SHOPLY LIMITED

(ASX: SHP)

(formerly AdEffective Limited)

28 August 2014

ASX and Media Release

FY14 Results

The Year in Review

The Company's results reflect a considerable change in operations as the Company transitioned to a pure-play online shopping company. During the course of the year the Company's revenues from its Online Advertising division declined to unprofitable levels resulting in the closure of this division.

The Company's results from continuing operations for the year ended 30 June 2014 was a net loss of $1,530,548 reflective of the investment and creation of the Online Shopping Division and associated capability within the Group. The Company's result inclusive of discontinued operation for the year ended 30 June 2014 was a net loss of $1,489,936 compared to the previous year of a net profit of $45,471 attributed to Online Advertising Division, which ceased operation in June 2014.

In its first year of operation the Online Shopping division generated $1,656,743 in revenues.

Shoply is now positioned as a pure-play online shopping company with expected revenues of approximately $18m in financial year 2015.

Forward Strategy

The Company remains committed to a growth plan centered around capitalising on the increasing number of Australian shoppers seeking the convenience and value provided by shopping online.

The Company continues to look for suitable acquisitions in attractive online shopping categories and the organic development of existing and new online stores.

The Company plans to expand its Online Shopping platform to support the growing number of online stores and acquisitions.

Outlook

The Directors remains optimistic about the outlook for Shoply, and are encouraged by the early stages of development of the Company's Online Shopping division.

The Company's strategy continues to be the generation of organic growth of its Online Shopping destinations, together with a proactive search for appropriate acquisition opportunities to broaden that division's scope and economies of scale. The Company is continually reviewing the market in relation to acquisition opportunities and will continue to keep the market updated as developments occur.

-**Ends**

For further information contact:
Sophie Karzis
Company Secretary
+613 9286 7500
sk@ccounsel.com.au

SHOPLY LIMITED

(formerly Adeffective Limited)

and Controlled Entities

ABN 93 085 545 973

APPENDIX 4E

&

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 2014

Lodged with ASX under Listing Rule 4.3A

Appendix 4E

RESULTS FOR ANNOUCEMENT TO THE ASX

Name of Entity	Shoply Limited
Australian Business Number	93 085 545 973
Current reporting period:	1 July 2013 to 30 June 2014
Previous corresponding reporting period:	1 July 2012 to 30 June 2013

		% Change		$
Revenues from ordinary activities	-	-	to	1,656,743
Loss from ordinary activities after tax attributable to members	Down	3376	to	(1,489,936)
Net Loss for the year attributable to members	Down	3376	to	(1,489,936)

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

This Appendix 4E is to be read in conjunction with the Company's 2014 Annual Report.

Audit

This report is based on accounts that have been audited. The unqualified audit report is attached on **page 56** of the attached audited financial statements.

SHOPLY LIMITED

(formerly AdEffective Limited)

ABN 93 085 545 973

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2014

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CHAIRMAN'S LETTER

Dear Shareholder

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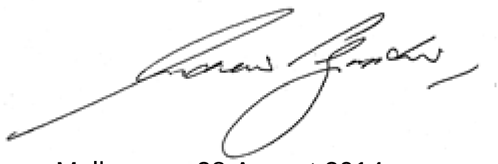
Andrew Plympton

Non-Executive Chairman



Melbourne, 28 August 2014

CORPORATE INFORMATION

DIRECTORS

Andrew Plympton	Non-Executive Chairman
Damian London	Non- Executive Director
Sophie Karzis	Non-Executive Director
Mark Goulopoulos	Non-Executive Director
Domenic Carosa	Non-Executive Director

COMPANY SECRETARY

Sophie Karzis

REGISTERED OFFICE

Level 1
61 Spring Street
Melbourne Victoria 3000

AUDITORS

Ernst & Young
8 Exhibition Street
Melbourne Victoria 3000

LAWYERS

HWL Ebsworth
Level 26, 530 Collins Street
Melbourne Victoria 3000

BANKERS

Westpac
360 Collins Street
Melbourne Victoria 3000

SHARE REGISTRY

Computershare Registry Services
GPO Box 242
Melbourne Victoria 3001
Tel: 1300 137 328

EXCHANGE LISTING

Shoply Limited's ordinary shares are quoted on the Australian Securities Exchange Limited.
(**ASX**: **SHP**)

STATE OF INCORPORATION

Victoria

DIRECTORS' REPORT

The Directors present their report together with the financial report of the consolidated entity consisting of Shoply Limited (formerly AdEffective Limited) (the **Company**) and its controlled entities (the **Group**), for the financial year ended 30 June 2014 and independent auditor's report thereon.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

The qualifications, experience and special responsibilities of each person who has been a Director of Shoply Limited, together with details of the Company Secretary, during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

<u>**Name**</u>	<u>**Particulars**</u>
Mr Andrew Plympton	**Non-executive Chairman** Mr Plympton joined the Company in February 2010 and brings to the role a wealth of experience in a diverse range of commercial activities. In the financial services sector, Mr Plympton has been either the managing director and/or executive chairman of a number of International insurance brokers, underwriting agencies and captive insurance managers. In the public company sector, Mr Plympton is Chairman of Entellect Limited (ASX: ESN) and is a director of Sunbridge Group Limited (ASX: SBB) and Energy Mad Limited (NZX: MAD). Mr Plympton is also a Commissioner of The Australian Sports Commission, Executive Member and Director of The Australian Olympic Committee and Australian Olympic Foundation Limited. During the last three years Mr Plympton has also served as a director of listed companies NewSat Limited (ASX: NWT), Beyond Sportswear International Limited (ASX:BSI) and Intermoco Limited (ASX:INT).
Mr Damian London	**Resigned as Executive Director and Chief Executive Officer on 2 August 2013, presently Non-executive Director** Mr London has over 20 years C –Level executive experience with broad-based expertise in management, technology, start-ups, digital strategy, digital marketing, international business, business development and online consulting, mergers and acquisitions. Mr London served as Chief Executive Officer at AdEffective Limited from May 2011 to August 2013, founded and served as Managing Director of PlanetW Pty Ltd from 2007 to 2011 and was the co-founder and Chief Information Officer at Ansearch Limited from 2004 to 2007. Mr London is also a Director of Property SX Pty Ltd, Online Mentor Pty Ltd and DL Consulting Group Pty Ltd. Damian holds a Bachelor of Applied Science, with a Double major in Computer Science and Software Engineering (Swinburne University, Australia). During the last three years, Mr London has not served as a director of any other listed companies.
Ms Sophie Karzis	**Non-executive Director and Company Secretary** Ms Karzis is a practising lawyer with over 20 years' experience in corporate law. She is company secretary and general counsel to a number of public (listed and unlisted) and private companies and is the principal of Corporate Counsel, a business which provides corporate and

company secretarial services to Australian companies. Ms Karzis has not served as a director of any other listed companies.

Mr Mark Goulopoulos **Non-executive Director**

Mr Goulopoulos is an Associate Director of Private Clients at Patersons Securities and has over 10 years' experience as an investment adviser. He has broad based knowledge which applies across many areas of financial markets and specialises in strategic investment advice for high net worth clients, small international hedge funds and family offices. Mr Goulopoulos has particular expertise with small capitalisation stocks and this has been a catalyst in him originating, arranging and distributing transactions in Equity Capital Markets. In addition to his experience in capital markets Mr Goulopoulos has also co-founded companies in the digital arena focussed on e-commerce and mobile applications. During the last three years, Mr Goulopoulos has not served as a director of any other listed companies.

Mr Domenic Carosa **Non-executive Director**

Domenic Carosa is co-founder & Chairman of Future Capital Development Fund Pty Ltd (a registered Pooled Development Fund). Future Capital has successfully raised in excess of A$8 million in patient equity capital in recent years, invested in 14 early stage investees and recently launched the Future Capital Bitcoin Fund which will invest into Bitcoin related companies. Domenic is also Chairman of Dominet Digital Corporation Pty Ltd, a boutique internet investment group and Chairman/CEO of global mobile entertainment company CrowdMobile.com. Domenic was previously the co-founder and Group CEO of ASX-listed destra Corporation Ltd (ASX: DES), which was the largest independent media and entertainment company in Australia with revenues of over A$100 million. He stepped aside from Destra in April 2008.
With over 20 years' experience in business and technology, Domenic has built a reputation as a leader in the internet space by building one of Australia's largest independent digital music websites – MP3.com.au – in the late 90's, and building from scratch Australia's second largest virtual web hosting/domain company which he sold for A$25 million in 2005-06. Domenic is past Chairman of the Internet Industry Association (IIA) and holds a Masters of Entrepreneurship & Innovation (MEI) from Swinburne University. Domenic is also a non-executive director of Peer 2 Peer company Qanda Technology (ASX: QNA).

Directors' Meetings

The number of meetings of the Board of Directors held during the financial year and the numbers of meetings attended by each Director (while they were a Director) were as follows:

Director	Eligible to Attend	Number Attended
Mr Andrew Plympton	11	11
Mr Damian London	11	10
Ms Sophie Karzis	11	8
Mr Mark Goulopoulos	11	10
Mr Domenic Carosa	11	11

Board Committees

During the financial year and as at the date of this report, the Group did not have separately established nomination; audit; or remuneration committees (refer Corporate Governance Statement on Page 20).

Directors' Interests in Shares and Options of the Group

As at the date of this report, the relevant interests of the Directors in the shares and options of the Group were:

Director	Numbers of ordinary shares	Number of options/performance rights (unlisted)	Number of options (listed)
Mr Andrew Plympton	nil	1,600,000	nil
Mr Damian London *1*	13,199,834	2,000,000	nil
Ms Sophie Karzis	nil	1,000,000	nil
Mr Mark Goulopoulos *2*	11,997,565	1,000,000	400,000
Mr Domenic Carosa *3*	51,264,991	1,000,000	333,334

1. *These shares are held by DL Group Holdings Pty Ltd ATF The London Family A/C; Mr London is the controller of DL Group Holdings Pty Ltd.*

2. *These shares are held by Atlantis MG Pty Ltd ATF MG Family Super Fund A/C and Atlantic MG Pty Ltd ATF MG Family A/C; Mr Goulopoulos is the practical controller of Atlantis MG Pty Ltd.*

3. *These shares are held by Tiger Domains Pty Ltd ATF Tiger Domains Unit Trust, MP3 Australia Pty Ltd ATF MP3 Australia Unit Trust A/C in each of which the Director is both a 50% shareholder and unit holder and Dominet Digital Corporation Pty Ltd ATF The Carosa Family A/C in which the Director is a beneficiary.*

Earnings Per Share	**Cents**
Basic and diluted earnings per share	(0.55)

Dividends, paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year ended 30 June 2014.

CORPORATE INFORMATION

Corporate structure

Shoply Limited (formerly AdEffective Limited) is a company limited by shares that is incorporated and domiciled in Australia and listed on the Australian Securities Exchange (**ASX**). Shoply Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year ended 30 June 2014. The Company's subsidiary entity is set out in note 28 to the consolidated financial statements.

Nature of operations and principal activities

The Group's principal activities during the course of the financial year were in the areas of online shopping and online advertising. Apart from the discontinuance of the online advertising division, there has been no other significant change in the nature of these activities during the financial year.

