105	\$0.105

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
Price at Grant Date	\$0.046	\$0.059	\$0.059

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.

Rights over Shares

No Rights over Shares were issued in 2014. The following table shows movement in the Rights over Shares for the current financial year:

2014

Issue Date	Required VWAP Price \$	Escrow Required from award	Valuation Price \$	Balance at start of the year (Number)	Granted during the year (Number)	Vested during the year (Number)	Forfeited during the year (Number)	Balance at end of the year (Number)
8-Oct-2012	0.10	2 years	93,000	3,000,000	-	(3,000,000)	-	-
8-Oct-2012	0.20	2 years	64,500	3,000,000	-	-	-	3,000,000
8-Oct-2012	0.30	-	66,000	4,000,000	-	-	-	4,000,000
8-Oct-2012	0.40	-	73,000	5,000,000	-	-	-	5,000,000
8-Oct-2012	0.50	-	63,500	5,000,000	-	-	-	5,000,000
Total			360,000	20,000,000	-	(3,000,000)	-	17,000,000

2013

Upon commencement of employment (8 October 2012) Mr Lowe was 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		

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)

25. Cash Flow reconciliation

	2014 \$	2013 \$
Reconciliation of Net Cash Flows from Operating Activities to Loss for the year		
Loss for the year after income tax	(10,095,562)	(6,460,947)
Depreciation and amortisation	5,025,021	2,711,403
Impairment of intangibles	-	-
Share based payment	560,307	429,785
Impairment of receivables	3,145	12,670
(Profit)/Loss on asset write off	(32)	(691)
Unrealised foreign currency (loss)/gain	42,089	29,777
Grant receivable offset against capitalised intangible assets	1,323,323	443,837
Changes in assets and liabilities (net of effects of acquisition and disposal of entities)		
(Increase)/Decrease in receivables	419,632	(447,469)
(Increase)/Decrease in deferred taxes	(39,677)	-
(Decrease)/Increase in payables and other provisions	(974,276)	(293,018)
Net cash outflow from operating activities	(3,736,030)	(3,574,653)

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.

(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:

	2014 \$	2013 \$
Financial assets		
Cash and cash equivalents	3,354,051	9,132,037
Trade and other receivables	3,371,428	1,687,882
	6,725,479	10,819,919

(c) Liquidity risk

Financial liabilities

Trade and other payables	2,422,088	813,104
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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)

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), Pound Sterling (GBP), Euros (EUR), New Zealand dollars (NZD) and Chinese Yuan (CNY).

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 A\$	GBP A\$	EUR A\$	NZD A\$	CNY A\$
30 June 2014					
Financial Assets	511,862	69,656	136,906	203,710	1,319
Financial Liabilities	(157,338)	(112,051)	(102,306)	(39,313)	(7,256)
Total Exposure	354,524	(42,395)	34,600	164,397	(5,937)
30 June 2013					
Financial Assets	175,877	65,473	54	-	-
Financial Liabilities	(49,732)	(32,911)	-	-	-
Total Exposure	126,145	32,562	54	-	-

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, GBP/AUD exchange rate, EUR/AUD exchange rate, NZD/AUD exchange rate and CNY/AUD exchange rate 'all other things being equal'. It assumes a +/- 10% change of the following exchange rates for the year ended 30 June 2014:

- AUD/USD exchange rate (2013: 10%);
- AUD/GBP exchange rate (2013: 10%);
- AUD/EUR exchange rate (2013: nil);
- AUD/NZD exchange rate (2013: nil); and
- AUD/CNY exchange rate (2013: nil).

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%					
	USD A\$	GBP A\$	EUR A\$	NZD A\$	CNY A\$	Total A\$
30 June 2014	(32,229)	3,854	(3,145)	(14,945)	540	(45,925)
30 June 2013	(11,468)	(2,960)	-	-	-	(14,428)
	-10%					
	USD A\$	GBP A\$	EUR A\$	NZD A\$	CNY A\$	Total A\$
30 June 2014	39,391	(4,711)	3,844	18,266	(660)	56,130
30 June 2013	14,016	3,618	-	-	-	17,634

(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 June 2014	68,693	(61,810)
30 June 2013	155,723	(113,294)

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:

	2014 \$	2013 \$
Available-for-sale financial assets		
Investments in unlisted equities	-	212,664

The fair value of unlisted equities was been determined with reference to comparable equity transactions made by the unlisted company. During the year the investment in unlisted equities was written off (Note 10)

(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.

