

## APPENDIX 4D

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

This half year report is for the six months ended 31 December 2015. The previous corresponding period is the six months ended 31 December 2014.

### 2. Results for announcement to the market

Revenue from ordinary activities	up \$1,254,340 (519%)	to \$1,496,189
Operating loss before corporate expenses, significant non-cash items and income tax	up \$1,931,273 (54%)	to \$5,482,906
Loss from ordinary activities after tax attributable to members	down \$16,231,751 (-71%)	to \$6,709,461
Loss from the period attributable to members	down \$16,231,751 (-71%)	to \$6,709,461

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 2015	31 December 2014
Net tangible asset backing per share	0.43 cents	0.81 cents

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

Name of entity	Octiplex
Date of gain of control	17 September 2015
Contribution of entity	Of the loss from ordinary activities reported for the Group for the reporting period, Octiplex and its controlled entities contributed a loss of \$98,065. Contribution to the prior reporting period: N/A

**5. Dividend paid or reinvested.**

No dividends have been declared or are payable for the period ended 31 December 2015.

**6. Review report**

This report is based on the consolidated financial statements for the half year ended 31 December 2015 of the Company and its controlled entities, which have been reviewed by KPMG. The Independent Auditor's Review Report provided by KPMG 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 2015.



Newzulu Limited  
ABN 27 078 661 444

# **Condensed interim financial report**

31 December 2015

**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 2015 and the review report thereon.

## 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 Koonos	Non-executive Chairman	Appointed 12 February 2016
Alexander J Hartman	Managing Director	Appointed 14 August 2014
Philip Kiely	Independent Non-Executive Director	Appointed 28 March 2014
Theo Hnarakis	Independent Non-Executive Director	Appointed 22 October 2014 (Resigned 12 February 2016)
James Bodel	Independent Non-Executive Director	Appointed 18 March 2015
Peter Gunzburg	Independent Non-Executive Director	Appointed 29 April 2002 (Resigned 31 December 2015)
Karen Logan	Company Secretary	Appointed 2 February 2015

## Review of results and operations

Reported revenue for the first half of the year is \$1,496,189 (2014: \$241,849) reflecting an increase of 519% over the comparative period last year. The key drivers of this solid uplift were the result of revenues generated by Newzulu Technology, which contributed 62% of revenues to the group.

The operating loss after income tax for the half-year ended 31 December 2015 was \$6,709,461 (2014: loss of \$22,941,212). The comparative 2014 loss included goodwill impairment of \$15,746,707.

Newzulu Technology, which comprises Newzulu Platform and Newzulu Live and licences Software-as-a-Service technologies that enable clients to crowd source content, accounted for \$0.92 million of the reported revenue.

Newzulu Mobile, which commenced operations at the end of Q1 FY16, contributed 12% of revenues to the group for HY16. The acquisition of Octiplex SAS, leading mobile applications and solution developer with operations in France, Brazil and China was completed in September 2015. Consistent with the Company's goal of creating internal efficiencies within the businesses, the acquisition served to bolster Newzulu's in-house technological capabilities and reduce previously outsourced mobile development costs. With networked and mobile devices estimated to reach 24.4 billion by 2019, Newzulu Mobile is well positioned as the global leader in mobile applications design, development and deployment to service the growing demand for app development services.

Newzulu Live reached commercialization phase in 1H FY16 and entered into agreements with a number of media companies and agencies for the licence of Newzulu Technology products, including the Newzulu Platform and Newzulu Live product suite. Those agreements were subject to client acceptance testing and as a result, revenues from Newzulu Live were limited during the half year period. The ABC News trial attracted over 1 million views of the Australia Day Project, which was powered by Newzulu Platform and

# **DIRECTORS' REPORT**

Newzulu Live and was focused on gathering, producing and distributing content related to Australia Day on 26 January 2016. Newzulu anticipates further commercial engagement and documentation to conclude during Q3 FY16.

