Asia Digital Holdings plc

company no. 3904195

INTERIM REPORT

FOR THE SIX MONTHS TO 30 JUNE 2010

Chief Executive Statement

Trading Results

We are pleased to report on the first six months of 2010.

Our performance over the first half of the year was in line with our internal expectations that having returned to deliver a positive EBITDA* in the last quarter of 2009, the Group would demonstrate growth and consistent profitable trading over the subsequent period.

Over the first half of 2010, the Group results show a 60% uplift in sales to £13.73 million, a 39% uplift in gross profit to £2.97 million which, combined with a 42% reduction in central operating costs to deliver a positive EBITDA* for the first half of 2010 compared to an EBITDA* loss of £0.78 million for the first half for 2009.

Whereas our Asian operations drove the majority of growth in sales and gross profit between the first half of 2008 and 2009, our Australian operation accounts for the bulk of growth between the first half of 2009 and 2010.

ANZ has benefited from improved delivery in the performance channel, where consumer driven transactions for our participating advertisers generate commissions for Group. This area of our business correlates closely to consumer demand and suffered through the global economic downturn, especially in the second quarter of 2009. The improved performance channel along with our search engine marketing channel that grew through the recession, combined to deliver an overall 85% uplift in sales and an 87% uplift in business unit operating contribution.

Asia delivered a more modest 15% uplift in sales that combined with the suspension of a loss making business unit to deliver a 139% uplift in operating contribution.

From a central costs perspective, the Group has benefited materially from a management restructure in the third quarter of last year. This has resulted in improved operational efficiency throughout the business with no adverse impact on trading delivery.

Despite marginal EBITDA* profitability, the Group saw a negative movement in cash over the period as certain customers took longer to pay. This is an area that is receiving increased focus and one where improvements in the second half of the year are evident.

Outlook

In 2007, we launched an operation in India and this has been positively contributing, albeit at low level, since 2008. With a solid team and a strong market position we feel well positioned for any growth in this market. Indian digital advertising spend in 2010 is expected to be US$140 million growing modestly to US$169 million by 2012. (Source: Zenith December 2009)

Our head office was relocated to Singapore in 2007 to act as a base for SEA with further Asian expansion to follow once we generated sufficient investment funds. However, due to the state of the global economy, and slower than expected growth in SEA digital advertising budgets we have not yet been able to execute further expansion.

The Group's entry into SEA, via Singapore, has delivered exposure to operating in an Asian environment, developed regional awareness of our brands, and ultimately covered costs delivering a positive contribution. The Board expects to see further growth in SEA.

In a regional context, SEA represents a small share of digital advertising budgets at 0.45%, or US$63 million. This is expected to grow to US$82 million by 2012. (Source: Zenith December 2009)

In contrast China, South Korea, Taiwan, Japan and Hong Kong, in aggregate represent US$13.7 billion or 98.7% of 2010 regional digital advertising budgets and this is expected to grow to US$18.2 billion by 2012. (Source: Zenith December 2009)

In China alone digital spend at US$4.1 billion represents 29.3% of regional digital advertising budgets and is expected to grow to US$6.6 billion or 36% by 2012. (Source: Zenith December 2009)

It was in this context that the Group announced in the year-end results its plans to expand into China. We are pleased to report that having completed all formalities and retained a launch team we are now operating from a base in Shanghai, and working with Dell as our launch client.

The Board believes that China represents a material growth opportunity and our Chief Executive has relocated to Shanghai to spearhead expansion.

Administration of Former Subsidiary Deal Group Media (UK) Ltd ("DGM UK")

Following its sale of a controlling stake in DGM UK to a management team in 2007, the Group held a 49% residual shareholding making it an associated undertaking. Since that time, the DGM UK operation has provided technology services to Group.

In June 2010, DGM UK entered into administration.

The Group had written the investment down to zero in the 2008 accounts due to poor financial performance of DGM UK and therefore there is no impact of the administration on the Group financials.

In addition, the Group has no exposure to the debts of the UK operation. However, the Group was obliged to secure certain assets from DGM UK's administrators, which are essential for the running of its performance advertising business together with retaining certain resource from the UK technology team. These matters were completed in August 2010.

The Board would like to thank the shareholders and staff for their patience, resolve and continued support. The Board looks to the future with a sense of excitement and the opportunity to deliver shareholder return.

