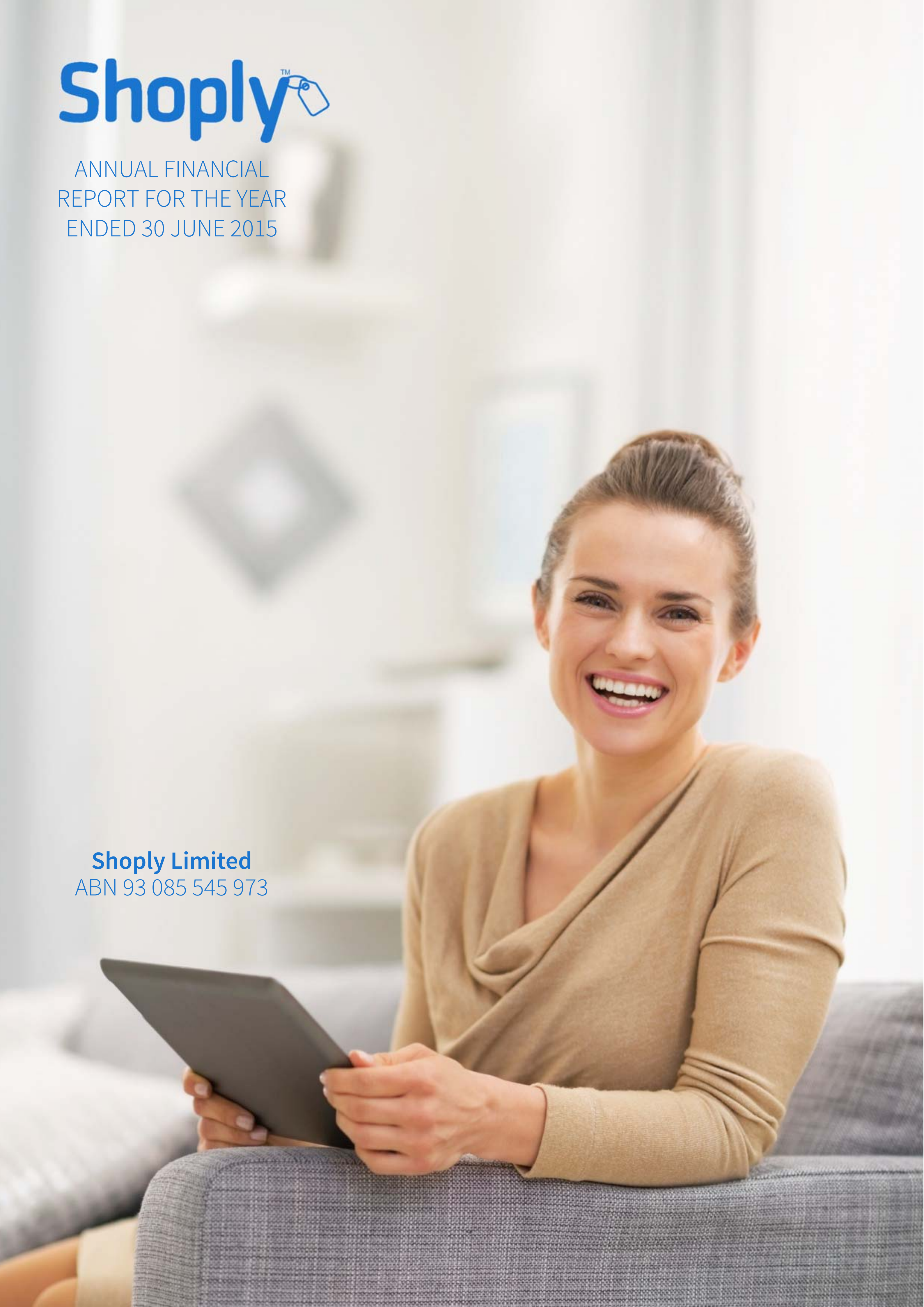


# Shoply

ANNUAL FINANCIAL
REPORT FOR THE YEAR
ENDED 30 JUNE 2015

**Shoply Limited**
ABN 93 085 545 973

Shoply Ltd (ASX:SHP) has the objective to be a leading ASX-listed online shopping company by rapidly executing a dual strategy of organic and acquisitive growth.

## Contents

## Shoply Brands

## Shoply Growth Strategy

| | | | |
|---|---|---|---|
| Focus on **Sales** and building the brands in the market | Strategic online shopping **Acquisitions** | Emphasis on **Systemisation** to reduce costs | Ensure all sites are **Mobile & Tablet-Enabled** to increase visibility |

# Chairman and CEO Letter

Dear Shareholders,

We are pleased to present to Shoply shareholders our Annual Report for the 2015 financial year ("FY15") that marked another period of significant growth and strategic achievements.

Last year we wrote about how we had transformed from an online advertiser in a rapidly changing marketplace to a fledgling online retailer. This year we talk about a year of solid revenue growth as an online retailer.

In FY15, Shoply set out to improve on the foundations of a consolidated operating model to support organic and acquisitive growth. Shoply realised both the ability to generate organic growth and capture the value of acquired assets. Shoply also realised a market position as Australia's only listed independent fixed price retailer (non-auction, non-daily deals) and evolved to take advantage of the increasing desire of consumers seeking the convenience of purchasing online.

During FY15, Shoply faced a multitude of challenges arising from its newly acquired business Your Home Depot (YHD). There are risks inherent in purchasing a business and integrating it with existing operations. In the case of YHD, a number of these risks materialised despite the implementation of comprehensive due diligence processes.

Shoply's losses in FY15 are in part attributable to the challenges encountered by management in relation to YHD. A protracted acquisition settlement period resulted in loss of business continuity, which in turn led to a reduction of revenue. Slow moving inventory inherited as part of the acquisition and the complexity of integrating YHD's platform with Shoply's existing operating platform presented further challenges.

Notwithstanding that the performance of the YHD business during the year did not align with our initial expectations, our subsequent acquisitions of the Warcom and eStore businesses have served to validate our instincts as these businesses continue to be worthwhile and important contributors to the Group.

During the year, management and the Board undertook a strategic review of the Group's business operations with a particular focus on YHD. A number of measures aimed at enhancing performance were implemented including repositioning the YHD online store as a semi-premium retailer and expanding product ranges. Recent performance demonstrates that these initiatives are effective. The Board is optimistic that whilst FY15 proved to be a difficult transitional phase for Shoply, it has paved the way for an optimistic FY16 outlook.

On the back of foundational investments made in FY15, Shoply has become a rapidly growing online retailer with solid fundamentals to support an operationally profitable organisation in FY16 (excluding corporate costs) and a profitable Company (including corporate costs) in FY17.

FY15 saw Shoply achieve significant growth across key operational and financial metrics.

**Financials**

- Revenues of \$18.5m up 995% on FY14 (Guidance: \$18m, FY14: \$1.7m).
- Loss \$2.6m (FY14: \$1.5m). Loss reflective of:
  - Integrating four independent online retail stores onto the Shoply operating platform (continued work in progress).
  - Repositioning YHD from lowest price to semi-premium retailer to ensure trading continuity and margin improvements.
  - Forced to reduce margins to move slow moving stock that were part of the YHD acquisition.
  - Initial downturn in sales and margin have been regained and exceeded.
  - Establishment of international suppliers.
  - Business restructure inclusive of staff redundancies.
  - Transformation of business practices to ensure future sustainable profits.

**Operations**

- Non-seasonal monthly revenue, doubled from $1.1m to $2.2m.
- Expenses remained similar with the doubling of revenue over the period.
- Revenue run-rate baseline of $2.0m per month set (non seasonal periods).
- Losses halved over the same period.
- Product margin improvements from 18% to 23%.
- Expansion of sales opportunities through the acquisition of eStore business assets.
- Increased purchasing power through the combined Warcom and eStore assets.
- Establishment and maintenance of strong key supplier relations.
- Reduced operating losses over the period.
- Re-organisation from brands/stores to functions.

The Company's management team also underwent changes during the course of FY15. In September 2014, Mr Graeme Lay was appointed as Shoply's Chief Financial Officer. The Company also appointed Mr Vaughan Clark as Chief Operating Officer during the course of FY15 and Ms Alyn Tai as Company Secretary and General Counsel. Mr Damian London and Ms Sophie Karzis resigned from the Board on 18 December 2014 and 24 June 2015 respectively. We thank Damian and Sophie for their invaluable contributions to the Company during a time of transition.

