

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

**Half-Year Financial Report
31 December 2016**

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 2016 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 2016
APPENDIX 4D (Rule 4.2A.3)
RESULTS FOR ANNOUNCEMENT TO THE MARKET

	December 2016	December 2015	Movement	
	\$	\$	\$	%
Total revenue from continuing operations	4,148,852	3,838,746	310,106	8%
Net loss attributable to members of the parent entity after tax	(3,814,162)	(4,149,565)	335,403	8%
Net loss attributable to members of the parent entity	(3,814,162)	(4,149,565)	335,403	8%

Dividends

The Company has not proposed or declared to pay dividends.

Earnings Per Share	December 2016	December 2015
Weighted average number of ordinary shares on issue used in the calculation of earnings per share	1,190,524,562	1,046,054,649
Basic loss per share (cents)	(0.32)	(0.40)
Diluted loss per share (cents)	(0.32)	(0.40)

Net Tangible Assets per share	December 2016	June 2016
Number of ordinary shares on issue used in the calculation of net tangible assets per share	1,280,818,427	1,113,293,224
Net tangible assets per share (cents)	1.52	0.44

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 2016.

Directors

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

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

* Resigned 30 November 2016

Result of Operations

Group results for the 6 months to December 31 2016, benchmarked against the corresponding 6-month period in 2015, were:

	6 months to December 2016	6 months to December 2015
Revenues from continuing operations	\$4,148,852	\$3,838,746
Total revenue and other income	\$4,564,292	\$4,233,270
EBITDA (loss)	(\$1,671,565)	(\$1,457,221)
NPAT (loss)	(\$3,814,162)	(\$4,149,565)

Revenue from continuing operations for the 6 months to 31 December 2016 grew by 8% compared to the corresponding period to 31 December 2015. With a lower expense base this revenue growth also translated into improved EBITDA and NPAT results for the period.

Review of Operations and Future Developments

Trading Technology, comprising License Fees and Trading Fees, continued to drive revenue growth over 1H17, increasing by 36% against the previous corresponding period to \$2.7 million.

As expected the company saw declining revenues from the Services (down \$0.3 million) and Adservicing (down \$0.2 million) legacy parts of the business. These declines were more than offset by the increases in Trading Technology revenues.

Revenue from continuing operations grew to \$4.1 million and Total Group Revenue grew to \$4.6 million.

During the reporting period the Company signed a material contract with groupm to deploy Symphony into multiple new markets. Fully deployed into one EMEA market already, the Company is on track to complete deployments into multiple new markets across APAC and EMEA in 2H FY17.

The cadence of new market deployment activities for FY17 will accelerate throughout CY17 as teams within Adslot and groupm become increasingly proficient.

During the reporting period the Company raised \$18m via a Rights Issue and Placement. The primary objective of the capital raising was to capitalise on the strategic position the Company has established by accelerating product development, and increasing the scale of the sales organisation in key growth markets.

Future Developments

Licence Fees will continue to grow in 2H FY17, as will the value of media transacted over the Symphony platform which provides the longer term strategic value to the Company. Trading Fees in 2H FY17 are much less predictable, due largely to the nascent stage of the industry. Growth in Trading Fees will be in line with industry adoption of Automated Guaranteed trading and the success of the Symphony-Adslot integration.

The Company has built a strategic position by combining the buy and sell side technology and creating global capabilities. With the funds to increase its investment in product & development and sales & marketing Adslot is well placed to execute its growth plan.

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 2016 under Section 307C of the *Corporations Act 2001* is set out on page 17.

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

On behalf of the Directors.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Andrew Barlow
Chairman

Melbourne
27 February 2017

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half-Year Ended 31 December 2016**

