Adslot Ltd ABN 70 001 287 510
and controlled entities

Half-Year Financial Report
31 December 2019

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 2019
APPENDIX 4D (Rule 4.2A.3)
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2019	December 2018	Movement	
	$	$	$	%
Total revenue from continuing operations	**5,134,644**	5,057,843	76,801	2%
Net loss attributable to members of the parent entity after tax	**(4,106,770)**	(4,343,579)	236,809	5%
Net loss attributable to members of the parent entity	**(4,106,770)**	(4,343,579)	236,809	5%

Dividends

The Group has not proposed or declared to pay dividends.

Earnings Per Share	**December 2019**	**December 2018**
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	**1,613,669,472**	1,390,554,255
Basic loss per share (cents)	**(0.25)**	(0.31)
Diluted loss per share (cents)	**(0.25)**	(0.31)

Net Tangible Assets per share	**December 2019**	**June 2019**
Number of ordinary shares on issue used in the calculation of net tangible assets per share	**1,813,875,994**	1,587,875,994
Net tangible assets per share (cents)	**0.41**	0.42

Audit

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

Directors' Report

Your Directors submit the financial report of the Company and its controlled entities ("the Group") for the half-year ended 31 December 2019.

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 (i)
Ms Sarah Morgan:	Non-Executive Director
Mr Andrew Dyer:	Non-Executive Director

(i) Mr. Quentin George resigned as a Director on 16 July 2019.

Review of Operations

Group results for the six months to 31 December 2019, benchmarked against the corresponding six-month period in 2018, were:

	6 months to December 2019	**6 months to December 2018**	**Movement**	
	$	**$**	**$**	**%**
Trading technology revenue	**4,207,094**	4,190,825	16,269	0%
Total revenue and other income	**5,342,129**	5,216,979	125,150	2%
EBITDA (loss)	**(2,183,306)**	(1,386,471)	(796,835)	(57%)
Adjusted EBITDA (loss) [1]	**(655,572)**	(1,386,471)	730,899	53%
NPAT (loss)	**(4,106,770)**	(4,343,579)	236,809	5%

[1] Adjusted EBITDA (loss): Adding back once off Provision for R&D Claim for Financial Year 2015/2016 to EBITDA (note 6)

Revenue from continuing operations for the six months to 31 December 2019 increased by 2% compared to the corresponding period to 31 December 2018.

Trading technology revenue at $4.2 million was flat on the previous corresponding period.

Licence Fees increased by 11% compared to the previous corresponding period to 31 December 2019. This increase was driven by growth in fees from existing markets and additional fees from FY19 *Symphony* deployments under the groupm contract. *Symphony* is now deployed in seventeen countries.

Trading Fees reduced by 39% compared to the previous corresponding period due to the delayed activation of agency holding company relationships and unexpectedly low trading volumes in the US in the lead up to the 2019 Christmas period, compared to record bookings on platform during the corresponding period to 31 December 2018. Trading Fees at $0.5 million in the period under review represent a 17% growth on the six months to 30 June 2019.

Revenue from non-core activities increased by 9%, growing by $76k in total in comparison to the previous corresponding period, due to increased *Webfirm* revenue and *Symphony* activation fees.

Total revenue and other income was $5.3 million (versus $5.2 million to 31 December 2018).

The growth in revenue, along with a 9% reduction in operating costs, resulted in a $0.7 million / 53% adjusted EBITDA improvement. Due to adoption of AASB 16 Leases in FY20, $0.3 million of lease costs previously included in operation costs are now recorded as amortisation and interest (see note 1b on adoption of AASB Leases).

During the period the Group made a one-off provision of $1.5 million, impacting EBITDA and NPAT, for the part repayment of the FY16 R&D claim (see Note 6). Adslot is reviewing the options available to it under the scheme to appeal these findings and defend the legitimacy of its claim.