Adrian Moss
Chief Executive Officer
14 September 2010

* *Calculated as profit before interest, tax, amortisation, depreciation, share based payments, share of loss of associated undertakings and foreign exchange charges*

Consolidated income statement for the six months ended 30 June 2010

	Notes	**6 months to 30 June 2010 £'000**	6 months to 30 June 2009 £'000	Year to 31 Dec 2009 £'000
Continuing operations				
Revenue		**13,731**	8,576	18,873
Cost of sales		**(10,759)**	(6,440)	(14,265)
GROSS PROFIT		**2,972**	2,136	4,608
ADMINISTRATIVE EXPENSES				
- Amortisation		**-**	(137)	(404)
- Depreciation		**(41)**	(49)	(91)
- Share based payment		**(53)**	(22)	(150)
- Other administrative expenses		**(2,993)**	(3,022)	(6,324)
		(3,087)	(3,230)	(6,969)
LOSS FROM OPERATIONS		**(115)**	(1,094)	(2,361)
Interest received		**4**	-	4
Interest payable		**(79)**	(40)	(109)
Share of (loss) of associates		**-**	(4)	(135)
LOSS BEFORE TAX		**(190)**	(1,138)	(2,601)
Taxation		**(5)**	-	(27)
TOTAL LOSS AFTER TAXATION FOR PERIOD FROM CONTINUING OPERATIONS		**(195)**	(1,138)	(2,628)
Discontinued operations				
PROFIT/(LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS		**-**	54	54
TOTAL LOSS FOR THE PERIOD		**(195)**	(1,084)	(2,574)
Attributable to:				
Equity holders of the parent		**(195)**	(1,084)	(2,574)
Minority interest		**-**	-	-
		(195)	(1,084)	(2,574)
Earnings per share				
BASIC AND DILUTED LOSS PER SHARE	6	**(0.03p)**	(0.24p)	(0.36p)
BASIC AND DILUTED LOSS PER SHARE FROM CONTINUING OPERATIONS	6	**(0.03p)**	(0.25p)	(0.37p)
BASIC AND DILUTED PROFIT/(LOSS) PER SHARE FROM DISCONTINUED OPERATIONS	6	**-**	0.01p	0.01p

Consolidated statement of comprehensive income for the six months ended 30 June 2010

	6 months to 30 June 2010 £'000	6 months to 30 June 2009 £'000	Year to 31 Dec 2009 £'000
Loss for the period	**(195)**	(1,084)	(2,574)
Other comprehensive income			
Exchange differences on translation of foreign operations	**189**	11	(145)
Total comprehensive income for the period	**(6)**	(1,073)	(2,719)
Attributable to:			
Equity holders of the parent	**(6)**	(1,073)	(2,719)
Minority interest	**-**	-	-
	(6)	(1,073)	(2,719)

Consolidated statement of financial position as at 30 June 2010

	Notes	**6 months to 30 June 2010**	6 months to 30 June 2009	Year to 31 Dec 2009
		£'000	£'000	£'000
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		**89**	134	126
Intangible assets		**-**	267	-
Investment in associates		**-**	131	-
Deferred tax		**-**	3	-
		89	535	126
CURRENT ASSETS				
Trade and other receivables		**7,294**	4,104	5,572
Cash and cash equivalents		**914**	674	1,617
		8,208	4,778	7,189
TOTAL ASSETS		**8,297**	5,313	7,315
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT				
Called up share capital		**4,792**	4,537	4,792
Capital redemption reserve		**13,188**	13,188	13,188
Share based payment reserve		**1,086**	905	1,033
Share premium account		**23,703**	22,683	23,703
Translation reserve		**(426)**	(459)	(615)
Retained earnings		**(44,429)**	(42,744)	(44,234)
TOTAL EQUITY		**(2,086)**	(1,890)	(2,133)
CURRENT LIABILITIES				
Trade and other payables		**9,308**	6,554	8,317
Borrowings		**588**	-	546
Lease commitments provision	8	**183**	608	183
Deferred tax		**2**	-	-
Corporation tax		**59**	41	68
		10,140	7,203	9,114
NON-CURRENT LIABILITIES				
Lease commitments provision	8	**243**	-	334
TOTAL LIABILITIES		**10,383**	7,203	9,448
TOTAL EQUITY AND LIABILITIES		**8,297**	5,313	7,315

The consolidated interim financial statements were approved by the board of directors and signed on their behalf on 13 September 2010

Consolidated statement of changes in equity for the six months ended 30 June 2010