Notes to the Financial Statements (continued)

27. Parent Entity Information

The following details of information are related to the parent entity, Adslot Ltd, at 30 June 2014. This information has been prepared using consistent accounting policies as presented in Note 1.

	2014 \$	2013 \$
Current assets	2,794,138	8,971,377
Non-current assets	45,363,941	13,666,774
Total assets	48,158,079	22,638,151
Current liabilities	154,127	120,969
Non-current liabilities	-	-
Total liabilities	154,127	120,969
Contributed equity	109,990,537	77,461,855
Share-based payments reserve	1,177,084	902,927
Available for sale investment reserve	-	106,335
Retained losses	(63,163,669)	(55,953,935)
Total equity	48,003,952	22,517,182
Loss for the year	(7,330,213)	(2,202,065)
Total comprehensive loss for the year	(7,330,213)	(2,202,065)

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 \$330,999 (2013: \$274,324).

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

On 3 July 2014, the Company announced a Share Placement ("Placement"). On 10 July 2014, the Placement was completed and consisted of 65.0 million ordinary shares at \$0.10 per share.

The funds raised will be applied to:

- Accelerate development and integration of the Adslot and Symphony platforms;
- Strengthen the balance sheet; and
- Provide additional working capital.

Other than this 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	
		2014 %	2013 %
Parent entity			
Adslot Ltd	Australia		
Controlled entities			
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
Facilitate Digital Holdings Limited	Australia	100	-
Facilitate Digital Pty Ltd	Australia	100	-
Symphony Media Pty Ltd	Australia	100	-
Facilitate Digital (Shanghai) Software	China	100	-
Facilitate Digital Limited	New Zealand	100	-
The Facilitate Digital Trust	New Zealand	100	-
Facilitate Digital, LLC	United States	100	-
Facilitate Digital UK Limited	United Kingdom	100	-
Facilitate Digital Deutschland GmbH	Germany	100	-
Facilitate Digital Europe Marketing Technology Ltd	Republic of Ireland	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 23 to 63 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 2014 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 12 to 21 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.



Andrew Barlow

Chairman Adslot Ltd
28 August 2014

Independent Audit Report to the Members



The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.granthornton.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 2014, the consolidated statement of profit or loss 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.

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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.

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:

- a 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 2014 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 14 to 23 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Eric Passaris
Partner – Audit & Assurance

Melbourne, 28 August 2014

Corporate Governance Statement

The directors of Adslot Ltd ("Adslot" or "the Company") recognise the benefits of good corporate governance in achieving long-term shareholder value.

As such, the Company endeavours to comply with the Australian Stock Exchange Corporate Governance Principles and Recommendations (3rd Edition) ('ASX Principles') where appropriate. However, in some circumstances, the directors have elected to adopt different governance practices taking into account the size, complexity, history and corporate culture of the Company, or dispense with some ASX Principles altogether.

Given Adslot operates in a nascent, fast-emerging and highly-competitive niche of the global media industry (broadly referred to as the "ad tech" industry), the ability to adapt quickly to an ever-changing competitive environment is paramount to success. We need to "think big" to unlock global revenue opportunities, but "act small" to minimise costs and allow the Company to remain nimble while we get the Company to profitability.

Adslot's Corporate Governance practices are therefore specifically designed to allow the Company to operate with an appropriate level of efficiency, effectiveness, practicality and flexibility to remain competitive and significantly grow shareholder value.

Where Adslot considers that an ASX Principle is not appropriate to its particular circumstances, and it has chosen not to adopt it, detailed reasons (and alternative practices, if appropriate) have been provided below.