We believe the Company's expanded Board and management team have the strength, independence and breadth of experience required to build long-term shareholder value. Our work has now shifted towards systematically growing and building value in our offering and continuing to increase revenue to achieve profitable scale within the Company.

Looking forward, the outlook for Shoply in FY16 is organically growing revenue to $26.5m with a EBITDA loss of $619K (down $1.56m through revenue increases, margin improvement and cost reduction).

Shoply continues to provide quality brands across homewares, kitchenware, office technology and baby products at great prices. We continue to expand our categories and offerings to our customers. We look forward to continuing the growth trajectory and further proving the results of our organic and acquisitive online retail strategy.

Thank you for your ongoing support and we look forward to meeting with those of you who are able to attend our upcoming Annual General Meeting.

**Andrew Plympton**
Non-Executive Chairman
Melbourne, 28 September 2015

**Simon Crean**
Chief Executive Officer
Melbourne, 28 September 2015

# FY15 Summary

| REVENUE | REVENUE GROWTH | NON-SEASONAL MONTHLY REVENUE |
|---|---|---|
| **$18.5m** | Up 995% on FY14 | **$2.2m** |
| Guidance: $18m | FY14: $1.7m | Doubled from $1.1m |

| | |
|---|---|
| **Strong sales growth** | ■ Solid contribution from acquired and organic sales growth<br>■ $2m plus monthly revenue run-rate achieved |
| **Consolidation of operating model** | ■ Functional organisational structure in place<br>■ 75% through the integration of all stores on one operating platform |
| **Strong partners** | ■ Developed strong relationships with suppliers across all categories<br>■ New partnerships bringing greater range across the group |
| **Strengthened team** | ■ Further retail and marketing capability and experience added to the board<br>■ Appointment of Chief Financial Officer and Chief Operating Officer and increased capability |

## Full year profit and loss summary

| | FY15 ($m) | FY14 ($m) | Change ($m) |
|---|---|---|---|
| Revenue from continuing operations | | | |
| Sales Revenue | 18.45 | 1.66 | 16.79 |
| Finance Revenue | 0.04 | 0.03 | 0.01 |
| Total Revenue | 18.49 | 1.69 | 16.8 |
| | | | |
| Total Comprehensive (loss)/profit | (2.48) | (1.49) | (0.99) |

**REVENUE**

**995%**

## Full year profit and loss summary - underlying

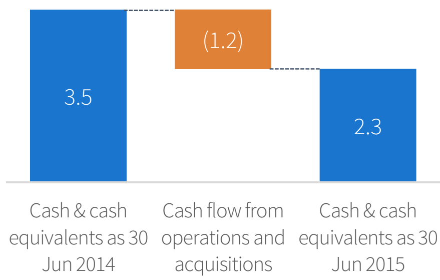
| | FY15 ($m) | FY14 ($m) | Change ($m) |
|---|---|---|---|
| Non-statutory financial results include: | | | |
| Gross Profit | 3.20 | 0.17 | 3.03 |
| Loss before income tax | (2.57) | (1.53) | (1.04) |
| Total Comprehensive (loss)/profit | (2.48) | (1.49) | (0.99) |
| | | | |
| Operating costs | | | |
| Direct costs | (15.30) | (1.52) | (13.78) |
| Other costs and expenses | (5.77) | (1.70) | (4.07) |

- Shoply operating platform and cost structure supported
- Integration of four retail brands, business model changes to Your Home Depot were the primary contributors to the loss in FY15

## Balance Sheet

| | 30 June 15 ($m) | 30 Jun 14 ($m) |
|---|---|---|
| Cash and cash equivalents | 2.31 | 3.50 |
| Inventories | 1.76 | 1.54 |
| Property, plant and equipment | 0.24 | 0.26 |
| Intangible assets | 3.12 | 1.82 |
| Net assets | 3.84 | 5.66 |

Cash flow profile

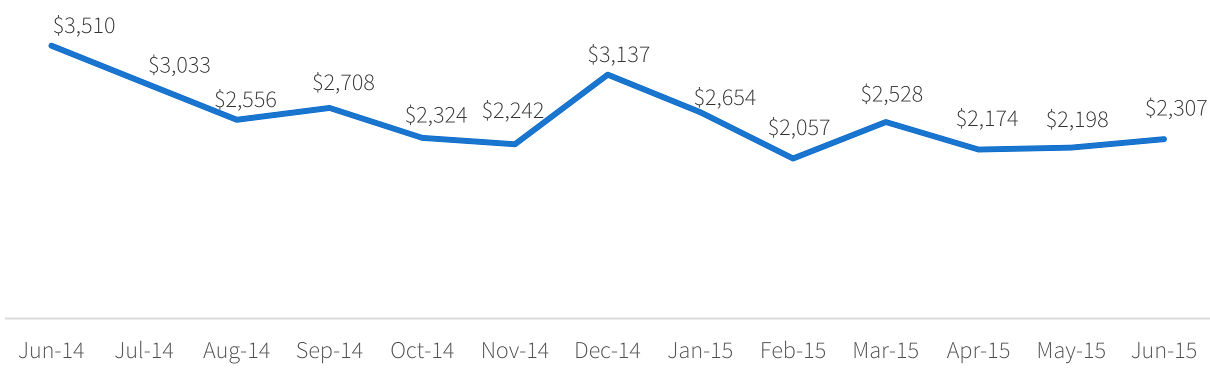


## Cash position

Cash and cash equivalent of $2.3m at 30 June 2015.

Based on the cash position at end of FY15 and as a result of a stringent budgeting process, the company believes it is in a position to meet planned operational and capital expenditure throughout FY16.

Cash and cash equivalents for June 2014 to June 2015

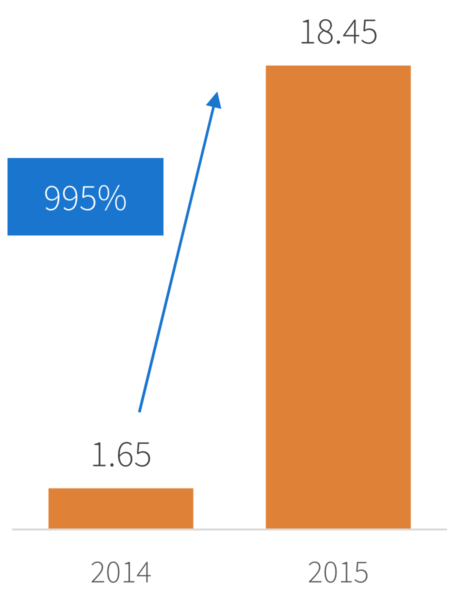


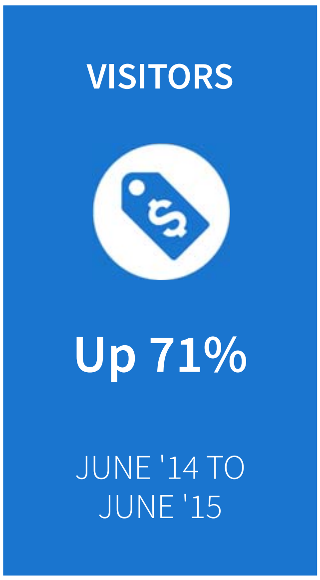

## Operational Update

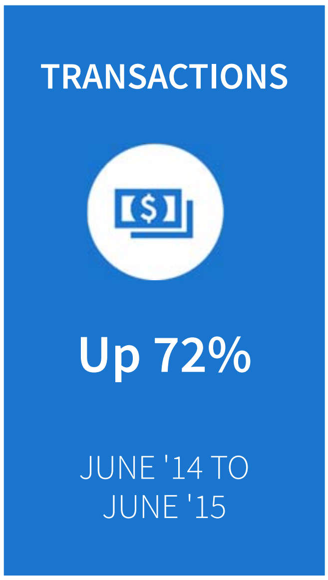
### Strong sales growth

- Revenue up 995% (FY14 v FY15)
- Visitors to Shoply stores up 71% (June 14 v June 15)
- Transactions through Shoply stores up 72% (June 14 v June 15)

