



Newzulu Limited  
ABN 27 078 661 444

## Appendix 4D

### 1. Details of the reporting period and previous reporting period

This half year report is for the six months ended 31 December 2016. The previous corresponding period is the six months ended 31 December 2015.

### 2. Results for announcement to the market

Revenue from ordinary activities	down \$345,261 (23%)	to \$1,150,928
Operating loss before corporate expenses, significant non-cash items and income tax	down \$3,034,155 (55%)	to \$2,446,165
Loss from ordinary activities after tax attributable to members	down \$3,145,854 (47%)	to \$3,563,607
Loss from the period attributable to members	down \$3,449,283 (51%)	to \$3,354,100

#### Explanation of results

An explanation of the key financial elements contributing to the revenue and result above can be found in the review of operations included within the directors' report.

Dividends	Amount per security	Franked amount per security
Interim dividend	N/A	N/A
Record date for determining entitlements to the dividend	N/A	

### 3. Net tangible assets per security with the comparative figure for the previous corresponding period

	31 December 2016	31 December 2015
Net tangible asset backing per share	0.00 cents	0.43 cents

#### **4. Details of entities over which control has been gained or lost during the period**

Not applicable

#### **5. Dividend paid or reinvested.**

No dividends have been declared or are payable for the period ended 31 December 2016.

#### **6. Review report**

This report is based on the consolidated financial statements for the half year ended 31 December 2016 of the Company and its controlled entities, which have been reviewed by Nexia Australia. The Independent Auditor's Review Report provided by Nexia Australia that is included in the consolidated financial statements is unmodified and includes an emphasis of matter paragraph about a material uncertainty regarding the Company's continuation as a going concern.

#### **7. Attachments**

Additional disclosure requirements can be found in the attached Condensed interim financial report for the period ended 31 December 2016.

This information is to be read in conjunction with the annual report for the year ended 30 June 2016



Newzulu Limited  
ABN 27 078 661 444

# **Condensed interim financial report**

31 December 2016

**NEWZULU LIMITED**  
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# DIRECTORS' REPORT

The directors present their report together with the condensed interim financial report of Newzulu Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2016 and the review report thereon.

## 1. Directors and Company Secretary

The directors and company secretary of the Company at any time during or since the end of the half-year are:

Name		Period of directorship
Charles Koones	Non-Executive Director and Independent Chairman	Appointed 12 February 2016
Clive Dickens	Non-Executive Director	Appointed 30 August 2016
Ed Wilson	Independent Non-Executive Director	Appointed 31 August 2016
James Bodel	Independent Non-Executive Director	Appointed 18 March 2015
Karen Logan	Company Secretary	Appointed 2 February 2015

## 2. Financial Results and Operating Review

Dear Shareholders,

It is with pleasure that I provide you with an updated half year review of our results and operations. Newzulu Limited ("Newzulu" or "the Company"), a global crowd-sourced technology and media company, continues to go through an exciting process of change and renewal.

During the 1H FY 2017, management has continued to restructure the business and position the Company for future growth and success; specifically, management has focused on three main areas: streamlining and focusing the business to result in reduced operating expenses, advancing our product offerings, and improving the sales processes and sales results. I am pleased to report during the first half of fiscal 2017 we have seen significant advancement in each of these three areas.

### SUCCESSFUL RESTRUCTURING AND COST REDUCTION

During the first half of the year the Company underwent a strategic review of its business and cost structure. The Company has made it a focus to reduce operating costs; in doing so, Management has reduced headcount (from a high of 84 employees in 2015 to 38 employees today), consolidated offices, delivered IT savings and reduced other administrative costs. This has delivered over \$5.5 million in annual cost savings – exceeding management's target cost reduction announced in 2016 of \$4.5m in savings.