The explanations regarding the Company's governance arrangements are openly provided to ensure the market receives an appropriate level of information so that:

- security holders and other stakeholders in the investment community can have a meaningful dialogue with the board and management on governance matters;
- security holders can factor that information into their decision on how to vote on particular resolutions; and
- investors can factor that information into their decision on whether or not to invest in the Company's securities.

Principle 1: Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1

A listed entity should disclose:

- (a) the respective roles and responsibilities of its board and management; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

The Company has separate functions for the Board and Senior Management.

The Board is responsible for:

- providing leadership and setting the strategic objectives of the Company;
- appointing the Chair;
- appointing, and when necessary replacing, the CEO;
- appointing, and when necessary replacing, the CFO and Company Secretary;
- approving the appointment, and when necessary replacement, of other Senior Management team members;
- overseeing Management's implementation of the Company's strategic objectives and its performance generally;
- approving operating plans, budgets and major capital expenditure;
- overseeing the integrity of the Company's accounting and corporate reporting systems, including the external audit;
- overseeing the Company's process for making timely and balanced disclosure of all material information concerning the Company;
- ensuring that the Company has an appropriate risk management framework and setting the risk appetite within which the board expects Management to operate;

- approving the Company's remuneration framework; and
- monitoring the effectiveness of the Company's governance practices.

Senior Management is responsible for:

- preparation and implementation of the board-approved operating plan and budget, based on the strategic objectives of the Company as set by the board, and operating within the risk appetite set by the board;
- all aspects of the day-to-day running of the business;
- attraction, recruitment, retention and motivation of quality staff to achieve the Company's strategic objectives within the confines of the board-approved budget and operating plan;
- achieving the Company's product development, sales & marketing and financial goals in a timely and effective manner;
- providing the board with accurate, timely, clear and concise financial and operating information, and broader market intelligence, to enable the board to perform its responsibilities; and
- securing key strategic partnerships to ensure the long-term success of the Company, and to gain competitive advantage within the industry in which it operates.

The Board and Senior Management functions are also 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 every two months as well as additional ad hoc meetings where required. The Management team meet regularly, usually multiple times a week across the group.

As such, the Company operates in accordance with ASX Corporate Governance Principle 1.1.

Recommendation 1.2

A listed entity should:

- (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

In appointing new members to the Board or Senior Management team, the Company undertakes various checks prior to appointing the candidate, such as character, experience, education, criminal record and bankruptcy history checks. The Company provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

As such, the Company operates in accordance with ASX Corporate Governance Principle 1.2.

Recommendation 1.3

A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Each member of the Board and Senior Management team has entered into a written agreement with the Company, which outlines their roles and responsibilities and the Company's expectations of them. The material terms of any employment, service or consultancy agreement the Company enters into with the CEO or its directors is disclosed under the ASX Listing Rules at the time of appointment, and at any other time if there is any material variation to such an agreement.

As such, the Company operates in accordance with ASX Corporate Governance Principle 1.3.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

Adslot has a highly-experienced and well-seasoned public company secretary who supports the effectiveness of the Board and its Committees. The role of the Company Secretary includes:

- advising the Board and its Committees on governance matters;
- monitoring that Board and Committee policy and procedures are followed;
- co-ordinating the timely completion and dispatch of Board and Committee papers;
- ensuring that the business at Board and Committee meetings is accurately captured in the minutes; and
- helping to organise and facilitate the induction and professional development of directors.

Each of the Board members has direct and unfettered access to the Company Secretary.

As such, the Company operates in accordance with ASX Corporate Governance Principle 1.4.

Corporate governance statement (continued)

Principle 1: Lay solid foundations for management and oversight (continued)

Recommendation 1.5

A listed entity should:

- (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;*
- (b) disclose that policy or a summary of it; and*
- (c) disclose as the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either:*
 - a. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or*
 - b. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.*

The Company is committed to diversity in the work place on all levels. Whilst the Company recognises the benefits of gender equality and diversity in a competitive labour market and the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent, the Company unfortunately receives very few applications from women for predominantly technical roles within the organisation.