Employees

The Group has 25 employees as at 30 June 2014 (2013: nil). The Group had consulting agreements with 5 contractors as at 30 June 2014 (2013: 3 contractors) who performed the primary activities of the Group at 30 June 2014.

OPERATING AND FINANCIAL REVIEW

Review of Operations

The Group's results from continuing operations for the year ended 30 June 2014 was a net loss of $1,530,548 reflective of the investment and creation of the Online Shopping Division and associated capability within the Group. The Group's result inclusive of discontinued operation for the year ended 30 June 2014 was a net loss of $1,489,936 compared to the previous year of a net profit of $45,471 attributed to Online Advertising Division, which ceased operation in June 2014.

Revenue for the year ended 30 June 2014 was $1,656,743 for the first year in operation of the Online Shopping Division as the revenue of the previous year was generated by the discontinued operations.

The Group results reflect a considerable improvement in revenue generated from the Online Shopping division and the Company is confident of continuing growth in the division.

The combination of the acquisitions in financial year 2014 and the cash balance at 30 June 2014 of $3,510,259 position Shoply for growth in financial year 2015.

Results

Revenue from continuing operations for the year ended 30 June 2014 was $1,656,743 (2013: nil). The Group generated a net loss of $1,489,936 (2013: net profit $45,471) and net cash outflows from continuing operations of $473,749 (2013: inflows of $210,234) for the year ended 30 June 2014.

Business model

Shoply operates and develops online shopping destinations in a number of attractive retail categories to meet the needs of online shoppers. Our portfolio of online shopping propositions includes; leading kitchenware and kitchen appliances retailer yourhomedepot.com.au; premier office technology Warcom.com.au and consumer electronics eljo.com.au online stores. Shoply has recently launched toy and baby retailer ToyStore.com.au and WowBaby.com.au.

Strategies and plans

- Increase revenue across our online stores through customer acquisition and retention activities, sales optimisation and cross-selling to customers across online retail stores
- Consolidate technology and platforms into a single operating model for all shopping experiences
- Enter new retail categories organically or via acquisition
- Pursue further e-commerce acquisitions funded through cash reserves or the issue of ordinary shares

Future Prospects

The Directors are confident that the combination of careful management of overheads, capital position and the potential to raise capital should circumstances require, provides sufficient funds to meet ongoing capital requirements of the Group and the Company for the foreseeable future.

Whilst there is significant uncertainty given the early stage of Shoply's Online Shopping division growth, the Directors consider it appropriate to prepare the accounts for the year ended 30 June 2014 on a going concern basis as they are satisfied that, based on the factors outlined above, the Group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

However without funding from positive operating cash flows, and if the Company were unable to raise capital if required, there would be a material uncertainty as to whether the consolidated entity would be able to continue as a going concern and therefore whether it would be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.

Group Performance over the five-year period

	2014	2013	2012	2011	2010*
Basic earnings/(loss) per share (cents)	(0.55)	0.02	(1.35)	(1.12)	0.01

** Change of business structure and ownership.*

Financial position

The Group had net assets of $5,655,356 as at 30 June 2014 (2013: $638,963).

The Group had receivables of $102,791 as at 30 June 2014 (2013: $504,452).

The Group had payables of $960,999 as at 30 June 2014 (2013: $468,107).

Cash flows

The Group generated net operating cash outflows of $473,749 during the year ended 30 June 2014 (2013: net cash inflows $210,234). Net investing cash outflows were $3,043,928 in the year ended 30 June 2014 (2013: $10).

Net financing cash inflows were $6,463,713 in the year ended 30 June 2014 (2013: $nil).

There was a cash balance at 30 June 2014 of $3,510,259 (2013: $564,223).

Likely developments and expected results

The Company is pleased with development of its Online Shopping division and the Company's transition to a pure-play online shopping Company. The Directors are optimistic that, despite the early stage nature of the development of the Company's Online Shopping division, Shoply is positioned to achieve its objective of continued growth in the 2015 financial year.

Key business risks

A number of specific risk factors that may impact the future performance of the Group are described below. Shareholders should note that this list is not exhaustive.

(a) Risks related to the Group's e-commerce business division

- **New division –** The Group's e-commerce division is a new business offering. Whilst the new division is an extension of the Group's existing business and is being developed with minimal capital expenditure and resources, there is no guarantee that this division will generate profits in the near to medium term, particularly at this early stage of its development. In addition, the development of the Group's e-commerce division is dependent on growth through strategic acquisitions. Whilst the Directors continue to source reliable acquisition opportunities that will provide appropriate additions to the Group's e-commerce division, the Company cannot guarantee the success or indeed completion of any proposed acquisitions of new businesses. Accordingly, there is a risk that the Group will not, in the short to medium term, realise any value from its capital investments in these businesses.

- **E-commerce risks –** There are a number of inherent risks associated with operating in the e-commerce sector, including but not limited to security breaches (particularly in relation to credit card security), fraud exposure, customer disputes and chargebacks. For instance, security risks arising from intrusions from viruses and hackers could disrupt the Group's business operations and may lead to loss in customer confidence and sales revenue.

(b) General risks

- **Reliance on technology** – The successful operation of the Group's business is dependent on various technologies including the internet and co-located dedicated servers. Any significant disruption to these systems could have a materially detrimental effect on the Group's business. Further, there is no guarantee that the technology utilised by the Group will not, in the future, be superseded by other technologies.

- **Intellectual property** – One of the Group's significant assets is its intellectual property rights in products and services, which it has developed. The Company relies on a combination of copyright and trademark laws, confidentiality procedures and contractual provisions to protect these assets. Unauthorised use of the Company's intellectual property could have a materially adverse effect on the Company and there can be no assurance that the Company's legal remedies would adequately compensate it for the damage to its business caused by such use.

- **Competition –** The Group is not unique in developing and marketing many of its products and services. There is a risk that its products and services may not, in the future, be able to compete with competitors' products and services on cost or technical grounds.

Risk Management

The Board takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. The Company believes that it is crucial for all Board members to be a part of this process and, as such, the Board has not established a separate risk management committee.

Significant changes in the state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- In February 2014, Shoply announced its intention to enter into two new online market segments. The entry into the market segments will be via a dual-faceted, organic and acquisitive growth strategy. The market segments are homewares and domestic appliances and recreational products.

- In February 2014, Shoply announced the proposed acquisition of Your Home Depot business. The business purchase was completed on 10 June 2014 with a cash consideration of $2.85 million for the assets of Your Home Depot, fully paid by Shoply with cash raised through a successful capital raising in March 2014.

- On 4 March 2014, Shoply announced a successful placement of $1.8 million through professional and sophisticated investors who subscribed for 60 million new fully paid ordinary shares in the Company at 3 cents per share. The placement was complete on 7 March 2014.

- In conjunction with the placement above, the Company also provided an opportunity for the Company's existing shareholders with registered addresses in Australia and New Zealand to participate in the capital-raising on the same term as the Placement via a 1-for-5 renounceable rights issue at 3 cents per share to raise $1.8 million (Rights Issue) and each subscribers to the Rights Issue also received one free attaching option exercisable at 3.5 cents on or before 31 July 2015 for every 2 new shares subscribed. The rights issue completed on 3 April 2014.

- On 13 March 2014, Shoply announced the acquisition of the assets of Wowbaby.com.au website, which is an online baby products retailer.

- On 12 June 2014, Shoply announced the acquisition of the Warcom business which operates the website, Warcom.com.au. This is an online e-commerce IT supply.

Significant events after the balance date

- On 7 July 2014, the Group launched a new website – Toystore.com.au which marked the Group's entry into the growing online toy market.
- On 7 July 2014, the Company confirmed that its "SHPO" class of options quoted on the ASX, exercisable at $0.015, expired on 30 June 2014. As at the expiry date, there were 3,071,199 options for which the Company had not received exercise notices. Accordingly, pursuant to an underwriting agreement between Shoply and Patersons Securities Limited, under which Patersons agreed to act as underwriter for the exercise of the SHPO options, Patersons' sub-underwriters subscribes for the total shortfall of 3,071,199 underlying shares. The shortfall shares were issued on 9 July 2014.

Environmental regulation

The Group's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

Shares issued during the year

40,056,047 shares were issued to Directors or other key management personnel during the year ended 30 June 2014 (2013: nil). Refer to remuneration report for further details.

Share options (listed & unlisted) and Performance rights

Performance rights granted

The Company granted 5,000,000 performance rights under the plan to Directors on 12 December 2013 under the Company's LTIP. The exercise price of the options is $0.02 per option. The options are conditional upon continuation as a non-executive director until 31 December 2014 and achievement of targeted sales during a 12 month period from 1 July 2014 to 30 June 2015. The options will lapse if the conditions are not satisfied and expire on 31 December 2017.

The Company also granted 4,000,000 performance rights under the plan to the CEO on 12 December 2013. The exercise price of the options is $0.015 per option for 2,000,000 (Options A) and $0.025 per option for another 2,000,000 (Options B).

1,900,000 performance rights were issued to employees during the year ended 30 June 2014 (2013: nil).

Indemnification and insurance of directors and officers

The Company agreed to indemnify all directors and executive officers for losses which they may become legally obligated to pay on account of any claim first made against them during the policy period for a wrongful act committed before or during the policy.

Total amount of insurance contract premium paid was $7,500.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Proceedings on behalf of the Consolidated Entity

No person has applied for leave of Court to bring proceedings on behalf of the Group.

Remuneration Report (Audited)

This Remuneration Report for the year ended 30 June 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

At its 2013 Annual General Meeting, shareholders approved the introduction of Shoply Limited Executives and Employee Long Term Incentive Plan (LTIP).

The remuneration report is presented under the following sections:

1. Key Management Personnel (KMP) disclosed in this report
2. Remuneration Governance
3. Executive remuneration arrangements
4. Executive contracts
5. Non-executive director remuneration arrangements
6. Details of Key Management Personnel remuneration
7. Additional disclosures relating to options and shares

1. Key Management Personnel (KMP) disclosed in this report

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Group, including any Director of the Group.

Key Management Personnel during the financial year are as follows:

(i) Non-executive directors (NEDs)

Andrew Plympton	Chairman (non-executive)
Damian London	Director (non-executive)
Sophie Karzis	Director (non-executive)
Mark Goulopoulos	Director (non-executive)
Domenic Carosa	Director (non-executive)

(ii) Executive

Simon Crean	Chief Executive Officer (CEO)

There were no other changes to KMP after the reporting date and before the date the financial report was authorised for issue.

2. Remuneration Governance

Remuneration Policy

The performance of the Group depends upon the quality of its Directors and executives. To be successful, the Group must attract, motivate and retain highly skilled Directors and executives. To this end, the Group seeks to provide competitive rewards to attract high calibre executives. The Board of Directors is responsible for determining and reviewing remuneration arrangements for the Directors, the Chief Executive Officer and the operations team. The Board of Directors assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Hedging of equity awards

The Group has a policy in place to prohibit Directors and executives from entering into equity hedging arrangements to protect the value of unvested options.

Remuneration committee

In view of the size of the Group, the Group does not have a separately established remuneration committee.

Remuneration structure
In accordance with best practice corporate governance, the structure of non-executive Director and executive remuneration is separate and distinct.