During the 1H FY 2017, the Company had a loss from operating activities of \$3,417,567 compared to a loss of \$6,357,339 in the same period in the prior year. During the 1H FY2017, the Company recorded revenues of \$1,150,928, a decrease of \$345,261 compared to the same period in the prior year of \$1,496,189. This decrease is partially due to the closing of the Kiosk business. It is also a result of reorganizing the sales group and a longer than expected sales cycle during this period. Moving forward, the company expects revenues will increase in future periods as it realises revenue for the new customer wins referred to below, and new client sales are realized. As at December 31, 2016 the Company had cash of \$1,671,328 (2016 - \$5,510,535).

# **DIRECTORS' REPORT**

## **2. Financial Results and Operating Review (continued)**

### **IMPORTANT PLATFORM ENHANCEMENTS**

During the first half of the year, the Company announced it added functionality to its all-in-one user-generated content (UGC) solution. The two new features to Newzulu's Social Hub will make the product more valuable to a broad range of clients:

- i. Social content – Using Newzulu's Social Hub within Newzulu Platform, clients can now ingest content from YouTube using hashtags, as well as from Facebook using Facebook Pages. With these additions, Newzulu supports social ingest from Twitter, Instagram, YouTube and Facebook. Social posts can then be easily moderated and published to a client's site using a do-it-yourself widget, or via an API for more advanced implementations. Using Social Hub allows clients to launch their UGC campaigns across four major social networks, in addition to their direct UGC campaigns. Newzulu Platform provides a single solution to gather content from a variety of sources. This single platform allows clients to reduce cost, save time and improve efficiency.
- ii. Software Development Kit – During the first half, the Company also launched an iOS and Android mobile software development kit (SDK) that allows clients to connect to Newzulu Platform and simply manage UGC through their own mobile applications. Updates were also made to Newzulu Platform's Notification Center that enables integration with any third party mobile application. Notification Center allows clients to target push notifications to their mobile app users based on geolocation and to members of specific groups, sending a clear call to action, thereby increasing content from their users and user engagement.

### **SIGNIFICANT SALES MOMENTUM**

During the fiscal year, Newzulu has announced a number of key customer wins for Newzulu Platform including Western Australian Newspapers Limited (a Seven West Media Limited company), Archant Regional Limited, Highlight Hub Inc., Ontario Centres of Excellence and RTL Nederland B.V (RTL Nieuws and Buienradar). For the Creative film and video production projects (formerly known as "Prime"), key customer wins include MACSF, Allianz, Michelin, Lampe Berger, Carrerfour Group and Hugo & Cie. I am pleased to see that our sales pipeline continues to expand both in breadth and depth; in the coming weeks, months and half year I am confident that we will continue to have significant customer announcements.

In September, we advised that we would be seeking further capital to support operations. Discussions are continuing and we expect to make an announcement during this quarter.

In summary, the Company is optimistic about the future of the business. During the second half of the year, Management will build on the successes of the first half and continue to focus its efforts on building sales momentum, refining our leading edge Newzulu Platform, and maintaining cost control.

Finally, I would like to thank our Management team, our employees and my fellow non-executive directors Clive Dickens, Ed Wilson and James Bodel for their efforts in transforming our Company and positioning it for future success. I would also like to thank

## **DIRECTORS' REPORT**

our shareholders who have stood by the Company in this period of transformation as we seek to build a true global leader in the field of User-Generated Content.

### **3. Significant Events After Reporting Date**


There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in the future financial year.

### **4. Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001**

The lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for the half-year ended 31 December 2016.

