

ASX Company Announcement | Issue Date: 27 February 2015

## HALF YEAR RESULTS

- Newzulu clears legacy business by announcing full impairment of PieNetworks Kiosk business.
- Newzulu now firmly focussed on executing digital media strategy and creating global leadership position.

The directors of Newzulu Limited (ASX: **NWZ**) present the Company's results for the half year ended 31 December 2014.

Acquisition activity impacted on the Company's activities in 1H FY2015 with resources being refocussed away from the legacy PieNetworks Kiosk business to repositioning the Company for growth. The directors are confident the acquisition of Newzulu in August 2014 and Filemobile in February 2015 significantly strengthen the Company's position as one of the world's leading crowd-sourced media company and expand the reach of the Newzulu's editorial platform, mobile applications and live video streaming product offerings.

The acquisition of Newzulu was treated as a reverse acquisition resulting in Newzulu becoming the accounting acquirer under the prescribed accounting standards. The fair value of consideration transferred was \$19.2m based on the market price of NWZ of \$0.125 on the date of acquisition (compared to the market price of \$0.06 on the date the Newzulu share purchase agreement was entered into). The effect of this business combination was to recognise goodwill of \$15.7m in respect of the legacy PieNetworks Kiosk business.

The Company's net loss after tax of \$22.9m for 1H FY2015 included the following significant expenses:

- Non-cash items:
  - \$15.7m of impairment losses recognised following strategic review of the PieNetworks Kiosk business and associated intangible asset (goodwill recognised on the PieNetworks reverse acquisition), consistent with the prescribed accounting standards.
  - \$2.2m of share based payment expenses recognised in relation to equity issued to directors of and advisers to the Company.
- Cash item:
  - \$1.4m Newzulu and Filemobile acquisition related costs.

The Company's operating loss before the effect of the abovementioned non-cash charges, corporate expenses and income tax was \$3.6m.

Newzulu undertook capital expenditure of \$1.2m during 1H FY2015 to support its' growth and expansion plans as follows:

- \$0.6m invested in ongoing product development to support the evolution of Android and iOS mobile applications to enable the launch of Newzulu Live.
- \$0.4m invested in equipment deployed in the Los Angeles, New York, Toronto, London, Paris and Sydney offices to support Newzulu Live;
- \$0.2m invested in equipment and hardware installed in the setup of offices in the USA, Canada and the UK.

Fundraising initiatives totaling \$8.0m were undertaken by the Company during 1H FY2015 to support planned investment, growth and expansion, including loans of \$5.0m which were converted into equity subsequent to balance date.

During the two months of 2H FY2015 to date, the Company has:

- Completed a capital raising of \$11.5m;
- Completed the acquisition of Filemobile for approximately C\$5m in cash consideration;
- Welcomed the key executives of Filemobile to join the Company's global executive team;
- Completed re-compliance with Chapters 1 and 2 of the ASX Listing Rules and had Newzulu shares reinstated to official quotation;
- Extended an existing partnership with Canadian Press to and entered into a new partnership with Flipp Media Inc. for Newzulu Live; and



- Commenced integration of the Newzulu and Filemobile operations in Toronto with a view to creating one business providing market-leading media and brand solutions.

Executive Chairman, Alex Hartman commented “Newzulu has made significant steps towards establishing itself as the world’s leading crowd-sourced media company since the acquisition of Newzulu by PIE Networks. We continue to make progress toward signing major media and brand clients across our editorial, platform, live video streaming and brand related businesses driven by both organic and acquisitive activities. Having completed our recent capital raising and the acquisition of Filemobile, we look forward to reporting in the coming months on the delivery of our business plan”.

**For further information please contact:**

Alexander Hartman

Executive Chairman

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**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 2014. The previous corresponding period is the half-year ended 31 December 2013.

**2. Results for announcement to the market**

Revenue from ordinary activities	down \$173,452 (41.8%)	to \$241,849
Operating loss before corporate expenses, significant non-cash items and income tax	up \$3,360,177 (Note 1)	to \$3,551,633
Loss from ordinary activities after tax attributable to members	up \$22,749,756 (Note 1)	to \$22,941,212
Loss from the period attributable to members	up \$22,749,756 (Note 1)	to \$22,941,212

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

**Brief explanation of results**

On 14 August 2014, Newzulu Limited (the Company) acquired 100% of the voting interest in Newzulu Holdings Limited. In accordance with Australian Accounting Standards, the business combination was accounted for as a reverse acquisition. Consequently, this report presents the consolidated results of Newzulu Holdings Limited for the half year period from 1 July 2014 to 31 December 2014 and of the Company for the period from 14 August 2014 to 31 December 2014.

The comparative financial information included in the Company's financial statements is that of Newzulu Holdings Limited, not the Company. However, the capital structure of the legal acquirer, the Company, is adopted in the financial statements.

The decrease in revenues is due to charges of \$290,975 to related parties in the half year to 31 December 2013; these charges to related parties ceased prior to the current half year period.

The loss from ordinary activities includes expenses relating to acquisitions of Newzulu Holdings Limited and Filemobile Inc of \$1,406,872, goodwill impairment of \$15,476,707 and employee share based payment expenses of \$2,236,000.

**Note 1:**

Percentage change is not meaningful as a result of the transactions described above.

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

	31 December 2014	31 December 2013
Net tangible asset backing per share	0.81 cents	N/A (Note 2)

Note 2:

Comparative information is not relevant as a result of the transactions described above.