3. Executive remuneration arrangements

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward executives for the Group and individual performance;
- Align the interests of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Currently remuneration is paid in the form of cash remuneration, superannuation contributions and share options where applicable. For the financial year ended 30 June 2014, key executives have remuneration packages which include components that are dependent on meeting specified performance conditions.

4. Executive contract

The CEO has a formal service agreement with the Group.

On 22 July 2013, the Company entered into an employment services agreement with Mr Simon Crean in respect to his appointment as Chief Executive Officer (**CEO**). A summary of the key terms of Mr Crean's employment under the Agreement is as follows:

- Mr Crean's term of employment as CEO commenced on 9 September 2013 and will continue indefinitely until terminated in accordance with the Agreement.

- Mr Crean's fixed remuneration is $160,000 per annum, plus compulsory superannuation contributions at the required statutory rate.

- The Company may, if the Board determines in its absolute discretion and subject to any relevant performance or other conditions, restrictions or requirements of the Board or of the listing rules of ASX, pay a short term incentive (STI) to the Executive, and/or grant shares or options to or for the benefit of Mr Crean as a long term incentive (LTI).

- The Board has determined that subject to approval by its shareholders and any other approvals that may be required, for the purposes of an LTI, Mr Crean will be issued with:
    - 2 million options with an exercise price of 1.5 cents each to acquire 2 million ordinary shares in the Company (A Options); the A Options will vest as follows:
    - 666,666 will vest and be exercisable at any time during a period of three years from the date that is 12 months after the date of issue of the A Options; and
    - 666,667 will vest and be exercisable at any time during a period of three years from the date that is 24 months after the date of issue of the A Options; and
    - 666,667 will vest and be exercisable at any time during a period of three years from the date that is 36 months after the date of issue of the A Options.
    - 2 million options with an exercise price of 2.5 cents each to acquire 2 million ordinary shares in the Company (B Options); the B Options will vest as follows:
    - 666,666 will vest and be exercisable at any time during a period of three years from the date that is 12 months after the date of issue of the B Options; and
    - 666,667 will vest and be exercisable at any time during a period of three years from the date that is 24 months after the date of issue of the B Options; and
    - 666,667 will vest and be exercisable at any time during a period of three years from the date that is 36 months after the date of issue of the B Options.

- Mr Crean's employment may be terminated at any time by the Company giving Mr Crean three (3) months' notice of termination (or payment in lieu of such notice). The Company may terminate Mr Crean's employment immediately in certain circumstances including serious misconduct and material breach of the employment agreement, in which event Mr Crean will not be entitled to any compensation, except for any outstanding payments for accrued leave entitlements.

- Mr Crean may terminate his employment at any time by giving the Company three (3) months' notice of termination.

5. Non-executive director remuneration arrangements

The Group's constitution provides that the total amount of remuneration provided to all non-executive Directors must not exceed $200,000.

6. Details of Key Management Personnel Remuneration

Details of remuneration received by key management personnel of the Group for the current financial year are set out in the following table:

		Short-term benefits		Post employment	Share based payments	Total $	Performance related %
Non-executive Directors		**Salary & fees $**	**Cash bonus $**	**Super-annuation $**	**Performance rights $**		
Andrew	2014	30,000	-	-	5,500	35,500	15.49
Plympton	2013	29,500	-	-	-	29,500	-
Damian	2014	64,865	-	1,156	5,500	71,521**	7.69
London*	2013	172,989	-	13,500	-	186,489	-
Sophie Karzis	2014	28,800	-	-	5,500	34,300	16.03
	2013	28,300	-	-	-	28,300	-
Mark	2014	28,800	-	2,664	5,500	36,964	14.88
Goulopoulos	2013	19,200	-	1,728	-	20,928	-
Domenic	2014	28,800	-	-	5,500	34,300	16.03
Carosa	2013	1,040	-	-	-	1,040	-
Other Key Management Personnel							
Simon Crean	2014	133,333	-	12,333	14,661	160,327	9.14
	2013	-	-	-	-	-	-
Total KMP	**2014**	**314,598**	**-**	**16,153**	**42,161**	**372,912**	
Total KMP	**2013**	**251,029**	**-**	**15,228**	**-**	**266,257**	

**Damian London resigned as CEO on 2 August 2013 and Simon Crean was appointed CEO on 9 September 2013.*
***Damian London served as CEO in FY 2014 for the month of July to 8 September 2013 before handing over to Simon Crean; his remuneration for FY 2014 is in respect of both his role as CEO and non-executive Director.*

7. Additional disclosures relating to options and shares

a. Performance rights holdings of key management personnel

The table below discloses the number of performance rights granted to KMP as LTIP remuneration during the year as well as the number of performance rights that vested or lapsed during the year. The performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

The rights to Directors are conditional upon continuation as a non-executive director until 31 December 2014 and achievement of targeted sales during a 12 month period from 1 July 2014 to 30 June 2015. The rights will lapse if the conditions are not satisfied and expire on 31 December 2017.

The rights to CEO is a long term incentive benefit to his employment service that breakdown in Option A & B of which the rights will vest and be exercisable at any time during a period of 3 years from the date that is 12 or 24 or 36 months after the date of issue of rights.

30 June 2014	**Current year LTIP Performance rights**							
	Grant date	**No. granted**	**Fair value at grant date ($)**	**Exercise price ($)**	**Expiry date**	**Balance at 30 June 2014**	**Vested**	**Unvested**
Non-executive Directors								
Andrew Plympton	12/12/13	1,000,000	0.011	0.02	31/12/17	1,000,000	-	1,000,000
Damian London	12/12/13	1,000,000	0.011	0.02	31/12/17	1,000,000	-	1,000,000
Sophie Karzis	12/12/13	1,000,000	0.011	0.02	31/12/17	1,000,000	-	1,000,000
Mark Goulopoulos	12/12/13	1,000,000	0.011	0.02	31/12/17	1,000,000	-	1,000,000
Domenic Carosa	12/12/13	1,000,000	0.011	0.02	31/12/17	1,000,000	-	1,000,000
Other Key Management Personnel								
Simon Crean	12/12/13	666,666	0.013	0.015	6/1/18	666,666	-	666,666
Simon Crean	12/12/13	666,667	0.013	0.015	6/1/19	666,667	-	666,667
Simon Crean	12/12/13	666,667	0.013	0.015	6/1/20	666,667	-	666,667
Simon Crean	12/12/13	666,666	0.01	0.025	6/1/18	666,666	-	666,666
Simon Crean	12/12/13	666,667	0.01	0.025	6/1/19	666,667	-	666,667
Simon Crean	12/12/13	666,667	0.01	0.025	6/1/20	666,667	-	666,667
Total		**9,000,00**				**9,000,000**		**9,000,000**

Options holdings of key management personnel

30 June 2014	**Balance at 1 July 13 $**	**Granted as remuneration $**	**Options exercised $**	**Net change other $**	**Balance at 30 June 14 $**	**Total $**	**Exercisable $**	**Not exercisable $**
Non-executive Directors								
Andrew Plympton	**-**	11,000	-	-	11,000	11,000	-	20,000
Damian London	**-**	11,000	-	-	11,000	11,000	-	20,000
Sophie Karzis	**-**	11,000	-	-	11,000	11,000	-	20,000
Mark Goulopoulos	**-**	11,000	-	-	11,000	11,000	-	20,000
Domenic Carosa	**-**	11,000	-	-	11,000	11,000	-	20,000
Other Key Management Personnel								
Simon Crean	**-**	26,000	-	-	26,000	26,000	-	30,000
Simon Crean	**-**	20,000	-	-	20,000	20,000	-	50,000
		101,000			**101,000**	**101,000**		**180,000**

b. Unlisted option holdings of key management personnel

	Balance at 1 July 2013 No.	Issued during year No.	Lapsed during year No.	Exercised during year No,	Balance at 30 June 2014 No.
Non-executive Director					
Mr Andrew Plympton	600,000	-	-	-	600,000
Mr Damian London	1,000,000	-	-	-	1,000,000
Ms Sophie Karzis	-	-	-	-	-
Mr Mark Goulopoulos	-	-	-	-	-
Mr Domenic Carosa	-	-	-	-	-
Other key management personnel					
Simon Crean	-	-	-	-	-
Total	1,600,000	-	-	-	1,600,000

c. Listed option holdings of key management personnel

	Balance at 1 July 2013 No.	Issued during year No.	Lapsed during year No.	Exercised during year No.	Balance at 30 June 2014 No.
Non-executive Director					
Mr Andrew Plympton	-	-	-	-	-
Mr Damian London	-	-	-	-	-
Ms Sophie Karzis	-	-	-	-	-
Mr Mark Goulopoulos	8,647,565	400,000	-	(8,647,565)	400,000
Mr Domenic Carosa	17,019,759	333,334	-	(17,019,759)	333,334
Other key management personnel					
Simon Crean	-	83,334	-	-	83,334
Total	25,667,324	816,668	-	(25,667,324)	816,668

Share issued on exercise of options

30 June 2014	**Share issued No.**	**Paid per share $**	**Unpaid per share**
Non-executive Directors			
Mark Goulopoulos	8,647,565	0.015	-
Domenic Carosa	17,019,759	0.015	-
	25,667,324		

d. Shareholdings of key management personnel

	Balance at 1 July 2013 No.	Issued during year No.	Cancelled during year No.	Sold during year No.	Balance at 30 June 2014 No.
Non-executive Director					
Mr Andrew Plympton	-	-	-	-	-
Mr Damian London*1*	34,518,667	12,199,834	-	(33,518,667)	13,199,834
Ms Sophie Karzis	-	-	-	-	-
Mr Mark Goulopoulos*2*	8,100,000	9,447,565	-	(5,550,000)	11,997,565
Mr Domenic Carosa*3*	40,478,565	17,686,426	-	(6,900,000)	51,264,991
Other key management personnel					
Simon Crean	-	722,222	-	-	722,222
Total	**83,097,232**	**40,056,047**	**-**	**(45,968,667)**	**77,184,612**

1. These shares are held by DL Group Holdings Pty Ltd ATF The London Family A/C; Mr London is the controller of DL Group Holdings Pty Ltd.

For clarification, the net movement in the number of shares held by Mr London during the year was not a result of the Director trading in shares; the net movement was a result of an in-specie distribution of Shoply shares held by Planet W Pty Ltd to its shareholders. For further information, refer to the Company's announcements dated 2 June 2014 and 23 June 2014.

2. *These shares are held by Atlantis MG Pty Ltd ATF MG Family Super Fund A/C and Atlantic MG Pty Ltd ATF MG Family A/C; Mr Goulopoulos is the practical controller of Atlantis MG Pty Ltd.*

4. *These shares are held by Tiger Domains Pty Ltd ATF Tiger Domains Unit Trust, MP3 Australia Pty Ltd ATF MP3 Australia Unit Trust A/C in each of which the Director is both a 50% shareholder and unit holder and Dominet Digital Corporation Pty Ltd ATF The Carosa Family A/C in which the Director is a beneficiary.*

e. Loans to key management personnel and their related parties

There were no loans made to key management personnel and their related parties during the financial year and none are outstanding as at the date of this report.

f. Other transactions and balances with key management personnel and their related parties

Loans with key management personnel - related entities

There were no loans with key management personnel - related entities during the financial year and none are outstanding as at the date of this report.

