

1. Company details

Name of entity:	Appen Limited
ABN:	60 138 878 298
Reporting period:	For the half-year ended 30 June 2015
Previous period:	For the half-year ended 30 June 2014

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	33.0% to	35,838
Profit from ordinary activities after tax attributable to the owners of Appen Limited	up	28.3% to	2,678
Profit for the half-year attributable to the owners of Appen Limited	up	28.3% to	2,678

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 31 December 2015	1.20	1.20

On 28 August 2015, the Company declared an interim dividend, fully franked. The record date for determining entitlements to the dividend is 4 September 2015.

Comments

The profit for the Group after providing for income tax amounted to \$2,678,000 (30 June 2014: \$2,088,000).

Refer to the 'Review of Operations' section in the Directors' report attached for further explanation of the results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>12.82</u>	<u>9.27</u>

The comparative figure relates to net tangible assets per security as at 31 December 2014.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 31 December 2015	1.20	1.20

On 28 August 2015, the Company declared an interim dividend, fully franked. The record date for determining entitlements to the dividend is 4 September 2015.

Previous period

	Amount per security Cents	Franked amount per security Cents
Dividends per ordinary and management share, paid on 29 May 2014, 100% franked	8.00	8.00
Dividends per ordinary and management share, paid on 20 June 2014, 100% franked	5.00	5.00

Dividends totalling 13.00 cents per share were paid based on the shares on issue prior to the restructuring of capital.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Appen Limited for the half-year ended 30 June 2015 is attached.

12. Signed

A handwritten signature in blue ink, appearing to read "M. Byrne", is written over a horizontal line.

Signed _____

Date: 28 August 2015

Mark Byrne
Company Secretary and Chief Financial Officer
Sydney



Appen Limited

ABN 60 138 878 298

Interim Report - 30 June 2015

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Directors	Christopher Charles Vonwiller - Chairman Mark Braylan - Chief Executive Officer William Robert Pulver Robin Jane Low Jeremy Andrew Samuel Stephen Hasker Deena Shiff Lisa Braden-Harder
Company secretaries	Mark Edmund Payton Byrne Leanne Ralph
Registered office	Level 6 9 Help Street Chatswood NSW 2067 Tel: 02 9468 6300
Principal place of business	Level 6 9 Help Street Chatswood NSW 2067
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Telephone: 1300 554 474 Facsimile: (02) 9287 0303
Auditor	KPMG 10 Shelley Street Sydney NSW 2000
Solicitors	Norton Rose Fulbright Australia Level 18 Grosvenor Place 225 George Street Sydney NSW 2000
Stock exchange listing	Appen Limited shares are listed on the Australian Securities Exchange (ASX code: APX)
Website	www.appen.com

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Appen Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2015.

Directors

The following persons were directors of Appen Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Christopher Charles Vonwiller - Chairman
Mark Brayan (appointed on 13 July 2015)
William Robert Pulver
Robin Jane Low
Jeremy Andrew Samuel
Stephen Hasker (appointed on 7 April 2015)
Deena Shiff (appointed on 15 May 2015)
Lisa Carol Braden-Harder

Principal activities

During the financial half-year the principal continuing activities of the Group consisted of the provision of data solutions and services for global technology companies and government agencies.

Appen operates through two operating divisions being:

- Content Relevance which provides annotated data used in search technology (embedded in web, e-commerce and social engagement) for improving relevance and accuracy of search results; and
- Speech and Data Collection which provides data used in speech recognisers, machine translation, speech synthesisers and other machine-learning technologies resulting in more engaging and fluent devices including internet-connected devices, in-car automotive systems and speech-enabled consumer electronics.

Supporting both divisions is a global on-demand workforce providing customers with very flexible in-country linguistic and cultural expertise in support of large global initiatives to any of 140 global markets.

Dividends

Dividends paid during the financial half-year were as follows:

Group	
30 Jun 2015	30 Jun 2014
\$'000	\$'000

Dividends paid for the half-year ended 30 June 2015 of nil cents (2014: 13.0 cents) per ordinary and management share

-	<u>1,188</u>
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Dividend declared

On 28 August 2015, the Company declared an interim dividend for the year ended 31 December 2015 of 1.20 cents per share, fully franked. The record date for determining entitlements to the dividend is 4 September 2015. The financial effect of these dividends has not been brought to account in the financial statements for the period ended 30 June 2015 and will be recognised in subsequent financial reports.