Revenue ($m)



## Consolidation of operating model (expenses)

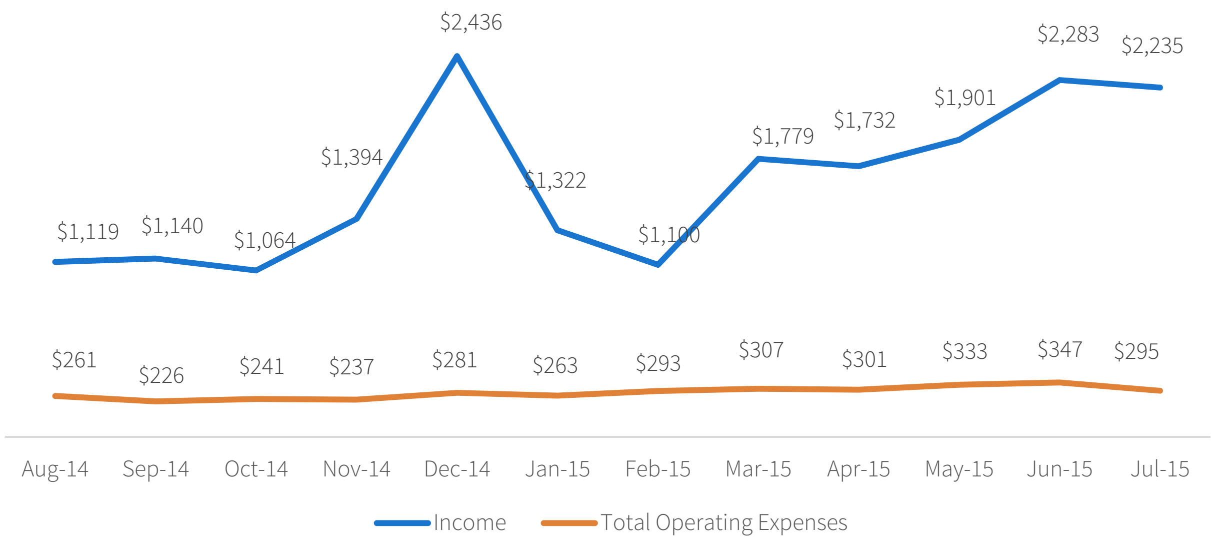
### Consolidated Back Office

Customer Support | Technology Platform | Marketing | Supplier Management | Logistics Management

- Proven ability to acquire and absorb businesses
- Warehousing and distribution facilities in Sydney (2,300m$^2$) and Melbourne (440m$^2$) – The two largest online retail markets
- Platform capable of supporting significant sales growth with minimal further investment

## Minimal fixed cost increases to support growth

Income and Operating Expenses August 2014 to July 2015



## Strengthened Team

### Vaughan Clark

*Chief Operating Officer*

- Sales, Marketing and Operations executive manager with over 30 years' retail experience establishing cultures of operational excellence that deliver results
- Executive managerial experience gained in large scale online and offline retail working with DealsDirect, Telstra and Bob Jane T-Marts

### Graeme Lay

*Chief Financial Officer*

- CPA / MBA with 28 years experience in commercial accounting (retail, manufacturing, warehousing and distribution and tertiary education)
- Previous employers include Pacific Dunlop Limited, Boral Limited, Agri Energy Ltd and Deakin University
- Experience in USA and UK consolidations and has held a company secretarial position

### Matthew Dickinson

*Non-Executive Director*

- Founded iMega Group growing it to multi-million dollar profit and exit
- Known as Australia's first "growth hacker" and is one of Australia's most sought after start-up advisors over the past 15 years

### Lorenzo Coppa

*Non-Executive Director*

- Founded City Software group of companies, an innovative market leader since 1991 and pioneered Australia's first IT online retail presence in 1994
- Non-Executive Director and later served as Chairman of SteriHealth LTD since 2008, privatised the firm in 2014
- Board and advisory board experience in both commercial and not for profit organisations

## FY16 Outlook

| | | |
|---|---|---|
| | **Growth of revenue** | ■ $18.5m to $26.5m in organic growth (43.2%)<br>■ Capitalising and growing on current $2.2m monthly revenue position |
| | **Profit/ loss from continuing operations** | ■ EBITDA ($619K) down $1.5m through revenue increases, margin improvement, cost reduction and management<br>■ Extract greater value from marketing strategies |
| | **Operationally profitable** | ■ Continual improvement in business processes to improve our position |
| | **Acquisitions** | ■ Seek appropriate acquisition opportunities<br>■ Online properties that can be integrated into the operating model and deliver ongoing revenue growth |

# Corporate Information

### DIRECTORS

| | |
|---|---|
| Mr Andrew Plympton | Non-Executive Chairman |
| Mr Domenic Carosa | Non-Executive Director |
| Mr Lorenzo Coppa | Non-Executive Director |
| Mr Matthew Dickinson | Non-Executive Director |
| Mr Mark Goulopoulos | Non-Executive Director |

### COMPANY SECRETARY

Ms Alyn Tai

### REGISTERED OFFICE

Level 1, 61 Spring Street
Melbourne Victoria 3000

### AUDITORS

RSM Bird Cameron
Level 21, 55 Collins Street
Melbourne Victoria 3000

### BANKERS

Westpac
360 Collins Street
Melbourne Victoria 3000

### SHARE REGISTRY

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000

Tel: 1300 737 760

### EXCHANGE LISTING

Shoply Limited's ordinary shares are quoted on the Australian Securities Exchange (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 (the **Company**) and its controlled entities (the **Group**), for the financial year ended 30 June 2015 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

Andrew Plympton, Independent, Non-Executive Chairman

Mr Plympton was appointed to the Board on 9 February 2010 as an Independent Non-Executive Chairman.

| | |
|---|---|
| *Experience and expertise* | Mr Plympton joined the Company in February 2010 and brings a wealth of experience in a diverse range of commercial activities.<br>Mr Plympton has spent more than 35 years in the financial services area, as Managing Director and/or Executive Chairman of a number of international insurance brokers and risk managers. In addition he held the role of Chairman in Underwriting Agencies and Captive Insurance Managers. |
| *Other directorships held by Director in the last 3 years* | In the public company sector Mr Plympton is Chairman of KneoMedia Limited (ASX: KNM) (appointed 26 August 2010) and is a director of XPD Soccer Gear Limited (ASX: XPD) (appointed 7 February 2015) and Energy Mad Limited (NZX: MAD).<br>In addition Mr Plympton is an Executive Member of The Australian Olympic Committee and Director of The Australian Olympic Foundation Limited.<br>During the last three years Mr Plympton has also served as a director of the listed companies NewSat Limited (ASX: NWT) from 18 February 2010 to 30 June 2014, Sunbridge Group Limited (ASX: SBB) from 23 July 2013 to 30 December 2014 and has been a director of Bluestone Global Limited (ASX: BUE) since 19 July 2013. |
| *Special responsibilities* | Chair of the Board, Member of Audit and Risk Management Committee, Member of Nomination and Remuneration Committee. |
| *Relevant interest in Shoply securities as at the date of this report* | Nil. |

## Domenic Carosa, Non–Executive Director

Mr Carosa was appointed to the Board on 18 June 2013 as a Non-Executive Director.

| | |
|---|---|
| *Experience and expertise* | Mr Carosa holds a Masters of Entrepreneurship & Innovation from Swinburne University and has over 20 years of experience in business and technology. He is co-founder and Chairman of Future Capital Development Fund Pty Ltd (a registered Pooled Development Fund). Future Capital has successfully raised in excess of $8M in patient equity capital in recent years, invested in 14 early stage investees. He is also Chairman of Dominet Digital Corporation Pty Ltd, a boutique internet investment group. Mr Carosa was previously the co-founder and Group CEO of ASX-listed destra Corporation which was the largest independent media and entertainment company in Australia. He stepped aside in April 2008. |
| *Other directorships held by Director in the last 3 years* | Mr Carosa is the Executive Director/CEO of ASX listed global mobile entertainment company Crowd Mobile Limited (ASX: CM8), having been appointed to this role on 13 January 2015.<br>Mr Carosa is also a Non-Executive Director of ASX listed company Collaborate Corporation Limited (ASX: CL8) having been appointed 8 August 2014. |
| *Special responsibilities* | Chair of Nomination and Remuneration Committee. |
| *Relevant interest in Shoply securities as at the date of this report* | Mr Carosa has a relevant interest in 63,534,991 fully paid ordinary shares in Shoply which are held by various entities which Mr Carosa is associated with or controls. |