Payables to key management personnel - related entities

	2014 $	2013 $
Related party payables		
Accrued superannuation & annual leave payable to key management personnel	**-**	25,289
Accrued fees payable to key management personnel	**29,931**	1,884
Total related party payables	**29,931**	27,173

g. Other transactions with key management personnel-related entities

During the financial year ended 30 June 2014 there were no other transactions with key management personnel-related entities (2013: nil).

Tax consolidation

Shoply and its 100% owned subsidiaries are part of an income tax consolidated group.

Auditor's independence declaration

A copy of an auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-audit services

During the year, Ernst & Young auditors performed other assurance services for the acquisition accounting in addition to the statutory audit duties.

Signed in accordance with a resolution of the Directors

Andrew Plympton
Non-Executive Chairman

Melbourne, 28 August 2014

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Auditor's Independence Declaration to the Directors of Shoply Limited

In relation to our audit of the financial report of Shoply Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Ashley Butler
Partner
28 August 2014

Corporate Governance Statement

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Shoply's website (www.shoply.com.au), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will identify each Recommendation that needs to be reported against by Shoply, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters and policies are all available on Shoply's website (www.shoply.com.au).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	**2014** $	2013 $
Continuing operations			
Revenue			
Sales revenue	6	**1,656,743**	-
Other income	6	**32,561**	11,680
		1,689,304	11,680
Direct costs		**(1,520,568)**	-
Gross profit		**168,736**	11,680
Selling and distribution expenses	7	**(194,318)**	-
Employee, contractor and director expenses	7	**(698,848)**	(266,258)
Administrative expenses	7	**(686,029)**	(303,810)
Depreciation and amortisation expenses	7	**(32,291)**	-
Performance rights expense		**(42,616)**	-
Finance costs	7	**(45,182)**	(5,294)
Loss before income tax from continuing operations		**(1,530,548)**	(563,682)
Income tax expense	9	**-**	-
Loss for the year from continuing operations attributable to members		**(1,530,548)**	(563,682)
Discontinued operations			
Profit after tax for the year	8	**40,612**	609,153
Other Comprehensive Income		**-**	-
Total Comprehensive (loss)/profit for the year		**(1,489,936)**	45,471
Earnings/(loss) per share (cents) - Basic and diluted, (profit/(loss) for the year attributable to ordinary equity holders of the Parent	10	**(0.54)**	0.02
Earnings/(loss) per share (cents) for continuing operations - Basic and diluted, profit(loss) from continuing operations attributable to ordinary equity holders of the Parent	10	**(0.55)**	0.02

The accompanying notes form part of these financial statements. Certain numbers shown here do not correspond to the 2013 financial statements and reflect adjustments made as detailed in Note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	2014 $	2013 $
Current Assets			
Cash and cash equivalents	11	**3,504,504**	564,223
Trade and other receivables	12	**102,791**	504,452
Inventories		**1,537,488**	-
Prepayments and deposits	13	**14,971**	38,395
Assets classified as held for disposal	8	**47,104**	-
Total Current Assets		**5,206,858**	1,107,070
Non-current Assets			
Property, plant and equipment	14	**262,244**	-
Intangible assets	15	**1,822,838**	-
Total Non-current Assets		**2,085,082**	-
Total Assets		**7,291,940**	1,107,070
Current Liabilities			
Trade and other payables	16	**960,999**	468,107
Financial liability	17	**271,250**	-
Employee benefit liabilities	18	**12,426**	-
Liabilities classified as held for disposal	8	**119,036**	-
Total Current Liabilities		**1,363,711**	468,107
Non-current Liabilities			
Financial liability	17	**255,449**	-
Employee benefit liabilities	18	**17,424**	-
Total Non-current Liabilities		**272,873**	-
Total Liabilities		**1,636,584**	468,107
Net Assets		**5,655,356**	638,963
Equity			
Contributed equity	19	**32,868,235**	26,404,522
Reserves	20	**66,616**	24,000
Accumulated losses	21	**(27,279,495)**	(25,789,559)
Total Equity		**5,655,356**	638,963

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Notes	**Share Capital $**	**Reserves $**	**Accumulated Losses $**	**Total Equity $**
At 1 July 2013		**26,404,522**	**24,000**	**(25,789,559)**	**638,963**
Loss for the year	21	**-**	**-**	**(1,489,936)**	**(1,489,936)**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**(1,489,936)**	**(1,489,936)**
Transactions with owners in their capacity as owners					
Placement and rights issued		**4,442,004**	**-**	**-**	**4,442,004**
Cash on exercise of share options		**2,442,960**	**-**	**-**	**2,442,960**
Performance rights expense		**-**	**42,616**	**-**	**42,616**
Transaction costs on shares issued		**(421,251)**	**-**	**-**	**(421,251)**
At 30 June 2014		**32,868,235**	**66,616**	**(27,279,495)**	**5,655,356**

	Notes	Share Capital $	Reserves $	Accumulated Losses $	Total Equity $
At 1 July 2012		26,404,522	24,000	(25,835,030)	593,492
Profit for the year	21	-	-	45,471	45,471
Other comprehensive income		-	-	-	-
Total comprehensive income		-	-	45,471	45,471
Transactions with owners in their capacity as owners					
At 30 June 2013		26,404,522	24,000	(25,789,559)	638,963

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		**3,468,060**	3,531,030
Payments to suppliers and employees		**(3,929,188)**	(3,327,182)
Interest received		**32,561**	11,680
Finance costs		**(45,182)**	(5,294)
Net cash flows (used in)/provided by operating activities	11	**(473,749)**	210,234
Cash flows from investing activities			
Acquisition of intangible assets, net of cash consideration		**(99,383)**	-
Acquisition of businesses, net of cash consideration		**(2,833,871)**	-
Payments for property, plant and equipment		**(110,674)**	-
Investment in subsidiary		**-**	(10)
Net cash flows used in investing activities		**(3,043,928)**	(10)
Cash flows from financing activities			
Proceeds from placement and rights issued		**4,442,004**	-
Cash from exercise of share options		**2,442,960**	-
Capital raising costs		**(421,251)**	-
Net cash flows provided by financing activities		**6,463,713**	-
Net increase in cash and cash equivalents		**2,946,036**	210,224
Cash and cash equivalents at the beginning of financial year		**564,223**	353,999
Cash and cash equivalents at the end of financial year	11	**3,510,259**	564,223

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The consolidated financial report of Shoply Limited (the **Company** or **Shoply**) and controlled entities (the **Group**) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 28 August 2014.

The Company changed its name from AdEffective Limited to Shoply Limited on 12 December 2013.

Shoply is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. For the purposes of preparing the financial statements, Shoply Limited is a for profit entity.

The financial report covers Shoply and controlled entities as a consolidated entity. Shoply is a listed public company, limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared in accordance with the historical cost convention and, except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The financial report is presented in Australian dollars.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) Going concern basis of accounting

The Group generated a loss of $1,489,936 (2013: net profit of $45,471) and net cash outflows from operations of $473,749 (2013: net cash inflows $210,234) for the year ended 30 June 2014.

The Directors are confident that the combination of careful management of overheads, capital position and the potential to raise capital should circumstances require, provides sufficient funds to meet ongoing capital requirements of the Group and the Company for the foreseeable future.

Whilst there is significant uncertainty given the early stage of Shoply's growth, the Directors consider it appropriate to prepare the accounts for the year ended 30 June 2014 on a going concern basis as they are satisfied that, based on the factors outlined above, the Group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

However without funding from positive operating cash flows, and if the Company were unable to raise capital if required, there would be a material uncertainty as to whether the consolidated entity would be able to continue as a going concern and therefore whether it would be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report.

(d) New, revised or amending Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year. Since 1 July 2013, the Group has adopted the following new and amended Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

AASB 10 Consolidated financial statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.*

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The Group has considered not only its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The Group has reviewed any arrangements it has and was not required to consolidate any additional entity.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The Group has reviewed the disclosure requirements and did not have any effect noted to the accounts.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has reviewed the fair value measurement and has applied AASB13 in Note 17.

AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting arising from AASB 119

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. The Group has reviewed the disclosure requirements and concluded it does not have any effect on the accounts.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. The Group has reviewed the disclosure requirements and concluded it does not have any effect on the accounts.

(ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been applied to the financial report.

The following amendments by the AASB to Australian Accounting Standards are not expected to have a material impact on the Group's financial position and performance, however increased disclosures will be required in the Group's financial statements.

The Group will continue to assess these new standards and amendments in the 30 June 2015 year to confirm the impact on the Group.

AASB Reference	Title	Application date for Group*
AASB 9	Financial Instruments	1 July 2018
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 July 2014
AASB 2013-3	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 July 2014

IFRS 15	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	1 July 2017

(e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests

- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of the payment and excluding taxes or duty. The Group assesses its revenue from the provision of services to customers and recognised upon delivery of the service to the customer.

Revenue from online shopping is the sale of products. The sale of products is recognised on gross basis. Any return or refund allowances will reduce revenue. The sale of products is recognised when products are sold and significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

Interest Income

Interest income and expenses are reported on an accrual basis using the effective interest method. Interest income is included in other income in the statement of profit or loss.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Profit or loss from discontinued operations

A discontinued operation is a component of the entity that either has been abandoned, disposed of, or is classified as held for sale, and:

- represents a separate division of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major division of business or geographical area of operations.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement or profit or loss.

Additional disclosures are provided in Note 8. All other notes to the financial statements mainly include amounts for continuing operations, unless otherwise mentioned.

(h) Income tax and other taxes

Current income tax expense is the tax payable on the current year's taxable income. This is based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation

Shoply Limited and its wholly-owned subsidiary have formed an income tax consolidated group under tax consolidation legislation.

The head entity, Shoply Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Shoply Limited also recognizes the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

Cash and cash equivalents also include amounts collected in respect of online sales during the period by agents on behalf of the Company where clear title of ownership exists.

(j) Trade and other receivables

Trade and other receivables are recognised and carried at the net of original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off when identified.

(k) Business Combinations

The Group accounts for its business combinations using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Business combinations are initially recorded on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and will recognise additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of 12 months from the date of the acquisition or when the acquirer receives all the information possible to determine fair value.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill is not amortised but tested annually for impairment, or more frequently if events or changes in circumstances.

(l) Intangibles assets

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is at its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected profit or loss in the period which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(m) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or any accumulated impairment losses, if any.

The carrying amount of plant and equipment is reviewed for impairment annually by the Directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Depreciation

The depreciable amounts of fixed assets are depreciated on a straight-line basis over their estimated useful lives of the assets as follows:

Computers	3 years
Office equipment	5 years
Warehouse fit-out	10 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

(n) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognise as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

(o) Impairment of property, plant, equipment, goodwill and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income, unless the asset is carried at revalued amount in which case the impairment loss is treated as a revaluation decrease.

(p) Inventories

Inventories, consisting of products available for sale, are primarily accounted for using the latest purchase price method, and are valued at the lower of cost or net realisable value. This valuation requires the group to make judgements, based on currently available information, about the likely method of disposition and expected recoverable values of each disposition category.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

All inventories carried are finished goods, ready for sale.