	Share capital	Share premium	Capital redemption reserve	Share based payment reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2010	**4,792**	**23,703**	**13,188**	**1,033**	**(615)**	**(44,234)**	**(2,133)**
Share options issued in share-based payments	**-**	**-**	**-**	**53**	**-**	**-**	**53**
Transactions with owners	**-**	**-**	**-**	**53**	**-**	**-**	**53**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(195)**	**(195)**
Other comprehensive income:							
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**189**	**-**	**189**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**189**	**(195)**	**(6)**
Balance at 30 June 2010	**4,792**	**23,703**	**13,188**	**1,086**	**(426)**	**(44,429)**	**(2,086)**
Balance at 1 January 2009	4,537	22,683	13,188	883	(470)	(41,660)	(839)
Share options issued in share-based payments	-	-	-	22	-	-	22
Issue of share capital	-	-	-	-	-	-	-
Transactions with owners	-	-	-	22	-	-	22
Loss for the period	-	-	-	-	-	(1,084)	(1,084)
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	-	11	-	11
Total comprehensive income for the period	-	-	-	-	11	(1,084)	(1,073)
Balance at 30 June 2009	4,537	22,683	13,188	905	(459)	(42,744)	(1,890)

Consolidated statement of changes in equity for the six months ended 30 June 2010 (Continued)

	Share capital	Share premium	Capital redemption reserve	Share based payment Reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	4,537	22,683	13,188	883	(470)	(41,660)	(839)
Share options issued in share-based payments	-	-	-	150	-	-	150
Issue of share capital	255	1,020	-	-	-	-	1,275
	-	-	-	-	-	-	-
Transactions with owners	255	1,020	-	150	-	-	1,425
Loss for the period	-	-	-	-	-	(2,574)	(2,574)
Other comprehensive income:							
Exchange differences on translation of foreign operations	-	-	-	-	(145)	-	(145)
Total comprehensive income for the period	-	-	-	-	(145)	(2,574)	(2,719)
Balance at 31 December 2009	4,792	23,703	13,188	1,033	(615)	(44,234)	(2,133)

Consolidated statement of cash flows for the six months ended 30 June 2010

	6 months to 30 June 10	6 months to 30 June 09	Year to 31 Dec 09
	£'000	£'000	£'000
Operating activities			
Loss after tax	**(195)**	(1,084)	(2,574)
Depreciation	**41**	49	91
Amortisation	**-**	137	404
Share based payment	**53**	22	150
Decrease/(increase) in receivables	**(1,722)**	123	(1,342)
Increase in payables	**935**	377	2,595
Foreign exchange differences	**189**	11	(145)
Interest Expense	**75**	40	105
Share of loss from associated undertakings	**-**	4	135
Loss on disposal of property, plant and equipment	**-**	-	2
Tax charge/(credit)	**5**	-	27
Net cash flow from operations	**(619)**	(321)	(552)
Investing activities			
Disposal/Purchase of property, plant and equipment	**(9)**	7	(29)
Interest received	**4**	-	4
Net cash used in investing activities	**(5)**	7	(25)
Net cash outflow before financing activities	**(624)**	(314)	(577)
Financing activities			
Issue of ordinary share capital	**-**		255
Share premium on the issue of ordinary share	**-**		1,020
Issue of Convertible Loan Notes	**-**	500	500
Interest paid	**(79)**	(40)	(109)
Net cash generated from/(used in) financing activities	**(79)**	460	1,666
Net (decrease)/increase in cash and cash equivalents	**(703)**	146	1,089
Cash and cash equivalents at start of period	**1,617**	528	528
Cash and cash equivalents at end of period	**914**	674	1,617

1 GENERAL INFORMATION

The condensed interim Financial Statements for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 10 September 2010.

The Company is a public limited company incorporated in the United Kingdom. The address of its registered office is 19 Cavendish Square, London, W1A 2AW.

The Company is listed on the London Stock Exchange's Alternative Investment Market.

The financial information for the year ended 31 December 2009 set out in this interim consolidated report is unaudited and does not constitute statutory accounts as defined in the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2009 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under section 498(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records and returns or failure to obtain necessary information and explanations) of the Companies Act 2006.

2 BASIS OF PREPARATION

These condensed interim Financial Statements for the six months ended 30 June 2010 have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union. These condensed interim Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Going Concern

The directors review the Group's objectives, policies and processes for managing its capital, including its financial risk management objectives, details of its financial instruments and its exposures to credit risk and liquidity risk.

