Adslot Ltd ABN 70 001 287 510
and controlled entities

Half-Year Financial Report
31 December 2018

Lodged with the ASX under Listing Rule 4.2A.3

The half-year financial report does not include full disclosures of the type normally included in an Annual Financial Report. Accordingly, this financial report should be read in conjunction with the Annual Financial Report for the year ended 30 June 2018 and any public announcements made by Adslot Ltd during the interim reporting period in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

HALF-YEAR REPORT – 31 DECEMBER 2018
APPENDIX 4D (Rule 4.2A.3)
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2018	December 2017	Movement	
	$	$	$	%
Total revenue from continuing operations	**5,057,843**	3,590,322	1,467,521	41%
Net loss attributable to members of the parent entity after tax	**(4,343,579)**	(5,985,119)	1,641,540	27%
Net loss attributable to members of the parent entity	**(4,343,579)**	(5,985,119)	1,641,540	27%

Dividends

The Company has not proposed or declared to pay dividends.

Earnings Per Share	**December 2018**	**December 2017**
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	**1,390,554,255**	1,282,537,326
Basic loss per share (cents)	**(0.31)**	(0.47)
Diluted loss per share (cents)	**(0.31)**	(0.47)

Net Tangible Assets per share	**December 2018**	**June 2018**
Number of ordinary shares on issue used in the calculation of net tangible assets per share	**1,425,950,994**	1,284,950,994
Net tangible assets per share (cents)	**0.44**	0.48

Audit

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

Directors' Report

Your Directors submit the financial report of the Company and it controlled entities ("the Group") for the half-year ended 31 December 2018.

Directors

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

Mr Andrew Barlow:	Executive Chairman
Mr Ben Dixon:	CEO and Executive Director
Mr Adrian Giles:	Non-Executive Director
Mr Quentin George:	Non-Executive Director
Ms Sarah Morgan:	Non-Executive Director
Mr Andrew Dyer:	Non-Executive Director

Mr. Dixon acted in the capacity of Interim CEO from 27 February 2018 to 6 February 2019.

Review of Operations

Group results for the 6 months to 31 December 2018, benchmarked against the corresponding 6-month period in 2017, were:

	6 months to December 2018	**6 months to December 2017**	**Movement**	
	$	**$**	**$**	**%**
Total revenue from continuing operations	**5,057,843**	3,590,322	1,467,521	41%
Total revenue and other income	**5,216,979**	4,176,142	1,040,837	25%
EBITDA (loss)	**(1,386,471)**	(3,473,874)	2,087,403	60%
NPAT (loss)	**(4,343,579)**	(5,985,119)	1,641,540	27%

Revenue from continuing operations for the 6 months to 31 December 2018 increased by 41% compared to the corresponding period to 31 December 2017. The growth in revenue, along with a 13% reduction in costs, resulted in a $2.1 million / 60% EBITDA improvement and $1.6 million / 27% improvement in NPAT compared to the corresponding period to 31 December 2017.

Revenue from continuing operations was $5.1 million (Dec 17: $3.6 million) and total revenue and other income was $5.2 million (Dec 17: $4.2 million).

Trading Technology revenue showed solid growth in 1H FY19, increasing by 62% against the previous corresponding period to $4.2 million. The majority of the growth was driven by License Fees combined with a significant increase in Trading Fees. The increase in Licence Fees was driven by additional Symphony deployments under the groupm contract. Symphony is now deployed in 15 countries. Trading Fees grew in all regions, with the majority of the growth resulting from traction in the US market.

Revenue from non core activities declined by 6%, falling $52k in total in comparison to the previous corresponding period, due primarily to Webfirm.

In August 2018 the Company successfully raised $3.5 million via a share placement, providing funds to increase the scale of the sales organisation in the US and support the Symphony deployment team.

At 30 June 2018 the company adopted a Market Value approach to assessing the carrying value of Intangible Assets engaging an independent valuer. The primary basis of the calculation was the year end share price of $0.026. Since year end the share price has consistently traded above that level, closing at 31 December 2018 at $0.041. Over the period the Company has seen revenue growth and cost reduction. As at 31 December 2018 there were no impairment indicators in relation to the carrying value of goodwill on the balance sheet. Goodwill will be reassessed as part of the normal audit process for the year ended 30 June 2019.

