

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

### Commentary on activities during the quarter ending 31 December 2013

#### Operational Update

- On 22 October 2013, **Adslot Marketplace** was launched, allowing large media buyers to purchase premium advertising inventory directly from a selection of Adslot's premium publisher clients.
- Although significant trades have already been captured via the **Adslot Marketplace**, the Company maintains previous guidance that it expects it will take two quarters to drive meaningful agency adoption. The **Adslot Marketplace** is now being actively marketed to media agencies throughout the world.
- The company continues to sign large, premium publishers in the United States, Europe and the Asia Pacific region, including multi-market contracts with some of the world's largest publishing groups such as Mail Online (Daily Mail), BBC, ESPN and IDG.
- The depth and diversity of premium inventory available via Adslot continues to grow, with the signing of additional premium publishers. New publishers signed in the December quarter represent over 2 billion page impressions per month, and include the likes of MorningStar, Metro (UK), BBC (UK), news.net, Al Jazeera USA, Zoopla, Property Pal and Diversity Advertising.

#### Facilitate Acquisition

- On 23 December 2013, the acquisition of Facilitate Digital Holdings Ltd via scheme of arrangement was completed. Facilitate Digital is now a wholly owned subsidiary of Adslot Limited.
- Integration of the two organisations has commenced, including:
  - the merging of teams under a single organisational structure
  - integration of the **Adslot** and **Symphony** products
- Integration of the **Symphony** and **Adslot** products throughout 2014 will allow large agency buyers who are collectively spending over \$1 Billion per annum via the **Symphony** platform, to access **Adslot** publisher inventory via the same product.
- Through calendar year 2014, online advertising spend executed via **Symphony** is expected to increase to nearly \$2 Billion per annum. This is due to:
  - the recent signing of **Omnicom** - world's second largest media agency group - to a multi-market **Symphony** contract (as announced on 19 December 2013); and
  - scheduled new market deployments under existing **Symphony** contracts.

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### Cash Position

- Cash for the quarter increased by \$795k to \$8.33million.
- Receipts from customers for the quarter were \$912k up from \$865k from the prior quarter.
- Costs were at the low-end of guidance, and included staff costs of a one-off non-recurring payment of \$719k to the Adslot Employee Share Trust, with funds used to procure new shares in the Company. It was therefore cash neutral to the Company (see Note 3, and refer to items 1.2 and 1.15).
- The result for the quarter was driven by a number of one-off inflows and outflows being:
  - Cash at bank of \$496k acquired as a result of the Facilitate Scheme of Arrangement;
  - Receipt of Adslot Research & Development incentives of \$1,060k relating to FY2013;
  - Receipt of Facilitate Research & Development incentives of \$1,105k relating to FY2013; and
  - Payment of \$405k in costs relating to the acquisition of Facilitate.
- The normalised operating result for the quarter (excluding the four one-offs listed above) was a cash outflow of \$1,461k (including 8 days contribution from Facilitate), which was beneath the low end of our guidance range of an outflow of between \$1.6M and \$1.8M.
- \$532k in annualised cost synergies have already been realised from the Facilitate acquisition.
- We anticipate underlying net cash outflows to continue for the next few quarters. Significant positive change in cashflows will largely be determined by the speed, extent and magnitude of agency adoption of the **Adslot Marketplace** in 2014 and beyond.

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Name of entity

ADSLOT LTD

ABN

70 001 287 510

Quarter ended ("current quarter")

31 DECEMBER 2013

#### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	912	1,777
1.2 Payments for:		
(a) staff costs (Note 3)	(2,065)	(3,610)
(b) advertising and marketing	(122)	(255)
(c) research and development (Note 4)	(247)	(635)
(d) leased assets	(1)	(2)
(e) website publisher payments	(10)	(17)
(f) other cost of sales	(236)	(431)
(g) other working capital/overheads	(934)	(1,417)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	124	228
1.5 Interest and other costs of finance paid	-	-
1.6 Income and Other taxes paid	(4)	(8)
1.7 Other – R&D Tax Incentive	2,164	2,164
<b>Net operating cash flows</b>	<b>(419)</b>	<b>(2,206)</b>

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	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(419)</b>	<b>(2,206)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	(1)	(6)
1.10 Proceeds from disposal of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	1
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material) – Note 5	496	496
<b>Net investing cash flows</b>	<b>495</b>	<b>491</b>
<b>1.14 Total operating and investing cash flows</b>	<b>76</b>	<b>(1,715)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc. – Note 3	719	945
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Costs relating to issues of shares	-	-
<b>Net financing cash flows</b>	<b>719</b>	<b>945</b>
<b>Net increase (decrease) in cash held</b>	<b>795</b>	<b>(770)</b>
1.21 Cash at beginning of quarter/year to date	7,544	9,132
1.22 Exchange rate adjustments – Note 2	(6)	(29)
<b>1.23 Cash at end of quarter</b>	<b>8,333</b>	<b>8,333</b>

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**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	58
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions Directors Fees of \$58k.  In addition, item 1.1 includes receipts from trading with entities associated with Directors of \$30k	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	2,073	457
4.2 Deposits at call	6,260	7,087
4.3 Bank overdraft	-	-
4.4 Other	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>8,333</b>	<b>7,544</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Facilitate Digital Holdings Limited	N/A
5.2 Place of incorporation or registration	Australia	-
5.3 Consideration for acquisition or disposal	Nil cash, but 273,730,778 new shares in Adslot Ltd were issued	-
5.4 Total net assets	Approximately \$4.9M subject to the finalisation of the valuation of intangible assets and audit of the completion accounts	-
5.5 Nature of business	Digital workflow and trading technology for media agencies	-

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 January 2014  
**Company Secretary**

Print name: Brendan Maher

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## Notes

1. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
2. **Exchange Rate Adjustment (1.22):** Represents accounting adjustment related to conversion of US dollar, GB pound and Euro bank account balances to local currency.
3. **Proceeds from issue of shares (1.2a & 1.15):** Includes a payment of \$ 718.7k during current quarter (\$944.7k in year to date) Employment Costs (1.2a) paid to the Adslot Employee Share Trust who used those funds to procure new shares in the Company which is shown at 1.15. These shares are eliminated on consolidation as Treasury Shares in the accounts of the Company.
4. **Research & Development (1.2c):** Represents direct payroll and on-costs related to on-going technology development work compliant with R&D Grant regulations.
5. **Other - Investing Activities (refer 1.13 above).** This amount relates to bank balances of acquired entities.