Newzulu Content contributed 9% of revenues to the group in 1H FY16. During the half year period, management refocused the Newzulu Content business to high value, high quality video contributions demanded by Newzulu's media partners and their extensive global network of clients. The model is currently being reviewed for further opportunities to increase efficiencies and grow revenues. Demand for user-generated content remains strong given the growing number of global and regional broadcasters and media agencies partnering with Newzulu. The recent extension of the partnership with Agence France-Presse to include access to Newzulu's video content also demonstrates the need for broadcasters and media companies alike to deliver high-quality, validated crowd-sourced video content to their audience. Revenues from major partnership agreements have commenced in 2H FY16.

Newzulu Prime contributed 12% of revenue to the group in 1H FY16.

Regionally, 57% of revenues were generated in Canada. The strategic acquisition of Filemobile added value to the group and contributed materially to the group's financial performance. The European region contributed 24% of group revenues which were generated by the Newzulu Prime and Mobile services. Given the Newzulu Prime and Mobile services have been limited to Europe to date, the Company is confident of growing these businesses and revenues by expanding in to the North America region. Revenues in the USA did not contribute meaningfully to the 1H FY16 group results but management is confident that the relocation of headquarters and the Managing Director to New York, appointment of a US-based Chairman and focus on North America will grow client signings and revenues in the region.

To support its planned revenue growth, the Group undertook \$0.593 million of capital expenditure during 1H FY16 (1H FY15: \$1.253 million) which largely related to development of Newzulu Content, Newzulu Live and Newzulu Platform products. Operating expenditure, excluding non-cash items such as depreciation and amortization increased 30% by \$1.624 million to \$7.063 million compared with 1H FY15 (\$5.439 million).

During 1H FY16 the Company completed a range of cost containment initiatives with an annual impact of \$1 million. These initiatives included the closure of bureaus to centralize the group's operational capabilities and resources. Further significant cost cuts totalling \$5 million per annum are being implemented by management. The recent measures are focused on achieving further improvements in internal operating efficiencies. The full effect of these recent measures will not be realized until FY17.

Newzulu is committed to streamlining and focusing its operations such that the group is positioned to capitalize on opportunities in the North American region and grow its revenues such that the Company can achieve positive net operating cash flows for its shareholders.

On 24 August 2015, the Company completed a capital raising in the amount of \$5,000,000, issuing 87,719,305 shares at an issue price of \$0.057 per share. For every two shares issued pursuant to the placement, one option was granted for no additional consideration.

On 17 September 2015, the Group acquired Octiplex for consideration of €725,000 (AUD \$1,155,564), settled via cash payment of €362,500 (AUD \$577,782) and the issue of 19,920,327 fully paid ordinary shares in Newzulu Limited with a value of €362,500 (AUD \$577,782).

## **DIRECTORS' REPORT**

On 24 December 2015, the Company completed a capital raising in the amount of \$3,000,000, issuing 85,714,286 shares at an issue price of \$0.035 per share.

### **Events subsequent to reporting date**

Following approval by the board of the closure of the Kiosk business, this process has commenced and will be finalised during March 2106.

The Group has embarked on a major restructure and cost reduction program to be executed during the six months to June 2016.

Other than the matters discussed above, 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.

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

The lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for the half-year ended 31 December 2015.

Dated at Sydney this 19<sup>th</sup> day of February 2016

Signed in accordance with a resolution of the directors:



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Alexander Hartman  
CEO & Managing Director

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 Dec 2015	30 Jun 2015
<i>In AUD</i>			
<b>Current Assets</b>			
Cash and cash equivalents	10	4,652,629	3,715,805
Restricted cash	10	-	119,532
Trade and other receivables		991,910	1,129,806
Other current assets		386,032	271,202
<b>Total current assets</b>		<b>6,030,571</b>	<b>5,236,345</b>
<b>Non-current assets</b>			
Property, plant and equipment	5	908,664	819,891
Other non-current assets		131,799	127,518
Intangible assets	6	5,395,604	4,942,865
Goodwill	6	3,662,680	3,414,104
<b>Total non-current assets</b>		<b>10,098,747</b>	<b>9,304,378</b>
<b>Total assets</b>		<b>16,129,318</b>	<b>14,540,723</b>
<b>Current Liabilities</b>			
Trade and other payables	10	972,258	1,118,550
Loans and borrowings from related parties	9	683,911	619,110
Employee benefits		785,440	609,010
Other current liabilities		671,460	362,907
<b>Total current liabilities</b>		<b>3,113,069</b>	<b>2,709,577</b>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		940,960	829,612
Employee benefits		40,933	38,295
Other non-current liabilities		-	47,728
<b>Total non-current liabilities</b>		<b>981,893</b>	<b>915,635</b>
<b>Total liabilities</b>		<b>4,094,962</b>	<b>3,625,212</b>
<b>Net assets</b>		<b>12,034,356</b>	<b>10,915,511</b>
<b>Equity</b>			
Share capital		45,325,857	37,403,629
Reserves		2,899,782	2,993,704
Accumulated losses		(36,191,283)	(29,481,822)
<b>Total equity</b>	7	<b>12,034,356</b>	<b>10,915,511</b>

