

**Adslot Ltd ABN 70 001 287 510
and controlled entities**

**Half-Year Financial Report
31 December 2020**

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 2020 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 2020
APPENDIX 4D (Rule 4.2A.3)
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2020	December 2019	Movement	
	\$	\$	\$	%
Total revenue from continuing operations	4,043,365	5,134,644	(1,091,279)	(21%)
Net loss attributable to members of the parent entity after tax	(2,831,904)	(4,106,770)	1,274,866	31%
Net loss attributable to members of the parent entity	(2,831,904)	(4,106,770)	1,274,866	31%

Dividends

The Group has not proposed or declared to pay dividends.

Earnings Per Share	December 2020	December 2019
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	1,854,203,955	1,613,669,472
Basic loss per share (cents)	(0.15)	(0.25)
Diluted loss per share (cents)	(0.15)	(0.25)
Net Tangible Assets per share	December 2020	June 2020
Number of ordinary shares on issue used in the calculation of net tangible assets per share	1,970,565,650	1,843,875,994
Net tangible assets per share (cents)	0.26	0.23

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 2020.

Directors

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

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

Review of Operations

Group results for the six months to 31 December 2020, benchmarked against the corresponding six-month period in 2019, were:

	6 months to December 2020	6 months to December 2019	Movement	
	\$	\$	\$	%
Trading technology revenue	3,138,209	4,207,094	(1,068,885)	(25%)
Total revenue and other income	5,014,848	5,342,129	(327,281)	(6%)
EBITDA (loss)	(912,881)	(2,183,306)	1,270,425	58%
Adjusted EBITDA (loss) ¹	(912,881)	(655,572)	(257,309)	(39%)
NPAT (loss)	(2,831,904)	(4,106,770)	1,274,866	31%

¹ Adjusted EBITDA (loss): Adding back once off Provision for R&D Claim for Financial Year 2015/2016 to 6 months to December 2019 EBITDA (note 5)

The six months to 31 December 2020 represented a challenging period for businesses globally with the impacts of the COVID-19 pandemic fully realising themselves during this time. The media industry was no exception to this and also confronted additional challenges with the largest media market, the United States, beset with social and political instability. This period saw many brands pause campaigns or reduce advertising activity while media agencies sought opportunities to reduce operating expenses as their revenues fell. These impacts were felt across both components of the Group's trading technology revenues; namely trading fees (predominantly Adslot Media) and licence fees (predominantly Symphony).

Despite these challenges, total revenue and other income for the six months to 31 December 2020 reduced by only 6% compared to the corresponding period to 31 December 2019. This result was driven by a growth in trading fee revenues of 83% to \$0.7 million compared to the prior half and increase of 27% compared to the pcp. This growth was offset by a lowering of licence fees from GroupM as a result of both temporary and permanent fee reductions related to the amended agreement negotiated over 2020. Given the GroupM licence fees are denominated in US dollars, the strengthening of the Australian dollar during the year also had a material adverse impact on licence fee revenues.

Notwithstanding delays to the Group's planned activation of Adslot Media with previously contracted clients, the December 2020 quarter was the second consecutive record quarter for trading on the Adslot Media platform and the third consecutive quarter of trading volume growth. The value of media traded was \$7.0 million, an increase of 13% compared to the September 2020 quarter (\$6.2 million) and 79% compared to the prior corresponding period.

During 2020, the Group received a request from GroupM to assist with reducing its IT related expenditures following the impacts of COVID-19 by way of a series of mutually beneficial amendments to its agreement including a multi-year extension to the term of the agreement. In March 2020, the Group removed twenty external development contractors dedicated to GroupM activities, with a further reduction of in dedicated development resources in July 2020. These resource reductions saw an associated reduction in the Group's revenues and a corresponding reduction in costs.

Subsequently the Group agreed in principle to a number of additional temporary fee reductions for the remainder of 2020 including caps on market tiers and the suspension of certain resource related fees. These in principle amendments are still subject to final documentation but the historical and expected future financial impact is as follows:

- temporary fee reductions and market tier caps under the terms of the amended agreement resulted in a US\$159k reduction in licence fee revenues during the half year to 31 December 2020; and
- the reinstalment of market tiers is expected to have an annualised positive impact on licence fee revenues of US\$483k from 1 January 2021.