(q) Financial instruments

Classification

The Group classifies its financial instruments in the following categories: loans and receivables and financial liabilities. The classification of investments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial liabilities

The Group's financial liabilities include trade payables, other payables and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

The Group's financial liabilities are recognised at fair value and carried at amortised cost, comprising original debt less principal payments and amortisation.

Financial liability – Deferred consideration by shares

In accordance with the assets purchase agreement for the acquisition of the business and assets of Warcom, the consideration for the Company's acquisition of the Warcom business includes a share based component, under which Shoply will issue ordinary shares in the Company to the vendor's nominee in tranches over a two year earn-out period, subject to the satisfaction of prescribed revenue and profit margin targets of the Warcom business. At acquisition date, the deferred consideration by shares was recognised initially as a financial liability for earn-out on acquisition at fair value using a present value technique.

After initial recognition, the earn-out liability is recognised at fair value through profit or loss and is remeasured each reporting period. Movements in the liability from these changes are reported in the consolidated statement of profit or loss and other comprehensive income.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period and which are unpaid. Due to their short term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(s) Provisions

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required at settlement is determined by considering the class of obligations as a whole. Provisions for earn out on Warcom acquisition, the Group recognised the provision using present value technique which is using a discounted rate that reflects the risks specific to the liability, where the time value of money is material.

(t) Foreign Currencies

Functional and Presentation Currency

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year.

Group Companies

The financial statements of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve as a separate component of equity in the reserve account.

(u) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

(v) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(w) Share based payments

Equity settled transactions

The Group provides benefits to the directors and senior executives in the form of share options/performance rights under the Shoply Long Term Incentive Plan. These are equity settled transactions under Australian Accounting Standards.

The cost of these equity-settled transactions with directors and senior executives is measured by reference to the fair value of the equity instruments at the date when the grant is made using an appropriate valuation model. The cost is recognised together with a corresponding increase in other capital reserve in equity over the period in which the performance and /or service conditions are fulfilled in employees benefits expense (Refer Note 22). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest.

In valuing equity-settled transactions, no account is taken of any non-market vesting conditions.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated less the amounts already charged in previous periods. There is a corresponding entry to equity.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

(x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise cash, receivables and other receivables, payables and other payables.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group’s financial risk management policy. The objective of the policy is to support the delivery of the Group’s financial targets whilst protecting future financial security.

The main risks arising from the Group’s financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risk and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for interest rate risk, credit allowances and future cash flow forecast projections.

Risk exposures and responses

Interest rate risk

At reporting date, the Group had the following financial assets exposed to Australian variable interest rate risk. The Group has no floating interest rate exposure on financial liabilities as the Group has no floating rate debt.

	2014	2013
	$	$
Financial assets		
Cash and cash equivalents	**3,504,504**	564,223
Net exposure	**3,504,504**	564,223

The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at reporting date:

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit/(loss) and other comprehensive income would have been affected as follows:

	Post Tax Profit/(Loss)		**Other Comprehensive Income**	
	Higher/	**(Lower)**	**Higher/**	**(Lower)**
	2014	2013	**2014**	2013
	$	$	**$**	$
Consolidated				
+1% (100 basis points)	**35,045**	5,642	**-**	-
-0.5% (50 basis points)	**(17,522)**	(2,821)	**-**	-

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk (continued)

The movements in post-tax profit/(loss) and other comprehensive income are due to higher cash balances on hand as at 30 June 2014. The sensitivity is higher in 2014 than in 2013 as a result of higher cash holdings at 30 June 2014.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are assessed as to creditworthiness, including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for individual customers.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Foreign currency risk

Since the Online Advertising division ceased operations, most of the Group's transactions are carried out in AUD. Hence, there are minimum exposures to the Group's statement of financial position that can be affected by foreign currencies. The Group does not have a hedge policy in place.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of private equity facility and equity raisings.

At 30 June 2014, 83% of the Group's financial liabilities will mature in less than one year (2013: 100%).

The table below reflects all contractually fixed payables and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. The respective undiscounted cash flows for the respective upcoming fiscal periods are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Liquidity risk (continued)

The remaining contractual maturities of the Group's financial assets and liabilities are:

Year ended 30 June 2014	**< 1 month $**	**1-3 months $**	**3-12 months $**	**1 to 2 years $**	**Total $**
Financial assets					
Cash and cash equivalents	**3,504,504**	**-**	**-**	**-**	**3,504,504**
Trade and other receivables	**102,791**	**-**	**-**	**-**	**102,791**
	3,607,295	**-**	**-**	**-**	**3,607,295**
Financial liabilities					
Trade and other payables	**902,862**	**58,137**	**-**	**-**	**960,999**
Provision for earn-out on acquisition*			**271,250**	**255,449**	**526,699**
	902,862	**58,137**	**271,250**	**255,449**	**1,487,698**
Net maturity	**2,704,433**	**(58,137)**	**(271,250)**	**(255,449)**	**2,119,597**

*The provision for earn-out on acquisition above are recognised at present value with applicable discount rate.

Year ended 30 June 2013					
Financial assets					
Cash and cash equivalents	564,223	-	-	-	564,223
Trade and other receivables	383,521	31,044	89,887	-	504,452
	947,744	31,044	89,887	-	1,068,675
Financial liabilities					
Trade and other payables	172,036	296,071	-	-	468,107
	172,036	296,071	-	-	468,107
Net maturity	775,708	(265,027)	89,887	-	600,568

Maturity analysis of financial assets and liabilities based on management's expectation

Management's expectation reflects a balanced view of cash inflows and outflows. The Group's assets mainly consist of cash and trade receivables with the liabilities consisting of trade payables from the ongoing operations of the service business. To monitor existing financial assets and liabilities as well as to enable an effective controlling of funding for the business, the Group has established risk reporting covering its business that reflect expectations of management of expected settlement of financial assets and liabilities.

All financial assets and most liabilities are payable within six months of reporting date. Accordingly, the book value of each liability is equivalent to its fair value.

The liability that is due after 6 months is the provision for earn-out on acquisition. The carrying value of this provision is equivalent to its fair value using a discounted rate that applied.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Discontinued operation

In April 2014, the Group decided to abandon and discontinue the online advertising division. This decision was taken in line with the Group's pure-play online retail strategy to focus on its online shopping business. Consequently, assets and liabilities allocable to the online advertising division were classified as a disposal group. Revenue and expenses, gain and losses relating to the discontinuation of this division have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the consolidated statement of profit or loss and other comprehensive income.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Business Combinations

As mentioned in note 2 (k) above, business combinations are initially recorded on a provisional basis for a period up to 12 month from the date of acquisition. The fair value of assets acquired assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments made to the business combinations is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets, depreciation and amortisation reported. With respect to the business combinations made during the year, management has performed a provisional assessment of the fair value of the assets as at the date of acquisitions. Assets have therefore been recorded at their provisional fair values and the excess of the consideration paid over the provisional fair values has been allocated to a provisional goodwill asset. Under Australian Accounting Standards, the Group has up to 12 months from the date of acquisition to complete its initial acquisition accounting. Any adjustment to the fair values will have an equal and opposite impact to the provisional goodwill recorded on acquisition.

Share-based payment

The Group measures the cost of equity-settled transactions for employees and key management personnel with reference to the fair value of the equity instruments at the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 22.

Useful lives of depreciable assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets with finite lives. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where technical obsolescence or non-strategic assets that have been abandoned or sold will be written off or written down.

Financial liability - earn-out on acquisition

The Group recorded a financial liability - earn-out on acquisition for the deferred consideration by shares in a business combination for a two year earn-out period. This financial liability - earn-out on acquisition was recognised at fair value at the present value of expected costs to settle the obligation using a discount rate. The financial liability is reviewed at each reporting period. Movement in the financial liability from these changes are reported in the consolidated statement of profit or loss and other comprehensive income.

Tax losses

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Group has $3,008,436 (2013: $1,528,364) of tax losses carried forward. The tax losses pre 2011 may not be used to offset future taxable income because they may not meet the continuity of ownership or same business tests. However, tax losses from FY2011 to FY2014 of $3,008,436 may be used to offset future taxable income as it meets the continuity of ownership and same business test.

The Group has made a net loss this financial year and has determined that it cannot recognise deferred tax assets on the tax losses of 2012.

5. PARENT ENTITY INFORMATION

	2014	2013
Information relating to Shoply Ltd - Parent:	**$**	$
Current assets	**6,504,286**	596,766
Total assets	**6,504,286**	596,766
Current liabilities	**(370,803)**	(1,884)
Total liabilities	**(370,703)**	(1,884)
Issued capital	**32,868,235**	26,404,522
Accumulated losses	**(26,801,368)**	(25,833,640)
Share based payments reserve	**66,616**	24,000
Total shareholders' equity	**6,133,483**	594,882
Loss of the parent entity	**(967,728)**	(313,170)
Total comprehensive (loss) of the parent entity	**(967,728)**	(313,170)

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiary.

The parent entity has no contingent liabilities.

The parent entity has no contractual commitments for the acquisition of property, plant or equipment.

6. REVENUE

	2014	2013
	$	$
Revenue from operating activities		
Sale of goods	**1,656,743**	**-**
Total sales revenue	**1,656,743**	**-**
Other income		
Bank interest receivable	**32,561**	11,680
Total other income	**32,561**	11,680

7. EXPENSES

	2014 $	2013 $
Selling and distribution expenses		
Postage and Freight charges	**58,757**	-
Advertising and Marketing	**101,342**	-
Packaging	**17,279**	-
Website Development	**16,940**	-
Total selling and distribution expenses	**194,318**	-
Employee benefits expense		
Wages, salaries and contractors	**638,376**	251,030
Defined contribution plan expense	**29,748**	15,228
Other employee benefits	**13,200**	-
Payroll tax expense	**17,524**	-
Total employee benefits expense	**698,848**	266,258
Administrative expenses		
Occupancy costs	**23,789**	4,752
Advertising and marketing expenses	**18,031**	-
Communications costs	**52,755**	-
Professional fees	**370,819**	293,616
Other expenses	**116,589**	5,442
Transaction costs for acquisition of assets/businesses	**104,046**	-
Total administrative expenses	**686,029**	303,810
Depreciation expense		
Amortisation	**28,744**	-
Plant and equipment	**3,547**	-
Total depreciation expense	**32,291**	-
Finance costs		
Interest expense:		
Bank and merchant fee	**45,182**	5,294
Total finance costs	**45,182**	5,294

8. DISCONTINUED OPERATION

In April 2014, the Group decided to abandon and discontinue the online advertising division. This decision was taken in line with the Group's pure-play online retail strategy to focus on its online shopping business. Consequently, assets and liabilities allocatable to the online advertising division were classified as a disposal group. Revenue and expenses, gain and losses relating to the discontinuation of this division have been eliminated from profit or loss from the Group's continuing operations and are shown as a single line item on the face of the consolidated statement of profit or loss and other comprehensive income. The disposal group assets and liabilities will be recorded through the settlement of outstanding positions.