For and on behalf of the Board dated at Sydney this 28<sup>th</sup> day of February 2017

Signed in accordance with a resolution of the directors:



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Charles Koonnes  
Chairman

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Consolidated	
	Note	31 Dec 2016	30 Jun 2016
<i>In AUD</i>			
<b>Current Assets</b>			
Cash and cash equivalents		1,671,328	5,510,535
Trade and other receivables		874,528	607,017
Other current assets		277,664	319,599
<b>Total current assets</b>		2,823,520	6,437,151
<b>Non-current assets</b>			
Property, plant and equipment	5	393,087	588,088
Other non-current assets		128,868	131,622
Intangible assets	6	4,350,133	4,912,144
<b>Total non-current assets</b>		4,872,088	5,631,854
<b>Total assets</b>		7,695,608	12,069,005
<b>Current Liabilities</b>			
Trade and other payables	9	727,973	1,167,150
Loans and borrowings from related parties	8	621,933	559,963
Loans and borrowings	9	44,590	-
Employee benefits		389,909	842,723
Other current liabilities		241,577	440,940
<b>Total current liabilities</b>		2,025,982	3,010,776
<b>Non-current Liabilities</b>			
Deferred tax liabilities		234,117	311,207
Employee benefits		568	290
<b>Total non-current liabilities</b>		234,685	311,497
<b>Total liabilities</b>		2,260,667	3,322,273
<b>Net assets</b>		5,434,941	8,746,732
<b>Equity</b>			
Issued capital	7	51,570,089	49,730,545
Reserves		3,289,182	4,876,910
Accumulated losses		(49,424,330)	(45,860,723)
<b>Total equity</b>		5,434,941	8,746,732

The above statement of financial position should be read in conjunction with the accompanying notes.



# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December

*In AUD*

	Note	2016	2015
Revenue	11	1,150,928	1,496,189
Other income		45	86,466
Employee benefit expenses		(1,976,176)	(3,910,650)
Share based payments		(41,586)	-
Consultants		(72,837)	(158,798)
Rent		(308,093)	(444,485)
Depreciation and amortisation	6	(929,816)	(877,019)
Impairment of related party loans		(12,145)	
Other expenses	10	(1,227,887)	(2,549,042)
Results from operating activities		(3,417,567)	(6,357,339)
Finance income		11,593	187,623
Finance expenses		(157,633)	(661,234)
<b>Net financial income/(expenses)</b>		(146,040)	(473,611)
<b>Loss before income tax</b>		(3,563,607)	(6,830,950)
Income tax benefit		-	121,489
Loss after income tax attributable to Owners of the Company		(3,563,607)	(6,709,461)
<b>Other comprehensive income:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		209,507	(93,922)
<b>Total comprehensive loss attributable to Owners of the Company</b>		(3,354,100)	(6,803,383)
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>			
Basic and diluted loss per share (cents)		(0.001)	(1.100)

The above statement should be read in conjunction with the accompanying notes.

**NEWZULU LIMITED**

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2016

## Attributable to shareholders of the Company

*In AUD*

Note	Share capital	Share option reserve	Translation reserve	Other equity contributions	Accumulated losses	Total equity
<b>Balance at 1 July 2016</b>	<b>49,730,545</b>	<b>2,432,980</b>	<b>(486,008)</b>	<b>2,929,938</b>	<b>(45,860,723)</b>	<b>8,746,732</b>
Total comprehensive loss for period						
Loss for the period	-	-	-	-	(3,563,607)	(3,563,607)
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	209,507	-	-	209,507
Total comprehensive loss for period	-	-	209,507	-	(3,563,607)	(3,354,100)
Transactions with Owners						
Share based payments	-	41,585	-	-	-	41,585
Capital raising, net of equity costs	7 1,839,544	-	-	-	-	1,839,544
Fair value gains recognised directly in equity	-	-	-	-	-	-
Share Issue Reserve	-	-	-	(1,838,820)	-	(1,838,820)
Total transactions with Owners	1,839,544	41,585	-	(1,838,820)	-	42,309
Balance at 31 December 2016	<b>51,570,089</b>	<b>2,474,565</b>	<b>(276,501)</b>	<b>1,091,118</b>	<b>(49,424,330)</b>	<b>5,434,941</b>
Balance at 1 July 2015	37,403,629	2,284,734	(205,071)	914,041	(29,481,822)	10,915,511
Total comprehensive loss for period						
Loss for the period	-	-	-	-	(6,709,461)	(6,709,461)
<i>Other comprehensive income</i>						
Foreign currency translation differences	-	-	(93,922)	-	-	(93,922)
Total comprehensive loss for period	-	-	(93,922)	-	(6,709,461)	(6,803,383)
Transactions with Owners						
Consideration for business acquisition	577,781	-	-	-	-	577,781
Capital raising net of equity costs	7,344,447	-	-	-	-	7,344,447
Total transactions with Owners	7,922,228	-	-	-	-	7,922,228
Balance at 31 December 2015	45,325,857	2,284,734	(298,993)	914,041	(36,191,283)	12,034,356