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

Name of entity	Newzulu Holdings Limited
Date of gain of control	14 August 2014
Contribution of entity	Of the loss from ordinary activities reported for the Company for the reporting period, Newzulu Holdings Limited and its controlled entities contributed a loss of \$3,651,435. 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 2014.

**6. Review report**

This report is based on the consolidated financial statements for the half year ended 31 December 2014 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 2014.



**Newzulu Limited**

(Formerly PieNetworks Limited)

31 December 2014

Condensed interim financial report

ABN 27 078 661 444

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The directors present their report together with the condensed interim financial report of Newzulu Limited ("the Company") for the half-year ended 31 December 2014 and the review report thereon. The company changed its name from PieNetworks Limited to Newzulu Limited on 19 August 2014.

## Directors

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

Name	Period of directorship
Alexander J Hartman (Managing Director and Executive Chairman)	Appointed 14 August 2014
Peter Gunzburg (Non-Executive Director)	Appointed 29 April 2002
Philip Kiely (Non-Executive Director)	Appointed 28 March 2014
Theo Hnarakis (Independent Non-Executive Director)	Appointed 22 October 2014
Mark Pitts (Independent Non-Executive Director and Company Secretary)	Appointed 6 February 2012 (Resigned 30 January 2015)

## Review of results and operations

On 14 August 2014, the Company acquired 100% of the voting interests in Newzulu Holdings Limited (formerly Newzulu Limited). In accordance with Australian Accounting Standards, the business combination was accounted for as a reverse acquisition. Consequently, this report presents the consolidated results of Newzulu Holdings Limited for the half year period from 1 July 2014 to 31 December 2014 and of the Company for the period from 14 August 2014 to 31 December 2014.

The comparative financial information included in these financial statements is that of Newzulu Holdings Limited, not the Company. However, the capital structure of the legal acquirer, the Company, is adopted in the financial statements.

Reported revenue for the first half of the year is \$241,849 (2013: \$415,301) reflecting a decrease of 41.7%. The decrease in revenues is due to charges of \$290,975 to related parties in the half year to 31 December 2013; these charges to related parties ceased prior to the current half year period

The operating loss after income tax for the half-year ended 31 December 2014 was \$22,304,299 (2013: loss of \$191,457). The significant factors related to the net loss for the current period include:

- Goodwill of \$15,746,707 relating to the acquisition of the PieNetworks Limited Kiosk business arising from the reverse acquisition referred to above was assessed to be impaired and was written down to nil.
- Legal, advisory and other expenses relating to the reverse acquisition of PieNetworks Limited on 14 August 2014 (\$863,878), the acquisition of Filemobile Inc on 10 February 2015 (\$542,994).
- A non-cash expense of \$2,236,000 relating to the fair value of options issued to directors, as required under Accounting Standards.

On 12 August 2014, the Company completed a placement of 75,000,000 ordinary shares to raise \$3,000,000 at \$0.04 per share. The placement was approved at a General Meeting of shareholders held on 11 August 2014.



### **Review of operations (cont'd)**

On 14 August 2014, the Company announced it had completed the acquisition of 100% of Newzulu Holdings Limited. As consideration for the acquisition, 178,230,977 ordinary shares were issued to shareholders of Newzulu Holdings Limited. The shares are subject to escrow for twelve months from the date of issue, with an additional 5,838,318 ordinary shares issued as part payment of advisor fees. In addition, the Company issued 24,000,000 share options exercisable at \$0.10 on or before 30 June 2017 comprising 20,000,000 share options issued to Mr Alexander Hartman pursuant to the terms of the acquisition and 2,000,000 share options issued to each of Mr Peter Gunzburg and Mr Bill Zikou in lieu of director fees. The fair value of these options of \$2,008,800 has been recognised as a non-cash share-based payment expense.

Following the completion of the acquisition, Mr Hartman was appointed as Managing Director of the Company on 14 August 2014 and on 19 August 2014, the Company changed its name from Pienetworks Limited to Newzulu Limited, and its ASX ticker code to NWZ.

On 8 October 2014, the Company announced that it had entered into a working capital loan for \$3,500,000 and on 30 December 2014, a second loan was announced for a further \$1,500,000 (the Blueroom Loans). Subsequent to the reporting date, both loans were converted into shares on 9 February 2015. Under Australian Accounting Standards, the Blueroom Loans have been accounted for as equity. Fundraising costs of \$300,000 have been recognised as equity raising costs.

To support the Company's planned revenue growth, a total of \$1,252,610 (2013: \$7,593) was invested in plant and equipment and product development. Of this amount, \$602,285 was invested in the ongoing development of Android and iOS mobile applications to support the upcoming launch of Newzulu Live; \$392,392 was invested in video hardware deployed in the Los Angeles, New York, Toronto, London, Paris and Sydney offices to support Newzulu Live; the balance related to equipment and hardware purchased to set up new offices in the USA, Canada and the UK.

As a consequence of the reverse acquisition of PieNetworks on 14 August 2014, the acquisition by Newzulu Holdings Limited resulted in goodwill of \$15,746,707 being recognised in respect of PieNetwork's Kiosk business. Following a strategic review of the Kiosk business, the Directors do not view this business as a strategic priority and have written down this goodwill in full in the half year accounts.