8. DISCONTINUED OPERATION (CONTINUED)

The results of the online advertising division for the year are presented below:-

	2014 $	2013 $
Revenue	**1,367,681**	2,778,518
Direct costs	**(651,261)**	(1,603,325)
Gross Profit	**716,420**	1,175,193
Contractors	**(98,455)**	(360,842)
Receivables impairment	**(231,955)**	-
Administrative expenses	**(345,398)**	(205,198)
Profit before tax from a discontinued operation	**40,612**	609,153
Tax expense	**(12,183)**	(182,745)
Profit for the year from a discontinued operation	**28,429**	426,408

There are minimal assets and liabilities related to the discontinued operation. As at 30 June 2014, the remaining assets and liabilities are summarised as below:-

Assets		
Trade receivables & other receivables (net of impairment)	**41,349**	-
Cash and cash equivalents (Note 11)	**5,755**	-
Assets classified as held for disposal	**47,104**	-
Liabilities		
Trade payables and accruals	**(119,036)**	-
Liabilities classified as held for disposal	**(119,036)**	-

The net cash flows incurred by online advertising division are as follows:-

Operating	**222,666**	504,787
Investing	**-**	-
Financing	**(222,762)**	(498,936)
Net cash inflow/(outflow)	**5,755**	5,851

Earnings per share	**cents**	cents
Basic, profit for the year from discontinued operation	**0.01**	0.29
Diluted, profit for the year from discontinued operation	**0.01**	0.17

9. INCOME TAXES

	2014 $	2013 $
Current and deferred tax expense for the year ended 30 June 2014 were $nil (2013: $nil)	-	-
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting (loss)/profit before income tax	**(1,489,936)**	45,471
At the Group's statutory income tax rate of 30% (2013: 30%)	**(446,980)**	13,641
Adjustments:		
Utilisation of previously unrecognised tax losses	**8,623**	10,124
Other amounts	**438,357**	(23,765)
Income tax benefit reported in the consolidated income statement	-	-
Income tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**902,531**	454,105

9. INCOME TAXES (CONTINUED)

Tax Loss Deferred Tax Asset recognition

Deferred tax assets will only be recognised if:

a) future assessable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised;
b) the conditions for deductibility imposed by tax legislation are complied with; and
c) no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Unused tax losses for which no deferred tax asset has been recognised comprise current year estimated tax losses only and are not yet confirmed.

Tax losses pre 2011 are not recognised because they are not expected to meet the continuity of ownership and same business tests.

Unrecognised temporary differences

At 30 June 2014 there are no temporary differences recognised in the consolidated financial position, on the basis of an assessment that recovery through future taxable income of those amounts is not probable at 30 June 2014 (2013: nil).

Tax consolidation

Shoply and its 100% owned subsidiaries are part of an income tax consolidated group.

10. EARNINGS PER SHARE

Basic earnings/(loss) per share is calculated by dividing net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share is calculated by dividing the net profit/(loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2014	2013
Basic and diluted (loss)/earnings per share	**(0.55) cents**	0.02 cents
Net (loss)/profit for the year	**(1,530,548)**	45,471
Weighted average number of ordinary shares used in calculating basic earnings per share	**276,967,440**	207,901,921
Weighted average number of ordinary shares used in calculating diluted earnings per share	**276,967,440**	207,901,921

11. CASH AND CASH EQUIVALENTS

	2014 **$**	2013 $
Cash at bank and on hand	**3,504,504**	564,223
	3,504,504	564,223

Cash at bank earns interest at floating rates based on daily bank deposit rates.

11. CASH AND CASH EQUIVALENTS (CONTINUED)

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2014:

	2014 $	2013 $
Cash at bank and on hand	**3,504,504**	564,223
Cash at bank attributable to discontinued operation	**5,755**	-
Cash and cash equivalents	**3,510,259**	564,223

Reconciliation of net (loss)/profit after tax to net cash flows from operations

Net loss before tax from continuing operations	**(1,530,548)**	(563,682)
Net profit before tax from discontinued operations	**40,612**	609,153
Net (loss)/profit before tax	**(1,489,936)**	45,471
Adjustments to reconcile (loss)/profit before tax to net cash flows:		
Depreciation of non-current assets	**3,547**	-
Amortisation	**28,744**	-
Performance rights expense	**42,616**	-
Net receivables written off to Profit & Loss	**231,955**	10,860
Changes in assets and liabilities:		
Decrease in trade and other receivables and prepayments	**124,720**	393,124
Increase/(decrease) in trade and other payables	**584,605**	(239,221)
Net cash used in operating activities	**(473,749)**	210,234

	$	$
Facilities		
Equity Line of Credit and Convertible Note Facility – Furneaux Equity	**5,000,000**	5,000,000
Total	**5,000,000**	5,000,000
Facilities used at reporting date		
Equity Line of Credit and Convertible Note Facility – Furneaux Equity	**-**	-
Total	**-**	-
Facilities unused at reporting date		
Equity Line of Credit and Convertible Note Facility – Furneaux Equity	**5,000,000**	5,000,000
Total	**5,000,000**	5,000,000

In July 2010 the Group announced that it had entered into a $5,000,000 Equity Finance Facility with Furneaux Equities Limited. Under the facility the Group can draw down up to $250,000 in any 30 day period subject to the Company's ability to issue equity, including any approvals of shareholders where the 15% threshold is met. At the date of this report the facility remained undrawn.

12. RECEIVABLES (CURRENT)

	2014 $	2013 $
Trade receivables	**-**	475,477
Allowance for Impairment loss	**-**	-
	-	475,477
Other receivables	**102,791**	28,975
	102,791	504,452

Trade receivables are non-interest bearing.

12. RECEIVABLES (CURRENT) (CONTINUED)

Other receivables are non-interest bearing and have a repayment terms between 30 to 90 days.
For terms and conditions relating to related party receivables refer to note 28.

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on cash on delivery terms. The Group's trade and other receivables have been reviewed for impairment. No allowance for impairment loss noted and recognised by the Group during the year, other than as detailed in Note 8.

Other balances within trade and other receivables do not contain impaired assets and are not past due.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value has been assessed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

13. PREPAYMENTS

	2014	2013
	$	$
Current assets		
Prepaid insurance	**2,163**	1,200
Prepaid market campaign	**1,308**	-
Rental deposit	**7,500**	7,500
Business asset purchased *(a)*	**4,000**	29,695
	14,971	38,395

(a) *This related to a deposit for a proposed acquisitions in online shopping yet to pursue further.*

14. PROPERTY, PLANT AND EQUIPMENT

	Warehouse fit-out $	Office equipment $	Computers $	Total $
Gross carrying amount				
At 1 July 2012	-	-	-	-
Additions	-	-	-	-
At 30 June 2013	-	-	-	-
Additions	-	-	11,290	11,290
Assets acquired	200,000	1,600	52,900	254,500
At 30 June 2014	**200,000**	**1,600**	**64,190**	**265,790**
Depreciation and impairment				
At 1 July 2012	-	-	-	-
Depreciation charge for the year	-	-	-	-
At 30 June 2013	-	-	-	-
Depreciation charge for the year	(1,095)	(16)	(2,435)	(3,546)
At 30 June 2014	**(1,095)**	**(16)**	**(2,435)**	**(3,546)**
Net carrying amount				
At 30 June 2014	**198,905**	**1,584**	**61,755**	**262,244**
At 30 June 2013	-	-	-	-

15. INTANGIBLE ASSETS

	Domain & Websites $	Customer databases $	Brands $	Goodwill $	Total $
Gross carrying amount					
At 1 July 2012	-	-	-	-	-
Additions	-	-	-	-	-
At 30 June 2013	-	-	-	-	-
Additions	-	-	-	-	-
Assets acquired	196,785	260,347	117,768	1,276,682	1,851,582
At 30 June 2014	**196,785**	**260,347**	**117,768**	**1,276,682**	**1,851,582**
Amortisation and impairment					
At 1 July 2012	-	-	-	-	-
Amortisation	-	-	-	-	-
At 30 June 2013	-	-	-	-	-
Amortisation	9,839	13,017	5,888	-	28,744
At 30 June 2014	**9,839**	**13,017**	**5,888**	**-**	**28,744**
Net carrying amount					
At 30 June 2014	**186,946**	**247,330**	**111,880**	**1,276,682**	**1,822,838**
At 30 June 2013	-	-	-	-	-

During the year the Group acquired the assets of 6 online businesses. These include Ohki, Ezy Direct, Eljo, Wowbaby, Your Home Depot (YHD) and Warcom. The Group also purchased 2 domain names and they were Toy store and Sporting goods. The significant costs associated with the acquisition of the intangible assets mainly comprised of customer databases, website, brands and domain names to the Group.

Management has performed the intangible assets identification by taking key steps in determining the rational of the transactions, reviewing the sale and purchase agreements, assess the hierarchy and materiality of intangible assets, the Group's synergies and uses the income approach valuation methodologies in deriving the fair value of the intangible assets.

15. INTANGIBLE ASSETS (CONTINUED)

The fair value of the identifiable intangible assets using the income approach valuation as at the date of acquisition were:-

Intangible assets	Fair value recognised on acquisition "Domain & websites" $	Fair value recognised on acquisition "Customer databases" $	Fair value recognised on acquisition "Brands" $
Ohki	10,000	-	-
EzyDirect	27,000	-	-
Eljo	40,383	-	-
Wowbaby	10,000	-	-
Toystore and Sporting goods	12,000	-	-
YHD (refer note 23)	64,247	175,694	75,866
Warcom (refer note 23)	33,155	84,653	41,902
	196,785	**260,347**	**117,768**

The intangible assets are being amortised over a three year period on a straight line basis from the date of acquisition.

Goodwill arose on the acquisition of the Your Home Depot (YHD) and Warcom businesses and assets (refer Note 23):-

Goodwill	Fair value recognised on acquisition $
YHD	784,193
Warcom	492,489
	1,276,682

Management considered all these purchases as one business segment which is the Online Shopping segment. Hence there is only one cash generating unit level for the allocation of Goodwill.

Goodwill is tested for impairment annually during the reporting period. The goodwill resulted from the assets acquisition of YHD and Warcom were completed in June 2014, and as such management did not identify an impairment for the goodwill at reporting date.

For the amortisation of intangible assets, the Group has amortised $28,744 to the consolidated statement of comprehensive income.

16. TRADE AND OTHER PAYABLES

	2014	2013
Trade and other payables - Current	**$**	$
Trade payables	**689,150**	226,175
Other payables	**241,918**	216,643
Related parties	**29,931**	25,289
	960,999	468,107

Terms and conditions of the above financial liabilities:

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Other creditors are non-interest bearing and are normally payable within 30 and 90 days
(iii) Details of the terms and conditions of related party payables are set out in notes 28.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Related party payables

For details of related party payables refer to note 28.

Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

17. FINANCIAL LIABILITY

	2014	2013
	$	$
At 1 July 2013	**-**	-
Financial liability - earn-out on acquisition (Note 23)	**550,000**	-
Discount rate adjustment	**(23,301)**	-
Fair value at 30 June 2014	**526,699**	
Current	**271,250**	-
Non-Current	**255,449**	
	526,699	

The financial liability - earn-out on acquisition is a financial instrument in accordance with AASB 139 financial instruments: Recognition and Measurement. The Group has made disclosure on fair value for this provision based on the fair value hierarchy which is Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable).

Fair value

Set out below is a comparison of the carrying amount and fair value of the financial instrument as at 30 June 14.