In 2020 the Group signed an integration agreement with Kalin Setterberg Data SV (KSD), owner of the Marathon platform to jointly market a complete workflow solution for all media types. In October 2020 the Group successfully deployed Symphony for OMG in the Netherlands, being the first market to utilise the integration between Symphony and the Marathon ERP solution.

Licence fees at \$2.5 million reduced 33% compared to the pcp and trading technology revenue at \$3.1 million was down 25% on the pcp. Revenue from Services at \$0.9 million was flat with a reduction in Webfirm revenue being offset by higher Symphony activation fees.

Grant income at \$1.0 million in the period included \$0.8 million JobKeeper stimulus from the Australian Government. The Group expects to receive an additional \$0.2 million for JobKeeper in the half year to June 2021.

Total revenue and other income was \$5.0 million versus \$5.3 million in the pcp.

Employment costs reduced by 9% over the period due to COVID-19 salary reduction initiatives implemented to date, including salary reductions in the September 2020 quarter across all employees (average of 12%) and savings from reduced headcount in FY20. Operating costs at \$5.9 million reduced by 1% compared to the pcp.

In the half year to December 2019, the Group made a one-off provision of \$1.5 million for the part repayment of the FY16 R&D claim (see Note 5), impacting EBITDA and NPAT. The adjusted EBITDA loss (excluding the impact of the provision) increased by only \$0.3 million, the reduction in revenue was partially offset by the reduction in operating costs. The NPAT loss at \$2.8 million increased by 10% against the pcp. Excluding the FY16 R&D provision, the NPAT loss reduced by 31% compared to the pcp.

In December 2020 the Group successfully raised \$4.0 million via share placements, resulting in \$3.5 million net cash inflows in the period under review, with an additional net \$0.3 million received in February 2021. The Group had a cash position of \$7.5 million at 31 December 2020.

The FY20 R&D claim of \$1.7 million was received in February 2021.

Future Developments

The Group's core objective to deliver further trading fee revenue from the Adslot Media platform is to activate currently contracted agency groups to drive strong growth in trading activity. Adslot has Master Services Agreements (MSAs) in place with Matterkind (IPG), Havas and Amplifi (Dentsu) and an interim trading arrangement with Publicis.

Trading activity commenced in 2020 with three of the contracted agency groups. Significant increases in trading is expected in the second half of the 2021 financial year across all regions with the majority of growth expected from the US market. The Group has also recently announced multiple agreements for private marketplaces in the US and UK markets including Flowershop Media and Greenlight Digital. Activation of these marketplaces during the second half of the 2021 financial year is also expected to contribute to the growth in trading fee revenues. The Group has ongoing MSA discussions with the remaining global agency holding companies and a number of large independent agencies.

The Group expects stronger Symphony licence fees in the second half of the 2021 financial year taking into consideration the impact of the new GroupM arrangement, primarily licence fees reverting back to floating market tiers as of January 2021.

More integrated deployments are expected in Europe in the second half of 2021 from the Symphony-Marathon partnership. This partnership opens up further opportunities in the European market for existing KSD clients and prospective new clients for both organisations.

The Group continues to review its operations with careful cost management to maintain the more efficient cost base achieved in the prior two years.

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 2020 under Section 307C of the *Corporations Act 2001* is set out on page 20.

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

On behalf of the Directors.



Andrew Barlow
Chairman

Melbourne
24 February 2021

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2020**

	Note	December 2020	December 2019
		\$	\$
Total revenue from continuing operations	3	4,043,365	5,134,644
Other income	3	971,483	207,485
Total revenue and other income		5,014,848	5,342,129
Hosting & other related technology costs		(726,401)	(662,122)
Employee benefits expense	4	(3,566,800)	(3,936,524)
Other operating expenses	4	(1,204,952)	(1,321,659)
Impairment of receivables		(2,862)	1,096
Share based payment expense		(421,778)	(62,546)
Depreciation and amortisation expenses	4	(1,804,063)	(1,827,925)
Provision for R&D Claim for Financial Year 2015/2016	5	-	(1,527,734)
Interest Expense		(47,827)	(73,820)
Total expenses		(7,774,683)	(9,411,234)
Loss before income tax expense		(2,759,835)	(4,069,105)
Income tax expense		(72,069)	(37,665)
Loss after income tax expense		(2,831,904)	(4,106,770)
Net loss attributable to members of the parent entity		(2,831,904)	(4,106,770)
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign exchange translation		(39,582)	28,388
Total other comprehensive income		(39,582)	28,388
Total comprehensive loss for the half-year attributable to members		(2,871,486)	(4,078,382)
Earnings per share			
Basic earnings per share (cents)		(0.15)	(0.25)
Diluted earnings per share (cents)		(0.15)	(0.25)