The above statement should be read in conjunction with the accompanying notes.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December

In AUD

	Note	2016	2015
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,353,154	1,797,086
Cash paid to suppliers and employees		(4,869,292)	(7,184,552)
Interest received		-	5,533
Interest paid		-	(3,345)
<b>Net cash used in operating activities</b>		<b>(3,516,138)</b>	<b>(5,385,278)</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment	5	(3,146)	(79,928)
Acquisition of intangible asset	6	(340,080)	(670,214)
Proceeds from disposal of plant and equipment		22,956	-
Cash acquired on acquisition of subsidiary		-	208,983
Acquisition of subsidiary		-	(577,781)
Loans repaid by other entities		-	1,945
Loans advanced		-	(31,851)
<b>Net cash provided by / (used in) investing activities</b>		<b>(320,270)</b>	<b>(1,148,846)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	71
Repayment of borrowings		-	(5,505)
Proceeds from share issues		-	8,000,000
Costs of raising equity		-	(655,553)
<b>Net cash provided by financing activities</b>		<b>-</b>	<b>7,339,013</b>
<b>Net increase in cash and cash equivalents</b>		<b>(3,836,408)</b>	<b>804,889</b>
Cash and cash equivalents at 1 July		5,510,535	3,715,805
Effect of exchange rate fluctuations on cash held		(2,799)	5,375
Release of restricted cash		-	126,560
<b>Cash and cash equivalents at 31 December</b>	<b>9</b>	<b>1,671,328</b>	<b>4,652,629</b>

The accompanying notes form part of these financial statements.

# **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

## **1. REPORTING ENTITY**

Newzulu Limited (the “Company”) is a company domiciled in Australia. The condensed interim financial report of the Company as at and for the six months ended 31 December 2016 comprises the consolidated results and the position of the Company and its subsidiaries (collectively “the Group”). The Group is primarily involved in the provision of crowd sourced news services.

The annual financial report of the Company as at and for the year ended 30 June 2016 is available upon request from the Company’s registered office at Level 1, 1139 Hay Street, West Perth, WA 6005 or at [www.newzululimited.com](http://www.newzululimited.com).

## **2. BASIS OF PREPARATION**

### **(a) Statement of Compliance**

The condensed interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements for the year ended 30 June 2016.

The condensed interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Company for the year ended 30 June 2016.

This condensed interim financial report was approved by the Board of Directors on 28 February 2017.

### **(b) Use of estimates and judgements**

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the condensed interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those applied to the financial statements for the year ended 30 June 2016.

### **(c) Going concern**

For the half year ended 31 December 2016, the Group incurred a loss after tax of \$3,563,607 (2015: \$6,709,461). During the half-year ended 31 December 2016, the Group used cash of \$3,516,138 in its operations (2015: \$5,385,278). The Directors have prepared a cash flow forecast for the 12-month period subsequent to the date of this report on the basis that the Company will raise additional capital in 2017 and is a going concern which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

# **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

## **2. BASIS OF PREPARATION**

### **(c) Going concern (continued)**

Should the Group be unable to achieve its business plan, including the establishment and the anticipated growth in its Newzulu business and/or identify new opportunities and projects to achieve a sustainable business and/or be unable to raise sufficient capital when required, there is a material uncertainty which may cast significant doubt as to whether the Group will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

### **3(a). SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group in the condensed interim financial statements are the same as those applied by the Group in its financial statements for the year ended 30 June 2016, except as noted in note 3(b) below.