Future Developments

The Company is on track to deploy Symphony into three APAC markets in 2H FY19. In addition, another 2-3 markets are expected to be deployed, or in the process of being deployed, by 31 December 2019. These deployments will ensure the ongoing growth in Licence Fees.

The value of media transactions on the Adslot Media platform in 1H FY19 set new records, driving the growth in Trading Fees in the period to 31 December 2018. Trading Fees are expected to continue to grow in 2H FY19. While all regions continue to grow their Trading Fees, the majority of growth is expected to come from the US market.

The Company continues to review its operations to ensure the cost base of the business is sustainable and the business is maintained on a solid financial basis. The significant cost cutting program in February 2018, combined with ongoing tight cost control, resulted in a saving of $0.9 million / 20% in salaries and employment related costs against the prior period.

Dividends

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

Auditor's Independence Declaration

The lead auditor's independence declaration for the half-year ended 31 December 2018 under Section 307C of the *Corporations Act 2001* is set out on page 23.

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

On behalf of the Directors.

Andrew Barlow
Executive Chairman

Melbourne
26 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2018

	Note	December 2018	December 2017
		$	**$**
Total revenue from continuing operations	4	**5,057,843**	3,590,322
Total other income	4	**159,136**	585,820
Total revenue and other income		**5,216,979**	4,176,142
Hosting & other related technology costs		**(620,148)**	(440,979)
Salaries and employment related costs		**(3,896,278)**	(4,845,762)
Recruitment costs		**(50,411)**	(35,826)
Directors' fees		**(241,063)**	(150,000)
Marketing costs		**(104,800)**	(176,052)
Lease-rental premises		**(501,511)**	(494,911)
Impairment of receivables		**(5,157)**	(170)
Listing & registrar fees		**(48,086)**	(48,548)
Legal expense		**(7,206)**	(63,406)
Travel expense		**(194,709)**	(184,901)
Consultancy fees		**(142,349)**	(73,382)
Audit and accountancy fees		**(92,651)**	(81,846)
Other expenses		**(451,422)**	(520,273)
Share based payment expense		**(216,049)**	(420,040)
Depreciation and amortisation expense	5	**(2,968,097)**	(2,611,181)
Total expenses		**(9,539,937)**	(10,147,277)
Loss before income tax expense		**(4,322,958)**	(5,971,135)
Income tax expense		**(20,621)**	(13,984)
Loss after income tax expense		**(4,343,579)**	(5,985,119)
Net loss attributable to members of the parent entity		**(4,343,579)**	(5,985,119)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation		**48,254**	(15,972)
Total other comprehensive income		**48,254**	(15,972)
Total comprehensive loss for the half-year attributable to members		**(4,295,325)**	(6,001,091)
Earnings per share			
Basic loss per share (cents)		**(0.31)**	(0.47)
Diluted loss per share (cents)		**(0.31)**	(0.47)

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 31 December 2018

	Notes	December 2018	June 2018
		$	$
CURRENT ASSETS			
Cash and cash equivalents		**4,819,161**	4,775,331
Trade and other receivables		**10,663,422**	5,471,925
Total current assets		**15,482,583**	10,247,256
NON-CURRENT ASSETS			
Property, plant and equipment		**709,404**	832,833
Deferred tax assets		**36,370**	36,370
Intangible assets	6	**22,290,143**	23,202,768
Total non-current assets		**23,035,917**	24,071,971
TOTAL ASSETS		**38,518,500**	34,319,227
CURRENT LIABILITIES			
Trade and other payables		**8,048,950**	2,925,743
Unearned income		**432,830**	445,491
Lease incentive liability		**146,300**	60,248
Provisions		**506,800**	587,150
Total current liabilities		**9,134,880**	4,018,632
NON-CURRENT LIABILITIES			
Lease incentive liability		**396,261**	555,463
Provisions		**382,838**	360,763
Deferred tax liabilities		**36,370**	36,370
Total non-current liabilities		**815,469**	952,596
TOTAL LIABILITIES		**9,950,349**	4,971,228
NET ASSETS		**28,568,151**	29,347,999
EQUITY			
Issued capital		**141,887,263**	138,397,710
Reserves		**871,957**	712,654
Accumulated losses		**(114,191,069)**	(109,762,365)
TOTAL EQUITY		**28,568,151**	29,347,999