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 2020

	Notes	December 2020 \$	June 2020 \$
Current Assets			
Cash and cash equivalents		7,474,730	6,160,440
Trade and other receivables	5	6,088,823	5,032,434
Total current assets		13,563,553	11,192,874
Non-Current Assets			
Property, plant and equipment	7	2,090,658	1,845,736
Deferred tax assets		34,386	36,370
Intangible assets	6	13,144,928	13,184,940
Total non-current assets		15,269,972	15,067,046
Total Assets		28,833,525	26,259,920
Current Liabilities			
Trade and other payables		4,519,866	3,098,704
Other liabilities	8	548,474	685,610
Lease liability		631,031	886,952
Provisions		675,053	634,916
Total current liabilities		6,374,424	5,306,182
Non- Current Liabilities			
Lease liability		1,389,768	960,915
Provisions		764,295	675,146
Deferred tax liabilities		34,386	36,370
Total non-current liabilities		2,188,449	1,672,431
Total Liabilities		8,562,873	6,978,613
Net Assets		20,270,652	19,281,307
Equity			
Issued capital	10	155,305,414	151,866,361
Reserves		1,321,670	939,474
Accumulated losses		(136,356,432)	(133,524,528)
Total Equity		20,270,652	19,281,307

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 2020**

31 December 2020

	Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2020 reported		151,866,361	939,474	(133,524,528)	19,281,307
Movement in foreign exchange translation reserve		-	(39,582)	-	(39,582)
Other comprehensive income/(loss)		-	(39,582)	-	(39,582)
Loss attributable to members of the company		-	-	(2,831,904)	(2,831,904)
Total comprehensive income/(loss)		-	(39,582)	(2,831,904)	(2,871,486)
Transactions with equity holders in their capacity as equity holders					
Contributions of equity, net of capital raising costs	9	3,439,053	-	-	3,439,053
Increase in employees share based payments reserve		-	421,778	-	421,778
		3,439,053	421,778	-	3,860,831
Balance 31 December 2020		155,305,414	1,321,670	(136,356,432)	20,270,652

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	9	5,358,520	-	-	5,358,520
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

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 2020

	Note	December 2020	December 2019
		\$	\$
Cash flows from operating activities			
Receipts from trade and other debtors		6,215,939	9,543,978
Interest received		9,659	16,772
Government grants		901,558	-
Payments to trade creditors, other creditors and employees		(6,767,305)	(11,002,327)
Income tax refund		1,118	4,416
Interest paid		(51,359)	(76,166)
Net cash inflows/(outflows) from operating activities		309,610	(1,513,327)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,809)
Payment for intangible assets		(1,696,322)	(2,510,736)
Net cash outflows from investing activities		(1,696,322)	(2,513,545)
Cash flows from financing activities			
Proceeds from issue of shares		3,674,000	5,650,000
Payments of equity raising costs		(218,394)	(307,625)
Payments for leased assets		(364,773)	(364,880)
Net cash inflows from financing activities		3,090,833	4,977,495
Net increase/(decrease) in cash held		1,704,121	950,623
Cash at the beginning of the half-year		6,160,440	8,165,544
Effect of exchange rate changes on cash		(389,831)	49,438
Cash at the end of the half-year		7,474,730	9,165,605

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 2020**Note 1: Basis of preparation of half-year financial report**

This general purpose financial report for the half-year ended 31 December 2020 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 2020 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 2020. 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 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) Going Concern

Management continues to invest resources to support growth in trading fees.

In December 2020 the Group successfully raised \$4.0 million via share placements, resulting in \$3.5 million net cash inflows in the period under review, with an additional net \$0.3 million received in February 2021.