Outside of technical roles, the Company has strong representation of women in all other areas of the business, including sales and marketing, account service, customer support, finance and administration.

Discrimination, harassment, vilification and victimisation are not tolerated at any level. Recruitment and selection practices from the Board down are structured so that a diverse range of candidates are considered and that there are no conscious or unconscious biases that might discriminate against certain candidates.

All recruitment decisions within the Company are made purely based on appointing the candidate with the best skills, experience, knowledge, hunger for the role and cultural fit. The Company has not yet adopted or published an Equality and Diversity Policy. As the Company currently employs less than 100 employees in Australia, it is not required to make regular filings under the *Workplace Gender Equality Act*, and does not set specific targets for "Gender Equality Indicators". The Company simply appoints the best people it can find for the job, regardless of gender, age, disability, ethnicity, marital or family status, religious or cultural background, or sexual orientation. This approach to diversity is reflected in the highly diverse ethnic backgrounds of employees employed by the Company.

At 30 June 2014, Women filled 0% of the Company's Board, 0% of the Company's Senior Management and 34% of all staff positions within the Company. Once profitable and of meaningful size, the Board will actively look at ways to improve its gender diversity at both Board and Senior Management level.

As such, although the Company actively embraces the philosophical pillars of ASX Corporate Governance Principle 1.5, the Company does not currently operate in full accordance with this principle.

Recommendation 1.6

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The Board's process for evaluating the performances of the board, its committees and individual directors is currently an irregular and subjective affair. As a small micro-cap company that is pre-profitability, the directors believe a Board made up of people with significant industry experience and a track-record of previous entrepreneurial success are best placed to grow and protect shareholder value in what is a high-risk investment. The Board therefore does not undertake any formal evaluation process, due to time and cost, and a view that the board's energies are currently best spent on building the business to create value for shareholders.

As such, the Company does not currently operate in accordance with ASX Corporate Governance Principle 1.6.

Recommendation 1.7

A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

The company has a process for evaluating the performance of senior executives, including the evaluation of performance against key performance indicators (KPIs). The CEO's KPIs are set by the Board, and the senior executives KPIs are set by the CEO. 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.

As such, the Company currently operates in accordance with ASX Corporate Governance Principle 1.7.

Principle 2: Structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1

The board of a listed entity should:

- (a) *have a nomination committee which:*
 - a. *has at least three members, a majority of whom are independent directors; and*
 - b. *is chaired by an independent director,**and disclose:*
 - c. *the charter of the committee;*
 - d. *the members of the committee; and*
 - e. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.*

Given:

- the small size of the Company and the specific industry niche within which it operates;
- that the Company's strategy is critical to the Company's future success and ability to achieve profitability and unlock significant value for shareholders;

the Board seeks to ensure:

- that its membership consists predominantly of directors with specific and relevant industry experience, expertise and knowledge;
- that the size of the board is conducive to effective discussion and efficient decision-making;
- that the cost of the board remains reasonable relevant to the size of the business, and in any event, remains in the bottom quartile of all ASX listed companies until profitable.

The Board also considers that successful start-ups require active and engaged directors who have significant shareholdings at risk, and/or directors who have intimate familiarity with the business and the industry in which it operates, in order to ensure that the Company succeeds in the best interests of all shareholders.

The Board is therefore currently comprised of six board members, all with significant commercial expertise; five of them specifically in the Company's relevant field of endeavour; and five of them being Top 20 shareholders in the Company.

The directors collectively perform the functions of a nomination committee, and the directors do not consider that any increase in efficiency or effectiveness would be achieved through the formation of a nomination committee.

As such, the board composition is not in accordance with ASX Corporate Governance principle 2.1. 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.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

The Company does not currently have a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. As such, the Company does not operate in accordance with ASX Corporate Governance Principle 2.2.

However, all the existing directors have significant experience as Chief Executive Officers or Senior Executives of large private and public companies, with the majority of directors having relevant and successful business-building experience in the industry in which the Company operates.