The condensed interim statement of financial position is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 20.



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

For the six months ended 31 December

In AUD

	Note	2015	2014
Revenue		1,496,189	241,849
Other income		86,466	2,885
Impairment of Goodwill	6	-	(15,746,707)
Employee benefit expenses		(3,910,650)	(1,877,762)
Options issued to directors		-	(2,236,000)
Consultants		(158,779)	(816,733)
Rent		(444,485)	(324,658)
Depreciation and amortisation		(877,019)	(10,651)
Other expenses	11	(2,549,042)	(2,420,297)
<b>Results from operating activities</b>		<b>(6,357,339)</b>	<b>(23,188,074)</b>
Finance income		187,623	301,959
Finance expenses		(661,234)	(55,097)
<b>Net financial income/(expenses)</b>		<b>(473,611)</b>	<b>246,862</b>
<b>Loss before income tax</b>		<b>(6,830,950)</b>	<b>(22,941,212)</b>
Income tax benefit		121,490	-
<b>Loss after income tax attributable to Owners of the Company</b>		<b>(6,709,461)</b>	<b>(22,941,212)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation differences for foreign operations		(93,922)	(255,592)
<b>Total comprehensive loss attributable to Owners of the Company</b>		<b>(6,803,383)</b>	<b>(23,196,804)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>			
Basic and diluted loss per share (cents)		(1.10)	(7.66)

The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 20.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2015

		Attributable to shareholders of the Company					
In AUD	Note	Share capital	Share option reserve	Translation reserve	Other equity contributions	Accumulated losses	Total equity
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)
Other comprehensive income							
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	8	577,781	-	-	-	-	577,781
Raising equity, net of equity costs	7	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
Balance at 1 July 2014		181	-	17,066	86,004	(1,169,394)	(1,066,143)
Total comprehensive income for period							
Loss for the period		-	-	-	-	(22,941,212)	(22,941,212)
Other comprehensive income							
Foreign currency translation differences		-	-	(255,592)	-	-	(255,592)
Total comprehensive income for period		-	-	(255,592)	-	(22,941,212)	(23,196,804)
Transactions with Owners recorded directly in equity							
Consideration for business acquisition		19,165,897	-	-	-	-	19,165,897
Share based payments, net of issue costs	7	813,077	-	-	-	-	813,077
Issue of options		-	2,236,000	-	-	-	2,236,000
Convertible loans, net of borrowing costs		4,700,000	-	-	-	-	4,700,000
Fair value gains recognised directly in equity		-	-	-	59,374	-	59,374
Contributions to equity		-	-	-	636,913	-	636,913
Total transactions with owners		24,678,974	2,236,000	-	696,287	-	27,611,261
Balance at 31 December 2014		24,679,155	2,236,000	(238,526)	782,291	(24,110,606)	3,348,314

The condensed interim statement of changes in equity is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 20.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December