### **Subsequent Events**

Subsequent to 31 December 2014, the Company completed its previously announced capital raising, raising in excess of the minimum subscription pursuant to its Replacement Prospectus, in the amount of A\$11,500,000.

The capital raising was completed with investments from a range of media-related investors, institutional investors, high net worth individuals, Directors and existing shareholders of the Company.

The proceeds of the raising will be deployed in the manner set out in the Prospectus, with a focus on:

- Completion and integration of the acquisition of Filemobile, Inc.
- Working capital for expansion of Newzulu (particularly in the USA and Europe)
- Global launch of Newzulu Live platform for live video streaming news
- Global launch of Newzulu Prime platform for advertisers and brands
- Ongoing research and development on the Newzulu platform (web and mobile).

**Subsequent events (cont'd)**

Following the successful completion of the capital raising, the Company announced on 10 February 2015 that it had completed the acquisition of leading Toronto based user-generated content marketing software company Filemobile Inc. for approximately C\$5,000,000 in cash (approximately A\$5,140,000), with the final consideration amount pending post-completion calculations of working capital requirements pursuant to the Share Purchase Agreement.

The acquisition of Filemobile delivers Newzulu a well established, market leading global media and brand software business with a significant footprint of clients in Canada and the USA, including USA Today, Fox News, Wall Street Journal, and Hearst TV, iTV, CTV, CBC, The Weather Network and Scientific American and global brands such as Underarmour, Cisco, Allrecipes.com and JC Penney.

Filemobile recorded over A\$2,000,000 in annual revenue for the 2014 financial year and provides Newzulu with a highly scalable software as a service business model associated with relatively low capital expenditure and product offerings that can be customised for clients worldwide.

The capital raising, and the acquisition of Filemobile (and associated resolutions) were approved by Newzulu shareholders at the Company's General Meeting held on 30 January 2015.

Newzulu and Filemobile will combine their operations in Toronto, creating one business providing market-leading media and brand solutions. The senior executives of Filemobile – Mr Marc Milgrom, Mr Stephen Hulford and Mr David Minogue – will join Newzulu as key members of Newzulu's global management team.

Subsequent to 31 December 2014, Newzulu also issued the following Executive Options and Executive Performance Rights (as defined in the Notice of Meeting dated 31 December 2014) to its new key executives:

- 5,000,000 Executive Options and 250,000 Executive Performance Rights to Mr Marc Milgrom;
- 150,000 to Executive Performance Rights to Mr Stephen Hulford; and
- 150,000 to Executive Performance Rights to Mr David Minogue.

A 12 month restriction period applies to the Executive Options and Executive Performance Rights.

Newzulu also converted working capital loans totalling A\$5,000,000 and advanced by Blueroom Capital Pty Ltd (**Blueroom Capital**) into 50,000,000 fully paid ordinary shares at an issue price of \$0.10 per share. Pursuant to the loan agreements, a facility fee was paid to Blueroom Capital of 3,571,429 Shares and 5,500,000 options exercisable at \$0.20 each on or before 9 February 2018 (**Facility Fee**). A 12 month restriction period applies to the Facility Fee.

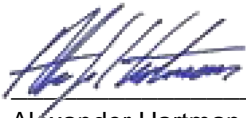
Mr Mark Pitts resigned as a Director and Company Secretary and Ms Karen Logan was appointed Company Secretary on 30 January 2015.

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

The lead auditor's independence declaration is set out on page 32 and forms part of the directors' report for the half-year ended 31 December 2014.

Dated at Perth this 27<sup>th</sup> day of February 2015

Signed in accordance with a resolution of the directors:



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Alexander Hartman  
*Executive Chairman*

# Newzulu Limited

## Condensed consolidated statement of financial position

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<i>In AUD</i>	<i>Note</i>	31 Dec 2014	30 Jun 2014
<b>Current Assets</b>			
Cash and cash equivalents	5	2,563,712	75,037
Restricted cash	6	129,038	-
Trade and other receivables		621,238	160,913
Other current assets		604,432	148,513
<b>Total current assets</b>		<b>3,918,420</b>	<b>384,463</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	1,235,680	8,275
Intangible assets		695,357	771,788
Goodwill	10	229,062	222,033
<b>Total non-current assets</b>		<b>2,160,099</b>	<b>1,002,096</b>
<b>Total assets</b>		<b>6,078,519</b>	<b>1,386,559</b>
<b>Current Liabilities</b>			
Trade and other payables		1,511,671	893,710
Loans and borrowings from related parties	11	118	820,770
Employee benefits		353,239	239,324
Other current liabilities		24,847	-
<b>Total current liabilities</b>		<b>1,889,875</b>	<b>1,953,804</b>
<b>Non-current Liabilities</b>			
Loans and borrowings from related parties	11	559,963	336,823
Deferred tax liabilities		162,076	162,075
Other non-current liabilities		118,291	-
<b>Total non-current liabilities</b>		<b>840,330</b>	<b>498,898</b>
<b>Total liabilities</b>		<b>2,730,205</b>	<b>2,452,702</b>
<b>Net assets</b>		<b>3,348,314</b>	<b>(1,066,143)</b>
<b>Equity</b>			
Share capital		24,679,155	181
Reserves		2,779,765	103,070
Accumulated losses		(24,110,606)	(1,169,394)
<b>Total equity</b>	8	<b>3,348,314</b>	<b>(1,066,143)</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 12 to 29.