NPAT loss at $4.1 million reduced by 5%. Excluding the FY16 R&D Provision, NPAT loss of $2.6 million reduced by 41% compared to the corresponding period to 31 December 2018.

In December 2019 the Group successfully raised $6.4 million via a share placement, providing funds to increase the scale of the sales organisation in the US.

Future Developments

The Group has made significant progress with of its ambitions to sign Master Service Agreements (MSAs) with the six largest global agency holding companies. Two MSAs have been executed to date, with a further two in legal review and discussions continuing with the remaining holding companies. The Group anticipates trading resulting from current and new agency relationships to improve trading performance in 2H FY20, particularly in the US market. Chris Maher has been appointed to the position of President, North America to drive this growth.

The Group secured partnerships with key data providers *Oracle Data Cloud* and *LiveRamp*. Capabilities enabled by these partnerships are expected to accelerate growth of the *Adslot Media* platform in markets around the world.

As a result of the above, Trading Fees are expected to grow in 2H FY20. While all regions are expected to grow their Trading Fees, the majority of growth is expected to come from the US market.

The Group 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.

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 2019 under Section 307C of the *Corporations Act 2001* is set out on page 22.

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 2019

	Note	December 2019	December 2018
		$	$
Total revenue from continuing operations	4	**5,134,644**	5,057,843
Total other income	4	**207,485**	159,136
Total revenue and other income		**5,342,129**	5,216,979
Hosting & other related technology costs		**(662,122)**	(620,148)
Salaries and employment related costs	5	**(3,936,524)**	(3,896,278)
Recruitment costs		**(26,562)**	(50,411)
Directors' fees		**(167,898)**	(241,063)
Marketing costs		**(90,417)**	(104,800)
Lease-rental premises		**(211,721)**	(501,511)
Impairment of receivables		**1,096**	(5,157)
Listing & registrar fees		**(33,486)**	(48,086)
Legal expense		**(35,138)**	(7,206)
Travel expense		**(121,233)**	(194,709)
Consultancy fees		**(66,168)**	(142,349)
Audit and accountancy fees		**(103,135)**	(92,651)
Other expenses		**(465,901)**	(451,422)
Share based payment expense		**(62,546)**	(216,049)
Depreciation and amortisation expenses	5	**(1,827,925)**	(2,968,097)
Provision for R&D Claim for Financial Year 2015/2016	6	**(1,527,734)**	-
Interest Expense		**(73,820)**	-
Total expenses		**(9,411,234)**	(9,539,937)
Loss before income tax expense		**(4,069,105)**	(4,322,958)
Income tax expense		**(37,665)**	(20,621)
Loss after income tax expense		**(4,106,770)**	(4,343,579)
Net loss attributable to members of the parent entity		**(4,106,770)**	(4,343,579)
Other comprehensive income:			
Items that will be reclassified subsequently to profit or loss			
Foreign exchange translation		**28,388**	48,254
Total other comprehensive income		**28,388**	48,254
Total comprehensive loss for the half-year attributable to members		**(4,078,382)**	(4,295,325)
Earnings per share			
Basic loss per share (cents)		**(0.25)**	(0.31)
Diluted loss per share (cents)		**(0.25)**	(0.31)

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 2019

	Notes	December 2019	June 2019
		$	$
Current Assets			
Cash and cash equivalents		**9,165,605**	8,165,544
Trade and other receivables	**6**	**7,119,532**	6,424,659
Total current assets		**16,285,137**	14,590,203
Non-Current Assets			
Property, plant and equipment	**8**	**2,273,646**	601,239
Deferred tax assets		**36,370**	36,370
Intangible assets	**7**	**23,410,440**	22,886,434
Total non-current assets		**25,720,456**	23,524,043
Total Assets		**42,005,593**	38,114,246
Current Liabilities			
Trade and other payables		**7,320,023**	6,538,788
Unearned income		**303,939**	374,781
Lease liability	**9**	**826,323**	146,300
Provisions		**649,213**	658,736
Total current liabilities		**9,099,498**	7,718,605
Non- Current Liabilities			
Lease liability	**9**	**1,314,767**	323,110
Provisions		**631,712**	439,041
Deferred tax liabilities		**36,370**	36,370
Total non-current liabilities		**1,982,849**	798,521
Total Liabilities		**11,082,347**	8,517,126
Net Assets		**30,923,246**	29,597,120
Equity			
Issued capital		**151,196,736**	145,838,216
Reserves		**740,083**	649,149
Accumulated losses		**(121,013,573)**	(116,890,245)
Total Equity		**30,923,246**	**29,597,120**