	Carrying amount	Fair value
Financial liability - earn-out on acquisition	526,699	526,699

The fair value of financial liability - earn out on acquisition is calculated using a present value technique. The $526,699 fair value is measured using future revenue, adjusting for risk and discounting at 7.1%. The probability of the revenue before discounting are $550,000 and reflect the management's estimate of a probability that the revenue target level will be achieved. The discount rate use is 7.1% based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position.

18. EMPLOYEE BENEFIT LIABILITIES

	2014 $	2013 $
Current		
Annual leave	**12,426**	-
Non-current		
Long service leave	**17,424**	-

19. CONTRIBUTED EQUITY

(a) Issued and paid up capital

	2014 $	2013 $
Ordinary shares		
Ordinary shares fully paid	**32,750,515**	26,286,802
Listed options	**117,720**	117,720
Contributed equity	**32,868,235**	26,404,522

Movements in ordinary shares on issue	**Number of Shares**	**$**	Number of Shares	$
Opening balance	**207,901,921**	**26,286,802**	207,901,921	26,286,802
Shares issued during the year:				
Issue of placement shares on 15-10-2013	**31,185,288**	**842,004**	-	-
Issue of placement shares on 11-3-14	**60,000,000**	**1,800,000**	-	-
Issue of rights issue on 9-4-14	**60,000,000**	**1,800,000**	-	-
Cash on exercise of listed options	**162,850,952**	**2,442,960**	-	-
Transaction costs relating to placement & rights issue	**-**	**(421,251)**	-	-
Closing balance	**521,938,161**	**32,750,515**	207,901,921	26,286,802

Terms and conditions of ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(b) Listed options

Movements in listed options over ordinary shares	**2014 Number of Options**	**2014 $**	2013 Number of Options	2013 $
Opening balance	**147,248,490**	**117,720**	147,248,490	117,720
Listed options issued during the year:				
Listed options issued	**75,592,668**	**-**	-	-
Exercise of options	**(162,850,952)**	**-**	-	-
Closing balance	**59,990,206**	**117,720**	147,248,490	117,720

The listed options issued during the year are as follows:

- 15,592,644 options (exercisable at 1.5 cents on or before 30 June 2014) were issued on 13 December 2013 as free attaching options to shares issued under a placement conducted on

15 October 2013, on the basis of one new option for every two new shares subscribed for under the placement.

- 30,000,016 options (exercisable at 3.5 cents each on or before 31 July 2015) were issued on 9 April 2014 as free attaching options to shares issued under the Company's rights issue, on the basis of one free attaching option for every two new shares issued under the rights issue.
- 30,000,008 options (exercisable at 3.5 cents each on or before 31 July 2015) were issued on 17 April 2014 as free attaching options to shares issued under a placement conducted on 10 March 2014, on the basis of one new option for every two new shares subscribed for under the placement.
- All options were vested as at the date of grant.

(c) Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximise the shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt.

The Group has no borrowings as at 30 June 2014 (2013: $nil).

20. RESERVES

	2014 **$**	2013 $
Options and performance rights granted reserve		
Balance at beginning of financial year	**24,000**	24,000
Movement for the year	**42,616**	-
Balance at end of financial year	**66,616**	24,000

Nature and Purpose of Options Granted Reserve

This reserve is used to record the value of share based payments arising on the grant of share options and performance rights to employees, including key management personnel, as part of their remuneration under the employee share option plan, refer note 22.

Unlisted options or performance rights

In accordance with the provisions of the employee share option plan, the outstanding unlisted options or performance rights during the financial year and as at 30 June 2014 are set out below:-

	2014 Number of Options	**2014 Weighted Average Exercise Price**	2013 Number of Options	2013 Weighted Average Exercise Price
Balance at beginning of year	**2,600,000**	**$0.10**	2,600,000	$0.10
Granted	**10,900,000**	**$0.04**	6,000,000*	$0.011
Expired	**-**	**-**	-	-
Lapsed	**-**	**-**	(6,000,000)*	($0.011)
Other changes during the year**	**-**	**-**	-	-
Balance at end of year	**13,500,000**	**$0.04**	2,600,000	$0.10
Exercisable at end of year	**13,500,000**	**$0.04**	2,600,000	$0.10

** Performance rights granted to Directors on 28 November 2012 but lapsed as at 30 June 2013 due to vesting conditions not met.*

21. ACCUMULATED LOSSES

	2014	2013
	$	$
Balance at beginning of financial year	**(25,789,559)**	(25,835,030)
Net profit/(loss) for the year	**(1,489,936)**	45,471
Balance at end of financial year	**(27,279,495)**	(25,789,559)

22. SHARE-BASED PAYMENTS

Unlisted share options/performance rights – long term incentive plan (LTIP)

The Company's LTIP was approved by shareholders on 12 December 2013 Annual General Meeting. The LTIP is designed to provide long term incentives for employees, including key management personnel to motivate them to build long term value for the Company and its shareholders. Under the plan, participants are granted performance rights over shares. Participation in the plan is at the Board's discretion. The number of performance rights is calculated by dividing the dollar value of the participant's LTIP by the volume weighted average price of the shares for the five days prior to the date of the performance rights.

Unless otherwise determined by the Board in its discretion, performance rights are issued for nil consideration. The amount of performance rights that will vest depends upon the achievement of certain vesting conditions.

Performance rights can be issued up to a maximum of 10% of the issued share capital of the Company. The performance rights cannot be transferred and will not be quoted on the ASX. Performance rights will lapse on the first to occur of: i) the expiry date, ii) the vesting conditions not being satisfied by the vesting determination date; and unless the Board otherwise determines, by the cessation of the employment of the employee to whom the offer of performance rights was made. The Board determination will depend upon the reason for employment ceasing (resignation, dismissal for cause, death or illness). For details of options/performance rights outstanding and movements in options during the financial year, refer note 20.

During the year, the Company granted 5,000,000 performance rights under the plan to Directors on 12 December 2013. The exercise price of the performance rights is $0.02 per right. The performance rights are conditional upon continuation as a non-executive director until 31 December 2014 and achievement of targeted sales during a 12 month period from 1 July 2014 to 30 June 2015. The performance rights will lapse if the conditions are not satisfied and expire on 31 December 2017.

The Company granted 4,000,000 performance rights under the plan to CEO on 12 December 2013. The exercise price of the performance rights is $0.015 per right for 2,000,000 (Options A) and $0.025 per right for another 2,000,000 (Options B). The performance rights A and performance rights B have the following vesting conditions and expiry dates as follows:-

1) Options A of 2,000,000
   - i. 666,666 will vest and be exercisable at any time between 6 January 2015 and 6 January 2018;
   - ii. 666,667 will vest and be exercisable at any time between 6 January 2016 and 6 January 2019; and
   - iii. 666,667 will vest and be exercisable at any time between 6 January 2017 and 6 January 2020.

2) Options B of 2,000,000
   - i. 666,666 will vest and be exercisable at any time between 6 January 2015 to 6 January 2018;
   - ii. 666,667 will vest and be exercisable at any time between 6 January 2016 to 6 January 2019; and
   - iii. 666,667 will vest and be exercisable at any time between 6 January 2017 to 6 January 2020.

The Company also granted 1,900,000 performance rights under the plan to employees on 27 May 2014. The exercise price of the performance rights is $0.025 per right for 950,000 (Options A) and $0.045 per right for another 950,000 (Options B).

The fair value of the performance rights granted to Directors at grant date was $0.011 based on a Black Scholes option pricing model below.

The fair value of the performance rights granted to CEO at grant date was $0.013 for Options A and $0.010 for Options B based a Black Scholes option pricing model below.

The fair value of the performance rights granted to employees at grant date was at a range between $0.007 and $0.008 for Options A and at a range between $0.003 and $0.004 for Options B based a Black Scholes option pricing model below.

As at 30 June 2014, the Company has recognised $42,615 performance rights expense in the statement of comprehensive income for Directors, CEO and employees. The expense was calculated from the grant date to its vesting dates applicable.

The table below shows a summary of the performance rights granted during the period:-

	Directors	**CEO Options A**	**CEO Options B**	**Employees Options A**	**Employees Options B**
Grant date	12-12-13	12-12-13	12-12-13	8-4-14 - 24-4-14	8-4-14- 24-4-14
Number of options granted	5,000,000	2,000,000	2,000,000	950,000	950,000
Share price at grant date	$0.020	$0.020	$0.020	$0.021- $0.023	$0.021- $0.023
Fair value at grant date	$0.011	$0.013	$0.010	$0.007- $0.008	$0.003- $0.004
Exercise price	$0.02	$0.015	$0.025	$0.025	$0.045
Expected volatility	50%	50%	50%	50%	50%
Risk free interest	2.5%	2.5%	2.5%	2.5%	2.5%
Expiry date	31-12-2017	6-1-2020	6-1-2020	1-7-2018	1-7-2018

23. BUSINESS COMBINATIONS

In June 2014, the Group bought two assets business combinations, Your Home Depot and Warcom both are businesses operate online shopping based in Australia. The Group acquired these businesses to enlarge the range of products in the online shopping division.

The fair values of the identifiable assets of Your Home Depot and Warcom as at the date of acquisition were:

	Your Home Depot	Warcom
	Fair value recognised on acquisition ($)	Fair value recognised on acquisition ($)
Cash and cash equivalents	1,979	-
Inventories	1,490,427	20,000
Property, plant & equipment (Note 14)	250,000	4,500
Identifiable intangibles (Note 15)	315,807	159,710
Total identifiable assets at fair value	2,058,213	184,210
Goodwill arising on acquisition (Note15)	784,193	492,489
Purchase consideration transferred	**2,842,406**	**676,699**

Cash paid	(2,842,406)	(114,148)
Cash in consideration payable	-	(35,852)
Financial liability - Deferred consideration by shares*	-	(526,699)
Net cash flow on acquisition	**(2,842,406)**	**676,699**

recognised as financial liability.

The assets recognised on 30 June 2014 accounts were based on a provisional assessment of their fair value at acquisition dates. The Group will have 12 months from the date of the acquisition date to finalise the fair value measurements of the assets based on more information obtained and to perform valuation on the identifiable intangibles and goodwill.

Financial liability - Deferred consideration by shares

In accordance with the assets purchase agreement for the acquisition of the business and assets of Warcom, the consideration for the Company's acquisition of the Warcom business includes a share based component, under which Shoply will issue ordinary shares in the Company to the vendor's nominee in tranches over a two year earn-out period, subject to the satisfaction of prescribed revenue and profit margin targets of the Warcom business. The consideration shares will be issued at a deemed price aligned with the volume weighted average price of Shoply shares over a 30 day period prior to the date of issue of those shares, and the maximum number of consideration shares that Shoply will issue will be the number of shares represented by the aggregate issue price of $550,000. As at the acquisition date, the fair value of the deferred consideration was provided for using a discount rate of 7.1% (Note 17).

From the date of their respective acquisitions, YHD and Warcom have contributed $533,589 and $54,727 of revenue and $59,421 and $7,264 respectively to the profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $12,931,144 and the loss before tax from operations for the Group would have been $201,716.