# Newzulu Limited

## Condensed consolidated statement of profit or loss and other comprehensive income

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### For the six months ended 31 December

In AUD

		31 Dec 2014	31 Dec 2013
Revenue		241,849	415,301
Cost of sales		(295,053)	(277)
<b>Gross (loss)/profit</b>		<b>(53,204)</b>	<b>415,024</b>
Other income		2,885	-
Selling & distribution expenses		(215,716)	(13,232)
Research and development expenses		(657,209)	(206,271)
Impairment of goodwill	10	(15,746,707)	-
Administrative and corporate expenses	12	(6,518,124)	(386,966)
<b>Results from operating activities</b>		<b>(23,188,075)</b>	<b>(191,445)</b>
Financial income		301,959	-
Financial expenses		(55,097)	(12)
<b>Net financial income</b>		<b>246,862</b>	<b>(12)</b>
<b>Loss before income tax</b>		<b>(22,941,212)</b>	<b>(191,457)</b>
Income tax expense		-	-
<b>Loss after income tax attributable to Owners of the Company</b>		<b>(22,941,212)</b>	<b>(191,457)</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		(255,592)	(8,483)
<b>Total comprehensive income attributable to Owners of the Company</b>		<b>(23,196,804)</b>	<b>(199,940)</b>
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>			
Basic and diluted loss per share (cents)		(7.66)	(0.11)

The condensed interim statement of comprehensive income is to be read in conjunction with the condensed notes to the interim financial report set out on pages 12 to 29.

# Newzulu Limited

## Condensed consolidated statement of changes in equity

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		<u>Attributable to share holders of the Company</u>					
<i>In AUD</i>	Note	Share capital	Share option reserve	Translation reserve	Other equity contributions	Accumulated losses	Total equity
Balance at 1 July 2014		181	-	17,066	86,004	(1,169,394)	(1,066,143)
<b>Total comprehensive loss for the period</b>							
Loss for the period		-	-	-	-	(22,941,212)	(22,941,212)
<i>Other comprehensive income</i>							
Foreign currency translation differences		-	-	(255,592)	-	-	(255,592)
<b>Total comprehensive loss for the period</b>		-	-	(255,592)		(22,941,212)	(23,196,804)
<b>Transactions with Owners, recorded directly in equity</b>							
Consideration for business acquisition	9	19,165,897	-	-	-	-	19,165,897
Share based payments, net of issue costs	13	813,077	-	-	-	-	813,077
Issue of options		-	2,236,000	-	-	-	2,236,000
Convertible loans, net of borrowing costs (other equity)	8	4,700,000	-	-	-	-	4,700,000
Fair value gains recognised directly in equity		-	-	-	59,374	-	59,374
Contributions to equity		-	-	-	636,913	-	636,913
<b>Total transactions with Owners</b>		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 12 to 29.

# Newzulu Limited

## Condensed consolidated statement of changes in equity (cont'd)

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<i>In AUD</i>	Note	Attributable to shareholders of the Company					Total equity
		Share capital	Share option reserve	Translation reserve	Other equity contributions	Accumulated losses	
Balance at 1 July 2013		-	-	-	-	-	-
<b>Total comprehensive income for the period</b>							
Loss for the period		-	-	-	-	(191,457)	(191,457)
<i>Other comprehensive income</i>							
Foreign currency translation differences		-	-	(8,483)	-	-	(8,483)
<b>Total comprehensive income for the period</b>		-	-	(8,483)	-	(191,457)	(199,940)
<b>Transactions with Owners, recorded directly in equity</b>							
Issue of ordinary shares		14,478	-	-	-	-	14,478
<b>Total transactions with Owners</b>		14,478	-	-	-	-	14,478
Balance at 31 December 2013		14,478	-	(8,483)	-	(191,457)	(185,462)

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 12 to 29.

# Newzulu Limited

## Condensed consolidated statement of cash flows

For the six months ended 31 December

In AUD

	Note	31 Dec 2014	31 Dec 2013
<b>Cash flows from operating activities</b>			
Cash receipts from customers		215,071	43,028
Cash paid to suppliers and employees		(4,877,158)	(389,101)
<b>Net cash used in operating activities</b>		<b>(4,662,087)</b>	<b>(346,074)</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(1,253,336)	(7,593)
Cash acquired on acquisition of subsidiary		3,656,854	-
Loans advanced		(150,614)	(3,658)
<b>Net cash provided by / (used in) investing activities</b>		<b>2,252,904</b>	<b>(11,161)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		405,561	344,634
Repayment of borrowings		(177,321)	-
Proceeds from convertible loans		5,000,000	14,478
Payments for costs of establishing borrowings		(339,576)	-
<b>Net cash provided by financing activities</b>		<b>4,888,664</b>	<b>359,112</b>
Net increase in cash and cash equivalents		2,479,481	1,877
Cash and cash equivalents at 1 July		75,038	-
Effect of exchange rate fluctuations on cash held		9,193	-
<b>Cash and cash equivalents at 31 December</b>	<b>5</b>	<b>2,563,712</b>	<b>1,877</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 12 to 29.



# Newzulu Limited

## Condensed notes to the interim financial report

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### 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 2014 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 2014 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*, the Corporations Act 2001, and IAS 34 *Interim Financial Reporting*.

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 Company since the last annual financial statements as at and for the year ended 30 June 2014.

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 as at and for the year ended 30 June 2014.

This condensed interim financial report was approved by the Board of Directors on 27 February 2015.