In AUD

	Note	2015	2014
<b>Cash flows from operating activities</b>			
Cash receipts from customers		1,797,086	215,071
Cash paid to suppliers and employees		(7,184,552)	(4,877,158)
Interest received		5,533	-
Interest paid		(3,345)	-
<b>Net cash used in operating activities</b>		<b>(5,385,278)</b>	<b>(4,662,087)</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(79,928)	(1,253,336)
Acquisition of intangible asset		(670,214)	-
Cash acquired on acquisition of subsidiary		208,983	3,656,854
Acquisition of subsidiary		(577,781)	-
Loans repaid by other entities		1,945	-
Loans advanced		(31,851)	(150,614)
<b>Net cash provided by / (used in) investing activities</b>		<b>(1,148,846)</b>	<b>2,252,904</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		71	405,561
Repayment of borrowings		(5,505)	(177,321)
Proceeds from share issues		8,000,000	-
Costs of raising equity		(655,553)	-
Proceeds from convertible loans		-	5,000,000
Payments for costs of establishing borrowings		-	(339,576)
<b>Net cash provided by financing activities</b>		<b>7,339,013</b>	<b>4,888,664</b>
Net increase in cash and cash equivalents		804,889	2,479,481
Cash and cash equivalents at 1 July		3,715,805	75,038
Effect of exchange rate fluctuations on cash held		5,375	9,193
Release of restricted cash		126,559	-
<b>Cash and cash equivalents at 31 December</b>	<b>10</b>	<b>4,652,629</b>	<b>2,563,712</b>

The condensed interim statement of financial position is to be read in conjunction with the condensed notes to the interim financial report set out on pages 10 to 20.

# **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 2015 comprises 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 2015 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 Standards 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 2015.

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 2015.

This condensed interim financial report was approved by the Board of Directors on 19 February 2016.

### **(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 2015.

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

For the half year ended 31 December 2015, the Group incurred a loss after tax of \$6,709,461 (2014: \$22,941,212). During the half-year ended 31 December 2015, the Group used cash of \$5,385,140 in its operations (2014: \$4,662,087). The Group has forecast future net cash outflows from operations in 2016 due to the costs of developing future revenue streams.

The condensed interim financial report for the half-year ended 31 December 2015 has been prepared on the basis that the Company is a going concern, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors believe this to be appropriate and have prepared a cash flow forecast

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

for the 12-month period subsequent to the date of this report. The cash flow forecast takes into account, amongst other factors:

- forecast revenues and associated expenses from the establishment and growth of the Group's Newzulu business;
- a major restructure and cost reduction program (see note 4); and
- the development of new opportunities and projects and the completion of a further capital raising in April 2016.

The directors anticipate the support of major shareholders and are confident in the Group's ability to raise an appropriate level of funding to provide ongoing working capital to execute its business plan and to enable the identification and assessment of new projects. This was demonstrated by the capital raising of \$3.0m which was completed on 24 December 2015 (refer note 7).

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. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in the condensed interim financial statements are the same as those applied by the Company in its financial statements for the year ended 30 June 2015.

### **4. SUBSEQUENT EVENTS**

Following approval by the board of the closure of the Kiosk business, this process has commenced and will be finalised during March 2016.

The Group has embarked on a major restructure and cost reduction program to be executed during the six months to June 2016.

Other than the matters discussed above, 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>Plant &amp; Equipment</b>	<b>Furniture &amp; Fittings</b>	<b>Total</b>
Balance at 1 July 2014	9,128	-	9,128
Additions	642,046	12,493	654,539
Work in progress	602,190	-	602,190
Effect of movements in exchange rate	205	3	208
Balance as at 31 December 2014	1,253,569	12,496	1,266,065
Balance as at 1 July 2015	903,826	81,369	985,195
Acquisitions through business combinations	263,730	3,347	267,077
Additions	73,871	6,057	79,928
Disposals	(4,697)	-	(4,697)
Effect of exchange rates	(1,418)	69	(1,348)
Balance at 31 December 2015	1,235,312	90,842	1,326,154
<b>Accumulated depreciation</b>			
Balance at 1 July 2014	853	-	853
Depreciation charge for the period	29,208	324	29,532
Balance as at 31 December 2014	30,061	324	30,385
Balance as at 1 July 2015	162,240	3,064	165,304
Acquisitions through business combinations	49,360	751	50,111
Depreciation charge for the period	186,139	23,744	209,882
Disposals	(991)	(236)	(1,228)
Effect of exchange rates	(5,571)	(1,008)	(6,579)
Balance at 31 December 2015	391,176	26,315	417,491
<b>Carrying amounts</b>			
At 31 December 2014	1,223,508	12,172	1,235,680
At 31 December 2015	844,136	64,527	908,663