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 2019

31 December 2019

	Notes	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance at 1 July 2019 reported		**145,838,216**	**649,149**	**(116,890,245)**	**29,597,120**
Adjustment from adoption of AASB 16		**-**	**-**	**(16,558)**	**(16,558)**
Adjusted balance at 1 July 2019		**145,838,216**	**649,149**	**(116,906,803)**	**29,580,562**
Movement in foreign exchange translation reserve		**-**	**28,388**	**-**	**28,388**
Other comprehensive income/(loss)		**-**	**28,388**	**-**	**28,388**
Loss attributable to members of the company		**-**	**-**	**(4,106,770)**	**(4,106,770)**
Total comprehensive income/(loss)		**-**	**28,388**	**(4,106,770)**	**(4,078,382)**
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of capital raising costs	**10**	**5,358,520**	**-**	**-**	**5,358,520**
Reclassification of vested ESOP	**10**	**-**	**-**	**-**	**-**
Increase in employees share based payments reserve		**-**	**62,546**	**-**	**62,546**
		5,358,520	**62,546**	**-**	**5,421,066**
Balance 31 December 2019		**151,196,736**	**740,083**	**(121,013,573)**	**30,923,246**

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	10	3,384,553	-	-	3,384,553
Reclassification of vested ESOP	10	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

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 2019

	Note	December 2019	December 2018
		$	$
Cash flows from operating activities			
Receipts from trade and other debtors		**9,543,978**	6,648,341
Interest received		**16,772**	37,897
Payments to trade creditors, other creditors and employees		**(11,002,327)**	(7,557,121)
Income tax refund		**4,416**	
Interest paid		**(76,166)**	
Net cash outflows from operating activities		**(1,513,327)**	(870,883)
Cash flows from investing activities			
Payments for property, plant and equipment		**(2,809)**	(8,169)
Payment for intangible assets		**(2,510,736)**	(2,529,476)
Net cash outflows from investing activities		**(2,513,545)**	(2,537,645)
Cash flows from financing activities			
Proceeds from issue of shares		**5,650,000**	3,430,700
Payments of equity raising costs		**(307,625)**	(78,784)
Payments for Leased Assets		**(364,880)**	-
Net cash inflows from financing activities		**4,977,495**	3,351,916
Net increase/(decrease) in cash held		**950,623**	(56,612)
Cash at the beginning of the half-year		**8,165,544**	4,775,331
Effect of exchange rate changes on cash		**49,438**	100,442
Cash at the end of the half-year		**9,165,605**	4,819,161

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 2019

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

This general purpose financial report for the half-year ended 31 December 2019 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 2019 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 basis 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 2019 with the exception of the adoption of AASB 16 'Leases'.

AASB 16 'Leases' became mandatorily effective for the reporting period commencing on 1 January 2019. Accordingly, the standard applies for the first time to this set of interim financial statements. The nature and effect of changes arising from the standard 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, with the exception of AASB 16 'Leases', did not have a 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.

b) AASB 16 'Leases'

AASB 16 'Leases' replaced AASB 117 'Leases' along with three interpretations namely; determining whether an arrangement contains a lease, operating leases-incentives and evaluating the substance of transactions involving the legal form of a lease.