The Group remains focused on working capital management with increased attention on credit control and where possible taking full advantage of suppliers' credit terms.

We are satisfied with our progress through the half year of 2010. Furthermore we are excited by the potential for the future. All operations are expected to contribute to Group profitability within the current year as a whole. We have started to benefit from cost restructuring in 2009. We have launched the operations in China from our Shanghai base with Dell as its first client and the Board is encouraged by the progress to date and potential of this operation.

We are trading within all funding facilities and are not aware of any reason that these facilities will be breached within 12 months from this date. The Group does have a dependency on certain key suppliers however we have no reason to suspect that their support will not continue.

The Directors, therefore, have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim statements.

3 ACCOUNTING POLICIES

The accounting policies applied in these condensed interim Financial Statements are consistent with those of the annual Financial Statements for the year ended 31 December 2009, as described in the annual Financial Statements, except for the adoption of the following standards as of 1 January 2010:

- IFRS 3 Business Combination (Revised 2008)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
- Improvements to IFRSs 2009

There is no significant effect on the current period or prior periods arising from the adoption of these new requirements.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed interim consolidated financial statements.

4 REVENUE AND SEGMENTAL INFORMATION

The Group is principally engaged in the provision of online marketing services. Revenue is attributable to the principal activity, which is carried out in Australia and the Asia Pacific region.

Operating central and holding company cost is not allocated to geographical segments. It cannot be specifically allocated to provide meaningful comparison so is deemed to constitute a separate segment for reporting purposes.

During the six months period to 30 June 2010, there have been no changes from prior periods in the measurement methods used to determine reported segment results.

An analysis of revenue and segment result by geography is shown below:

Six months to 30 June 2010	**Australia**	**Asia Pacific**	**+Other**	**Operating Central Costs**	**Holding Company Costs**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	**10,264**	**3,467**	**-**	**-**	**-**	**13,731**
Segment result	**648**	**122**	**-**	**(202)**	**(508)**	**60**
Foreign exchange charges						**(81)**
Amortisation						**-**
Depreciation						**(41)**
Share based payment						**(53)**
Interest						**(75)**
Share of loss of associates						**-**
Tax						**(5)**
Total Loss for the period						**(195)**
Segmental Assets	**5,292**	**2,667**	**-**	**-**	**338**	**8,297**
Segmental Liabilities	**6,603**	**2,389**	**-**	**-**	**1,391**	**10,383**
Number of customers that generated more than 10% of segment revenue	**1**	**5**	**-**	**-**	**-**	**-**

+ This relates to discontinued operations.

Six months to 30 June 2009	**Australia**	**Asia Pacific**	**+Other**	**Operating Central Costs**	**Holding Company Costs**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	5,548	3,028	-	-	-	8,576
Segment result	347	51	54	(542)	(691)	(781)
Foreign exchange charges						(51)
Amortisation						(137)
Depreciation						(49)
Share based payment						(22)
Interest						(40)
Share of loss of associates						(4)
Tax						-
Total Loss for the period						**(1,084)**

4 REVENUE AND SEGMENTAL INFORMATION (continued)

Six months to 30 June 2009	Australia	Asia Pacific	+Other	Operating Central Costs	Holding Company Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Segmental Assets	2,432	2,059	81	-	741	5,313
Segmental Liabilities	3,911	1,347	234	-	1,711	7,203
Number of customers that generated more than 10% of segment revenue	1	9	-	-	-	-

+ This relates to discontinued operations.

Year to 31 December 2009	Australia	Asia Pacific	*Other	Operating Central Costs	**Holding Company Costs	Total
	£'000	£'000	£'000	£'000	£'000	£'000
External revenue	12,437	6,436	-	-	-	18,873
Segment result	815	195	(328)	(924)	(1,220)	(1,462)
Foreign exchange charges						(200)
Amortisation						(404)
Depreciation						(91)
Share based payment						(150)
Interest						(105)
Share of loss of associates						(135)
Tax						(27)
Total Loss for the year						**(2,574)**
Segmental Assets	4,209	2,682	81	-	343	7,315
Segmental Liabilities	5,413	2,247	234	-	1,554	9,448
Number of customers that generated more than 10% of segment revenue	1	3	-	-	-	-

* Included in 'Other' segment result is £382,000 in non-recurring management restructure costs.
** Included in 'Holding company costs' is £79,000 in placing costs.

5 SEASONAL FLUCTUATIONS

The business of Asia Digital Holdings Plc is subject to seasonal fluctuations, with stronger demand for services in the second half of the year.