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 6. INTANGIBLE ASSETS & GOODWILL

Cost	Goodwill	Intangibles	Total
Balance as at 1 July 2014	222,033	771,778	993,821
Acquisitions through business combinations	15,746,707	-	15,746,707
Effect of exchange rate	7,029	-	7,029
Balance as at 31 December 2014	15,975,769	771,778	16,747,557
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	-	98,424	98,424
Additions - internally developed	-	414,950	414,950
Effect of exchange rates	(241,105)	(310,201)	(551,306)
Balance at 31 December 2015	19,409,387	6,457,092	25,866,479
<b>Accumulated amortisation &amp; impairment losses</b>			
Balance at 1 July 2014	-	-	-
Amortisation	-	76,431	76,431
Impairment Loss	15,746,707	-	15,746,707
Balance as at 31 December 2014	15,746,707	76,431	15,823,138
Balance as at 1 July 2015	15,746,707	432,826	16,179,533
Amortisation	-	678,367	678,367
Effect of exchange rates	-	(49,705)	(49,705)
Balance at 31 December 2015	15,746,707	1,061,488	16,808,195
<b>Carrying amounts</b>			
At 31 December 2014	229,062	695,357	924,419
At 31 December 2015	3,662,680	5,395,604	9,058,284

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 7. CAPITAL AND RESERVES

### (a) Share Capital

At 31 December 2015, the Company had 725,359,854 ordinary shares on issue (30 June 2015: 532,005,936).

<i>In AUD</i>	<b>31 Dec 2015 No</b>	<b>31 Dec 2014 No</b>
On issue at 1 July	532,005,936	78,327,142
Shares issued for cash	173,433,591	75,000,000
Shares issued to acquire Newzulu Holdings Limited	-	178,230,977
Shares issued to acquire Octiplex	19,920,327	-
Share based payments	-	5,838,318
<b>Total Share Capital</b>	<b>725,359,854</b>	<b>337,396,437</b>

On 24 August 2015, the Company completed a capital raising in the amount of \$5,000,000, issuing 87,719,305 shares at an issue price of \$0.057 per share. For every two shares issued pursuant to the placement, one option was granted for no additional consideration.

On 17 September 2015, the Company issued 19,920,327 shares as part consideration for the acquisition of Octiplex Limited. Consideration for the acquisition was €725,000 (AUD \$1,155,564), settled via a cash payment of €362,500 (AUD \$577,782) and the issue of fully paid ordinary shares in Newzulu Limited with a value of €362,500 (AUD \$577,782).

On 24 December 2015, the Company completed a capital raising in the amount of \$3,000,000, issuing 85,714,286 shares at an issue price of \$0.035 per share.

## 8. ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of Octiplex SAS

On 17 September 2015, the Group acquired 100% of the shares and voting interests in Octiplex SAS for €725,000 (AUD\$1,155,564). Consideration for the acquisition was settled via a cash payment of €362,500 and the issue of fully paid ordinary shares in Newzulu Limited with a value of €362,500.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## (i) Consideration transferred

Consideration for the acquisition was \$1,155,564 (€725,000).

## (ii) Identifiable assets acquired and liabilities assumed

<i>In AUD</i>	\$
Property, plant and equipment	216,966
Cash and cash equivalents	208,983
Trade receivables	203,513
Other receivables and prepayments	29,116
Other current assets	18,075
Trade and other payables	(71,217)
Loans and overdrafts	(47,816)
Employee liabilities	(89,739)
Tax liabilities	(159,581)
Related party payables	(27,776)
Other current liabilities and provisions	<u>(200,420)</u>
Fair value of identifiable tangible net assets	<u>80,104</u>

## (iii) Goodwill

Goodwill recognised as a result of the acquisition as follows:

<i>In AUD</i>	\$
Total consideration transferred	1,155,564
Fair value of identifiable tangible net assets acquired	80,104
Fair value of intangible net assets acquired	878,228
Deferred tax liability created	<u>(292,449)</u>
Goodwill	<u>489,681</u>