## Lorenzo Coppa, Non–Executive Director

Mr Coppa was appointed to the Board on 24 June 2015 as a Non-Executive Director.

| | |
|---|---|
| *Experience and expertise* | Mr Coppa holds a BSc in physical sciences in Communications Electronics and Econometrics from La Trobe University. He founded the City Software group of companies (**City Software**) in 1991 and served as the CEO of City Software for nearly 24 years. City Software grew to be the nation's leading software reseller to small to medium businesses, charities, educational institutions, students and home users. Founded with $32,000, City Software delivered $1,000,000 revenue during its first year of trading and successfully delivered the first IT reseller website in 1994.<br>City Software later acquired the Software Warehouse and eStore businesses in 2001 and 2003 respectively, adding hardware to the software specialist range. Over the years, Mr Coppa built the largest independent online IT retailer in Australia.<br>Mr Coppa has served as a director on the boards and advisory boards of several for profit and non-profit organisations.<br>Shoply acquired the eStore business as announced to the market in March 2015. |
| *Other directorships held by Director in the last 3 years* | Mr Coppa served as an independent, non-executive director with SteriHealth Limited (ASX: STP) from September 2008 to June 2014. Serving as chairman in the latter years, Mr Coppa led a scheme to privatise the business with 97% shareholder approval. |
| *Special responsibilities* | Chair of Audit and Risk Management Committee. |
| *Relevant interest in Shoply securities as at the date of this report* | Mr Coppa has a relevant interest in 20,017,552 fully paid ordinary shares in Shoply of which he has the right to control the exercise of the vote. |

## Mark Goulopoulos, Non–Executive Director

Mr Goulopoulos was appointed to the Board on 1 November 2012 as a Non-Executive Director.

| | |
|---|---|
| *Experience and expertise* | Mr Goulopoulos, BCom (Acc&Fin), GDAFI, is an Associate Director of Wealth Management at Patersons Securities and has over 15 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, 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. |
| *Other directorships held by Director in the last 3 years* | During the last three years, Mr Goulopoulos has not served as a director of any other listed companies. |
| *Special responsibilities* | Member of Audit and Risk Management Committee. |
| *Relevant interest in Shoply securities as at the date of this report* | Mr Goulopoulos has a relevant interest in 12,697,565 fully paid ordinary shares in Shoply which are held by various entities which Mr Goulopoulos controls. |

## Matthew Dickinson, Independent, Non–Executive Director

Mr Dickinson was appointed to the Board on 1 May 2015 as an Independent Non-Executive Director.

| | |
|---|---|
| *Experience and expertise* | Mr Dickinson holds a Bachelor of Information Technology (BIT) from the University of Technology Sydney (UTS) and has been an internet entrepreneur, startup advisor and investor for the past 15 years. He founded the iMega Group, one of the world's first programmatic online ad-tech companies in 2005. Mr Dickinson scaled the iMega Group rapidly, with its global website audience reaching 2 million unique visitors per day and to $8.6 Million EBIT in 3 years. The ASX listed Photon Group acquired iMega in an 8 figure deal.<br><br>He is known as Australia's first "growth hacker" and is one of Australia's most sought after start-up advisors in the online start-up community. Mr Dickinson is unique in his capability to advise on board level strategy as well as "in the trenches" across all functional groups of an online business.<br><br>He is a mentor at Startmate (Australia's leading start-up accelerator) and has advised hundreds of founders in the past 10 years in Australia and the USA. He started the Worldsites business, one of the first digital web agencies in Australia, focused on helping SME's get results on the internet. He was also an e-commerce management consultant at KPMG & Cisco Systems. Mr Dickinson also worked across the family rag-trade business gaining experience in all facets of the retail and wholesale businesses. He was awarded a scholarship for the coveted Business Information Technology (BIT) program at the University of Technology Sydney (UTS). |
| *Other directorships held by Director in the last 3 years* | During the last three years, Mr Dickinson has not served as a director of any other listed companies. |
| *Special responsibilities* | Member of Nomination and Remuneration Committee. |
| *Relevant interest in Shoply securities as at the date of this report* | Mr Dickinson has a relevant interest in 17,350,199 fully paid ordinary shares in Shoply which are held by an entity with which Mr Dickinson is associated. |

### Damian London, Former Non-Executive Director

Mr London was appointed as a Director on 17 December 2009 and resigned as Director on 18 December 2014.

| | |
|---|---|
| *Experience and expertise* | 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.<br><br>Mr London served as Chief Executive Officer at Shoply (named AdEffective Limited at the time) 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.<br><br>Mr London is also a Director of Property SX Pty Ltd, Online Mentor Pty Ltd and DL Consulting Group Pty Ltd. Mr London holds a Bachelor of Applied Science, with a Double Major in Computer Science and Software Engineering (Swinburne University, Australia). |
| *Other directorships held by Director in the last 3 years* | During the last three years, Mr London has not served as a director of any other listed companies. |
| *Special responsibilities* | N/A |
| *Relevant interest in Shoply securities as at the date of resignation* | As at the date of his resignation as Director, Mr London had a relevant interest in 13,199,834 fully paid ordinary shares in Shoply, which were held by an entity which Mr London controls. |

### Sophie Karzis, Former Independent Non-Executive Director and Company Secretary

Ms Karzis was appointed as a Company Secretary on 26 October 2010 and as an Independent Non-Executive Director on 20 January 2012. She resigned from both roles on 24 June 2015.

| | |
|---|---|
| *Experience and expertise* | Ms Karzis, B.Juris LL.B, 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. |
| *Other directorships held by Director in the last 3 years* | Ms Karzis has not served as a director of any other listed companies. |
| *Special responsibilities* | N/A |
| *Relevant interest in Shoply securities as at the date of resignation* | As at the date of her resignation as Director and Company Secretary, Ms Karzis held 1,000,000 options to receive fully paid ordinary shares in Shoply, exercisable at $0.02 each on or before 31 December 2017. These options have now lapsed. |

### Alyn Tai, Company Secretary

Ms Tai was appointed as Company Secretary on 24 June 2015.

| | |
|---|---|
| *Experience and expertise* | Ms Tai, LL.B (Hons) Exon., is a practising lawyer. She joined the law firm Corporate Counsel Pty Ltd, which provides corporate and company secretarial services to Australian companies in 2010. Prior to joining Corporate Counsel, she trained as an advocate at the Bar in London. Ms Tai has acquired international legal experience from working in law firms and barristers' chambers in London, Singapore and Melbourne. Ms Tai graduated from the University of Exeter in the United Kingdom in 2008, and was called to the Bar of England and Wales before being admitted to the Supreme Court of Victoria as an Australian lawyer. Ms Tai is a member of the Honourable Society of Inner Temple in the United Kingdom and the Law Institute of Victoria. |
| *Other directorships held by Director in the last 3 years* | Ms Tai has not served as a director of any listed companies. |
| *Special responsibilities* | N/A |
| *Relevant interest in Shoply securities as at the date of this report* | None. |

**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 | 12 | 12 |
| Mr Domenic Carosa | 12 | 12 |
| Mr Lorenzo Coppa | 0 | 0 |
| Mr Matthew Dickinson | 2 | 2 |
| Mr Mark Goulopoulos | 12 | 10 |
| Ms Sophie Karzis | 12 | 12 |
| Mr Damian London | 6 | 6 |

**Board Committees**

During the financial year, the Group had a Nomination and Remuneration Committee but did not have a separately established audit committee. Subsequent to the end of FY15, the Company established an Audit and Risk Management Committee.