	Note	December 2016	December 2015
		\$	\$
Total revenue from continuing operations	3	4,148,852	3,838,746
Other income	3	415,440	394,524
Total revenue and other income		4,564,292	4,233,270
Hosting & other related technology costs		(440,679)	(622,923)
Salaries and employment related costs		(3,770,620)	(3,241,563)
Recruitment costs		(92,156)	(151,667)
Directors' fees		(145,833)	(148,656)
Marketing costs		(55,002)	(43,342)
Lease-rental premises		(508,650)	(439,167)
Impairment of receivables		(14,173)	(33,507)
Listing & registrar fees		(71,733)	(64,423)
Legal expense		(5,827)	(12,365)
Travel expense		(214,410)	(171,417)
Consultancy fees		(102,639)	(29,993)
Audit and accountancy fees		(89,939)	(77,176)
Other expenses		(337,170)	(272,251)
Share based payment expense		(258,853)	(341,586)
Depreciation and amortisation expense	4	(2,256,593)	(2,717,229)
Total expenses		(8,364,277)	(8,367,265)
Loss before income tax expense		(3,799,985)	(4,133,995)
Income tax expense		(14,177)	(15,570)
Loss after income tax expense		(3,814,162)	(4,149,565)
Net loss attributable to members		(3,814,162)	(4,149,565)
Other comprehensive income:			
<i>Items that will be reclassified subsequently to profit or loss</i>			
Foreign exchange translation		(47,373)	(943)
Total other comprehensive income		(47,373)	(943)
Total comprehensive loss for the half-year attributable to members		(3,861,535)	(4,150,508)
Earnings per share			
Basic loss per share (cents)		(0.32)	(0.40)
Diluted loss per share (cents)		(0.32)	(0.40)

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 2016

	Notes	December 2016 \$	June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents		17,976,261	4,745,969
Trade and other receivables		6,699,053	4,355,987
Total current assets		24,675,314	9,101,956
NON-CURRENT ASSETS			
Property, plant and equipment		151,693	65,518
Deferred tax assets		39,677	39,677
Intangible assets	5	25,492,617	26,759,567
Total non-current assets		25,683,987	26,864,762
TOTAL ASSETS		50,359,301	35,966,718
CURRENT LIABILITIES			
Trade and other payables		3,953,578	2,976,527
Other liabilities		614,040	557,878
Provisions		469,448	457,522
Total current liabilities		5,037,066	3,991,927
NON-CURRENT LIABILITIES			
Provisions		358,786	315,587
Deferred tax liabilities		39,677	39,677
Total non-current liabilities		398,463	355,264
TOTAL LIABILITIES		5,435,529	4,347,191
NET ASSETS		44,923,772	31,619,527
EQUITY			
Issued capital		137,591,366	120,693,650
Reserves		625,427	404,736
Accumulated losses		(93,293,021)	(89,478,859)
TOTAL EQUITY		44,923,772	31,619,527

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 2016

31 December 2016

Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2016	120,693,650	404,736	(89,478,859)	31,619,527
Movement in foreign exchange translation reserve	-	(47,373)	-	(47,373)
Other comprehensive income	-	(47,373)	-	(47,373)
Loss attributable to members of the company	-	-	(3,814,162)	(3,814,162)
Total comprehensive income	-	(47,373)	(3,814,162)	(3,861,535)
Transactions with equity holders in their capacity as equity holders				
Contributions of equity, net of capital raising costs	6	16,906,927	-	16,906,927
Reclassification of vested ESOP	6	(9,211)	9,211	-
Increase in employees share based payments reserve		-	258,853	-
		16,897,716	268,064	-
Balance 31 December 2016	137,591,366	625,427	(93,293,021)	44,923,772

31 December 2015

Notes	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2015	115,100,833	1,187,988	(81,340,374)	34,948,447
Movement in foreign exchange translation reserve	-	(943)	-	(943)
Other comprehensive income	-	(943)	-	(943)
Loss attributable to members of the company	-	-	(4,149,565)	(4,149,565)
Total comprehensive income	-	(943)	(4,149,565)	(4,150,508)
Transactions with equity holders in their capacity as equity holders				
Contributions of equity, net of capital raising costs	6	(2,215)	-	(2,215)
Reclassification of vested ESOP	6	735,859	(735,859)	-
Increase in employees share based payments reserve		-	341,586	-
		733,644	(394,273)	-
Balance 31 December 2015	115,834,477	792,772	(85,489,939)	31,137,310