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

Consolidated Statement of Changes in Equity
For the Half-Year Ended 31 December 2018

31 December 2018

	Notes	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2018 reported		**138,397,710**	**712,654**	**(109,762,365)**	**29,347,999**
Adjustment from adoption of AASB 15		**-**	**-**	**(85,125)**	**(85,125)**
Adjusted balance at 1 July 2018		**138,397,710**	**712,654**	**(109,847,490)**	**29,262,874**
Movement in foreign exchange translation reserve		**-**	**48,254**	**-**	**48,254**
Other comprehensive income/(loss)		**-**	**48,254**	**-**	**48,254**
Loss attributable to members of the company		**-**	**-**	**(4,343,579)**	**(4,343,579)**
Total comprehensive income/(loss)		**-**	**48,254**	**(4,343,579)**	**(4,295,325)**
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of capital raising costs	7	**3,384,553**	**-**	**-**	**3,384,553**
Reclassification of vested ESOP	7	**105,000**	**(105,000)**	**-**	**-**
Increase in employees share based payments reserve		**-**	**216,049**	**-**	**216,049**
		3,489,553	**111,049**	**-**	**3,600,602**
Balance 31 December 2018		**141,887,263**	**871,957**	**(114,191,069)**	**28,568,151**

31 December 2017

	Notes	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2017		137,949,047	389,929	(98,109,046)	40,229,930
Movement in foreign exchange translation reserve		-	(15,972)	-	(15,972)
Other comprehensive income/(loss)		-	(15,972)	-	(15,972)
Loss attributable to members of the company		-	-	(5,985,119)	(5,985,119)
Total comprehensive income/(loss)		-	(15,972)	(5,985,119)	(6,001,091)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of capital raising costs	7	-	-	-	-
Reclassification of vested ESOP	7	412,119	(414,398)	-	(2,279)
Increase in employees share based payments reserve		-	420,040	-	420,040
		412,119	5,642	-	417,761
Balance 31 December 2017		138,361,166	379,599	(104,094,165)	34,646,600

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

Consolidated Statement of Cash Flows
For the Half-Year Ended 31 December 2018

	Note	December 2018	December 2017
		$	**$**
Cash flows from operating activities			
Receipts from trade and other debtors		**6,648,341**	4,126,794
Interest received		**37,897**	119,314
Receipt of R&D tax incentives and other Grants		**-**	23,148
Payment to trade creditors, other creditors and employees		**(7,557,121)**	(7,261,747)
Interest paid		**-**	(38)
Net cash outflows from operating activities		**(870,883)**	(2,992,529)
Cash flows from investing activities			
Payments for property, plant and equipment		**(8,169)**	(112,086)
Proceeds from sale of fixed assets		**-**	330
Payment for intangible assets		**(2,529,476)**	(3,277,611)
Net cash outflows from investing activities		**(2,537,645)**	(3,389,367)
Cash flows from financing activities			
Proceeds from issue of shares		**3,430,700**	-
Payments of equity raising costs		**(78,784)**	-
Net cash inflows from financing activities		**3,351,916**	-
Net increase/(decrease) in cash held		**(56,612)**	(6,381,896)
Cash at the beginning of the half-year		**4,775,331**	14,320,147
Effect of exchange rate changes on cash		**100,442**	(21,688)
Cash at the end of the half-year		**4,819,161**	7,916,563

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

Notes to the Financial Statements for the Half-Year ended 31 December 2018

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

This general purpose financial report for the half-year ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018 and any public announcements made by Adslot Ltd during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

a) Reporting bases and conventions

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the group's annual financial report for the year ended 30 June 2018 with the exception of the adoption of AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of interim financial statements. The nature and effect of changes arising from these standards are summarised in the section below and in Note 2.