Although the Board already has extensive financial experience in both Board and operational roles, the Board does recognise the need to add

Corporate governance statement (continued)

Principle 2: Structure the board to add value (continued)

Recommendation 2.2 (continued)

additional, appropriately qualified, financial, audit and risk management skills to the Board. The Board is currently undertaking a search process in this regard. Once complete, the Board will be satisfied it has the appropriate mix of skills and diversity on its Board.

Recommendation 2.3

A listed entity should disclose:

- (a) the names of the directors considered by the board to be independent directors;*
- (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and*
- (c) the length of service of each director.*

The Board currently consists of six directors, of which two are executive directors, and four are non-executive directors. Of the four non-executive directors, two are independent directors: Mr Quentin George and Mr Adrian Giles.

The two executive directors (Mr Ian Lowe and Mr Ben Dixon) are not considered independent (as defined under the ASX Principles) based on their executive roles within the organisation.

Mr Andrew Barlow is considered not independent based on his previous appointment as an executive of the Company in the past three years and his substantial security holdings in the Company as defined under Section 9 of the *Corporations Act*.

Mr Geoff Dixon is considered not to be independent based on his substantial security holdings in the Company as defined under Section 9 of the *Corporations Act*.

Despite the above, the Board's view is that the disclosed interests of the non-independent directors will not influence, in any material respect, their capacity to bring an independent judgment to bear on issues before the Board, and that they still have the capacity, and understand the obligation, to always act in the best interests of the Company and its security holders generally.

All candidates for election as a director are required to disclose all interests, positions, associations or relationships to the Company prior to their appointment. Further, directors must notify the Company of any change in a non-executive director's interest, position, association or relationship that could bear upon his or her independence.

The nature of any directors' interest, position, association or relationship with the Company, and the length of service of each director, is disclosed in the Directors' Report section of the Company's Annual Report.

As such, the Company is operating in accordance with ASX Corporate Governance Principle 2.3.

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

Although the majority of the Board consists of non-executive directors, the Board does not currently consist of a majority of independent directors as defined under the ASX Principles. As such, the Company does not currently operate in accordance with ASX Corporate Governance Principle 2.4.

However, as previously stated, the two non-independent, non-executive directors (Mr Andrew Barlow and Mr Geoff Dixon) are the two largest shareholders in the Company, and therefore their interests are firmly aligned with all other shareholders, i.e. to create a valuable business, and thereby increase the value for all shareholders in the business. Non-executive directors confer periodically without the executive directors or other senior executives present to avoid there being any bias towards the interests of management.

Recommendation 2.5

The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The chair of the board of Adslot Ltd, Mr Andrew Barlow, is not an independent director as defined under the ASX Principles. However, the roles of chair and chief executive officer are held by different individuals in accordance with the ASX Principles. As such, the Company operates partially in accordance with ASX Corporate Governance Principle 2.5.

With regards to the Chairman not being independent: Mr Barlow is the founder of Adslot and one of the largest shareholders in the business. Mr Barlow therefore has a significant vested interest in ensuring the success of the business, and ensuring the Board performs its role in setting the strategy and holding the management team accountable. Mr Barlow has extensive private and public Company board experience in the role of Chairman, and within the relevant industry. As a global Company with significant operations in the US market, the board also

believes that it is acceptable, and preferable at this stage of the Company's evolution, to adopt the conventions adopted by similar-type (early-stage technology companies) in the US, where it is common practice to retain its Founder as Chairman.

The board does not believe that the appointment of an independent chairman at this stage of the Company's evolution would result in any improved performance of the business, and believe cash conservation demands a small Board with the relevant experience – especially as it pertains to the appointment of independent directors.

Recommendation 2.6

A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Because the Company has a board consisting of only six 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. The Company is therefore not currently operating in accordance with ASX Corporate Governance Principle 2.6.

However, the Company supports any director who wishes to undertake further education and training that supports their role as a director, and self-regulates on an informal basis. The board does not believe the cost of introducing more formal processes at this stage of the Company's evolution is warranted, but the board aims to achieve compliance with ASX Corporate Governance Principle 2.6 when appropriate size and scale of the business is achieved.