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

The preparation of the condensed interim financial statements in conformity with IFRS 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 Company's accounting policies and the key sources of estimation uncertainty are the same as those applied to the financial statements as at and for the year ended 30 June 2014.

Note 10 Intangible Assets & Goodwill discloses a significant area of estimation uncertainty and critical judgement in applying the Company's accounting policies that has had a significant impact on the results of the half year ended 31 December 2014.

# **Newzulu Limited**

## **Condensed notes to the interim financial report**

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### **2. BASIS OF PREPARATION (CONTINUED)**

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

For the half year ended 31 December 2014, the Company incurred a loss after tax of \$22,941,212 (2013: \$191,457), including impairment of goodwill of \$15,746,707 (2013: nil). During the half-year ended 31 December 2014, the Company used cash of \$4,662,087 in its operations (2013: \$346,074). The Company has forecast future net cash outflows from operations in 2015 due to the setup of international offices and infrastructure to support the development of future revenue streams.

The condensed interim financial report for the half-year ended 31 December 2014 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 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; and
- the development of new opportunities and projects and the completion of a further capital raising in May 2015.

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 \$11.5m which was completed on 2 February 2015 (refer note 4).

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 as at and for the year ended 30 June 2014, including the following policies:

#### **(a) Reverse Acquisition Accounting**

On 14 August 2014, Newzulu Limited (previously PieNetworks Limited) completed an acquisition of Newzulu Holdings Limited (previously Newzulu Limited). In accordance with the accounting standards, this acquisition has been treated as a reverse acquisition business combination for accounting purposes.

On 30 April 2014, Newzulu Holdings Limited had completed an acquisition of Newzulu Europe Ltd, which was also treated as a reverse acquisition business combination for accounting purposes, resulting in Newzulu Europe Limited deemed to be the accounting acquirer.

# Newzulu Limited

## Condensed notes to the interim financial report

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The impacts of all transactions between the entities in the Group were eliminated in full.

AASB 3 Business Combinations requires that consolidated financial statements prepared following a reverse acquisition be issued under the name of the legal parent (Newzulu Limited), but be a continuation of the financial statements of the legal subsidiary (Newzulu Holdings Limited). The impact on each of the primary financial statements is as follows:

#### (i) Statement of financial position

The consolidated statement of financial position as at 31 December 2014 represents the consolidated financial position of Newzulu Limited and all controlled entities.

#### (ii) Statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income for the period ended 31 December 2014 includes the results of Newzulu Holdings Limited for the full interim period and Newzulu Limited from the date of acquisition (14 August 2014) to 31 December 2014.

#### (iii) Statement of changes in equity

The comprehensive income for the period includes the results of Newzulu Holdings Limited for the interim period to 31 December 2014, and the results of Newzulu Limited from the date of acquisition (14 August 2014) to 31 December 2014.

#### (iv) Statement of cash flows

Cash flows for the period to 30 June 2014 includes those of Newzulu Holdings Limited for the interim period to 31 December 2014, and those of Newzulu Limited from the date of acquisition (14 August 2014) to 31 December 2014.

### (b) Basis of consolidation

#### (i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment or half-yearly if there are indicators of possible impairment since the last test date. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

# **Newzulu Limited**

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

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards), then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the market-based measure of the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Where a business combination relates to commonly controlled entities, the Group accounts for such combinations using book value accounting.

#### **(ii) Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### **(iii) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### **(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

#### **(v) Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

# **Newzulu Limited**

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

#### **(vi) Foreign operations**

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

#### **(c) Financial instruments**

##### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Loans and receivables are initially recognised on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

# **Newzulu Limited**

## **Condensed notes to the interim financial report**

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

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

#### **(ii) Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit.

#### **(d) Property, plant and equipment**

##### **(i) Recognition and measurement**

Items of plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, when the Group has an obligation to remove the assets or restore the site on which the assets are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

##### **(ii) Subsequent costs**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment and repairs are recognised in profit or loss as incurred.

##### **(iii) Depreciation**

Depreciation is calculated to write off the cost of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in profit or loss. Items of property, plant and equipment are depreciated from the date they are ready to use.

# Newzulu Limited

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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation methods, useful lives and residual values are reassessed at the reporting date, and adjusted if appropriate. The estimated useful lives are as follows:

- computer hardware 3 years.

#### (e) Intangible assets and goodwill

##### (i) Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

##### (ii) Research and development

Expenditure on research activities is recognised in profit or loss when incurred.

Development expenditure is capitalised only if expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

##### (iii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

The estimated useful lives are as follows:

- Trademarks 20 years
- Domain names 5 years
- External software 2.5 years
- Internally developed software 5 years

##### (iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

##### (v) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

# **Newzulu Limited**

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

#### **(f) Impairment**

##### **(i) Financial assets**

A financial asset not classified as at fair value through profit or loss, is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset, that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics

All impairment losses are recognised in profit or loss.

##### **ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount and reflected in an allowance account against receivables.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



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### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4. SUBSEQUENT EVENTS

On 2 February 2015, the Group announced that it had completed a capital raising of \$11.5 million, in excess of the minimum subscription, pursuant to its replacement prospectus. The capital raising was approved at a general meeting of shareholders held on 30 January 2015.