The new Standard has been adopted by the Group using the modified retrospective approach with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. In doing so, the Group has used the following practical expedients permitted by the standard when using the modified retrospective method;

- the use of a single discount rate to a portfolio of leases;
- relying in previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- the accounting for operating leases with remaining lease term of less than 12 months of initial application as a short-term lease and recognise lease rentals as an expense;
- not carrying out transition adjustments for low value assets and accounting for same on a straight-line basis,
- exclusion of initial direct costs in arriving at the right-of-use asset value; and
- use of hindsight in determining the lease term where there are options to extend or terminate the lease.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

For contracts which are classified as leases under AASB 16 'Leases', recognition of lease expenses on a straight-line basis and therefore being included in the operating costs, has been replaced with a depreciation charge for the right-of-use asset and an interest expense on the corresponding lease liability. Due to replacing of lease expenses otherwise included under operating costs, by interest expense and depreciation, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) has been improved.

A Right-of-use asset has been recognised in the balance sheet, along with a corresponding lease liability, split between current and non-current liabilities.

In the statement of cash flows, lease payments have been separated in to both a principal component (included under financing activities) and an interest component (included under operating activities). There is no impact to the net cash flow for the period.

The operating leases for the office premises in Sydney and Melbourne were classified as leases under AASB 16. Rental agreements for foreign entities did not fall into the category of leases under AASB 16 as the remaining lease term as at the initial adoption date of 1 July 2019, was less than 12 months. Further agreements for the hiring of printers did not qualify as leases as they are low value assets.

The following is a reconciliation of total operating lease commitments as at 30 June 2019 to the lease liabilities recognised as at 1 July 2019.

	$
Total operating lease commitments disclosed as at 30 June 2019	**2,838,515**
Deduct: Low Value Assets	(7,704)
Deduct: Leases with remaining lease term of less than 12 months	(185,122)
Deduct: Variable Lease Payments not recognised	(341,057)
Adjustment for lease incentive liability excluded in operating lease commitments	482,424
Discounted using lessee's incremental borrowing rate	(314,257)
Lease Liability Recognised as at 1 July 2019	**2,472,799**

Upon adoption of AASB 16 'Leases', following amounts were recognised on 1 July 2019:

- a make good provision of $151,266 which is the present value of estimated make good costs as at lease commencement date;
- Depreciation relating to make good costs up to 30 June 2019 $51,556;
- net book value of make good costs as at 1 July 2019 $ 99,710;
- lease liabilities of $2,472,799;
- reversal of existing lease incentive liability of $469,411 (merged with the right-of-use asset);
- right-of-use assets of $2,629,243 which included
    - the lease liability $2,472,799
    - less existing lease incentive liability of $469,411
    - the net book value of leasehold improvements of $526,145
    - make good costs $99,710 as at 1 July 2019;
- Unwinding of discount relating to make good costs up to 30 June 2019 $14,593; and
- reversal of existing make good provision of $49,591 included under accrued expenses as of 30 June 2019.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

On the date of the initial application of AASB16 'Lease", 1 July 2019, the impact to retained earnings of the Group is as follows:

Expense/Expense reversal	Other Equity $	Accumulated Losses $	Total Equity $
Depreciation relating to make good costs up to 30 June 2019	-	(51,556)	(51,556)
Unwinding of discount relating to make good costs up to 30 June 2019	-	(14,593)	(14,593)
Reversal of existing make good provision included under accrued expenses	-	49,591	45,591
Total	**-**	**(16,558)**	**(16,558)**

The tables below highlight the impact of AASB 16 'Leases' on the Group's statement of profit or loss and other comprehensive income, the statement of financial position and the statement of cash flows for the interim period ending 31 December 2019.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extract)	Amounts under AASB 117 $	Adjustments $	Amounts under AASB 16 $
Lease - rental premises	539,519	(327,798)	211,721
Other expenses	481,561	(15,660)	465,901
Depreciation and amortisation expenses	1,510,882	317,043	1,827,925
Interest Expense	-	73,820	73,820
Loss after income tax expense	**4,059,365**	**47,405**	**4,106,770**
Total comprehensive loss for the half-year	**4,030,977**	**47,405**	**4,078,382**