### Directors' Interests in Shares and Options of the Group

As at the date of this report, the relevant interests of the Directors (and former Directors during the year) in the shares and options of the Group were:

| Director | Numbers of ordinary shares | Number of options (unlisted) |
|---|---|---|
| Mr Andrew Plympton | nil | nil |
| Mr Domenic Carosa *1* | 63,534,991 | nil |
| Mr Lorenzo Coppa *2* | 20,017,552 | nil |
| Mr Matthew Dickinson *3* | 17,350,199 | nil |
| Mr Mark Goulopoulos *4* | 12,697,565 | nil |
| Ms Sophie Karzis | nil | nil |
| Mr Damian London *5* | 13,199,834 | nil |

1. *The 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 Mr Carosa is both a 50% shareholder and unit holder and Dominet Digital Corporation Pty Ltd ATF The Carosa Family A/C in which Mr Carosa is a beneficiary. The options are held directly by Mr Carosa.*
2. *The shares are held by Isabel Coppa ATF Coppa Family A/C; Mr Coppa has the right to control how this entity votes its shares.*
3. *The shares are held by Diamond Bowl Pty Ltd ATF The Diamond Bowl Super Fund A/C; Mr Dickinson is associated with this entity and has a relevant interest in shares it holds.*
4. *The 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. The options are held directly by Mr Goulopoulos.*
5. *Number of shares and options that the Director had a relevant interest in at the date of the Director's resignation on 18 December 2014.The shares were held by DL Group Holdings Pty Ltd ATF The London Family A/C; Mr London is the controller of DL Group Holdings Pty Ltd. The options were held directly by Mr London.*

### Earnings Per Share

| Earnings Per Share | Cents |
|---|---|
| Basic and diluted earnings per share | (0.47) |

### Dividends, paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year ended 30 June 2015.

## OPERATING AND FINANCIAL REVIEW

### Corporate structure

Shoply 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 2015. The Company's subsidiary entities are set out in note 29 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 area of online retailing. There has been no significant change in the nature of these activities during the financial year.

## Employees

The Group has 49 employees, inclusive of casual and part-time staff as at 30 June 2015 (2014: 25). The Group had consulting agreements with 4 contractors as at 30 June 2015 (2014: 5 contractors) who performed the primary activities of the Group at 30 June 2015.

## Group Performance over the five-year period

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010* |
|---|---|---|---|---|---|---|
| Basic earnings/(loss) per share (cents) | (0.47) | (0.54) | 0.02 | (1.35) | (1.12) | 0.01 |

** Change of business structure and ownership.*

## Financial position

The Group had net assets of $3,837,025 as at 30 June 2015 (2014: $5,655,356).

The Group had trade and other receivables of $650,686 as at 30 June 2015 (2014: $102,791).

The Group had trade and other payables of $3,618,925 as at 30 June 2015 (2014: $960,999).

## Cash flows

The Group generated net operating cash outflows of $123,283 during the year ended 30 June 2015 (2014: net cash outflows $473,749). Net investing cash outflows were $892,789 in the year ended 30 June 2015 (2014: $3,043,928).

Net financing cash outflows were $186,939 in the year ended 30 June 2015 (2014: net financing cash in flows of $6,463,713).

There was a cash balance at 30 June 2015 of $2,307,247. (2014: $3,510,259).

## Likely developments and future prospects

The Company is pleased with the development of its dual strategy of acquisitive and organic growth as an online retail company.

In FY16, Shoply's strategy is to organically grow revenue to $26.5m with an EBITDA loss of $619K (down $1.5m through revenue increases, margin improvement and cost reduction).

Shoply intends to continue to provide quality brands across homewares, kitchenware, office technology and baby products, and expand its categories and offerings to customers. Shoply further intends to continue its growth trajectory and prove the results of its organic and acquisitive online retail strategy.

The Directors are optimistic that, despite the early stage nature of the company it is positioned to achieve its objective of continued revenue growth in the 2016 financial year.

## Key business risks

The Group's operations are subject to a number of risks. The Audit and Risk Management Committee and Board regularly review the possible impact of these risks and seek to minimise this impact through a commitment to its corporate governance principles and its various risk management functions. 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, and only include risks that could affect the Group's financial prospects, taking into account the nature and business of the Group and its business strategy.

## (a) Risks related to the Group’s e-commerce activities

- **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 has, subsequent to the end of FY15, established an Audit and Risk Management Committee to oversee this audit and risk management function of the Board.

## Significant changes in the state of affairs

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

### Operational

- On 28 October 2014, Shoply announced the re-launch of its Your Home Depot online store which enabled customers to purchase products through the website via multiple smart devices.
- On 3 March 2015, Shoply announced that it had entered into an agreement to purchase the business and assets used to operate premier e-commerce business technology retailer www.eStore.com.au (eStore). The acquisition of eStore was completed on 13 March 2015.

## Appointments and resignations of officeholders

- On 18 December 2014, Mr Damian London resigned as Director of Shoply due to an increasing number of commitments.
- On 1 May 2015, Mr Matthew Dickinson was appointed as Non-Executive Director of Shoply. Mr Dickinson is an internet entrepreneur, start-up advisor and investor; Mr Dickinson founded the iMega Group, one of the world's first programmatic online ad-tech companies in 2005.
- On 24 June 2015, Mr Lorenzo Coppa was appointed Non-Executive Director of Shoply. Mr Coppa was a vendor of the eStore business to Shoply in March 2015 and brings to Shoply a broad knowledge of online retail markets.
- On 24 June 2015, Ms Sophie Karzis resigned as Non-Executive Director and Company Secretary of Shoply.
- On 24 June 2015, Ms Alyn Tai was appointed as Company Secretary of Shoply.

**Change of auditor**

Further to the resignation of Ernst & Young as Shoply's auditor, and following shareholder approval obtained at Shoply's 2014 AGM on 3 December 2014, the Company appointed RSM Bird Cameron as its auditor.

**Issue of shares and options**

- Prior to FY15, on 30 June 2014, Shoply's SHPO class of ASX-listed options expired. In accordance with an underwriting agreement between Shoply and Patersons Securities Limited (Patersons), under which Patersons agreed to act as underwriter for the exercise of the SHPO options, Patersons and/or its sub-underwriters subscribed for the total shortfall of 3,071,199 underlying shares on 9 July 2014.
- During the year, the Company issued a number of shares to the vendors of the Warcom business as deferred consideration for Shoply's purchase of that business, in accordance with the terms of the assets purchase agreement with the vendors. All deferred consideration shares are subject to voluntary escrow periods of 12 months from their respective date of issue.
- During the year, the Company issued a number of shares to the vendors of the eStore business as part consideration for Shoply's purchase of that business, in accordance with the terms of the assets purchase agreement with the vendors. The consideration shares are subject to a voluntary escrow period of 12 months from their date of issue.
- During the year, the Company issued a number of shares upon the exercise of SHPOA listed options.

**Significant events after the balance date**

- Effective 10 August 2015, Shoply transferred responsibility for the maintenance of its share register from Computershare Investor Services Pty Limited to Boardroom Pty Limited.
- Subsequent to the year on 18 August 2015, the Company issued a number of shares to the vendors of the eStore and Warcom businesses as deferred consideration for Shoply's purchase of those businesses, in accordance with the terms of the respective assets purchase agreements with the vendors. The deferred consideration shares are subject to a voluntary escrow period of 12 months from their date of issue.

### Environmental regulation

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

### Shares issued during the year

11,976,048 shares were issued to an entity controlled by Mr Lorenzo Coppa during the year; these shares were issued prior to Mr Coppa's appointment as Director, and were issued as part consideration for the acquisition by Shoply of the business of eStore. 4,168,384 shares were issued to an entity controlled by Mr Vaughan Clark during the year; these shares were issued for the performance considerations (earn-out) of the Warcom acquisition. No other Directors or other key management personnel were issued shares during the year ended 30 June 2015 (2014: 40,056,047). Refer to remuneration report for further details.

### Share options (listed & unlisted)

As at 1 July 2014, there were 10,900,000 unlisted options under the Company's Long Term Incentive Plan (LTIP) on issue.

Following the resignation of Mr Damian London as Director, and the cessation of employment of two employees with the Company, the respective options held by such persons under the LTIP have lapsed. Mr London held 1,000,000 options; and the two employees held 1,000,000 and 900,000 options respectively.

Nil options were issued to employees during the year ended 30 June 2015 (2014: 1,900,000). Each of Messrs Andrew Plympton, Domenic Carosa, Mark Goulopoulos and Ms Sophie Karzis held 1,000,000 options (total: 4,000,000) throughout the year. These 4,000,000 options lapsed on 1 July 2015 due to relevant vesting conditions not being met.