6 LOSS PER SHARE

The calculation for the basic loss per share is based upon the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

6 LOSS PER SHARE (continued)

Reconciliation of the loss and weighted average number of shares used in the calculations are set out below:

	6 months to 30 Jun 10	6 months to 30 Jun 09	Year to to 31 Dec 09
Continuing operations			
Loss after tax and attributable to ordinary shareholders (£'000)	**(195)**	(1,138)	(2,628)
Weighted average number of shares	**708,768,684**	453,768,684	708,768,684
Basic and diluted earnings per share	**(0.03p)**	(0.25p)	(0.37p)
Discontinued operations			
Profit/(Loss) after tax and attributable to ordinary shareholders (£'000)	**-**	54	54
Weighted average number of shares	**708,768,684**	453,768,684	708,768,684
Basic and diluted earnings per share	**(0.00p)**	0.01p	0.01p

	6 months to 30 Jun 10	6 months to 30 Jun 09	Year to to 31 Dec 09
Total operations			
Loss after tax and attributable to ordinary shareholders (£'000)	**(195)**	(1,084)	(2,574)
Weighted average number of shares	**708,768,684**	453,768,684	708,768,684
Basic and diluted earnings per share	**(0.03p)**	(0.24p)	(0.36p)

In view of the loss for the period, options have no dilutive effect

7 SHARE BASED PAYMENTS

During the period 17,080,000 options (June 2009: 8,525,000) were issued at an average fair value of 0.45 pence per share (June 2009: 0.35 pence).

The fair values of the options granted during the period ended 30 June 2010 were determined using the binomial valuation model. The value of the options has been adjusted for future dividends, assuming that they will be paid from 2013 at a yield of 3%.

The model takes into account a volatility rate of 150% which has been derived from historical experience. A weighted average risk free interest rate of 3.07% has been applied. The share price at grant date was 0.5 pence and the weighted average exercise price was 0.5 pence per share.

The options were granted in accordance with the Group's Enterprise Management Incentive Scheme. The options have lives of 10 years and vest in three equal tranches over the first three years of their lives provided the employees continue to work for group. The expected lives of the options used in application of the binomial model were 5 years for managerial staff and 4 years for non-managerial staff.

The amount of employee remuneration expense for the 6 months ended 30 June 2010, in respect of unvested share options granted in this period and earlier periods, amounts to £53,425 (June 2009: £21,665).

8 LEASE COMMITMENTS PROVISION

The Group had made the following lease commitment provision:

	£'000
At 1 June 2009	608
Additions	-
Utilisation	(91)
At 31December 2009	517
Additions	-
Utilisation	(91)
At 30 June 2010	**426**

Analysis of total provision is:

	£'000
Within one year	183
More than one year and within five years	243
	426

The provision was made for the office lease, service charges and business rates which were entered into in October 2003 for a nine year lease at the former office in London, UK.

9 RELATED PARTY TRANSACTIONS

During the period the Group entered into the following related party transactions. All transactions were made on an arm's length basis:

Howard Kennedy
Keith Lassman, Non-Executive Director and shareholder, is a partner of Howard Kennedy, Solicitors. During the period, the Group paid £2,817 (2009: £7,050) in respect of legal services provided to the Group. The balance due to Howard Kennedy, Solicitors, at the period end was £3,252 (2009: £21,772)

DC Storm Limited
DC Storm Limited is an associated undertaking company. During the period the Group was charged £24,795 (2009: £45,000) in respect of software licensing provided to the Group. The balance due to DC Storm Limited at period end was £8,628 (2009: £Nil).

dealgroupmedia (UK) Limited
dealgroupmedia (UK) Limited was an associated undertaking company which is under administration effective end of June 2010. During the period the Group was charged £120,000 (2009: £180,000) in respect of technical services provided to the Group. The Group also charged office rental and software licensing of £44,101 (2009: £75,640) and £Nil (2009: £15,000) respectively.

Transactions involving major shareholder
Interest payable of £42,000 for the period has been accrued on the convertible loan note issued by River Don Limited, a company controlled by John Porter, a major shareholder of the Group and also a director of an associated undertaking company.

10 SUBSEQUENT EVENTS AND TRANSACTIONS

Asia Digital Holdings Plc has secured the assets which are essential for the running of its performance advertising business from dealgroupmedia (UK) Limited's administrator for a non material sum. The legal cost incurred on this transaction is £3,600. This event does not have an impact on the interim reports.