These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The group has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the group.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaced AASB 118 which covered revenue arising from the sale of goods and the rendering of services and AASB 111 which covered construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard was adopted on 1 July 2018 using the modified retrospective approach.

The adoption of AASB 15 has affected the following areas which are associated with the Webfirm business:

<u>Search Engine Optimization (SEO) revenues</u>

The Group has historically recognised 30% of annual SEO contracts upfront to reflect the initial work involved. However, there is no specific performance obligation nor is there an identifiable transaction price for this initial work. As such, and in accordance with AASB 15, revenue arising from this upfront work needs to be recognised over time as clients simultaneously receive the service and the Group satisfies its performance obligations. On initial adoption on 1 July 2018, the Group increased deferred revenue by $117,195 and adjusted the retained earnings by the same amount.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Domain Name Registration (DNR) and SSL Certification revenues

DNR services is provided by the Group where the client's domain name is registered for 2 years with a third party registry. SSL Certification services involves obtaining annual SSL Certificates on behalf of the client from a third party and installing in the client's website. Historically these revenues have been recognised over time.

For both DNR and SSL certification, on initial set up the service has been delivered in full to the customer; and the customer is able to realize benefit from service received without further involvement from the Group. Furthermore, the Group separately prices and sells these products. There are no further performance obligations for the Group. Therefore, as per AASB 15, the Group needs to recognize revenue at a point of time, not over a period of time. On initial adoption on 1 July 2018 the Group reduced deferred revenue by; $25,620 for Domain Names Registration and $6,450 for SSL certification and adjusted the retained earnings by the same amounts.

On the date of the initial application of AASB15, 1 July 2018, the impact to retained earnings of the Group is as follows:

Impact Area	**Other Equity**	**Accumulated Losses**	**Total Equity**
	$	**$**	**$**
Search Engine Optimization (SEO)	-	(117,195)	(117,195)
Domain Name Registration (DNR)	-	25,620	25,620
SSL Certification	-	6,450	6,450
Total	**-**	**(85,125)**	**(85,125)**

The tables below highlight the impact of AASB 15 on the Group's statement of profit or loss and other comprehensive income and the statement of financial position for the interim period ending 31 December 2018. The adoption of AASB 15 did not have an impact on the Group's statement of cash flows.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extract)	**Amounts under AASB 118 & 111**	**Adjustments**	**Amounts under AASB 15**
	$	**$**	**$**
Total revenue from continuing operations	5,010,758	47,085	5,057,843
Loss after income tax expense	**(4,390,664)**	**47,085**	**(4,343,579)**
Total comprehensive loss for the half-year attributable to members	**(4,342,410)**	**47,085**	**(4,295,325)**

Consolidated Statement of Financial Position (Extract)	**Amounts under AASB 118 & 111**	**Adjustments**	**Amounts under AASB 15**
	$	**$**	**$**
CURRENT LIABILITIES			
Unearned income	394,790	38,040	432,830
TOTAL LIABILITIES	**9,912,309**	**38,040**	**9,950,349**
NET ASSETS	**28,606,191**	**(38,040)**	**28,568,151**
EQUITY			
Accumulated losses	(114,153,029)	(38,040)	(114,191,069)
TOTAL EQUITY	**28,606,191**	**(38,040)**	**28,568,151**

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement requirements. It addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The group adopted AASB 9 using a modified retrospective approach. The new standard has no impact on the Group's current classification, measurement and derecognition of financial assets and liabilities.

The Group does not have any debt instruments, available-for sale financial assets or any hedging agreements. For trade and other receivable the Group applies the simplified approach permitted by AASB 9, whereby the loss allowance is measured at an amount equal to lifetime expected credit losses. Lifetime expected credit loss is the amount the Group expects to lose due to default events that are possible over the life of the financial instrument. There was no impact on the impairment of trade receivables on adoption of AASB 9.

b) Going concern

Management continues to invest resources to support growth in trading fees in the US market, and the market deployments and growth in Symphony licence fees. In August 2018 the Company successfully raised $3.5 million via a share placement, resulting in $3.4 million net cash inflows from financing activities. Combined with the net cash outflows from operating and investing activities of $3.4 million, the net cash outflow for the year was $57k in the six months to 31 December 2018. Management anticipate incurring further net cash outflows from operations until such time as sufficient revenue growth is achieved.