### 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 $9,900 (GST inc).

### Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, RSM Bird Cameron, 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 RSM Bird Cameron 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 2015 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 Shoply's 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)** | |
| Mr Andrew Plympton | Chairman (non-executive) |
| Mr Domenic Carosa | Director (non-executive) |
| Mr Lorenzo Coppa | Director (non-executive) |
| Mr Matthew Dickinson | Director (non-executive) |
| Mr Mark Goulopoulos | Director (non-executive) |
| Mr Damian London | Director (non-executive) |
| Ms Sophie Karzis | Director (non-executive) |
| **(ii) Executive** | |
| Mr Simon Crean | Chief Executive Officer (CEO) |
| Mr Graeme Lay | Chief Financial Officer (CFO) |
| Mr Vaughan Clark | Chief Operating Officer (COO) |

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 Nomination and Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Non-Executive Directors, the Chief Executive Officer and other Key Management Personnel on a periodic basis. In doing so, the Nomination and Remuneration has 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. A recommendation of the Nomination and Remuneration Committee is presented to the Board of Directors for adoption and approval.

### 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 structure

In accordance with best practice corporate governance, the structure of non-executive 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 2015, key executives had remuneration packages which include components that are dependent on meeting specified performance conditions.

## 4. Executive contract

The CEO has a formal services agreement with the Group.

On the 17th February 2015, the Board of Directors approved a variation to the employment services agreement with Mr Simon Crean in respect of 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 $200,000 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).

- On 6 January 2014, for the purposes of a LTI, Mr Crean was 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.

All other KMP have entered into ongoing employment contracts with the Group. These contain all remuneration, performance and confidentiality obligations on the part of the employer and employee.

These contracts stipulate three month resignation periods. The Group may at its option terminate an employment agreement by giving not less than 3 months written notice of its intention or making payment in lieu of notice for all of the notice period, or the balance of the notice period.

**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 | Security based payments | Total $ | Performance related % |
|---|---|---|---|---|---|---|---|
| **Non-executive Directors** | | **Salary & fees $** | **Cash bonus $** | **Super-annuation $** | **Options $** | | |
| Mr Andrew Plympton | 2015 | 37,500 | - | - | (5,500) | 32,000 | (17.19) |
| | 2014 | 30,000 | - | - | 5,500 | 35,500 | 15.49 |
| Mr Domenic Carosa | 2015 | 29,300 | - | - | (5,500) | 23,800 | (23.11) |
| | 2014 | 28,800 | - | - | 5,500 | 34,300 | 16.03 |
| Mr Lorenzo Coppa | 2015 | - | - | - | - | - | - |
| Mr Matthew Dickinson | 2015 | 5,000 | - | - | - | 5,000 | - |
| Mr Mark Goulopoulos | 2015 | 29,300 | - | 2,784 | (5,500) | 26,584 | (20.69) |
| | 2014 | 28,800 | - | 2,664 | 5,500 | 36,964 | 14.88 |
| Mr Damian London* | 2015 | 13,342 | - | - | (5,500) | 7,842 | (70.14) |
| | 2014 | 64,865 | - | 1,156 | 5,500 | 71,521 | 7.69 |
| Ms Sophie Karzis** | 2015 | 29,300 | - | - | (5,500) | 23,800 | (23.11) |
| | 2014 | 28,800 | - | - | 5,500 | 34,300 | 16.03 |
| **Other Key Management Personnel** | | | | | | | |
| Mr Simon Crean | 2015 | 173,333 | 21,000 | 16,467 | 19,875 | 230,675 | 4.28 |
| | 2014 | 133,333 | - | 12,333 | 14,661 | 160,327 | 9.14 |
| Mr Graeme Lay*** | 2015 | 109,467 | - | 10,399 | - | 119,866 | - |
| Mr Vaughan Clark**** | 2015 | 149,128 | - | 14,167 | - | 163,295 | - |
| **Total KMP** | **2015** | **575,670** | **21,000** | **43,817** | **(7,625)** | **632,862** | **(1.20)** |
| **Total KMP** | **2014** | **314,598** | **-** | **16,153** | **42,161** | **372,912** | **11.31** |

**Damian London resigned as Non-Executive Director on 18 December 2014.*

*** Sophie Karzis resigned as Non-Executive Director on 24 June 2015.*

****Graeme Lay appointed as CFO on 15 September 2014.*

*****Vaughan Clark appointed as COO on 13 March 2015. Employment date 16 June 2014.*

****** Each of Andrew Plympton, Domenic Carosa, Mark Goulopoulos and Sophie Karzis held 1,000,000 options (total: 4,000,000) throughout the year. The 4,000,000 options lapsed on 1 July 2015 due to the relevant vesting conditions not being met.*

## 7. Additional disclosures relating to options and shares

### a. Performance rights holdings of key management personnel

There were no options or other securities granted to KMP as LTIP remuneration during the year. The table below discloses the number of options previously granted to KMP as LTIP remuneration as well as the number of options that vested or lapsed during the year. The options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

The options to Directors (**Directors' Options**) were 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 Directors' Options remained on issue throughout the year from 1 July 2014 to 30 June 2015, but as the relevant vesting conditions were not met, the Directors Options lapsed on 1 July 2015 due to non-satisfaction of the vesting conditions.

The options to the CEO confer a long term incentive benefit to his employment service as the options 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 the options.

**Current year LTIP Options (As at 30 June 2015) Number**

| | Grant date | No. granted | Fair value at grant date ($) | Exercise price ($) | Expiry date | Balance at 30 June 2015 | Vested | Unvested |
|---|---|---|---|---|---|---|---|---|
| **Non-executive Directors** | | | | | | | | |
| Mr Andrew Plympton | 06/01/14 | 1,000,000 | 0.011 | 0.02 | 31/12/17 | 1,000,000 | - | 1,000,000 |
| Mr Domenic Carosa | 06/01/14 | 1,000,000 | 0.011 | 0.02 | 31/12/17 | 1,000,000 | - | 1,000,000 |
| Mr Lorenzo Coppa | - | - | - | - | - | - | - | - |
| Mr Matthew Dickinson | - | - | - | - | - | - | - | - |
| Mr Mark Goulopoulos | 06/01/14 | 1,000,000 | 0.011 | 0.02 | 31/12/17 | 1,000,000 | - | 1,000,000 |
| Mr Damian London | 06/01/14 | 1,000,000 | 0.011 | 0.02 | 31/12/17 | - | - | - |
| Ms Sophie Karzis | 06/01/14 | 1,000,000 | 0.011 | 0.02 | 31/12/17 | 1,000,000 | - | 1,000,000 |
| **Other Key Management Personnel** | | | | | | | | |
| Mr Simon Crean | 06/01/14 | 666,666 | 0.013 | 0.015 | 6/01/18 | 666,666 | 666,666 | |
| Mr Simon Crean | 06/01/14 | 666,667 | 0.013 | 0.015 | 6/01/19 | 666,667 | - | 666,667 |
| Mr Simon Crean | 06/01/14 | 666,667 | 0.013 | 0.015 | 6/01/20 | 666,667 | - | 666,667 |
| Mr Simon Crean | 06/01/14 | 666,666 | 0.01 | 0.025 | 6/01/18 | 666,666 | 666,666 | |
| Mr Simon Crean | 06/01/14 | 666,667 | 0.01 | 0.025 | 6/01/19 | 666,667 | - | 666,667 |
| Mr Simon Crean | 06/01/14 | 666,667 | 0.01 | 0.025 | 6/01/20 | 666,667 | - | 666,667 |
| Mr Graeme Lay | - | - | - | - | - | - | - | - |
| Mr Vaughan Clark | - | - | - | - | - | - | - | - |
| **Total** | | **9,000,000** | | | | **8,000,000** | **1,333,332** | **6,666,668** |

### Listed option holdings of key management personnel

| | Balance at 1 July 2014 No. | Issued during year No. | Lapsed during year No. | Exercised during year No. | Balance at 30 June 2015 No. |
|---|---|---|---|---|---|
| **Non-executive Director** | | | | | |
| Mr Andrew Plympton | - | - | - | - | - |
| Mr Damian London | - | - | - | - | - |
| Ms Sophie Karzis | - | - | - | - | - |
| Mr Mark Goulopoulos | 400,000 | - | - | - | 400,000 |
| Mr Matthew Dickinson | - | - | - | - | - |
| Mr Domenic Carosa | 333,334 | - | - | - | 333,334 |
| **Other key management personnel** | | | | | |
| Mr Simon Crean | 83,334 | - | - | - | 83,334 |
| Mr Graeme Lay | - | - | - | - | - |
| Mr Vaughan Clark | - | - | - | - | - |
| **Total** | **816,668** | **-** | **-** | **-** | **816,668** |

### Shares issued on exercise of options

There were no shares issued to KMP during the year upon the exercise of options.