Consolidated Statement of Financial Position (Extract)	Amounts under AASB 117 $	Adjustments $	Amounts under AASB 16 $
Non-Current Assets			
Property, plant & equipment	487,591	1,786,055	2,273,646
Total Assets	**41,747,272**	**1,786,055**	**43,533,327**
Current Liabilities			
Trade and other payables	7,385,275	(65,252)	7,320,023
Lease Incentive Liability	146,300	(146,300)	-
Lease Liability	-	826,323	826,323
Non-Current Liabilities			
Lease Incentive Liability	249,960	(249,960)	-
Lease Liability	-	1,314,767	1,314,767
Provisions	-	170,441	170,441
Total Liabilities	**10,760,063**	**1,850,018**	**12,610,081**
Net Assets	**30,987,209**	**(63,963)**	**30,923,246**
Equity			
Accumulated losses	(120,949,610)	(63,963)	(121,013,573)
Total Equity	**30,987,209**	**(63,963)**	**30,923,246**

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

Consolidated Statement of Financial Position (Extract)	**Amounts under AASB 117**	**Adjustments**	**Amounts under AASB 16**
	$	**$**	**$**
Cash Flows from Operating Activities			
Payments to trade creditors, other creditors and employees	(11,443,373)	441,046	(11,002,327)
Interest paid	-	(76,166)	(76,166)
Net cash outflow from operating activities	**(1,878,207)**	**364,880**	**(1,513,327)**
Cash flows from financing activities			
Payments for Leased Assets	-	(364,880)	(364,880)
Net cash outflow from financing activities	**5,342,375**	**(364,880)**	**4,977,495**
Net increase (decrease) in cash held	**950,623**	**-**	**950,623**

c) Going Concern

Management continues to invest resources to support growth in trading fees, primarily from holding companies in the US market.

In December 2019 the Group successfully raised $6.4 million via share placements, resulting in $5.3 million net cash inflows in the period under review, with an additional net $0.7 million received in February 2020.

Inflows from financing activities ($5.0 million), combined with the net cash outflows from operating and investing activities ($4.0 million), resulted in a net cash inflow $1.0 million in the period under review. Management anticipate incurring further net cash outflows from operations until such time as sufficient revenue growth is achieved.

Based on the findings made by Innovation and Science Australia in relation to the FY16 R&D activities, the ATO has amended the R&D Tax Incentive Offset for FY16 and will seek repayment of $1.5m previously paid to the Group. The ATO has advised the FY2019 R&D refund of $2.0m will be offset by the $1.5m relating to the disputed FY2016 R&D claim. The Group is reviewing the options available to it under the scheme to defend the legitimacy of its claim. These include a review of the findings by the Administrative Appeals Tribunal (AAT).

A delay in expected growth in revenues has the potential to create a cash flow risk to the Group 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 Group will be able to continue to pay its debts as and when they fall due for the following reasons:

- the Group had a cash position of $9.2 million at 31 December 2019;
- strong Symphony licence fees to continue in FY20;
- 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 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.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (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 2019, 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 2019 are the relevant policies for the purposes of comparatives.

Accounting policy applicable from 1 July 2019

AASB 16 'Leases' became effective for periods beginning on or after 1 January 2019. Accordingly, the Group applied AASB 16 for the interim period ended 31 December 2019.

The new standard stipulated, a right-of-use asset and a corresponding lease liability be recognised at the commencement of a lease. The right-of-use asset should be recognised at an amount equal to the initial measurement of the lease liability, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

The lease liability should be measured at the present value of future lease payments comprising; fixed lease payments less incentives, variable lease payments, residual guarantees payable, payment of purchase options where exercise is reasonably certain and any anticipated termination penalties. The lease payments needed to be discounted at the rate implicit in the lease, or where not readily determinable, at the entity's incremental borrowing rate.