Principle 3: Act ethically and responsibly

A listed entity should act ethically and responsibly.

Recommendation 3.1

A listed entity should:

- (a) have a code of conduct for its directors, senior executives and employees; and*
- (b) disclose that code or a summary of it.*

The Company has a code of conduct for directors, senior executives and employees that provides policy and guidance on matters of conduct. The aim of the code is to guide directors, senior executives and employees 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 therefore operates in accordance with ASX Corporate Governance Principle 3.1.

Principle 4: Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The board of a listed entity should:

- (a) have an audit committee which:*
 - i. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
 - ii. is chaired by an independent director, who is not the chair of the board,*
and disclose:
 - iii. the charter of the committee;*

Corporate governance statement (continued)

Principle 4: Safeguard integrity in corporate reporting (continued)

Recommendation 4.1 (continued)

- iv. the relevant qualifications and experience of the members of the committee; and*
- v. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.*

In July 2012, the Company formed an Audit & Risk Committee. An independent director, Ms Tiffany Fuller, chaired the Audit & Risk Committee. Mr Chris Morris and Mr Adrian Giles were the committee's other two members.

As recommended by the ASX Principles, the committee had at least three members, and was chaired by an independent chair who was not chair of the board. The Audit & Risk Committee however did not have only non-executive directors as members, nor consist of a majority of independent directors, as there were no other directors defined as "independent" as defined by the ASX Principles at the time.

The Audit & Risk Committee adopted a Charter that clearly set out its role and conferred on it all necessary powers to perform that role. The Audit & Risk Committee Charter was published on the Company's website.

The Committee had the power to 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 had access to professional advisors who provided advice and assistance as requested by the Committee members, and 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.

Recommendation 4.2

The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

A signed declaration from the CEO and CFO (as outlined above) was obtained by the Board prior to the directors approving the entity's financial statements for the financial period. The Company acts in accordance with ASX Corporate Governance Principle 4.2.

Recommendation 4.3

A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company currently holds an AGM every year no later than 30 November, in accordance with this ASX Principle and the ASX Listing Rules. The AGM is typically held at the Company's auditors' offices, and the Company's auditors are available to shareholders to answer any questions relevant to the audit.

The Company acts in accordance with ASX Corporate Governance Principle 4.3.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

A listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and*
- (b) disclose that policy or a summary of it.*

The Company has a written policy for complying with the ASX Listing Rules continuous disclosure requirements. The company actively complies with this policy. The policy is published on the Company website in the Investor Relations section.

Principle 6: Respect the rights of security holders

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

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 regular shareholder presentations.

In addition, the Company maintains an up-to-date Investor Relations section on its website, which contains links to:

- the names, photographs and brief biographical information for each of its directors and senior executives;
- its constitution, its board charter and the charters of its board committees;
- the corporate governance policies and other corporate governance materials referred to in these recommendations;
- copies of its annual reports and financial statements;
- copies of its announcements to the ASX;
- copies of notices of meetings of security holders and any accompanying documents;
- copies of its media releases, which are also published on LinkedIn, Facebook and Twitter (where appropriate);
- if it keeps them, webcasts and/or transcripts of meetings of security holders or investor or analyst presentations and copies of any materials distributed at those presentations;
- contact details for enquiries from shareholders, analysts or the media; and
- contact for its securities registry.

The Company, and some of its directors and employees, are also active on social media, including LinkedIn, Facebook and Twitter.

The Company therefore acts in accordance with ASX Corporate Governance Principle 6.1.

Recommendation 6.2

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has both a formal and informal investor relations program, which is appropriate to its size.

In addition to the Company's Annual General Meeting, the Company undertakes to deliver two additional shareholder update presentations throughout the year, usually following the half-year and full-year results announcements. Shareholder update presentations are usually held in both Sydney and Melbourne, and are held with both institutional and private investors by arrangement, and to the broader public and shareholder base where interest is sufficient to justify them.