Review of operations

The profit for the Group after providing for income tax amounted to \$2,678,000, an increase of 28% compared to \$2,088,000 in the corresponding period in 2014. Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 36% from \$3,369,000 to \$4,843,000. After adding back the listing costs of \$214,000 (\$150,000 net of tax), the net profit after tax is \$2,828,000 and earnings before interest, tax, depreciation and amortisation ('EBITDA') is \$5,057,000.

Total revenue increased from \$26,941,000 to \$35,838,000 representing growth of 33%. This was driven by:

- Speech and Data increasing by 10% to \$13,064,000 underpinned by ongoing solid demand from its existing customers.
- Content Relevance revenues of \$22,740,000, an increase of 52% over the prior period due to existing customer demand and the acquisition of substantial new customers in search, social media and eCommerce. The revenue from new customers greatly reduces the risk of historic customer concentration.
- US-based revenue benefitted from favourable foreign exchange movements.

Expenses increased by 31% to \$31,679,000 from \$24,151,000 primarily due to an increase in services purchased to support the additional revenue.

Significant changes in the state of affairs

On 7 January 2015, the Company listed on the Australian Securities Exchange (ASX code: APX).

As set out in the IPO Prospectus, the Company raised \$15,000,000 of funds through the issue of 30,000,000 new shares. The proceeds (after costs) from this raising was applied against contingent considerations associated with the previous acquisition (in 2011) of the Butler Hill Group of \$2,200,000, the buyback of outstanding options of \$5,400,000 and the sell down of shares of \$5,100,000.

On 13 July 2015 Mark Brayan was appointed as Chief Executive Officer replacing Lisa Braden-Harder.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Christopher Vonwiller
Director

28 August 2015
Sydney



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

To: the directors of Appen Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 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

Tony Nimac
Partner

Sydney

28 August 2015

Appen Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2015



	Note	Group	30 Jun 2015	30 Jun 2014
			\$'000	\$'000
Revenue	4		35,838	26,941
Other income	5		-	62
Expenses				
Services purchased - data collection			(18,098)	(11,790)
Employee benefits expense	6		(10,069)	(9,323)
Depreciation and amortisation expense	6		(689)	(464)
Impairment of assets	6		(37)	(80)
Travel expense			(448)	(406)
Professional fees			(378)	(238)
Rental expense			(246)	(212)
Communication expense			(141)	(139)
Change in fair value of contingent consideration			-	(445)
Other expenses			(1,281)	(994)
Finance costs	6		(292)	(60)
Profit before income tax expense			4,159	2,852
Income tax expense			(1,481)	(764)
Profit after income tax expense for the half-year attributable to the owners of Appen Limited			2,678	2,088
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Foreign currency translation			704	(441)
Other comprehensive income for the half-year, net of tax			704	(441)
Total comprehensive income for the half-year attributable to the owners of Appen Limited			3,382	1,647
			Cents	Cents
Basic earnings per share	18		2.81	2.83
Diluted earnings per share	18		2.78	2.55

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Appen Limited
Statement of financial position
As at 30 June 2015



		Group	
	Note	30 Jun 2015	31 Dec 2014
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		5,196	8,649
Trade and other receivables	7	16,226	10,062
Prepayments		335	211
Total current assets		<u>21,757</u>	<u>18,922</u>
Non-current assets			
Property, plant and equipment		353	358
Intangibles		11,159	10,859
Other		8	-
Total non-current assets		<u>11,520</u>	<u>11,217</u>
Total assets		<u>33,277</u>	<u>30,139</u>
Liabilities			
Current liabilities			
Trade and other payables	8	5,998	7,858
Derivative financial instruments	9	559	640
Income tax		56	66
Provisions		849	690
Revenue received in advance		571	41
Total current liabilities		<u>8,033</u>	<u>9,295</u>
Non-current liabilities			
Deferred tax		1,397	913
Provisions		347	282
Total non-current liabilities		<u>1,744</u>	<u>1,195</u>
Total liabilities		<u>9,777</u>	<u>10,490</u>
Net assets		<u>23,500</u>	<u>19,649</u>
Equity			
Issued capital	10	19,077	18,476
Reserves	11	4,327	3,755
Retained profits/(accumulated losses)		96	(2,582)
Total equity		<u>23,500</u>	<u>19,649</u>

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

Appen Limited
Statement of changes in equity
For the half-year ended 30 June 2015