Inflows from financing activities of \$3.1 million, combined with the net cash outflows from operating and investing activities of \$1.4 million, resulted in a net cash inflow \$1.7 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 amended the R&D Tax Incentive Offset for FY16. The Group continues to defend the legitimacy of its claim and has requested a review of the findings by the Administrative Appeals Tribunal (AAT). If successful, \$1.5 million will be refunded to the Group.

The FY2020 R&D claim of \$1.7m was received in February 2021.

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 \$7.5 million at 31 December 2020;
- an additional \$2.0 million in cash received after 31 December 2020; \$1.7 million from the FY2020 R&D claim and \$0.3 million from the Tranche 2 capital raise;
- Symphony licence fees are largely recurring and predictable;
- ongoing cost management initiatives including ongoing COVID stimulus packages and reduced office space; benefits from the 2020 reduction to office space in each market, reducing the largest fixed cost of the business outside salaries;

Notes to the Financial Statements for the Half-Year ended 31 December 2020 (Continued)

- the opportunity to implement further cost reductions; and
- the Group has a proven track record of successfully raising capital from existing and new investors.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios regarding the impact of the COVID-19 pandemic on the Group's current and future earnings were critically reviewed.

While media spend globally reduced in the 2020 financial year, digital media (the group's market), had lower decreases compared to other channels, including cinema, out-of-home and print media. It is noted that all markets in which the Group operates have experienced increased media trading from the March 2020 low.

The full financial impacts of COVID-19 in Australia and across the globe are inherently uncertain. However as described above, the Group is well placed to respond to any opportunities.

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 2020 (Continued)**Note 2: 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 2020

	APAC	EMEA	The Americas	Total
	\$	\$	\$	\$
Total revenue from services rendered	3,175,417	799,884	63,128	4,038,429
Segment result from continuing operations	(1,076,562)	332,949	(952,753)	(1,696,366)
Depreciation (included in segment result)	386,330	730	931	387,991
Amortisation (included in segment result)	1,416,072	-	-	1,416,072
Additions/ (write off) to non-current assets	(42,784)	-	-	(42,784)

Balance Sheet 31 December 2020

Segment assets	29,620,505	292,441	457,248	30,370,194
Segment liabilities	19,015,724	115,194	208,449	19,339,367

Half-year ended 31 December 2019

	APAC	EMEA	The Americas	Total
	\$	\$	\$	\$
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

Notes to the Financial Statements for the Half-Year ended 31 December 2020 (Continued)

Note 2: Segment Information (continued)

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

	December 2020	December 2019
	\$	\$
Total segment revenue	4,038,429	5,118,698
Interest revenue	4,936	15,946
Total revenue from continuing operations	4,043,365	5,134,644

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

	December 2020	December 2019
	\$	\$
Total segment result	(1,696,366)	(902,806)
Interest revenue	4,936	15,946
Total other income	971,483	207,485
Share option expenses	(421,778)	(62,546)
Gain/(Loss) on foreign exchange	(252,403)	(8,801)
Income tax benefit/(expense)	(814)	2,229
Interest expenses	(47,827)	(73,820)
Profit/(Loss) on write-off of fixed asset	(1,920)	-
Other head office income/(expenses) not allocated in segment result	(1,387,215)	(1,756,723)
Provision for R&D Claim - Financial Year 2015/2016	-	(1,527,734)
Loss after tax from continuing operations	(2,831,904)	(4,106,770)

Reportable segment assets are reconciled to total assets as follows:

	December 2020	June 2020
	\$	\$
Total segment assets	30,370,193	29,714,399
Head office assets	50,092,168	48,179,649
Intersegment eliminations	(51,628,836)	(51,634,128)
Total assets per the statement of financial position	28,833,525	26,259,920

Reportable segment liabilities are reconciled to total liabilities as follows:

	December 2020	June 2020
	\$	\$
Total segment liabilities	19,339,367	18,256,492
Head office liabilities	2,653,293	2,315,740
Intersegment eliminations	(13,429,787)	(13,593,619)
Total liabilities per the statement of financial position	8,562,873	6,978,613

Notes to the Financial Statements for the Half-Year ended 31 December 2020 (Continued)