In addition to the formal investor relations program outlined above, the Company also actively engages with shareholders, either by meeting with them upon request (where reasonable) and responding to any enquiries they make from time to time.

The Company has appointed an internal Investor Relations team, which includes the CEO and CFO, to ensure all enquiries from shareholders receive an appropriate response within as short a time-frame as possible.

As such, the Company currently acts in accordance with ASX Corporate Governance Principle 6.2.

Recommendation 6.3

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

Notices of shareholder meetings are sent to all shareholders in advance of the meeting. These notices contain detailed background to all resolutions and the processes to vote.

Recommendation 6.4

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company currently allows shareholders to receive communications from the Company and its security registry (Computershare) electronically.

In addition, the Company allows shareholders to communicate with the Company via email to investor.relations@adslot.com.

The Company currently operates in accordance with ASX Corporate Governance Principle 6.4.

Corporate governance statement (continued)

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The board of a listed entity should:

- (a) *have a committee or committees to oversee risk, each of which:*
 - i. has at least three members, a majority of whom are independent directors; and*
 - ii. is chaired by an independent director;*
and disclose:
 - iii. the charter of the committee;*
 - iv. the members of the committee; and*
 - v. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (b) *if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.*

The directors of the Company take the management of business risk seriously. Formerly via the Audit & Risk Committee, and now via the full Board, 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 *Corporations 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.

Recommendation 7.2

The board or a committee of the board should:

- (a) *review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*
- (b) *disclose, in relation to each reporting period, whether such a review has taken place.*

The Audit & Risk Committee reviewed the risk management framework during the year and no substantive changes were made from the framework in place at the time.

Recommendation 7.3

A listed entity should disclose:

- (a) *if it has an internal audit function, how the function is structured and what role it performs; or*
- (b) *if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.*

The Company does not have an internal audit function. The Audit & Risk Committee throughout the year evaluated risk management and internal control processes. Further, in accordance with section 295A of the *Corporation Act*, the Company 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

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company believes it does not have any material exposure to economic, environmental or social sustainability risks and as such does not produce a sustainability report.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1

The board of a listed entity should:

(a) have a remuneration committee which:

- 1. has at least three members, a majority of whom are independent; and*
- 2. is chaired by an independent director,*

and disclose:

- 3. the charter of the committee;*
- 4. the members of the committee; and*
- 5. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings, or*

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company operates a Remuneration Committee and its Charter is published on the Company website. The members of the Remuneration Committee were formerly Mr Andrew Barlow (Chair), Mr Chris Morris and Mr Adrian Giles. Since the appointment of Mr Geoff Dixon and Mr Quentin George to the Board of Directors; the resignation of Mr Chris Morris from the Board; the resignation of Adrian Giles as Chair of the Board, and the subsequent appointment of Mr Andrew Barlow as Chair of the Board: the remuneration committee now consists of Mr Adrian Giles (Chair), Mr Andrew Barlow, Mr Geoff Dixon and Mr Quentin George.

The committee meets the ASX principles by having at least three members, and chaired by an independent director, but a majority of its members are not independent. Despite this the Board believes the composition of the Remuneration Committee operates effectively. The directors have access to professional advisors who provide advice and assistance as requested by the directors.

Recommendation 8.2

A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

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 22 August 2014.

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	173	18,878	-	-
1,001–5,000	385	1,319,089	-	-
5,001–10,000	637	5,219,262	-	-
10,001–100,000	1,946	81,901,548	-	-
100,001 +	994	965,091,979	2	2,300,000
TOTAL	4,135	1,053,550,756	2	2,300,000
The number of shareholders holding less than a marketable parcel of shares (4,546 shares):				
	462	866,066		