### **3(b).NEW ACCOUNTING STANDARDS**

A number of new accounting standards and amendments to accounting standards applicable for the financial year commencing 1 July 2016. The changes did not materially affect the reporting of the transactions of the group

## **4. SUBSEQUENT EVENTS**

Other than as mentioned above or elsewhere in this report, financial statements or notes thereto, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 5. PROPERTY, PLANT & EQUIPMENT

*In AUD*

<b>Cost</b>	<b>Total</b>
Balance as at 1 July 2015	985,195
Acquisitions through business combinations	216,966
Additions	72,640
Disposals	(172,212)
Effect of exchange rates	4,327
Balance at 30 June 2016	1,106,916
Balance as at 1 July 2016	1,106,916
Acquisitions through business combinations	-
Additions	3,146
Disposals	(106,716)
Effect of exchange rates	(494)
Balance at 31 December 2016	1,002,852
<b>Accumulated depreciation</b>	
Balance as at 1 July 2015	165,304
Acquisitions through business combinations	48,483
Depreciation charge for the period	390,375
Disposals	(95,052)
Effect of exchange rates	9,718
Balance at 30 June 2016	518,828
Balance as at 1 July 2016	518,828
Acquisitions through business combinations	-
Depreciation charge for the period	158,501
Disposals	(71,023)
Effect of exchange rates	3,459
Balance at 31 December 2016	609,765
<b>Carrying amounts</b>	
At 30 June 2016	588,088
At 31 December 2016	393,087

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS & GOODWILL

Cost in AUD	Goodwill	Intangibles	Total
Balance as at 1 July 2015	19,160,811	5,375,691	24,536,502
Acquisitions through business combinations	489,681	878,228	1,367,909
Additions	-	136,685	136,685
Additions - internally developed	-	879,109	879,109
Effect of exchange rates	(121,883)	(556,777)	(678,660)
Balance at 30 June 2016	19,528,609	6,712,936	26,241,545
Balance as at 1 July 2016	-	6,712,936	6,712,936
Acquisitions through business combinations	-	-	-
Additions	-	-	-
Additions - internally developed	-	340,080	340,080
Effect of exchange rates	-	(163,487)	(163,487)
Balance at 31 December 2016	-	6,889,529	6,889,529
Accumulated amortisation & impairment losses			
Balance as at 1 July 2015	15,746,707	432,826	16,179,533
Amortisation	-	1,477,978	1,477,978
Impairment loss	3,781,902	-	3,781,902
Effect of exchange rates	-	(110,012)	(110,012)
Balance at 30 June 2016	19,528,609	1,800,792	21,329,401
Balance as at 1 July 2016	-	1,800,792	1,800,792
Amortisation	-	771,315	771,315
Effect of exchange rates	-	(32,711)	(32,711)
Balance at 31 December 2016	-	2,539,396	2,539,396
Carrying amounts			
At 30 June 2016	-	4,912,144	4,912,144
At 31 December 2016	-	4,350,133	4,350,133

### Depreciation & Amortisation

Amortisation	771,315
Depreciation	158,501
Total 31 December 2016	929,816

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 7. CAPITAL AND RESERVES

### (a) Share Capital

At 31 December 2016, the Company had 1,451,059,639 ordinary shares on issue (30 June 2016: 1,242,242,950).