On 10 February 2015, the Group announced that it had completed the acquisition of 100% of the voting interests of Filemobile Inc for CAD \$5,000,000 in cash (approximately AUD \$5,140,000), with the final consideration amount pending post-completion calculations of working capital requirements pursuant to the Share Purchase Agreement. Filemobile Inc is a Toronto based software company that provides user-generated content marketing services.

On 9 February 2015, the Group announced that it had converted the convertible loans advanced by Blueroom Capital Pty Ltd to equity. For the two loans with a combined value of \$5,000,000, a total of 50,000,000 shares were issued at a conversion price of \$0.10. Per the terms of the loan agreements, 3,571,429 shares and 5,500,000 options were issued as consideration for the loan fees. The options have an exercise price of \$0.20 and an expiry date of 9 February 2018.

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.

### 5. CASH AND CASH EQUIVALENTS

<i>In AUD</i>	<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
Bank balances	2,211,636	75,037
Call deposits	352,076	-
<b>Total cash and cash equivalents in statement of cash flows</b>	<b>2,563,712</b>	<b>75,037</b>

# Newzulu Limited

## Condensed notes to the interim financial report

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### 6. RESTRICTED CASH

<i>In AUD</i>	31 Dec 2014	30 Jun 2014
Restricted cash deposits*	129,038	-
<b>Total restricted cash</b>	<b>129,038</b>	<b>-</b>

\*A restricted term deposit of \$129,038 is being held by ASB Bank New Zealand Ltd as security for a bank guarantee of NZ\$135,000 in favour of Westfield New Zealand Limited.

### 7. PROPERTY, PLANT & EQUIPMENT

<i>In AUD</i>	31 Dec 2014 \$	30 Jun 2014 \$
Property, plant & equipment – at cost	663,875	9,128
Work in progress	602,190	-
Accumulated depreciation	(30,385)	(853)
	<b>1,235,680</b>	<b>8,275</b>
<i>Movements in the carrying amounts of plant and equipment during the current period</i>		
Balance at the beginning of the period	8,275	-
Additions	654,539	9,128
Work in progress	602,190	-
Depreciation expense	(29,532)	(853)
Effect of movements in foreign exchange	208	-
Carrying amount at the end of the period	<b>1,235,680</b>	<b>8,275</b>

### 8. CAPITAL AND RESERVES

#### (a) Share Capital

At 31 December 2014, the Company had 337,396,437 ordinary shares on issue (30 June 2014: 78,327,142).

<i>In AUD</i>	31 Dec 2014 No	31 Dec 2013 No
On issue at 1 July	78,327,142	63,443,917
Shares issued for cash	75,000,000	2,166,667
On issue at 14 August 2014 (date of reverse acquisition)	<b>153,327,142</b>	
Share based payments	5,838,318	2,500,000
Shares issued to acquire Newzulu Holdings Limited	178,230,977	-
<b>Total Share Capital</b>	<b>337,396,437</b>	<b>68,110,584</b>

# **Newzulu Limited**

## **Condensed notes to the interim financial report**

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### **8. CAPITAL AND RESERVES (CONTINUED)**

On 14 August 2014, the Company issued 178,230,977 shares in consideration for the acquisition of Newzulu Holdings Limited. The acquisition was treated on an accounting basis as a reverse acquisition (refer to note 9).

On 15 August 2014, the Company issued 5,838,318 shares for advisory services in connection with the acquisition of Newzulu Holdings Limited.

On 8 October 2014 and 30 December 2014, Blueroom Capital Pty Ltd advanced loans totalling \$5,000,000 to the Company. The loans have been accounted for as other equity, net of equity raising costs of \$300,000. On 9 February 2015, the Group announced that it had converted the loans to equity via the issue of 50,000,000 at \$0.10 per share.

#### **(b) Share Options Reserve**

On 11 August 2014, The Group granted four million options to Messrs P.Gunzburg and B.Zikou in lieu of director fees. The fair value of the options granted was \$232,800 (see note 13 for basis of valuation) which was recorded in the Share Options Reserve.

On 11 August 2014, The Group granted twenty million incentive options to Mr Alex Hartman. The fair value of the options granted was \$1,164,000 (see note 13 for basis of valuation) which was recorded in the Share Options Reserve.

On 27 November 2014, The Group granted two million incentive options to Mr Theo Hnarakis. The fair value of the options granted was \$144,400 (see note 13 for basis of valuation) which was recorded in the Share Options Reserve.

#### **(c) Other Equity Contributions**

On 10 August 2014, loans to and from Related Parties were forgiven in advance of the business combination of the Company and Newzulu Holdings Limited. The net amount forgiven was \$636,914 and this was accounted for as other contributions to equity (Refer to note 11).

# Newzulu Limited

## Condensed notes to the interim financial report

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### 9. ACQUISITION OF SUBSIDIARIES

#### (a) Acquisition of Newzulu Limited

On 14 August 2014, the Company acquired 100% of the shares and voting interests in Newzulu Holdings Ltd (formerly Newzulu Ltd). Newzulu is one of the world's leading crowd-sourced news and freelance journalism platforms that operates in partnership with several of the leading national new wire agencies in the world.

##### (i) Consideration transferred

Management's view is that the business combination should be accounted for as a reverse acquisition and Newzulu Holdings Ltd would be deemed to be the acquirer for accounting purposes. The owners of Newzulu Holdings Limited hold a majority voting interest in the combined entity and the management of Newzulu Holdings Limited hold the senior management positions in the combined entity.