AASB 16 'Leases' provides lessees with a choice between two transition approaches.

1. Fully Retrospective Approach - Under this method, the financial statements are presented as if AASB 16 'Leases' has always been applied. The impact of adoption is adjusted in the opening balance sheet of the earliest period presented and comparative amounts are reinstated for each prior period presented. The rate used to discount the cash flows should be the prevailing rate on the commencement date of the lease.

2. Modified Retrospective Method- The cumulative effect of adopting AASB 16 'Leases' is recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods are not restated. The Group have chosen this method as its method of transition.

For any new contracts entered or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, a part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations as follows:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the scope of the contract: and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the liability is remeasured, the corresponding amount is reflected in the right-of-use asset.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (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 2019

	APAC	EMEA	The Americas	Total
	$	$	$	$
Revenue from Trading Technology	**3,664,543**	**352,697**	**189,854**	**4,207,094**
Revenue from Services	**904,157**	**7,447**	**-**	**911,604**
Total revenue from services rendered	**4,568,700**	**360,144**	**189,854**	**5,118,698**
Segment result from continuing operations	**42,741**	**(77,913)**	**(867,634)**	**(902,806)**
Depreciation (included in segment result)	**430,413**	**951**	**2,003**	**433,367**
Amortisation (included in segment result)	**1,394,557**	**-**	**-**	**1,394,557**
Additions to non-current assets	**2,554**	**-**	**-**	**2,554**
Balance Sheet 31 December 2019				
Segment assets	**43,001,950**	**414,521**	**316,279**	**43,732,750**
Segment liabilities	**21,748,000**	**129,194**	**105,297**	**21,982,491**

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

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

Note 3: Segment Information (continued)

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

	December 2019	December 2018
	$	$
Total segment revenue	**5,118,698**	5,026,233
Interest revenue	**15,946**	31,610
Total revenue from continuing operations	**5,134,644**	5,057,843

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

	December 2019	December 2018
	$	$
Total segment result	**(902,806)**	(2,430,845)
Interest revenue	**15,946**	31,610
Total other income	**207,485**	159,136
Share option expenses	**(62,546)**	(216,050)
Gain/(Loss) on foreign exchange	**(8,801)**	35,291
Income tax refund	**2,229**	(1,428)
Interest expenses	**(73,820)**	-
Other head office expenses	**(1,756,723)**	(1,921,293)
Provision for R&D Claim - Financial Year 2015/2016	**(1,527,734)**	-
Loss after tax from continuing operations	**(4,106,770)**	(4,343,579)

Reportable segment assets are reconciled to total assets as follows:

	December 2019	June 2019
	$	$
Total segment assets	**43,732,750**	40,134,831
Head office assets	**49,906,971**	48,085,810
Intersegment eliminations	**(50,106,394)**	(50,106,395)
Total assets per the statement of financial position	**43,533,327**	38,114,246

Reportable segment liabilities are reconciled to total liabilities as follows:

	December 2019	June 2019
	$	$
Total segment liabilities	**(21,982,491)**	(19,814,017)
Head office liabilities	**(2,393,057)**	(491,016)
Intersegment eliminations	**11,765,467**	11,787,907
Total liabilities per the statement of financial position	**(12,610,081)**	(8,517,126)

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

Note 4: Revenue and Other Income

	December 2019	December 2018
	$	$
Revenue		
Revenue from Trading Technology	**4,207,094**	4,190,825
Revenue from Services	**911,604**	835,408
Total revenue from services rendered	**5,118,698**	5,026,233
Interest income	**15,946**	31,610
Total revenue from continuing operations	**5,134,644**	5,057,843
Other income		
Grant income	**207,485**	159,136
Total other income	**207,485**	159,136
Total revenue and other income	**5,342,129**	5,216,979

Note 5: Expenses

Loss before income tax includes the following specific expenses:

	December 2019	December 2018
	$	$
Depreciation and amortisation		
Amortisation – Software development costs	**1,394,557**	2,836,980
Depreciation – Leasehold improvements	**-**	81,678
Amortisation – Right of Use Assets	**398,720**	-
Depreciation – Computer & equipment	**32,350**	46,803
Depreciation – Plant and equipment	**2,298**	2,636
Total depreciation and amortisation	**1,827,925**	**2,968,097**
Employee related Expenses		
Employee benefits expense	**3,936,524**	3,896,278
Total capitalised development wages	**2,698,417**	2,796,544
Employee benefits included in Share based payment expense	**59,287**	203,973
Total employee benefits	**6,694,228**	6,896,795
Capitalised development wages (net of related grants)	**1,918,563**	1,924,356
Development wages expensed in the period	**779,854**	872,188
Total development wages	**2,698,417**	2,796,544
Superannuation expense	**432,813**	420,986
Foreign currency (gain)/ loss	**8,801**	(35,292)

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

Note 6: Trade & Other Receivables

	31 December 2019 $	30 June 2019 $
Current:		
Trade debtors	**5,500,366**	4,260,637
Less: Allowance for impairment	**(1,699)**	(2,782)
Trade debtors not impaired	**5,498,667**	4,257,855
Research and Development grant receivable	**2,846,019**	1,887,381
Provision for R&D Claim for Financial Year 2015/2016	**(1,527,734)**	-
Other receivables	**84,014**	56,165
Prepayments	**218,566**	223,258
	7,119,532	6,424,659

During the period the Group made a one-off provision of $1,527,734 for the part repayment of the FY16 R&D claim.

In December 2019 the Group was advised by Innovation & Science Australia that the preliminary decision regarding ineligible activities within the FY16 R&D claim was upheld. The Group is reviewing the options available to it under the scheme to appeal these findings and defend the legitimacy of its claim. These include a review of the findings by the Administrative Appeals Tribunal (AAT).

Based on the findings made by Innovation and Science Australia in relation to the FY16 R&D activities, the R&D Tax Incentive Offset for FY16 has been amended. The ATO has advised the FY2019 R&D refund of $2.0m will be offset by the $1.5m relating to the disputed FY2016 R&D claim.

In the event the Group is successful in overturning the AusIndustry decision, this provision will be reversed.

The ATO has also requested the Group supply supplementary records to confirm expenditures related to the 2019 claim prior to release of the net refund ($329k, including other tax adjustments). The Group anticipates providing the requested information in the March 2020 quarter. As such the Group expects to receive the net refund in the June 2020 quarter.

Fair value of receivables

Fair value of receivables at period end is measured to be the same as receivables net of the allowance for impairment.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

Note 7: Intangible Assets

Period ended 31 December 2019

	Internally Developed Software $	Domain Name $	Intellectual Property $	Goodwill $	Total $
Opening net book amount	**7,686,228**	**38,267**	**-**	**15,161,939**	**22,886,434**
Acquisitions	**1,918,563**	**-**	**-**	**-**	**1,918,563**
Amortisation	**(1,394,557)**	**-**	**-**	**-**	**(1,394,557)**
Carrying amount at 31 December 2019	**8,210,234**	**38,267**	**-**	**15,161,939**	**23,410,440**
At 31 December 2019					
Cost	**17,318,752**	**38,267**	**29,045,250**	**15,161,939**	**61,564,208**
Accumulated amortisation and impairment	**(9,108,518)**	**-**	**(29,045,250)**	**-**	**(38,153,768)**
Carrying amount at 31 December 2019	**8,210,234**	**38,267**	**-**	**15,161,939**	**23,410,440**

Period ended 30 June 2019

	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	3,792,752	-	-	-	3,792,752
Amortisation	(2,569,359)	-	(1,539,727)	-	(4,109,086)
Carrying amount at 30 June 2019	7,686,228	38,267	-	15,161,939	22,886,434
At 30 June 2019					
Cost	15,400,189	38,267	29,045,251	15,161,939	59,645,646
Accumulated amortisation and impairment	(7,713,961)	-	(29,045,251)	-	(36,759,212)
Carrying amount at 30 June 2019	7,686,228	38,267	-	15,161,939	22,886,434