<i>In AUD</i>	31 Dec 2016 No.	31 Dec 2015 No.
On issue at 1 July	1,242,242,950	532,005,936
Shares issued for cash	208,816,689	173,433,591
Shares issued to acquire Newzulu Holdings Limited	-	-
Shares issued to acquire Octiplex	-	19,920,327
<b>Total Share Capital</b>	<b>1,451,059,639</b>	<b>725,359,854</b>

On 1 July 2016, the Company completed a capital raising issuing 208,816,689 shares for \$1,984,891 before capital raising costs.

This cash was received in June 2016 and held in the share reserve account until the shares were issued in July 2016.

<i>In AUD</i>	31 Dec 2016 \$
Shares issued for cash	\$1,984,891
Shares issuance costs	(\$145,347)
<b>Total Share Capital</b>	<b>\$1,839,544</b>

<i>In AUD</i>	31 Dec 2016 \$
Opening share capital 1 July 2016	49,730,545
Shares issued less issuance costs	1,839,544
<b>Closing Share capital balance 31 December 2016</b>	<b>51,570,089</b>



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 8. RELATED PARTY LOANS

### (a) Loans to related parties

<i>In AUD</i>	31 Dec 2016	30 Jun 2016
Loan to Matilda Media and subsidiaries	324	331
<b>Balance at end of period</b>	<b>324</b>	<b>331</b>

The loans are for no fixed term and are interest free.

### (b) Loans from related parties

<i>In AUD</i>	31 Dec 2016	30 Jun 2016
<i>Current</i>		
Loan from Mr Peter Scarf	621,933	559,963
Loan from Mr Alex Hartman	-	-
<b>Balance at end of period</b>	<b>621,933</b>	<b>559,963</b>

The loan from Mr Peter Scarf is interest free and payable no later than 1 July 2017 and is secured by current and future assets of the Group. The loan was recorded on an amortised cost basis using a 20% discount rate.

### (c) Terms and debt repayment schedule for loans from related parties

Terms and conditions of outstanding loans are as follows:

<i>In AUD</i>	Curren cy	Interes t rate	Year of maturity	31 December 2016	
				Face value	Carrying amount
Peter Scarf Loan	AUD	0%	2017	683,903	621,933
Total loans and borrowings from related parties				683,903	621,933

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 9. FINANCIAL INSTRUMENTS

The Group has exposure to credit, liquidity and market risks from the use of financial instruments. The Group's objectives, policies and processes implemented for measuring and managing risk exposure to each of the risk has not changed from those disclosed in the Group's annual consolidated financial statements as at and for the year ended 30 June 2016.

The following tables shows the carrying amounts of financial assets and financial liabilities.

### Financial assets

*In AUD*

#### Current Assets

	<i>Note</i>	31 Dec 2016	30 June 2016
Trade and other receivables		874,528	466,620
Cash and cash equivalents		1,671,328	5,510,535
Related party loans	8	324	331
		<u>2,546,180</u>	<u>5,977,486</u>

### Financial liabilities

*In AUD*

#### Current Liabilities

	<i>Note</i>	31 Dec 2016	30 June 2016
Trade and other payables		727,973	1,167,150
Credit card facility		44,590	44,769
Bank loan		-	-
Related party loans	8	621,933	559,963
		<u>1,394,496</u>	<u>1,771,882</u>

## 10. OTHER EXPENSES

A number of significant expenses are reported in Other Expenses:

<i>In AUD</i>	31 Dec 2016	31 Dec 2015
Computer expenses	370,648	653,218
Travel and accommodation	86,673	403,478
Accounting fees	169,212	343,784
Contributor fees	230,673	219,398
Advertising, promotion and business development	51,028	164,036
Legal fees	2,173	168,176
Acquisition and business evaluation expenses	-	116,483
Stationery, postage & office costs	41,687	65,641
Entertainment	9,723	28,980
Other general expenses	266,070	385,848
<b>Total</b>	<b><u>1,227,887</u></b>	<b><u>2,549,042</u></b>

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **11. OPERATING SEGMENTS**

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors (chief operating decision maker) in assessing the performance and determining allocation of resources.