The fair value of the consideration transferred is \$19,165,897 based on the listed share price of Newzulu Ltd at 14 August 2014 of \$0.125 per share.

##### (ii) Identifiable assets acquired and liabilities assumed

<i>In AUD</i>	<i>\$</i>
Property, plant and equipment	3,600
Restricted deposits	122,493
Inventories	955
Current tax assets	1,423
Loans advanced	288,392
Trade and other receivables	96,448
Cash and cash equivalents	3,368,613
Other current assets	21,421
Trade and other payables	(276,041)
Unearned income	(11,327)
Employee liabilities	(75,090)
Interest bearing liabilities	(3,011)
Provision for onerous contracts	(118,686)
Fair value of identifiable net assets	<u>3,419,190</u>

# Newzulu Limited

## Condensed notes to the interim financial report

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### 9. ACQUISITION OF SUBSIDIARIES (CONTINUED)

#### (iii) Goodwill

Goodwill was recognised as a result of the acquisition as follows:

<i>In AUD</i>	<i>\$</i>
Total consideration transferred	19,165,897
Fair value of identifiable net assets	(3,419,190)
Goodwill	<u>15,746,707</u>

#### (iv) Acquisition-related costs

During the financial period, the Group incurred acquisition related costs of \$863,878 on legal, advisory and due diligence costs.

In the period from 14 August 2014 to 31 December 2014, Newzulu Limited contributed revenue of \$79,269 and loss of \$3,543,071 to the Group's results. If the acquisition had occurred on 1 July 2014, management estimates that consolidated revenue for the half year would have been \$269,579 and consolidated loss for the half year would have been \$23,240,750. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on 1 July 2014.

#### (b) Acquisition of Filemobile Inc.

Subsequent to the end of the period, on 10 February 2015, the Group completed the acquisition of 100% of Filemobile Inc.

##### (i) Consideration transferred

Given the timing of the acquisition, the details of the purchase consideration have not been finalised and are provisional. The provisional fair value of the consideration transferred is circa \$5,140,000 based on a Canadian dollar cash purchase price of CAD \$5,000,000, with the final consideration amount pending post-completion calculations of working capital requirements pursuant to the Share Purchase Agreement.

##### (ii) Identifiable assets acquired and liabilities assumed

Given the timing of the acquisition, the details of the identifiable net assets acquired have not been finalised.

##### (iii) Acquisition-related costs

During the financial period, the Group incurred acquisition related costs of \$542,994 on legal, advisory and due diligence costs. These costs have been included in 'administrative and corporate expenses'.

# Newzulu Limited

## Condensed notes to the interim financial report

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### 10. INTANGIBLE ASSETS & GOODWILL

Following a loss in the Kiosk cash generating unit (CGU) in the six months ended 31 December 2014 and following a strategic review of this CGU, the Company assessed the recoverable amount of the CGU.

The carrying amount of the CGU was determined to be higher than its recoverable amount of nil and an impairment loss of \$15,746,707 was recognised (31 Dec 2013: Nil). The impairment loss was allocated fully to goodwill, reducing goodwill in the Kiosk CGU to Nil.

The recoverable amount of the CGU was based on value in use. Value in use was determined by discounting the future cash flows currently forecast to be generated from the continuing CGU.

Other CGUs were not tested for impairment as there were no impairment indicators at 31 December 2014.

#### (a) Reconciliation of carrying value of goodwill

<i>In AUD</i>	<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
<i>Cost</i>		
Balance at beginning of period	222,033	-
Effect of movements in foreign exchange	7,029	
Acquisition through business combination	15,746,707	222,033
Balance at end of period	15,975,769	222,033
<i>Impairment losses</i>		
Balance at beginning of period	-	-
Impairment loss	(15,746,707)	-
Balance at end of period	(15,746,707)	-
<i>Carrying amounts</i>		
Balance at beginning of period	222,033	-
Effect of movements in foreign exchange	7,029	
<b>Balance at end of period</b>	<b>229,062</b>	<b>222,033</b>

# Newzulu Limited

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### 11. RELATED PARTIES

In advance of the business combination of Newzulu Limited and Newzulu Holdings that was completed on 14 August 2014, loans to and from related parties of Newzulu Holdings Limited were forgiven on 10 August, with the exception of the loan to Mr Peter Scarf.

#### (a) Loans to related parties

<i>In AUD</i>	<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
Loan to director	1,801	4,306
Loan to Matilda Media and subsidiaries	1,232	33,596
<b>Balance at end of period</b>	<b>3,033</b>	<b>37,902</b>

On 10 August 2014, loans to related parties with a balance of \$183,452 were forgiven.

During the period from 14 August to 31 December 2014, the Company made loans of \$1,801 to Mr Alex Hartman, a director of Newzulu Limited, and \$1,232 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>	<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
<i>Current</i>		
Loans from Matilda Media Pty Ltd and subsidiaries	118	820,770
<i>Non-current</i>		
Loan from Mr Peter Scarf	559,963	336,823
<b>Balance at end of period</b>	<b>560,081</b>	<b>1,157,593</b>

On 10 August 2014, loans from related parties with a balance of \$820,365 were forgiven.

During the period, the Company borrowed \$406,000 from Mr Peter Scarf. The loan is interest free and payable no later than 31 December 2015 and is secured by current and future assets of the Group. The loan was recorded at fair value, using a 20% discount rate. Subsequent to 30 June 2014, \$177,097 of the loan was repaid.