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 2016

	Note	December 2016	December 2015
		\$	\$
Cash flows from operating activities			
Receipts from trade and other debtors		5,498,072	5,948,810
Interest received		47,599	49,357
Receipt of R&D tax incentives and other Grants		-	508,121
Payment to trade creditors, other creditors and employees		(7,210,395)	(7,167,556)
Income tax received/(paid)		-	8,878
Interest paid		(512)	(17)
Net cash outflows from operating activities		(1,665,236)	(652,407)
Cash flows from investing activities			
Payments for property, plant and equipment		(82,472)	(34,012)
Receipt of R&D tax incentive relating to capitalised assets		-	1,716,792
Payment for intangible assets		(1,872,709)	(1,625,044)
Net cash outflows from investing activities		(1,955,181)	57,736
Cash flows from financing activities			
Proceeds from issue of shares		18,054,640	-
Payments of equity raising costs		(1,218,847)	-
Net cash inflows from financing activities		16,835,793	-
Net increase in cash held		13,215,376	(594,671)
Cash at the beginning of the half-year		4,745,969	4,441,226
Effect of exchange rate changes on cash		14,916	(11,296)
Cash at the end of the half-year		17,976,261	3,835,259

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 2016**Note 1: Basis of preparation of half-year financial report**

This general purpose financial report for the half-year ended 31 December 2016 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 2016 and any public announcements made by Adslot Ltd during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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 2016. 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.

Notes to the Financial Statements for the Half-Year ended 31 December 2016 (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 2016

	APAC	EMEA	The Americas	Total
	\$	\$	\$	\$
External sales	3,641,110	165,165	214,404	4,020,679
Segment result from continuing operations	(2,027,644)	(278,504)	(597,865)	(2,904,013)
Depreciation (included in segment result)	21,134	493	1,536	23,163
Amortisation (included in segment result)	2,233,430	-	-	2,233,430
Additions to non-current assets	102,728	1,314	5,816	109,858

Balance Sheet 31 December 2016

Segment assets	46,456,025	250,139	430,062	47,136,226
Segment liabilities	(16,828,413)	(98,909)	(323,125)	(17,250,447)

Half-year ended 31 December 2015

	APAC	EMEA	The Americas	Total
	\$	\$	\$	\$
External sales	3,158,043	273,270	342,378	3,773,691
Segment result from continuing operations	(2,508,561)	(159,389)	(491,307)	(3,159,257)
Depreciation (included in segment result)	34,264	1,273	1,695	37,232
Amortisation (included in segment result)	2,679,998	-	-	2,679,998
Additions to non-current assets	27,101	-	4,906	32,007

Balance Sheet 31 December 2015

Segment assets	38,286,575	279,042	1,022,768	39,588,385
Segment liabilities	(16,111,127)	(134,151)	(137,086)	(16,382,364)

Notes to the Financial Statements for the Half-Year ended 31 December 2016 (Continued)**Note 2: Segment Information (continued)**

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

	December 2016	December 2015
	\$	\$
Total segment revenue	4,020,679	3,773,691
Head office revenue	-	24,600
Interest revenue	128,173	40,455
Total revenue	4,148,852	3,838,746

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

	December 2016	December 2015
	\$	\$
Total segment result	(2,904,013)	(3,159,257)
Interest revenue	128,173	40,455
Other income and head office revenue	415,440	419,125
Share option expenses	(258,853)	(351,321)
Gain on foreign exchange	92,985	43,356
Income tax expense	(5,698)	(15,570)
Loss on sale of fixed assets	-	(1,624)
Other head office expenses	(1,282,196)	(1,134,463)
Loss before tax from continuing operations	(3,814,162)	(4,159,299)

Reportable segment assets are reconciled to total assets as follows:

	December 2016	June 2016
	\$	\$
Total segment assets	47,136,226	38,519,837
Head office assets	53,581,021	47,795,613
Intersegment eliminations	(50,357,946)	(50,348,732)
Total assets per the statement of financial position	50,359,301	35,966,718

Notes to the Financial Statements for the Half-Year ended 31 December 2016 (Continued)

Note 2: Segment Information (continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	December 2016	June 2016
	\$	\$
Total segment liabilities	(17,250,447)	(16,191,359)
Head office liabilities	(555,608)	(526,358)
Intersegment eliminations	12,370,526	12,370,526
Total liabilities per the statement of financial position	(5,435,529)	(4,347,191)

Note 3: Revenue and Other Income

	December 2016	December 2015
	\$	\$
Revenue		
Revenue from Trading Technology	2,721,907	2,001,259
Revenue from Services	948,287	1,261,530
Revenue from Ad-serving	350,485	535,502
Total revenue from continuing operations	4,020,679	3,798,291
Interest income	128,173	40,455
Total revenue	4,148,852	3,838,746
Other income		
Grant income	415,440	394,524
Total other income	415,440	394,524
Total revenue and other income	4,564,292	4,233,270