Twenty largest shareholders

	Listed Ordinary Shares	
	Number of Shares	% of Shares
The names of the twenty largest holders of quoted shares are:		
1. DAWNIE DIXON PTY LTD <DIXON FAMILY SUPER FUND A/C>	72,452,688	6.88
2. VENTURIAN PTY LTD <MAVERICK INNOVATION A/C>	61,055,667	5.80
3. FINICO PTY LIMITED	55,148,796	5.23
4. NATIONAL NOMINEES LIMITED	37,266,085	3.54
5. AMBLESIDE VENTURES PTY LTD <AMBLESIDE INVESTMENTS A/C>	31,607,563	3.00
6. ANDAMA HOLDINGS PTY LTD <J & M BARLOW PENSION A/C>	24,500,000	2.33
7. ZERO NOMINEES PTY LTD	21,000,000	1.99
8. EYEWONDER AUSTRALIA PTY LTD	19,769,261	1.88
9. OVERACHIEVE PTY LTD <OVERACHIEVE A/C NO 1>	18,500,000	1.76
10. ANSEARCH COM AU PTY LTD	16,598,387	1.58
11. G & D DIXON INVESTMENTS PTY LTD	12,302,184	1.17
12. BRISLOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	9,995,299	0.95
13. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,336,771	0.89
14. FINICO PTY LIMITED <MORRIS SUPER FUND A/C>	9,179,849	0.87
15. COTU INVESTMENTS PTY LTD <COTU SUPER FUND A/C>	8,900,000	0.84
16. YARRA VENTURES PTY LTD <GILES SHARE A/C>	8,706,577	0.83
17. NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	8,593,956	0.82
18. CAPITAL ACCRETION PTY LTD <THE FORTIFIED VALUE A/C>	8,000,000	0.76
19. SANDHURST TRUSTEES LTD <DMP ASSET MANAGEMENT A/C>	7,398,153	0.70
20. PHILIP MURPHY INVESTMENTS PTY LTD <P & J MURPHY S/F A/C>	7,310,222	0.69
Total Top 20 holders of Ordinary Shares	447,621,458	42.49
Remaining holders balance	605,929,298	57.51

Classes of Shares

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

Substantial Shareholders

	Shares	% Shares
Geoff Dixon	86,252,015	8.19%
Chris Morris	70,410,696	6.68%
Andrew Barlow	62,803,769	5.96%

Voting Rights

All ordinary shares carry one vote per share without restrictions.

Corporate Directory

Directors

Chairman

Mr Andrew Barlow

Executive Director

Mr Ian Lowe

Mr Ben Dixon

Non-Executive Director

Mr Adrian Giles

Mr Geoff Dixon

Mr Quentin George

Chief Executive Officer

Mr Ian Lowe

Company Secretary

Mr Brendan Maher

Head Office

Adslot Ltd

Level 2, 85 Coventry St

South Melbourne, VIC 3205

Australia

Phone: +61 3 8695 9100

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 9100

Fax: +61 3 9696 0700

Toll free 1300 852 722

North America Offices

New York

41 E 11th Street, 11th Floor

New York, NY 10003

United States of America

San Francisco

156 2nd Street

San Francisco, CA 94105

United States of America

Phone: +1 800 853 146

Europe

United Kingdom

79 Wardour Street

Soho, London W1D 6QB

United Kingdom

Phone: +44 7 432 637 446

Germany

Hamburg Business Center

Poststrasse 33

20354 Hamburg

Germany

Phone: +49 40 3508 5730

Asia Pacific Offices

Melbourne

Level 2, 85 Coventry Street

South Melbourne, VIC 3205

Australia

Phone: +61 3 8695 9100

Sydney

Level 6, 241 Commonwealth St

Surry Hills NSW 2010

PO Box 1721 Darlinghurst NSW 1300

Phone: +61 2 9690 3900

Shanghai

1-231, Shanghai 1933

No 10 Shajing Road

Shanghai 200080

China

Phone: +86 21 6467 9909

Auckland

Level 3, 48-52 Wyndham St

Auckland 1010

New Zealand

Phone: +64 9 374 1450

Auditors

Grant Thornton Australia

The Rialto

Level 30, 525 Collins St

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 Securities Exchange Limited

Level 45, South Tower Rialto,

525 Collins Street

Melbourne, VIC 3000

ASX Code: ADJ

Website

www.adslot.com