## (iv) Acquisition-related costs

During the financial period, the Group incurred acquisition related costs of \$78,468 on legal, advisory and due diligence costs.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 9. RELATED PARTY LOANS

### (a) Loans to related parties

<i>In AUD</i>	31 Dec 2015	30 Jun 2015
Loan to director	31,851	1,941
Loan to Matilda Media and subsidiaries	1,486	1,477
<b>Balance at end of period</b>	<b>33,337</b>	<b>3,418</b>

At 31 December 2015, the Company had loans of \$31,851 to Mr Alex Hartman and \$1,486 to Matilda Media Pty Ltd and subsidiaries. The loans are for no fixed term and are interest free.

### (b) Loans from related parties

<i>In AUD</i>	31 Dec 2015	30 Jun 2015
<i>Current</i>		
Loan from Mr Peter Scarf	683,911	618,329
Loan from Mr Alex Hartman	-	781
<b>Balance at end of period</b>	<b>683,911</b>	<b>619,110</b>

The loan from Mr Peter Scarf is interest free and payable no later than 1 April 2016 and is secured by current and future assets of the Group. The loan was recorded at fair value, 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>				31 December 2015	
	Currenc y	Interes t rate	Year of maturity	Face value	Carrying amount
Peter Scarf Loan	AUD	0%	2016	683,911	683,911
Total loans and borrowings from related parties				683,911	683,911

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 10. 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 2015.

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

### Financial assets

*In AUD*

	<i>Note</i>	<b>31 Dec 2015</b>	<b>30 June 2015</b>
<u>Current Assets</u>			
Trade and other receivables		759,723	675,045
Cash and cash equivalents		4,652,629	3,715,805
Restricted cash		-	119,532
Related party loans	9	33,337	3,418
		<b>5,445,689</b>	<b>4,513,800</b>

### Financial liabilities

*In AUD*

	<i>Note</i>	<b>31 Dec 2015</b>	<b>30 June 2015</b>
<u>Current Liabilities</u>			
Trade and other payables		972,258	1,118,550
Credit card facility		16,213	17,052
Bank loan		44,830	-
Finance lease liabilities		302	1,137
Related party loans	9	683,911	619,110
		<b>1,717,514</b>	<b>1,755,849</b>

## 11. OTHER EXPENSES

A number of significant expenses are reported in Other Expenses:

<i>In AUD</i>	<b>31 Dec 2015</b>	<b>31 Dec 2014</b>
Computer expenses	653,218	36,661
Travel and accommodation	403,478	242,378
Accounting fees	343,784	341,883
Contributor fees	219,398	95,940
Advertising, promotion and business development	164,036	117,316
Legal fees	168,176	185,945
Acquisition and business evaluation expenses	116,483	683,214
Stationary, postage & office costs	65,641	51,810
Entertainment	28,980	39,850
Other general expenses	385,848	625,300
<b>Total</b>	<b>2,549,042</b>	<b>2,420,297</b>

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

## **12. OPERATING SEGMENTS**

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, the Chief Operating Officer reviews internal management 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

\*The segment assets and segment liabilities for the Australian segment as at 30 June 2015 have been restated to correct a presentation error in the 30 June 2015 annual financial report which resulted in these balances being overstated. Both segment assets and segment liabilities for the Australian segment have been reduced to eliminate