Note 3: Revenue and Other Income

	December 2020	December 2019
	\$	\$
Revenue		
Revenue from Trading Technology	3,138,209	4,207,094
Revenue from Services	900,220	911,604
Total revenue from services rendered	<u>4,038,429</u>	<u>5,118,698</u>
Interest income	4,936	15,946
Total revenue from continuing operations	<u><u>4,043,365</u></u>	<u><u>5,134,644</u></u>
Other income		
Grant income	971,483	207,485
Total other income	<u>971,483</u>	<u>207,485</u>
Total revenue and other income	<u><u>5,014,848</u></u>	<u><u>5,342,129</u></u>

Note 4: Expenses

Loss before income tax includes the following specific expenses:

	December 2020	December 2019
	\$	\$
Other operating expenses		
Recruitment costs	4,997	26,562
Directors' fees	62,500	167,898
Marketing costs	7,856	90,417
Lease-rental premises	131,644	211,721
Listing & registrar fees	30,465	33,486
Legal expense	49,602	35,138
Travel expense	6,670	121,233
Consultancy fees	267,666	66,168
Audit and accountancy fees	108,771	103,135
Other expenses	534,781	465,901
	<u>1,204,952</u>	<u>1,321,659</u>
Depreciation and amortisation		
Amortisation – Software development costs	1,416,072	1,394,557
Amortisation – Right of Use Assets	378,796	398,720
Depreciation – Computer & equipment	7,565	32,350
Depreciation – Plant and equipment	1,630	2,298
Total depreciation and amortisation	<u>1,804,063</u>	<u>1,827,925</u>

Notes to the Financial Statements for the Half-Year ended 31 December 2020 (Continued)

Note 4: Expenses (continued)

	December 2020	December 2019
	\$	\$
Employee related Expenses		
Employee benefits expense	3,566,800	3,936,524
Total capitalised development wages	1,692,320	2,698,417
Employee benefits included in Share based payment expense	377,155	59,287
Total employee benefits	<u>5,636,275</u>	<u>6,694,228</u>
Capitalised development wages (net of related grants)	1,376,059	1,918,563
Capitalised development wages included in the R&D grant	316,261	779,854
Total development wages	<u>1,692,320</u>	<u>2,698,417</u>
Defined contribution superannuation expense included in Employee benefit expense	361,340	432,813
Foreign currency (gain)/loss included in Other expenses	252,403	8,801

Note 5: Trade & Other Receivables

	31 December 2020	30 June 2020
	\$	\$
Current:		
Trade debtors	3,464,095	2,639,552
Less: Allowance for impairment	(21,948)	(19,085)
Trade debtors not impaired	<u>3,442,147</u>	<u>2,620,467</u>
Research and Development grant receivable	3,894,205	3,416,119
Provision for R&D Claim for Financial Year 2015/2016	(1,527,734)	(1,527,734)
Other receivables	150,307	313,859
Prepayments	129,898	209,723
	<u>6,088,823</u>	<u>5,032,434</u>

In December 2019 the Group was advised by Innovation & Science Australia that the FY16 R&D claim included ineligible activities and offset the disputed amount against the FY2019 R&D refund. The Group continues to appeal these findings and defend the legitimacy of its claim and has requested a review of the findings by the Administrative Appeals Tribunal (AAT).

During the financial year ended 30 June 2020 the Group made a one-off provision of \$1,527,734 for the part repayment of the disputed FY16 R&D claim. In the event the Group is successful in overturning the AusIndustry decision, this provision will be reversed.

The \$3.9 million R&D grant receivable includes \$1.5 million of the FY19 R&D receivable (offsetting the FY16 R&D provision), the \$1.7 million for the FY20 R&D grant receivable and \$0.6 million accrued year to date for FY21. The FY20 grant of \$1.7m was received in full on 4 February 2021.