24. COMMITMENTS

The Group has entered into two commercial property leases of which one in Victoria took effect 7 May 2013 and one in New South Wales that took effect 1 July 2014, with rent payable monthly in advance. (2013: nil).

Operating Lease Commitments	**2014 $**	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Within one year	**322,116**	45,000
After one year but not more than five years	**1,253,779**	38,219
More than five years	**345,403**	-
	1,921,298	83,219

The property lease in Victoria is for a 2 year term with an option to extend the lease for another 2 year term at the latest exercising option date of 6 February 2015.

The property lease in New South Wales is for 6 year term with no option to extend. The termination date for the lease is 30 June 2020. This lease required a bank guarantee with an amount equivalent to 3 months of rent and tenant's proportion of outgoings and GST totalling to $95,408 issued on the 21 July 2014. At the same time, an equal amount of a term deposit is being placed with the bank for issuing the bank guarantee.

25. CONTINGENT ASSETS AND LIABILITIES

The Company had no contingent assets and liabilities as at 30 June 2014 (2013: nil).

26. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 7 July 2014, the Group launched a new website – Toystore.com.au which marked the Group's entry into the growing online toy market.

On 7 July 2014, the Company confirmed that its "SHPO" class of options quoted on the ASX, exercisable at $0.015, expired on 30 June 2014. As at the expiry date, there were 3,071,199 options for which the Company had not received exercise notices. Accordingly, pursuant to an underwriting agreement between Shoply and Patersons Securities Limited, under which Patersons agreed to act as underwriter for the exercise of the SHPO options, Patersons' sub-underwriters subscribes for the total shortfall of 3,071,199 underlying shares. The shortfall shares were issued on 9 July 2014.

27. AUDITOR'S REMUNERATION

	2014	2013
	$	$
Amounts received or due and receivable by Ernst & Young for:		
• An audit or review of the financial report of the entity and any other entity in the consolidated entity	**95,000**	80,000
• Other assurance service on acquisition accounting	**12,000**	-
	107,000	80,000

28. RELATED PARTY DISCLOSURE

(a) Subsidiary

The consolidated financial statements include the financial statements of Shoply Limited and the subsidiaries listed in the following table:-

Name of entity	**Country of Incorporation**	**% of Equity interest**		**Investment**	
		2014	2013	**2014**	2013
		%	%	**$**	$
AdEffective Business Networks Pty Ltd	Australia	**100**	**100**	**100**	**-**
AER Group Pty Ltd	Australia	**100**	**100**	**100**	**100**

(b) Ultimate parent

The consolidated financial statements include the financial statements of Shoply Limited and its controlled entities. Shoply Limited is the ultimate parent company.

(c) Inter-group transactions

Loans

There was an intercompany loan of $3,696,643 due to the parent entity from its controlled entity - AER Group Pty Ltd (2013: nil).

(d) Other related party transactions

During the financial year ended 30 June 2014, no other related party transactions took place (2013: nil), except for the directors advisory services fee as shown in the remuneration report at 30 June 2014 (2013: $25,289).

29. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Markers (CODM)) in assessing the performance of the Group, and determining investment requirements. The operating segments are based on the manner in which services are provided to the market.

In early FY 2014, The Group decided to streamline its businesses and to merge the AdFeed and Footer businesses into an Online Advertising Division. At the same time, the Group also announced that a new Online Shopping Division was created alongside the Online Advertising division.

However, at this year end the Online Advertising Division has ceased operations, leaving Shoply with one business segment only that is Online Shopping division. The Online Shopping division operates in one geographical location which is Australia only.

Hence, no operating segment is required for disclosure at this financial reporting period.

DIRECTORS' DECLARATION

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

In accordance with a resolution of the directors of Shoply Limited and its controlled entities, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Shoply Limited and its controlled entities for the financial year ended 30 June 2014 are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

      (ii) complying with Accounting Standards and the Corporations Regulations 2001;

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a); and

   (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.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2014.

On behalf of the Board

Andrew Plympton
Non-Executive Chairman

Melbourne, 28 August 2014

Ernst & Young
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Independent auditor's report to the members of Shoply Limited

Report on the financial report

We have audited the accompanying financial report of Shoply Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Shoply Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(c) in the financial report which indicates the consolidated entity's ability to continue as a going concern is dependent on the consolidated entity being successful in generating positive operating cashflows, and if required, its capacity to raise capital to fund the Company's operations and growth plans.

Accordingly without funding from positive operating cashflows and if the Company were unable to raise capital if required, there would be material uncertainty as to whether the consolidated entity would be able to continue as a going concern and therefore whether it would be able to realise its assets and extinguish its liabilities in the normal course of business, and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets amounts or to the amounts or classifications of liabilities that might be necessary should the Group not continue as a going concern.

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Shoply Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ashley Butler
Partner, Melbourne
28 August 2014

ADDITIONAL INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 28 August 2014 (**Reporting Date**).

Corporate Governance Statement

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on Shoply's website (www.shoply.com.au), and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

Substantial holders

As at the Reporting Date, the names of the substantial holders of Shoply and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to Shoply, are as follows:

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total Issued securities capital
Domenic Carosa	Ordinary Shares	51,264,991	9.82
	Unlisted options issued under the Company's long term incentive plan (**LTIP**)	1,000,000	9.17
Chris Retzos	Ordinary Shares	33,297,791	6.38

Number of holders

As at the Reporting Date, the number of holders in each class of equity securities

Class of Equity Securities	Number of holders
Ordinary Shares	2,466
Listed options exercisable at $0.035 on or before 31 July 2015	332
Unlisted options exercisable at $0.10 on or before 30 April 2015	2
Unlisted options exercisable at $0.10 on or before 8 December 2015	1
Unlisted options issued under the Company's LTIP *	8

*the options issued under the Company's LTIP have varying exercise conditions, exercise prices and expiry dates

Voting rights of equity securities

The only class of equity securities on issue in the Company which carries voting rights is ordinary shares.

As at the Reporting Date, there were 2,466 holders of a total of 521,938,160 ordinary shares of the Company.

At a general meeting of Shoply, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

Distribution of holders of equity securities

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Distribution of ordinary shareholders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	1,073	138,459	0.03
1,001 – 5,000	193	529,793	0.10
5,001 – 10,000	90	697,997	0.13
10,001 – 100,000	604	28,320,325	5.43
100,001 – 9,999,999,999	506	492,251,586	94.31
Totals	**2,466**	**521,938,160**	**100.00**

Distribution of listed option holders

Holdings Ranges	Holders	Total Units	%
1 – 1,000	46	12.252	0.02
1,001 – 5,000	87	234,770	0.39
5,001 – 10,000	32	277,715	0.46
10,001 – 100,000	74	4,152,590	6.92
100,001 – 9,999,999,999	93	55,312,880	92.20
Totals	**332**	**59,990,207**	**100.00**

Distribution of holders of unlisted options exercisable at $0.10 on or before 30 April 2015

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	0	0	0
100,001 – 9,999,999,999	2	1,600,000	100
Totals	**2**	**1,600,000**	**100.00**

Distribution of holders of unlisted options exercisable at $0.10 on or before 8 December 2015

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	0	0	0
100,001 – 9,999,999,999	1	1,000,000	100
Totals	**1**	**1,000,000**	**100.00**

Distribution of holders of unlisted options issued under the Company's LTIP

Holdings Ranges	Holders	Total Units	%
1 – 1,000	0	0	0
1,001 – 5,000	0	0	0
5,001 – 10,000	0	0	0
10,001 – 100,000	0	0	0
100,001 – 9,999,999,999	8	10,900,000	100
Totals	**8**	**10,900,000**	**100.00**

Less than marketable parcels of ordinary shares (UMP Shares)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting Date is as follows:

Total Securities	UMP Shares	UMP Holders	% of issued shares held by UMP holders
521,938,160	3,887,579	1,503	0.745

Twenty largest shareholders

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Holder Name	Balance as at Reporting Date	%
TIGER DOMAINS PTY LTD <TIGER DOMAINS UNIT A/C>	21,277,847	4.08
MP3 AUSTRALIA PTY LTD <THE MP3 UNIT A/C>	16,866,667	3.23
T E & J PASIAS PTY LTD	16,350,000	3.13
MR CHRIS RETZOS	14,856,613	2.85
CARINYA INVESTMENT MANAGEMENT PTY LTD	14,520,738	2.78
NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	13,847,628	2.65
DL GROUP HOLDINGS PTY LTD <LONDON FAMILY A/C>	13,199,834	2.53
TIGER DOMAINS PTY LTD <TIGER DOMAINS UNIT A/C>	12,960,477	2.48
ARLCO (AUSTRALIA) PTY LTD	11,721,573	2.25
DIAMOND BOWL PTY LTD <THE DIAMOND BOWL S/F A/C>	11,529,921	2.21
UBS NOMINEES PTY LTD	10,000,000	1.92
SAM GOULOPOULOS PTY LTD <S GOULOPOULOS F/SUPER A/C>	8,817,292	1.69
MRS JACLYN STOJANOVSKI + MR CHRIS RETZOS + MRS SUSIE RETZOS <RETZOS EXECUTIVE S/F A/C>	7,965,333	1.53
ATLANTIS MG PTY LTD <MG FAMILY SUPER FUND A/C>	6,300,000	1.21
ATLANTIS MG PTY LTD <MG FAMILY A/C>	5,697,565	1.09
MS SHARON LOUISE PICKUP	5,432,000	1.04
ADVANCE PUBLICITY PTY LTD <THE IZMAR FAMILY A/C>	4,610,442	0.88
BRODEA PTY LTD <GONINON INVESTMENT A/C>	4,549,055	0.87
MITROPOULOS NOMINEES PTY LTD <SUPER FUND ACCOUNT>	4,000,000	0.77
RETZOS INVESTMENTS PTY LTD <RETZOS ALTONA PROPERTY A/C>	3,912,280	0.75
Total number of shares of Top 20 Holders	**208,415,265**	**39.93**
Total Remaining Holders Balance	**313,522,895**	**60.07**

Company Secretary

The Company’s secretary is Ms Sophie Karzis.

Registered Office

The address and telephone number of the Company’s registered office are:

Level 1, 61 Spring Street
Melbourne Victoria 3000

Telephone: +61 (0)3 9286 7500

Share Registry

The address and telephone number of the Company’s share registry, Computershare Registry Services, are:

Street Address:
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Postal Address:
GPO Box 242
Melbourne Victoria 3001

Telephone: 1300 137 328

Stock Exchange Listing

Shoply’s ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: SHP).

Voluntary escrow

There are no securities on issue in Shoply that are subject to voluntary escrow.

Unquoted equity securities

The number of each class of unquoted equity securities on issue, and the number of their holders, are as follows:

Class of unquoted equity securities	Number of unquoted equity securities	Comment
Unlisted options exercisable at $0.10 on or before 30 April 2015	1,600,000	600,000 of these options are held by Andrew Plympton 1,000,000 of these options are held by Damian London
Unlisted options exercisable at $0.10 on or before 8 December 2015	1,000,000	All of these options are held by Cary Stynes
Unlisted options issued under the Company’s LTIP *	10,900,000	N/A

On-market buyback

The Company is not currently conducting an on-market buy-back.

Item 7 issues of securities

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

On-market purchase of securities under employee incentive scheme

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme; or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.