The Group has five reportable segments, as detailed below, which are the Group's strategic geographic areas. The Group businesses are managed along geographic lines with regional managers responsible for activities of their regions.

For each strategic geographic area, management reviews internal reports on a monthly basis.

The accounting policies of the individual segments are the same as those of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Operating Segments

	Australia	Australia	USA	USA	Canada	Canada	France	France	UK	UK	Total	Total
	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
External revenue	3,214	214,844	27,296	44,235	638,468	846,680	426,221	354,757	55,729	35,673	1,150,928	1,496,189
Inter-segment revenue	1,213,250	344,403	-	104	-	-	180,020	984,974	-	-	1,393,270	1,329,481
<b>Segment revenue</b>	<b>1,216,464</b>	<b>559,247</b>	<b>27,296</b>	<b>44,339</b>	<b>638,468</b>	<b>846,680</b>	<b>606,241</b>	<b>1,339,731</b>	<b>55,729</b>	<b>35,673</b>	<b>2,544,198</b>	<b>2,825,670</b>
Segment loss before tax	(17,676)	(1,436,801)	(765,096)	(826,751)	(688,205)	(1,378,775)	(1,134,727)	(913,986)	(714,990)	(2,052,737)	(3,320,694)	(6,609,051)
Interest income	35	4,070	-	-	-	-	1,405	1,462	-	-	1,440	5,532
Interest expense	61,970	66,126	-	-	-	51	-	2,742	-	-	61,970	68,919
Depreciation and amortisation	14,431	15,954	66,380	67,794	315,596	340,044	155,545	112,888	377,865	340,340	929,817	877,020

- Head Office costs are included in the Canada segment

# Newzulu Limited

## Notes to the condensed consolidated interim financial statements

### Reconciliation of reportable segment revenues, losses

*In AUD*

#### Segment Revenue

Total revenue for reportable segments

Elimination inter-segment revenues

#### Total Group Revenue

#### Losses

Total losses for reportable segments

Elimination inter-segment losses

#### Total Group Losses

	31 Dec 2016	31 Dec 2015
	2,544,198	2,825,670
	(1,393,270)	(1,329,481)
	1,150,928	1,496,189
	(3,320,694)	(6,609,050)
	(242,913)	(221,900)
	(3,563,607)	(6,830,950)

## **DIRECTORS' DECLARATION**

In the opinion of the directors of Newzulu Limited ("the Company"):

1. The condensed financial statements and notes set out on pages 6 to 19 are 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 Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. For the reasons set out in Note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney this 28th day of February 2017.

Signed in accordance with a resolution of the directors:



Charles Koonen  
Chairman

## **Independent Auditor's Review Report to the members of Newzulu Limited**

### **Report on the Interim Financial Report**

We have reviewed the accompanying interim financial report of Newzulu Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the period ended on that date, notes comprising a summary of accounting policies, other explanatory notes, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the interim period.

### **Directors' Responsibility for the Interim Financial Report**

The directors of the Group are responsible for the preparation of the interim 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 are necessary to enable the preparation of the interim 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 interim 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 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 2016 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Newzulu Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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 audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Newzulu Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Newzulu Limited 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 period ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and *Corporations Regulations 2001*.

## **Material Uncertainty Related to Going Concern**

Without modifying our review conclusion we draw attention to the disclosure in Note 2 (c) to the interim financial report, which indicates that the Group will require further funding in the next twelve months from the date of this report to continue as a going concern. These conditions, along with other matters as set forth in Note 2(c) , indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani**  
**Director**

Perth, 28 February 2017



**Auditor's independence declaration under section 307C of the Corporations Act 2001**

To the directors of Newzulu Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the period ended 31 December 2016 there have been:

- (i) no contraventions of the auditors independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

NPAS

**Nexia Perth Audit Services Pty Ltd**

Amar Nathwani

**Amar Nathwani  
Director**

Perth  
28 February 2017