## Operating Segments

	Australia 31 Dec 15	Australia 31 Dec 14	USA 31 Dec 15	USA 31 Dec 14	Canada 31 Dec 15	Canada 31 Dec 14	France 31 Dec 15	France 31 Dec 14	UK 31 Dec 15	UK 31 Dec 14	Total 31 Dec 15	Total 31 Dec 14
External revenue	214,844	82,853	44,235	-	846,680	4,710	354,757	117,818	35,673	36,361	1,496,189	241,742
Inter-segment revenue	344,403	65,221	104	170	-	-	984,974	760,031	-	-	1,329,481	825,422
<b>Segment revenue</b>	<b>559,247</b>	<b>148,074</b>	<b>44,339</b>	<b>170</b>	<b>846,680</b>	<b>4,710</b>	<b>1,339,731</b>	<b>877,849</b>	<b>35,673</b>	<b>36,361</b>	<b>2,825,670</b>	<b>1,067,164</b>
Segment loss before tax	(1,436,801)	(19,872,693)	(826,751)	(291,011)	(1,378,775)	(645,487)	(913,986)	(620,670)	(2,052,737)	(1,516,588)	(6,609,051)	(22,946,449)
Interest income	4,070	14,413	-	-	-	-	1,462	-	-	-	5,533	14,413
Interest expense	66,126	54,002	-	7	51	-	2,742	-	-	-	68,918	54,009
Depreciation and amortisation	15,954	4,366	67,794	9,410	340,044	3,029	112,888	999	340,340	5,498	877,019	23,302

## Operating Segments

	Australia 31 Dec 15	Australia (Restated*) 30 Jun 15	USA 31 Dec 15	USA 30 Jun 15	Canada 31 Dec 15	Canada 30 Jun 15	France 31 Dec 15	France 30 Jun 15	UK 31 Dec 15	UK 30 Jun 15	Total 31 Dec 15	Total (Restated*) 30 Jun 15
Segment assets	26,421,575	20,476,669	378,731	415,880	6,050,582	6,932,905	5,106,664	2,217,065	3,348,020	3,010,245	41,305,572	33,052,764
Segment liabilities	1,372,272	1,814,594	2,475,312	1,629,665	6,292,149	5,866,417	8,692,310	4,780,451	7,272,192	5,005,832	26,104,235	19,096,959

intercompany balances between entities in the Australian segment. The intersegment eliminations have been adjusted accordingly. As the error only related to segment presentation, the consolidated assets and liabilities of the Group were not misstated.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## Reconciliation of reportable segment revenues, losses, assets and liabilities

*In AUD*

	31 Dec 2015	31 Dec 2014
<b>Segment Revenue</b>		
Total revenue for reportable segments	2,825,670	1,067,164
Elimination inter-segment revenues	(1,329,481)	(825,315)
<b>Total Group Revenue</b>	<u>1,496,189</u>	<u>241,849</u>
<b>Losses</b>		
Total losses for reportable segments	(6,609,051)	(22,946,449)
Elimination inter-segment losses	(221,900)	5,237
<b>Total Group Losses</b>	<u>(6,830,951)</u>	<u>(22,941,212)</u>
	<b>31 Dec 2015</b>	<b>30 Jun 2015</b>
<b>Assets</b>		
Total assets for reportable segments	41,305,572	33,052,764
Elimination inter-segment assets (30 June 2015 restated*)	(25,176,254)	(18,512,040)
<b>Total Group Assets</b>	<u>16,129,318</u>	<u>14,540,724</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	26,104,235	19,096,959
Elimination inter-segment liabilities (30 June 2015 restated*)	(22,009,273)	(15,471,747)
<b>Total Group Liabilities</b>	<u>4,094,962</u>	<u>3,625,212</u>

## **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 20, are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the Company's financial position as at 31 December 2015 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 19<sup>th</sup> day of February 2016.

Signed in accordance with a resolution of the directors:



Alexander Hartman  
CEO & Managing Director



## **Independent auditor's review report to the members of Newzulu Limited**

We have reviewed the accompanying condensed consolidated interim financial report of Newzulu Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2015, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

### *Directors' responsibility for the interim financial report*

The directors of the Company 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 internal control as the directors determine is 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 interim 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 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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 review, we have 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 condensed consolidated 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 2015 and of its performance for the interim period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Material uncertainty regarding continuation as a going concern*

Without modifying our conclusion, we draw attention to the following matter. As a result of the facts set out in Note 2(c), there is a material uncertainty which may cast significant doubt as to whether the Group will be able to continue as a going concern and therefore whether it will be able to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

KPMG

KPMG

David Sinclair  
*Partner*

Sydney

19 February 2016



***Lead 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 half-year ended 31 December 2015 there have been:

- (i) no contraventions of the auditor 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.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'David Sinclair'.

David Sinclair  
*Partner*

Sydney

19 February 2016