### b. Shareholdings of key management personnel

| | Balance at 1 July 2014 No. | Acquired during year No. | Cancelled during year No. | Sold during year No. | Balance at 30 June 2015 No. |
|---|---|---|---|---|---|
| **Non-executive Director** | | | | | |
| Mr Andrew Plympton | - | - | - | - | - |
| Mr Domenic Carosa *1* | 51,264,991 | 12,270,000 | - | - | 63,534,991 |
| Mr Lorenzo Coppa *2* | - | 11,967,048 | - | - | 11,967,048 |
| Mr Matthew Dickinson *3* | 8,277,455 | 9,072,744 | - | - | 17,350,199 |
| Mr Mark Goulopoulos *4* | 11,997,565 | 700,000 | - | - | 12,697,565 |
| Mr Damian London *5* | 13,199,834 | - | - | - | 13,199,834 |
| Ms Sophie Karzis | - | - | - | - | - |
| **Other key management personnel** | | | | | |
| Mr Simon Crean | 722,222 | 80,000 | - | - | 802,222 |
| Mr Graeme Lay | - | - | - | - | - |
| Mr Vaughan Clark *6* | - | 4,793,384 | - | - | 4,793,384 |
| **Total** | **85,462,067** | **38,883,176** | **-** | **-** | **124,345,243** |

1. *The shares are held by Tiger Domains Pty Ltd ATF Tiger Domains Unit Trust and MP3 Australia Pty Ltd ATF MP3 Australia Unit Trust A/C, in each of which Mr Carosa is both a 50% shareholder and unit holder, and Dominet Digital Corporation Pty Ltd ATF The Carosa Family A/C , in which Mr Carosa is a beneficiary. The options are held directly by Mr Carosa.*
2. *The shares are held by Isabel Coppa ATF Coppa Family A/C; Mr Coppa has the right to control how this entity votes its shares.*
3. *The shares are held by Diamond Bowl Pty Ltd ATF The Diamond Bowl Super Fund A/C; Mr Dickinson is associated with this entity and has a relevant interest in shares it holds.*
4. *The 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. The options are held directly by Mr Goulopoulos.*
5. *Number of shares and options that the Director had a relevant interest in at the date of the Director's resignation on 18 December 2014.The shares were held by DL Group Holdings Pty Ltd ATF The London Family A/C; Mr London is the controller of DL Group Holdings Pty Ltd. The options were held directly by Mr London.*
6. *The shares are held by Vautes Investments Pty Ltd as trustee of the Vaughan Clark family trust, of which Mr Clark is a beneficiary, and Clark Family SMSF Pty Ltd Clark Family Super Fund A/C, an entity with which Mr Clark is associated.*

## c. 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.

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

**Payables to key management personnel - related entities**

| | **2015** | **2014** |
|---|---|---|
| | **$** | **$** |
| Related party payables | | |
| Accrued superannuation & annual leave payable to key management personnel | - | - |
| Accrued fees payable to key management personnel | 114,255 | 29,931 |
| **Total related party payables** | **114,255** | **29,931** |

During the financial year ended 30 June 2015 payments to key management related parties were company secretarial services to Corporate Counsel and data entry services to Elliot Mac Intosh.

**Other transactions with key management personnel-related entities**

Mr Vaughan Clark, who was a vendor of the Warcom business to Shoply, received 4,168,384 Shoply shares in a number of tranches during the financial year in accordance with an earn out provision of the Warcom acquisition agreement. All 4,168,384 shares are subject to a voluntary escrow period of 12 months from their various dates of issue.

**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, RSM Bird Cameron auditors performed no other assurance services in addition to the statutory audit duties.

Signed in accordance with a resolution of the Directors

Andrew Plympton
Non-Executive Chairman

Melbourne, 28 September 2015

RSM Bird Cameron Partners

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Shoply Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

**RSM BIRD CAMERON PARTNERS**

**J S CROALL**
Partner

Melbourne, VIC
28 September 2015

# 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 2015)

| ($) | Notes | 2015 | 2014 |
|---|---|---|---|
| **Revenue** | | | |
| Sales revenue | 6 | 18,453,912 | 1,656,743 |
| Finance revenue | 6 | 41,945 | 32,561 |
| **Total revenue** | | **18,495,857** | **1,689,304** |
| Direct costs | | (15,297,214) | (1,520,568) |
| **Gross profit** | | **3,198,643** | **168,736** |
| Distribution expense | 7 | (108,326) | (17,279) |
| Performance marketing expense | | (834,566) | - |
| Transaction expense | | (366,447) | - |
| Selling expenses | | - | (177,039) |
| Employee contractor and director expenses | 7 | (2,655,466) | (698,848) |
| Occupancy costs | | (509,307) | - |
| Professional fees | | (445,720) | - |
| Administration expenses | | - | (225,561) |
| Depreciation and amortisation expenses | 7 | (392,974) | (32,291) |
| Other expenses | 7 | (345,038) | (460,468) |
| Performance rights issued (non-cash) | | (61,489) | (42,616) |
| Finance costs | 7 | (53,941) | (45,182) |
| **Loss before income tax from continuing operations** | | **(2,574,631)** | **(1,530,548)** |
| Income tax benefit / (expense) | | - | - |
| **Loss for the year from continuing operations attributable to members** | | **(2,574,631)** | **(1,530,548)** |
| Discontinued operations | 9 | 93,199 | 40,612 |
| Other Comprehensive Income | | - | - |
| **Total Comprehensive (loss)/profit for the year** | | **(2,481,432)** | **(1,489,936)** |
| Earnings/(loss) per share from continuing operations (cents per share) | | | |
| - Basic earnings/(loss) per share | | (0.47) | (0.54) |
| - Diluted earnings/(loss) per share | | (0.47) | (0.55) |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AS AT 30 JUNE 2015)

| ($) | Notes | 2015 | 2014 |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 12 | 2,307,247 | 3,504,504 |
| Trade and other receivables | 13 | 650,686 | 102,791 |
| Inventories | 8 | 1,756,381 | 1,537,488 |
| Prepayments and deposits | 14 | 189,801 | 14,971 |
| Assets classified as held for disposal | 9 | - | 47,104 |
| **Total Current Assets** | | **4,904,115** | **5,206,858** |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 15 | 243,364 | 262,244 |
| Intangible assets | 16 | 3,116,510 | 1,822,838 |
| **Total Non-Current Assets** | | **3,359,874** | **2,085,082** |
| **Total Assets** | | **8,263,989** | **7,291,940** |
| **Current Liabilities** | | | |
| Trade and other payables | 17 | 3,587,161 | 960,999 |
| Financial liability | 18 | 564,135 | 271,250 |
| Employee benefit liabilities | 19 | 58,076 | 12,426 |
| Liabilities classified as held for disposal | 9 | 31,764 | 119,036 |
| **Total Current Liabilities** | | **4,241,136** | **1,363,711** |
| **Non-Current Liabilities** | | | |
| Financial liability | 18 | 173,369 | 255,449 |
| Employee benefit liabilities | 19 | 12,459 | 17,424 |
| **Total Non-Current Liabilities** | | **185,828** | **272,873** |
| **Total Liabilities** | | **4,426,964** | **1,636,584** |
| **Net Assets** | | **3,837,025** | **5,655,356** |
| **Equity** | | | |
| **Contributed equity** | **20** | **33,469,847** | **32,868,235** |
| **Reserves** | **21** | **128,105** | **66,616** |
| **Accumulated losses** | **22** | **(29,760,927)** | **(27,279,495)** |
| **Total Equity** | | **3,837,025** | **5,655,356** |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (FOR THE YEAR ENDED 30 JUNE 2015)