As previously disclosed, and consistent with its stated focus on software development companies, AusIndustry has commenced a review of the Company's FY2016 R&D claim. Management believe its FY2016 R&D claim is consistent with the criteria of the scheme.

If a delay in expected growth in revenues and/or a negative outcome of AusIndustry's review of the FY2016 R&D claim was to occur, this has the potential to create a cash flow risk to the Company which could affect its ability to pay its debts as and when they fall due, and to realise its assets in the normal course of business.

However, the Directors believe the Company will be able to continue to pay its debts as and when they fall due for the following reasons:

- the Company had a cash position of $4.8 million at 31 December 2018;
- the Company received $3.0 million in R&D grants in January 2019, relating to R&D expenditure incurred in FY2018;
- as announced in the January trading update, a 51.1% or $2.0 million increase to Symphony licence fee revenue in FY2019;
- the ongoing cost management program;
- the opportunity to implement further cost reductions; and
- the ability to raise additional capital.

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

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 2: Changes in significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

Revenue recognition

The Group derives revenue from trading technology and services. To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

The Group often enters into transactions involving a range of the Group's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as unearned income in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Revenue is recognised for the major business activities as follows:

<u>Revenue from Trading Technology - Licence Fees</u>

Adslot and Symphony licence fees are derived by providing customers access to the Group's technology platforms. The fee is based on either annual contracted amounts, the number of users, a tier system based on historical volumes traded on the platform, and/or resources allocated. The contracts are ongoing but cancellable with defined notice periods during which the Group is expected to maintain its performance obligations. The revenues are recognised over time when clients simultaneously receive the service and the Group satisfies its performance obligations.

<u>Revenue from Trading Technology – Trading Fees</u>

Adslot Publisher revenues are recognised over time. Only the portion of the media campaign that is retained by the Group for their services is recorded as revenue. This is typically a percentage of the total media transacted on the Adslot platform. Where media campaigns are realised over a period a time, the portion that extends beyond the reporting period is not taken up as revenue as the performance obligations have not been satisfied. Where the funds for these campaigns are prepaid by advertisers those amounts are treated as unearned income in the Consolidated Statement of Financial Position.

Funds collected or collectable from advertisers and due to be repaid to publisher clients are disclosed in the accounts as publisher creditors and categorised under Trade and other payables in the Consolidated Statement of Financial Position.

Symphony trading fees are charged for the use of the Symphony platform as a workflow solution. The fee is based on a percentage fee calculated from the total transacted value of campaigns. As per AASB 15, revenue is recognized over time as clients simultaneously receive the service and the Group satisfies its obligation to perform.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Rendering of services

Service revenue is recognised at a point in time or over time based on when the performance obligations are met, and the customer can realise benefit from service received without further involvement from the Group.

Symphony services revenue is derived as a once off Symphony activation fee or custom development work. The revenue is recognised at a point in time when the Group has completed its performance obligation and the customer has obtained the ability to direct the use of, and obtain substantially all of the remaining benefits from, the work carried out.

Website development revenue is recorded based on project delivery revenue over time as the project is completed. 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 income. As such revenue is recognised over time when the performance obligations are met and when the Group receives a right to payment for performance completed to date.

Search Engine Optimisation and Search Engine Advertising attempts to improve search engine rankings of the client's website or bid on certain keywords in order for their clickable ads to appear in search results. These are ongoing contracts and can be cancelled with 90 days' notice. The Group needs to continuously manage these campaigns; as such the revenue is recognised over time as the clients simultaneously receive the service and the Group satisfies its performance obligations.