Group	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 January 2014	8,124	3,023	(3,009)	8,138
Profit after income tax expense for the half-year	-	-	2,088	2,088
Other comprehensive income for the half-year, net of tax	-	(441)	-	(441)
Total comprehensive income for the half-year	-	(441)	2,088	1,647
<i>Transactions with owners in their capacity as owners:</i>				
Issue of management shares	438	-	-	438
Share-based payments	-	133	-	133
Dividends paid (note 12)	-	-	(1,188)	(1,188)
Balance at 30 June 2014	<u>8,562</u>	<u>2,715</u>	<u>(2,109)</u>	<u>9,168</u>

Group	Issued capital \$'000	Reserves \$'000	Retained profits/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 January 2015	18,476	3,755	(2,582)	19,649
Profit after income tax expense for the half-year	-	-	2,678	2,678
Other comprehensive income for the half-year, net of tax	-	704	-	704
Total comprehensive income for the half-year	-	704	2,678	3,382
<i>Transactions with owners in their capacity as owners:</i>				
Transaction costs, net of tax	-	(233)	-	(233)
Issue of ordinary shares	601	-	-	601
Share-based payments and transactions	-	101	-	101
Balance at 30 June 2015	<u>19,077</u>	<u>4,327</u>	<u>96</u>	<u>23,500</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Appen Limited
Statement of cash flows
For the half-year ended 30 June 2015



	Note	Group	30 Jun 2015	30 Jun 2014
			\$'000	\$'000
Cash flows from operating activities				
Receipts from customers (inclusive of GST)			27,379	28,482
Payments to suppliers and employees (inclusive of GST)			(30,571)	(27,706)
			(3,192)	776
Interest received			8	7
Interest and other finance costs paid			(3)	(60)
Income taxes paid			(782)	(595)
Net cash from/(used in) operating activities	17		(3,969)	128
Cash flows from investing activities				
Payments for property, plant and equipment			(111)	(80)
Payments for intangibles			(136)	-
Payment for contingent consideration			-	(2,888)
Net cash used in investing activities			(247)	(2,968)
Cash flows from financing activities				
Proceeds from issue of shares	10		601	438
Proceeds from borrowings (USD loan)			-	2,149
Repayment of borrowings (USD loan)			-	(364)
Dividends paid	12		-	(1,188)
Net cash from financing activities			601	1,035
Net decrease in cash and cash equivalents			(3,615)	(1,805)
Cash and cash equivalents at the beginning of the financial half-year			8,649	5,771
Effects of exchange rate changes on cash and cash equivalents			162	(340)
Cash and cash equivalents at the end of the financial half-year			<u>5,196</u>	<u>3,626</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Appen Limited as a Group consisting of Appen Limited (the 'Company') and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Appen Limited's functional and presentation currency.

Appen Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 6
9 Help Street
Chatswood NSW 2067

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The company was admitted to the Australia Securities Exchange ('ASX') listing on 7 January 2015 under the ASX code 'APX'.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2015.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 30 June 2015 and are not expected to have any significant impact for the full financial year ending 31 December 2015.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

- AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (Part C)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: Content Relevance and Speech and Data Collection. These operating segments are based on the internal reports that are reviewed and used by the Group's Chief Executive Officer ('CEO'), who is identified as the Chief Operating Decision Maker, in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CEO reviews management information which covers EBITDA (earnings before interest, tax, depreciation and amortisation), revenue and operating segment reports on a monthly basis. The accounting policies adopted for internal reporting to the CEO are consistent with those adopted in the financial statements.

The CEO does not review segment assets and segment liabilities on a regular basis.

Intersegment transactions

Intersegment transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Major customers

During the year ended 30 June 2015 approximately 79% (30 June 2014: 85%) of the Group's external revenue was derived from sales to 5 major customers.

Operating segment information

	Content relevance \$'000	Speech and data collection \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Group - 30 Jun 2015				
Revenue				
Services revenue	22,740	13,064	-	35,804
Rent	-	-	26	26
Interest	-	-	8	8
Total revenue	22,740	13,064	34	35,838
Segment result profit				
Corporate overhead				(3,709)
Depreciation and amortisation				(400)
Interest				(3)
Profit before income tax expense	3,313	4,958	-	4,159
Income tax expense				(1,481)
Profit after income tax expense				2,678

	Content relevance \$'000	Speech and data collection \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Group - 30 Jun 2014				
Revenue				
Services revenue	14,978	11,924	-	26,902
Rent	-	-	32	32
Interest	-	-	7	7
Total revenue	14,978	11,924	39	26,941
Segment result profit				
Corporate overhead				(2,035)
Depreciation and amortisation				(427)
Interest				(60)
Change in fair value of contingent consideration				(445)
Profit before income tax expense	1,526	4,293	-	2,852
Income tax expense				(764)
Profit after income tax expense				2,088