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 2020 (Continued)

Note 6: Intangible Assets

Period ended 31 December 2020

	Internally Developed Software \$	Domain Name \$	Intellectual Property \$	Goodwill \$	Total \$
Opening net book amount	7,984,734	38,267	-	5,161,939	13,184,940
Acquisitions	1,376,059	-	-	-	1,376,059
Amortisation	(1,416,071)	-	-	-	(1,416,071)
Carrying amount at 31 December 2020	7,944,722	38,267	-	5,161,939	13,144,928

At 31 December 2020

Cost	19,889,123	38,267	29,045,251	15,161,939	64,134,580
Accumulated amortisation and impairment	(11,944,401)	-	(29,045,251)	(10,000,000)	(50,989,652)
Carrying amount at 31 December 2020	7,944,722	38,267	-	5,161,939	13,144,928

Period ended 30 June 2020

	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	3,112,875	-	-	-	3,112,875
Amortisation	(2,814,369)	-	-	-	(2,814,369)
Impairment	-	-	-	(10,000,000)	(10,000,000)
Carrying amount at 30 June 2020	7,984,734	38,267	-	5,161,939	13,184,940

At 30 June 2020

Cost	18,513,064	38,267	29,045,251	15,161,939	62,758,521
Accumulated amortisation and impairment	(10,528,330)	-	(29,045,251)	(10,000,000)	(49,573,581)
Carrying amount at 30 June 2020	7,984,734	38,267	-	5,161,939	13,184,940

Notes to the Financial Statements for the Half-Year ended 31 December 2020 (Continued)

Note 7: Property, Plant & Equipment

Period ended 31 December 2020

	Right of Use Assets \$	Plant and Equipment \$	Computer Equipment \$	Total \$
Carrying amount at 01 July 2020	1,817,027	6,716	21,993	1,845,736
Additions	1,766,422	-	1,726	1,768,148
Disposals/Write Offs	(1,132,917)	(1,845)	(76)	(1,134,838)
Depreciation/amortisation expense	(378,796)	(1,630)	(7,565)	(387,991)
Net foreign exchange differences	-	(7)	(390)	(397)
Carrying amount at 31 December 2020	2,071,736	3,234	15,688	2,090,658

Note 8: Other Liabilities

	31 December 2020 \$	30 June 2020 \$
Current: Contract Liabilities	406,585	527,258
Current: Short Term Loan	141,889	158,352
	548,474	685,610

Note 9: Equity Securities Issued

	December 2020 \$	December 2019 \$
Issues of Ordinary Shares during the half-year		
New Ordinary Shares issued – value \$	3,439,053	5,358,520
Treasury Shares movement – value \$	-	-
Total Ordinary Shares issued – value \$	3,439,053	5,358,520
New Ordinary Shares issued – number	126,689,656	226,000,000
Treasury Shares movement – number	-	-
Ordinary Shares issued – number	126,689,656	226,000,000

In December 2020 Adslot successfully completed a placement of new shares. The placement was conducted in two tranches. The first tranche comprising of 126,689,656 shares issued on 16 December 2020.

The second tranche comprising of 11,310,345 shares issued on 2 February 2021, following approval by shareholders at a general meeting.

Notes to the Financial Statements for the Half-Year ended 31 December 2020 (Continued)

Note 10: Contributed equity

	Dec 2020 Number	Jun 2020 Number	Dec 2020 \$	Jun 2020 \$
Ordinary Shares – Fully Paid	1,970,565,650	1,843,875,994	155,305,414	151,866,361

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-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	(347,127)	5,302,873
29-Jan-20	Share Placement	30,000,000	0.025	(24,728)	725,272
30-Jun-20		1,844,006,269		(3,342,619)	151,878,828
	Less: Treasury shares	(130,275)		-	(12,467)
30-Jun-20	Balance	1,843,875,994		(3,342,619)	151,866,361
01-Jul-20	Balance (including Treasury shares)	1,844,006,269		(3,342,619)	151,878,828
17-Dec-20	Share Placement	126,689,656	0.029	(234,947)	3,439,053
31-Dec-20		1,970,695,925		(3,577,566)	155,317,881
	Less: Treasury shares	(130,275)		-	(12,467)
31-Dec-20	Balance	1,970,565,650		(3,577,566)	155,305,414

Note 11: 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 6 to 18 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 2020 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
Chairman

Melbourne
24 February 2021

Auditor's Independence Declaration

To the Directors of Adslot Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Adslot Limited for the year ended 31 December 2020, 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 Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 24 February 2021

Independent Auditor's Report

To the Members of Adslot Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Adslot Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2020, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed 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, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Adslot Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of Adslot Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1(b) in the financial statements which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion 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 2020 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*.

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.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M J Climpson
Partner – Audit & Assurance

Melbourne, 24 February 2021