Notes to the Financial Statements for the Half-Year ended 31 December 2016 (Continued)**Note 4: Expenses**

Loss before income tax includes the following specific expenses:

	December 2016	December 2015
	\$	\$
Depreciation and amortisation		
Depreciation – Leasehold improvements	1,237	13,004
Depreciation – Plant and equipment	21,926	24,228
Amortisation – Software development costs	2,233,430	2,679,997
Total depreciation and amortisation	<u>2,256,593</u>	<u>2,717,229</u>
Capitalised research & development wages (net of related grants)	966,479	789,365
Research & development wages expensed in the period	1,091,288	1,068,607
Total research & development wages	<u>2,057,767</u>	<u>1,857,972</u>
Superannuation expense	342,004	314,529
Foreign currency gain	92,985	43,356

Notes to the Financial Statements for the Half-Year ended 31 December 2016 (Continued)

Note 5: Intangible Assets

Period ended 31 December 2016

	Internally Developed Software	Domain Name	Intellectual Property	Goodwill	Total
	\$	\$	\$	\$	\$
Opening net book amount	3,375,131	38,267	8,184,230	15,161,939	26,759,567
Acquisitions	966,479	-	-	-	966,479
Amortisation	(557,376)	-	(1,676,053)	-	(2,233,429)
Carrying amount at 31 December 2016	3,784,234	38,267	6,508,177	15,161,939	25,492,617

At 31 December 2016

Cost	6,302,227	38,267	29,045,250	15,161,939	50,547,683
Accumulated amortisation and impairment	(2,517,993)	-	(22,537,073)	-	(25,055,066)
Carrying amount at 31 December 2016	3,784,234	38,267	6,508,177	15,161,939	25,492,617

Period ended 31 December 2015

	Internally Developed Software	Domain Name	Intellectual Property	Goodwill	Total
	\$	\$	\$	\$	\$
Opening net book amount	2,990,942	38,267	12,097,950	15,161,939	30,289,098
Acquisitions	789,365	-	-	-	789,365
Amortisation	(442,331)	-	(2,237,666)	-	(2,679,997)
Carrying amount at 31 December 2015	3,337,976	38,267	9,860,284	15,161,939	28,398,466

At 31 December 2015

Cost	4,892,534	38,267	29,316,305	20,543,592	54,790,698
Accumulated amortisation and impairment	(1,554,557)	-	(19,456,022)	(5,381,653)	(26,392,232)
Carrying amount at 31 December 2015	3,337,977	38,267	9,860,283	15,161,939	28,398,466

Notes to the Financial Statements for the Half-Year ended 31 December 2016 (Continued)**Note 6: Equity Securities Issued**

	December 2016	December 2015
Issues of Ordinary Shares during the half-year	\$	\$
New Ordinary Shares issued – value \$	16,906,927	184,294
Treasury Shares movement – value \$	(9,211)	549,350
Total Ordinary Shares issued – value \$	16,897,716	733,644
New Ordinary Shares issued – number	167,557,636	2,520,377
Treasury Shares movement – number	(32,433)	6,555,820
Ordinary Shares issued – number	167,525,203	9,076,197

An additional 250,000 shares were issued to the Adslot Employee Share Trust during the period, which forms part of the consolidated group (2015: nil).

Note 7: Contingencies

There are no contingencies to be disclosed in the financial statements.

Note 8: 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 15 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Accounting Standards, 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 2016 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.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Andrew Barlow
Chairman

Melbourne
27 February 2017

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 2016, 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



Michael Climpson
Partner

Melbourne, 27 February 2017

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The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of Adslot Ltd

We have reviewed the accompanying half-year financial report of Adslot Ltd (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information 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.

Directors' Responsibility for the Half-year Financial Report

The Directors of Adslot Ltd 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 controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Adslot Ltd consolidated entity's financial position as at 31 December 2016 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.

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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.

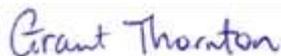
Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Adslot Ltd is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



Michael Climpson
Partner

Melbourne, 27 February 2017