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

Terms and conditions of outstanding loans are as follows:

<i>In AUD</i>				<b>31 December 2014</b>	
	<b>Currency</b>	<b>Interest rate</b>	<b>Year of maturity</b>	<b>Face value</b>	<b>Carrying amount</b>
Peter Scarf Loan	AUD	20%	2015	683,903	559,963
<b>Total loans and borrowings from related parties</b>				<b>683,903</b>	<b>559,963</b>

# Newzulu Limited

## Condensed notes to the interim financial report

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### 12. ADMINISTRATIVE AND CORPORATE EXPENSES

A number of significant expenses are reported in Administrative and corporate expenses:

<i>In AUD</i>	<b>31 Dec 2014</b>	<b>30 Jun 2014</b>
<i>Non-cash expenses</i>		
Options issued to directors	2,236,000	-
<i>Acquisition-related expenses</i>		
Reverse acquisition of Newzulu Limited	863,878	-
Acquisition of Filemobile Inc	542,994	-
<b>Balance at end of period</b>	<b>3,642,872</b>	<b>-</b>

### 13. SHARE BASED PAYMENTS

- (a) On 11 August 2014, The Group granted 4 million options to Messrs P.Gunzburg and B.Zikou in lieu of director fees. The fair value of options granted has been determined using the Binomial model, utilising the following assumptions:

<b>Item</b>	
Underlying spot share price	\$0.11
Exercise price	\$0.10
Grant date	11 August 2014
Expiration date	30 June 2017
Life of options	2.89 years
Volatility	149%
Risk free rate	2.50%
Fair value	\$0.0837

The full fair value of these options of \$334,800 has been recognised as share based payment expense in the statement of profit or loss and other comprehensive Income.

- (b) On 11 August 2014, The Group granted 20 million incentive options to Mr Alex Hartman pursuant to the terms of the Newzulu acquisition. The fair value of options granted has been determined using the Binomial model, utilising the following assumptions:

<b>Item</b>	
Underlying spot share price	\$0.11
Exercise price	\$0.10
Grant date	11 August 2014



# Newzulu Limited

## Condensed notes to the interim financial report

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Expiration date	30 June 2017
Life of options	2.89 years
Volatility	149%
Risk free rate	2.50%
Fair value	\$0.0837

The full fair value of these options of \$1,674,000 has been recognised as share based payment expense in the statement of profit or loss and other comprehensive Income.

- (c) On 14 August 2014, The Group issued 5,838,318 ordinary shares to financial advisors as part consideration for advisory services received in relation to the Newzulu acquisition. The full fair value of these shares of \$817,365 has been recognised as share based payment expense in the statement of profit or loss and other comprehensive income, less costs of \$4,288.
- (d) On 27 November 2014, The Group granted 2 million director incentive options to Mr Theo Hnarakis. The fair value of options granted has been determined using the Binomial model, utilising the following assumptions:

<b>Item</b>	
Underlying spot share price	\$0.15
Exercise price	\$0.20
Grant date	27 November
Expiration date	31 October 2017
Life of options	2.93 years
Volatility	149%
Risk free rate	2.50%
Fair value	\$0.1136

The full fair value of these options of \$227,200 has been recognised as share based payment expense in the statement of profit or loss and other comprehensive Income.

# Newzulu Limited

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### 14. OPERATING SEGMENTS

The Group has three 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.

	Asia Pacific		North America		Europe		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
<i>In AUD</i>	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
External revenue	82,853	-	4,710	-	154,179	415,301	241,743	415,301
Reportable segment loss	(19,872,693)	-	(936,498)	-	(1,381,290)	(191,457)	(22,190,481)	(191,457)
	2014	2013		2013	2014	2013	2014	2013
<i>In AUD</i>	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun	31 Dec	30 Jun
Segment assets	9,251,949	1,192,824	594,646	236	3,387,638	526,311	13,234,233	1,719,371
Segment liabilities	2,042,045	1,639,384	1,587,551	12,618	6,256,269	1,960,618	9,885,865	3,612,620

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

*In AUD*

#### Revenue

Total Revenue for reportable segments

Elimination inter-segment revenues

#### Total revenue

#### Losses

Total losses for reportable segments

Elimination inter-segment losses

#### Total losses

#### Assets

Total assets for reportable segments

Elimination inter-segment assets

#### Total assets

#### Liabilities

Total liabilities for reportable segments

Elimination inter-segment liabilities

#### Total liabilities

31 Dec 2014

30 Jun 2014

241,743

415,301

106

-

241,849

415,301

(22,190,481)

(191,457)

(750,731)

-

(22,941,212)

(191,457)

13,234,233

1,719,371

(7,155,713)

(332,812)

6,078,520

1,386,559

9,885,865

3,612,620

(7,155,660)

(1,159,918)

2,730,205

2,452,702

## Newzulu Limited Directors' declaration

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

1. The condensed financial statements and notes set out on pages 5 to 29, 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 2014 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 Perth this 27<sup>th</sup> day of February 2015.

Signed in accordance with a resolution of the directors:



Alexander Hartman  
*Executive Chairman*

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

We have reviewed the accompanying interim financial report of Newzulu Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes 1 to 14 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 half-year.

### *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 2014 and its performance for the half-year 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 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 2014 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*.

### *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



David Sinclair  
*Partner*

Perth

27 February 2015

***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 2014 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



David Sinclair  
*Partner*

Perth

27 February 2015