Note 4. Revenue

	Group	
	30 Jun 2015	30 Jun 2014
	\$'000	\$'000
<i>Sales revenue</i>		
Services revenue	35,804	26,902
<i>Other revenue</i>		
Interest	8	7
Rent	26	32
	<u>34</u>	<u>39</u>
Revenue	<u><u>35,838</u></u>	<u><u>26,941</u></u>

Note 5. Other income

	Group	
	30 Jun 2015	30 Jun 2014
	\$'000	\$'000
Net foreign exchange gain	-	62
	<u><u>-</u></u>	<u><u>62</u></u>

Note 6. Expenses

	Group	
	30 Jun 2015	30 Jun 2014
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Licences	30	36
Plant and equipment	128	89
Intangible assets	531	339
	<u>689</u>	<u>464</u>
Total depreciation and amortisation		
<i>Impairment</i>		
Receivables	37	80
	<u>37</u>	<u>80</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	3	60
Net foreign exchange loss	289	-
	<u>292</u>	<u>60</u>
Finance costs expensed		
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	483	441
Share-based payments expense	101	133
Employee benefits expense	9,485	8,749
	<u>10,069</u>	<u>9,323</u>
Total employee benefits expense		

Note 7. Current assets - trade and other receivables

	Group	
	30 Jun 2015	31 Dec 2014
	\$'000	\$'000
Trade receivables	11,003	4,630
Less: Provision for impairment of receivables	(33)	(61)
	<u>10,970</u>	<u>4,569</u>
Other receivables	48	623
Work in progress	4,896	3,241
GST recoverable	26	129
Other refunds	286	1,500
	<u>16,226</u>	<u>10,062</u>

Note 8. Current liabilities - trade and other payables

	Group	
	30 Jun 2015	31 Dec 2014
	\$'000	\$'000
Trade payables	2,872	3,801
VAT payable	79	87
Other payables and accrued expenses	3,047	3,970
	<u>5,998</u>	<u>7,858</u>

Note 9. Current liabilities - derivative financial instruments

	Group	
	30 Jun 2015	31 Dec 2014
	\$'000	\$'000
Forward foreign exchange contracts	421	402
Option foreign exchange contracts - Collars	138	238
	<u>559</u>	<u>640</u>

Refer to note 13 for further information on fair value measurement.

Note 10. Equity - issued capital

	Group			
	30 Jun 2015 Shares	31 Dec 2014 Shares	30 Jun 2015 \$'000	31 Dec 2014 \$'000
Ordinary shares - fully paid	96,280,002	94,846,002	19,077	18,476

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 January 2015	94,846,002		18,476
Issue of shares	12 February 2015	2,500	\$0.000	-
Issue of shares	8 April 2015	409,000	\$0.367	150
Issue of shares	8 April 2015	613,500	\$0.428	263
Issue of shares	23 June 2015	204,500	\$0.432	88
Issue of shares	23 June 2015	204,500	\$0.489	100
Balance	30 June 2015	<u>96,280,002</u>		<u>19,077</u>

The issue of shares on 12 February 2015 relates to an issue of bonus shares. All other share issues are a result of options being exercised and will be fully disclosed in the 2015 Annual Report.

Note 11. Equity - reserves

	Group	
	30 Jun 2015 \$'000	31 Dec 2014 \$'000
Common control reserve	(1,416)	(1,416)
Foreign currency translation reserve	2,742	2,038
Share-based payments reserve	1,142	1,041
Other reserves	1,859	2,092
	<u>4,327</u>	<u>3,755</u>

Note 12. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Group	
	30 Jun 2015 \$'000	30 Jun 2014 \$'000
Dividends paid for the half-year ended 30 June 2015 of nil cents (2014: 13.0 cents) per ordinary and management share	<u>-</u>	<u>1,188</u>

Dividend declared

On 28 August 2015, the Company declared an interim dividend for the year ended 31 December 2015 of 1.20 cents per share, fully franked. The record date for determining entitlements to the dividend is 4 September 2015. The financial effect of these dividends has not been brought to account in the financial statements for the period ended 30 June 2015 and will be recognised in subsequent financial reports.