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

Note 8: Property, Plant & Equipment

Period ended 31 December 2019

	Leasehold Improvements $	Right of Use Assets $	Plant and Equipment $	Computer Equipment $	Total $
Carrying amount at 01 July 2019	**526,145**	**-**	**8,593**	**66,501**	**601,239**
AASB 16 Adjustment (note 1.b)	(526,145)	2,629,244	-	-	2,103,099
Additions	-	-	2,009	545	2,554
Depreciation/amortisation expense	-	(398,720)	(2,298)	(32,350)	(433,368)
Net foreign exchange differences	-	-	4	118	122
Carrying amount at 31 December 2019	**-**	**2,230,524**	**8,308**	**34,814**	**2,273,646**

Note 9: Lease Liabilities

	31 December 2019 $	30 June 2019 $
Current: Lease Incentives Liability (note 1.b)	-	146,300
Current Lease liability (note 1.b)	**826,323**	-
	826,323	146,300
Non-Current: Lease Incentives Liability (note 1.b)	-	323,110
Non-Current: Lease Liability (note 1.b)	**1,314,767**	-
	1,314,767	323,110

Note 10: Equity Securities Issued

Issues of Ordinary Shares during the half-year	December 2019 $	December 2018 $
New Ordinary Shares issued – value $	**5,358,520**	3,384,553
Treasury Shares movement – value $	**-**	105,000
Total Ordinary Shares issued – value $	**5,358,520**	3,489,553
New Ordinary Shares issued – number	**226,000,000**	140,000,000
Treasury Shares movement – number	**-**	1,000,000
Ordinary Shares issued – number	**226,000,000**	141,000,000

In December 2019 Adslot successfully completed a placement of new shares. The placement was conducted in two tranches. The first tranche comprising of 226,000,000 shares issued on 9 December 2019.

The second tranche comprising of 30,000,000 shares issued on 29 January 2020, following approval by shareholders at a general meeting.

Notes to the Financial Statements for the Half-Year ended 31 December 2019 (Continued)

Note 11: Contributed equity

	Dec 2019 Number	Jun 2019 Number	Dec 2019 $	Jun 2019 $
Ordinary Shares – Fully Paid	**1,813,875,994**	1,587,875,994	**151,196,736**	145,838,216

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-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
09-May-19	Share Placement	160,000,000	0.025	(233,270)	3,766,730
30-Jun-19		1,588,006,269		(2,970,764)	145,850,683
	Less: Treasury shares	(130,275)		-	(12,467)
30-Jun-19	Balance	1,587,875,994		(2,970,764)	145,838,216
01-Jul-19	**Balance (including Treasury shares)**	1,588,006,269		(2,970,764)	145,850,683
10-Dec-19	Share Placement	226,000,000	0.025	(291,480)	5,358,520
31-Dec-19		**1,814,006,269**		**(3,262,244)**	**151,209,203**
	Less: Treasury shares	(130,275)		-	(12,467)
31-Dec-19	**Balance**	**1,813,875,994**		**(3,262,244)**	**151,196,736**

Note 12: Events subsequent to reporting date

There have 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 20 are in accordance with the *Corporations Act 2001*, including:

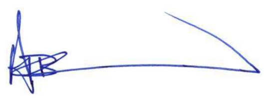
i) complying with Accounting Standards, AASB 134 interim financial reporting, the Corporations *Regulations 2001* and other mandatory professional reporting requirements; and

ii) giving a true and fair view of the Group's financial position as at 31 December 2019 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 2020

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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 2019, 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 2020

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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) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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.

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 2019, 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 Group incurred a net loss of $4.1m during the half year ended 31 December 2019 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 2020 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 2019 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 2020