Hosting revenue is derived for hosting the client's websites in third party cloud servers managed by the Group. These contracts are ongoing and can be cancelled with 90 days' notice. Clients may pay upfront annually. The Group needs to continually satisfy the performance obligations of hosting the site and provide customer support, as and when required. Therefore, revenue is recognised over time.

For Domain Names Registration and SSL Certification at the time of initial activation the service has been transferred in full to the customer; and the customer is able to realise benefits from services received without further involvement from the Group. Furthermore, the Group separately prices and sells these products. There is no further performance obligation for the Group. As such revenue needs to be recognised at a point in time.

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through the profit or loss statement, and which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified as financial assets at amortised cost.

Classifications are determined by both:

- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial assets.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as financial assets at fair value through profit and loss):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as government bonds.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Trade and other receivables and contract assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that they are impaired.

At reporting date and throughout the reporting period the Group did not have any other financial instruments other than trade and other receivables.

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 3: Segment Information

Business segments

The Group 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.

There has been no change to the basis of segmentation since the last annual financial report.

Half-year ended 31 December 2018

	APAC	EMEA	The Americas	Total
	$	$	$	$
Revenue from Trading Technology	**3,409,593**	**312,084**	**469,148**	**4,190,825**
Revenue from Services	**831,831**	**3,577**	**-**	**835,408**
Total revenue from services rendered	**4,241,424**	**315,661**	**469,148**	**5,026,233**
Segment result from continuing operations	**(1,853,049)**	**(70,438)**	**(507,358)**	**(2,430,845)**
Depreciation (included in segment result)	**127,990**	**245**	**3,290**	**131,525**
Amortisation (included in segment result)	**2,836,980**	**-**	**-**	**2,836,980**
Additions to non-current assets	**1,296**	**2,012**	**-**	**3,308**
Balance Sheet 31 December 2018				
Segment assets	**41,376,793**	**220,673**	**986,587**	**42,584,053**
Segment liabilities	**20,838,390**	**107,113**	**112,869**	**21,058,372**

Half-year ended 31 December 2017

	APAC	EMEA	The Americas	Total
	$	$	$	$
Revenue from Trading Technology	2,393,040	92,648	102,913	2,588,601
Revenue from Services	869,068	18,733	-	887,801
Total revenue from services rendered	3,262,108	111,381	102,913	3,476,402
Segment result from continuing operations	(2,880,795)	(297,290)	(945,772)	(4,123,857)
Depreciation (included in segment result)	59,292	530	3,695	63,517
Amortisation (included in segment result)	2,547,663	-	-	2,547,663
Additions to non-current assets	76,010	-	1,311	77,321
Balance Sheet 31 December 2017				
Segment assets	37,566,575	130,904	312,824	38,010,303
Segment liabilities	15,727,146	74,119	123,673	15,924,938

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 3: Segment Information (continued)

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

	December 2018	December 2017
	$	$
Total segment revenue	**5,026,233**	3,476,402
Interest revenue	**31,610**	113,920
Total revenue from continuing operations	**5,057,843**	3,590,322

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

	December 2018	December 2017
	$	$
Total segment result	**(2,430,845)**	(4,123,857)
Revenue from Adserving	**-**	86,967
Interest revenue	**31,610**	113,920
Total other income	**159,136**	498,853
Share option expenses	**(216,050)**	(420,040)
Gain/(Loss) on foreign exchange	**35,291**	(3,197)
Income tax expense	**(1,428)**	(6,573)
Gain/(Loss) on sale of fixed assets	**-**	439
Other head office expenses	**(1,921,293)**	(2,131,631)
Loss after tax from continuing operations	**(4,343,579)**	(5,985,119)

Reportable segment assets are reconciled to total assets as follows:

	December 2018	June 2018
	$	$
Total segment assets	**42,584,053**	36,136,262
Head office assets	**46,059,277**	48,289,359
Intersegment eliminations	**(50,124,830)**	(50,106,394)
Total assets per the statement of financial position	**38,518,500**	34,319,227

Reportable segment liabilities are reconciled to total liabilities as follows:

	December 2018	June 2018
	$	$
Total segment liabilities	**(21,058,372)**	(15,954,960)
Head office liabilities	**(947,258)**	(845,451)
Intersegment eliminations	**12,055,281**	11,829,183
Total liabilities per the statement of financial position	**(9,950,349)**	(4,971,228)

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 4: Revenue and Other Income

	December 2018	December 2017
	$	$
Revenue		
Revenue from Trading Technology	**4,190,825**	2,588,601
Revenue from Services	**835,408**	887,801
Total revenue from services rendered	**5,026,233**	3,476,402
Interest income	**31,610**	113,920
Total revenue from continuing operations	**5,057,843**	3,590,322
Other income		
Revenue from Adserving	**-**	86,967
Grant income	**159,136**	498,853
Total other income	**159,136**	585,820
Total revenue and other income	**5,216,979**	4,176,142

For strategic reasons the Group decided to discontinue providing Adserving services in the first quarter of the financial year ending 30 June 2018. Revenue from Adserving was disclosed under Total revenue from continuing operations in the reported results for the half-year ended 31 December 2017.

Half-year ended 31 December 2018 revenue includes $365,673 (half-year ended 31 December 2017: $424,330) in contract liability balance at the beginning of the period.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

Half-year ended 31 December 2018

	Revenue from Trading Technology	**Revenue from Services**	**Total revenue from services rendered**
	$	**$**	**$**
Services transferred at a point in time	**-**	**23,937**	**23,937**
Services transferred over time	**4,190,825**	**811,471**	**5,002,296**
Total	**4,190,825**	**835,408**	**5,026,233**

Half-year ended 31 December 2017

	Revenue from Trading Technology	Revenue from Services	Total revenue from services rendered
	$	$	$
Services transferred at a point in time	-	24,003	24,003
Services transferred over time	2,588,601	863,798	3,452,399
Total	2,588,601	887,801	3,476,402

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 4: Revenue and Other Income (continued)

The following aggregated amounts of transaction prices relate to the performance obligations from existing contracts that are unsatisfied or partially unsatisfied as at 31 December 2018:

	FY 2019	FY 2020	Total
	$	$	$
Revenue expected to be recognised	359,733	73,097	**432,830**

Note 5: Expenses

Loss before income tax includes the following specific expenses:

	December 2018	December 2017
	$	$
Depreciation and amortisation		
Amortisation – Software development costs	**2,836,980**	2,547,663
Depreciation – Leasehold improvements	**81,678**	10,015
Depreciation – Computer & equipment	**46,803**	47,638
Depreciation – Plant and equipment	**2,636**	5,865
Total depreciation and amortisation	**2,968,097**	2,611,181
Capitalised development wages (net of related grants)	**1,924,355**	1,950,083
Development wages expensed in the period	**872,188**	1,327,528
Total development wages	**2,796,543**	3,277,611
Superannuation expense	**420,986**	520,466
Foreign currency (gain)/ loss	**(35,292)**	3,188

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 6: Intangible Assets

Period ended 31 December 2018

	Internally Developed Software $	Domain Name $	Intellectual Property $	Goodwill $	Total $
Opening net book amount	**6,462,835**	**38,267**	**1,539,727**	**15,161,939**	**23,202,768**
Acquisitions	**1,924,355**	**-**	**-**	**-**	**1,924,355**
Amortisation	**(1,297,253)**	**-**	**(1,539,727)**	**-**	**(2,836,980)**
Carrying amount at 31 December 2018	**7,089,937**	**38,267**	**-**	**15,161,939**	**22,290,143**

At 31 December 2018

Cost	**13,531,793**	**38,267**	**29,045,251**	**15,161,939**	**57,777,249**
Accumulated amortisation and impairment	**(6,441,856)**	**-**	**(29,045,251)**	**-**	**(35,487,106)**
Carrying amount at 31 December 2018	**7,089,937**	**38,267**	**-**	**15,161,939**	**22,290,143**