Note 13. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Group - 30 Jun 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Forward foreign exchange contracts	-	421	-	421
Option foreign exchange contracts - Collars	-	138	-	138
Total liabilities	-	559	-	559

Group - 31 Dec 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Forward foreign exchange contracts	-	402	-	402
Option foreign exchange contracts - Collars	-	238	-	238
Total liabilities	-	640	-	640

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 14. Contingent liabilities

The Group has given bank guarantees as at 30 June 2015 of \$122,000 (31 December 2014: \$122,000) to various landlords.

Note 15. Related party transactions

Transactions with related parties

A database has been provided on commercial terms to a non-for-profit organisation associated with the Chairman. There were no other transactions with related parties during the current financial half-year.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 16. Events after the reporting period

Chief Executive Officer change

On 13 July 2015, Mark Brayan was appointed as Chief Executive Officer replacing Lisa Braden-Harder.

Apart from the dividend declared as disclosed in note 12, no other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 17. Reconciliation of profit after income tax to net cash from/(used in) operating activities

	Group	
	30 Jun 2015	30 Jun 2014
	\$'000	\$'000
Profit after income tax expense for the half-year	2,678	2,088
Adjustments for:		
Depreciation and amortisation	689	464
Share-based payments	-	133
Foreign exchange differences	704	(108)
Change in fair value of contingent consideration	-	445
Impairment loss on receivables	37	80
Change in operating assets and liabilities:		
Increase in trade and other receivables	(7,309)	(1,108)
Increase in deferred tax assets	-	(550)
Increase in trade and other payables	(1,238)	(2,045)
Increase in employee benefits and provisions	238	97
Decrease in provision for income tax	(782)	(191)
Increase in deferred tax liabilities	484	854
Decrease in unearned revenue	530	(31)
Net cash from/(used in) operating activities	<u>(3,969)</u>	<u>128</u>

Note 18. Earnings per share

	Group	
	30 Jun 2015	30 Jun 2014
	\$'000	\$'000
Profit after income tax attributable to the owners of Appen Limited	<u>2,678</u>	<u>2,088</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	95,335,310	73,789,429
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	841,328	7,991,958
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>96,176,638</u>	<u>81,781,387</u>
	Cents	Cents
Basic earnings per share	2.81	2.83
Diluted earnings per share	2.78	2.55

The weighted average number of ordinary shares for the half-year ended 30 June 2014 has been restated for the effect of the recapitalisation (8.18 for 1) that occurred between 30 October 2014 and 1 December 2014, in accordance with AASB 133 'Earnings per share'.

	Number
Weighted average number of ordinary shares used in calculating basic earnings per share (before restatement)	7,475,412
Adjustment required by AASB 133 'Earnings per share'	<u>66,314,017</u>
Weighted average number of ordinary shares used in calculating basic earnings per share (after restatement)	<u>73,789,429</u>

Note 19. Share-based payments

Long-term incentive plan

The Company has developed a long term incentive plan ("LTIP") which incorporates performance conditions and will be effective from 1 January 2015. This was confirmed by the board on the 25 February 2015.

The long term incentive plan provides for awards of Performance Rights to senior management, vesting in 1/3 tranches over a three year period, subject to an Earnings per Shares non-market performance condition tested over a one year period. If the EPS target is satisfied the Performance Rights will continue, but will lapse if an employee ceases employment with the Company. Details are outlined in the table below:

Vesting date	Group	
	30 Jun 2015 Number	30 Jun 2014 Number
1 March 2016	225,960	-
1 March 2017	225,960	-
1 March 2018	225,960	-
Total performance rights	<u>677,880</u>	<u>-</u>

Under this calculation method an annual EPS growth target is set at the beginning of each performance period.

Earnings per share targets	2015 * %	2016 %	2017 %
Basic EPS Growth rate	4.3%	10.0%	10.0%

* this is based on the adjusted net profit after tax for 2014.

The Company incurred a charge of \$52,476 during this period in relation to this incentive plan.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink that reads "Chris Vonwiller".

Christopher Vonwiller
Director

28 August 2015
Sydney



Independent auditor's review report to the members of Appen Limited

Report on the financial report

We have reviewed the accompanying interim financial report of Appen Limited, which comprises the consolidated statement of financial position as at 30 June 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 19 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 30 June 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 Appen 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*.



Independent auditor's review report to the members of Appen Limited (continued)

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 Appen 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 30 June 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*.

A handwritten signature in black ink, appearing to read 'KPMG' or similar, written in a cursive style.

KPMG

A handwritten signature in black ink, appearing to read 'Tony Nimac', written in a cursive style.

Tony Nimac
Partner

Sydney

28 August 2015