Period ended 30 June 2018

	Internally Developed Software $	Domain Name $	Intellectual Property $	Goodwill $	Total $
Opening net book amount	4,721,903	38,267	4,825,712	15,161,939	24,747,821
Acquisitions	3,666,409	-	-	-	3,666,409
Amortisation	(1,925,477)	-	(3,285,985)	-	(5,211,462)
Carrying amount at 30 June 2018	6,462,835	38,267	1,539,727	15,161,939	23,202,768

At 30 June 2018

Cost	11,607,437	38,267	29,045,251	15,161,939	55,852,894
Accumulated amortisation and impairment	(5,144,602)	-	(27,505,524)	-	(32,650,126)
Carrying amount at 30 June 2018	6,462,835	38,267	1,539,727	15,161,939	23,202,768

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 7: Equity Securities Issued

Issues of Ordinary Shares during the half-year	**December 2018 $**	**December 2017 $**
New Ordinary Shares issued – value $	**3,384,553**	412,119
Treasury Shares movement – value $	**105,000**	-
Total Ordinary Shares issued – value $	**3,489,553**	412,119
New Ordinary Shares issued – number	**140,000,000**	3,677,500
Treasury Shares movement – number	**1,000,000**	-
Ordinary Shares issued – number	**141,000,000**	3,677,500

Note 8: Contributed equity

	Dec 2018 Number	**Jun 2018 Number**	**Dec 2018 $**	**Jun 2018 $**
Ordinary Shares – Fully Paid	**1,425,950,994**	1,284,950,994	**141,887,263**	138,397,710

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 shareholder has one vote on a show of hands.

Movements in Paid-Up Capital

Date	**Details**	**Number of shares**	**Issue Price - $**	**Costs - $**	**Value- $**
01-Jul-17	Balance (including Treasury shares)	1,284,328,769		(2,619,769)	138,287,281
11-Oct-17	Issue of shares – Performance Rights vesting	3,677,500	0.113	(2,278)	412,119
30-Jun-18		1,288,006,269		(2,622,047)	138,699,400
	Less: Treasury shares	(3,055,275)		-	(301,690)
30-Jun-18	Balance	1,284,950,994		(2,622,047)	138,397,710
01-Jul-18	**Balance (including Treasury shares)**	**1,288,006,269**		**(2,622,047)**	**138,699,400**
09-Aug-18	Share Placement	118,000,000	0.025	(97,305)	2,852,695
19-Sep-18	Share Placement	22,000,000	0.025	(18,142)	531,858
31-Dec-18		**1,428,006,269**		**(2,737,494)**	**142,083,953**
	Less: Treasury shares	(2,055,275)		-	(196,690)
31-Dec-18	**Balance**	**1,425,950,994**		**(2,737,494)**	**141,887,263**

Notes to the Financial Statements for the Half-Year ended 31 December 2018 (Continued)

Note 9: Events subsequent to reporting date

There has not been any events subsequent to the reporting date that have a significant impact on the financial statements or are expected to have a significant impact on future financial statements.

Directors' Declaration

In the Directors' opinion:

(a) The financial statements and notes set out on pages 5 to 21 are in accordance with the *Corporations Act 2001*, including:

   i) complying with Accounting Standards, AASB 134 interim financial reporting, the Corporations *Regulations 2001* and other mandatory professional reporting requirements; and

   ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that Adslot Ltd will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors.

Andrew Barlow
Executive Chairman

Melbourne
26 February 2018

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Auditor's Independence Declaration

To the Directors of Adslot Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Adslot Ltd for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 26 February 2019

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Independent Auditor's Report

To the Members of Adslot Ltd

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Adslot Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2018, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration of the Group, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half year.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Adslot Ltd does not give a true and fair view of the financial position of the Group as at 31 December 2018, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the Corporations Act 2001, including complying with Accounting Standard AASB 134 Interim Financial Reporting.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which indicates that the Company incurred a net loss of $4.3m during the half year ended 31 December 2018, and management anticipate incurring further net cash outflows from operations until such time as sufficient revenue growth is achieved. The Directors are forecasting improved results for the remainder of the 2019 financial year from a combination of revenue growth and reduced costs, however cash flow risk could exist. These events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Adslot Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 26 February 2019