| ($) | Share Capital | Reserves | Accumulated Losses | Total Equity |
|---|---|---|---|---|
| **At 1 July 2014** | **32,868,235** | **66,616** | **(27,279,495)** | **5,655,356** |
| | | | | |
| Loss for the year | - | - | (2,481,432) | (2,481,432) |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income** | - | - | (2,481,432) | (2,481,432) |
| | | | | |
| **Transactions with owners in their capacity as owners** | | | | |
| Placement and rights issued | 603,604 | - | - | 603,604 |
| Cash on exercise of share options | 181 | - | - | 181 |
| Performance rights expense | - | 61,489 | - | 61,489 |
| Transaction costs on shares issued | (2,173) | - | - | (2,173) |
| **At 30 June 2015** | **33,469,847** | **128,105** | **(29,760,927)** | **3,837,025** |

| ($) | 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 | - | - | (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** |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS (FOR THE YEAR ENDED 30 JUNE 2015)

| ($) | Notes | 2015 | 2014 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 19,742,103 | 3,468,060 |
| Payments to suppliers and employees | | (19,897,878) | (3,929,188) |
| Interest received | | 41,945 | 32,561 |
| Finance costs | | (9,453) | (45,182) |
| **Net cash flows (used in)/provided by operating activities** | | **(123,283)** | **(473,749)** |
| **Cash flows from investing activities** | | | |
| Acquisition of intangible assets, net of cash acquired | | (376,598) | (99,383) |
| Acquisition of businesses, net of cash acquired | | (500,000) | (2,833,871) |
| Payments for property, plant and equipment | | (16,191) | (110,674) |
| **Net cash flows used in investing activities** | | **(892,789)** | **(3,043,928)** |
| **Cash flows from financing activities** | | | |
| Proceeds from placement and rights issued | | - | 4,442,004 |
| Payment for security deposits | | (145,408) | - |
| Cash from exercise of share options | | 181 | 2,442,960 |
| Capital raising costs | | (41,712) | (421,251) |
| **Net cash flows provided by financing activities** | | **(186,939)** | **6,463,713** |
| **Net increase in cash and cash equivalents** | | **(1,203,011)** | **2,946,036** |
| Cash and cash equivalents at the beginning of financial year | | 3,510,259 | 564,223 |
| **Cash and cash equivalents at the end of financial year** | **12** | **2,307,247** | **3,510,259** |

The accompanying notes form part of these financial statements.

# Notes to the Consolidated Financial Statements (for the Financial Year ended 30 June 2015)

## 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 2015 was authorised for issue in accordance with a resolution of the directors on 28 September 2015.

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 financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group and Company generated a loss of $2,481,432 and $964,603 respectively (2014: net loss of $1,489,936 and $967,728 respectively) and the Group had net cash outflows from operations of $123,283 (2014: net cash outflows $473,749) for the year ended 30 June 2015. As at that date the balance of cash and net current assets of the Group was $2,307,247 and $662,979, respectively.

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

The Directors consider it appropriate to prepare the accounts for the year ended 30 June 2015 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.

### (d) New standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective. Other than changes to disclosure formats, it is not expected that the initial application of these new standards in the future will have any material impact on the financial report.

| Reference | Title | Summary | Application date (financial years beginning) |
|---|---|---|---|
| AASB 2015-3 | *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* | The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards. | 1 July 2015 |
| AASB 2014-3 | *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* | This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. | 1 January 2016 |
| AASB 2014-4 | *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* | This Standard amends AASB 116 and AASB 138 to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset, and to clarify that revenue is generally presumed to be an inappropriate basis for that purpose. | 1 January 2016 |
| AASB 2014-9 | *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements* | This amending standard allows entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. | 1 January 2016 |
| AASB 2014-10 | *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | This amending standard requires a full gain or loss to be recognised when a transaction involves a business (even if the business is not housed in a subsidiary), and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business (even if those assets are housed in a subsidiary). | 1 January 2016 |

| Reference | Title | Summary | Application date (financial years beginning) |
|---|---|---|---|
| AASB 2015-1 | *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* | The Standard makes amendments to various Australian Accounting Standards arising from the IASB's Annual Improvements process, and editorial corrections. | 1 January 2016 |
| AASB 2015-2 | *Amendments to Australian Accounting Standards –Disclosure Initiative: Amendments to AASB 101* | The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. | 1 January 2016 |
| AASB 2015-5 | *Amendments to Australian Accounting Standards –Investment Entities: Applying the Consolidation Exception* | This Standard makes amendments to AASB 10, AASB 12 and AASB 128 arising from the IASB's narrow scope amendments associated with Investment Entities. | 1 January 2016 |
| AASB 15 | *Revenue from Contracts with Customers* | This Standard establishes principles (including disclosure requirements) for reporting useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. | 1 January 2017 |
| AASB 2014-5 | *Amendments to Australian Accounting Standards arising from AASB 15* | Consequential amendments arising from the issuance of AASB 15. | 1 January 2017 |
| AASB 9 | *Financial Instruments* | This Standard supersedes both AASB 9 (December 2010) and AASB 9 (December 2009) when applied. It introduces a "fair value through other comprehensive income" category for debt instruments, contains requirements for impairment of financial assets, etc. | 1 January 2018 |
| AASB 2014-7 | *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* | Consequential amendments arising from the issuance of AASB 9 | 1 January 2018 |

### (e) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2015. 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 finance 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 9. 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 subsidiaries 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.

### GST 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 other than goodwill

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. The estimated useful life of each class of intangible asset is as follows:

| | |
|---|---|
| **Software Development** | 2 years |
| **Domain & Websites** | 3 years |
| **Customer databases** | 3 years |
| **Brands** | 3 years |

### (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 and eStore, the consideration for the Company's acquisition of the Warcom and eStore businesses 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 and eStore businesses. 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 the Warcom and eStore acquisitions, 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, and annual 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 Shoply's 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 23). 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.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 2,307,247 | 3,510,259 |
| **Net exposure** | **2,307,247** | **3,510,259** |

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 2015, 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)** |
| | **2015** | **2014** | **2015** | **2014** |
| Consolidated | | | | |
| +1% (100 basis points) | 29,059 | 20,344 | - | - |
| -0.5% (50 basis points) | (14,529) | (10,172) | - | - |

The movements in post-tax profit/(loss) and other comprehensive income are due to lower cash balances on hand as at 30 June 2015. The sensitivity is lower in 2015 than in 2014 as a result of lower cash holdings at 30 June 2015.

### 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.

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

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 2015, 96% of the Group's financial liabilities will mature in less than one year (2014: 83%).

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.

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

| Year ended 30 June 2015 ($) | < 1 month | 1-3 months | 3-12 months | 1 to 2 years | Total |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | 2,307,247 | - | - | - | 2,307,247 |
| Trade and other receivables | 377,085 | 273,601 | - | - | 650,686 |
| | **2,684,332** | **273,601** | **-** | **-** | **2,957,933** |
| **Financial liabilities** | | | | | |
| Trade and other payables | 1,671,646 | 1,947,279 | - | - | 3,618,925 |
| Provision for earn-out on acquisition* | - | - | 564,135 | 173,369 | 737,504 |
| | **1,671,646** | **1,947,279** | **564,135** | **173,369** | **4,356,429** |
| **Net maturity** | **1,012,686** | **(1,673,678)** | **(564,135)** | **(173,369)** | **(1,398,496)** |

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

| 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.*

### 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 online retail strategy. 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 23.

### 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 $1,522,679 (2014: $902,531) of unused tax losses for which no deferred tax asset has been recognised. 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.

## 5. PARENT ENTITY INFORMATION

| Information relating to Shoply Ltd – Parent ($) | 2015 | 2014 |
|---|---|---|
| Current assets | 6,023,131 | 6,504,286 |
| Total assets | 6,044,341 | 6,504,286 |
| Current liabilities | (127,675) | (370,803) |
| Total liabilities | (127,675) | (370,703) |
| Issued capital | 33,469,847 | 32,868,235 |
| Accumulated losses | (27,681,287) | (26,801,368) |
| Share based payments reserve | 128,105 | 66,616 |
| Total shareholders' equity | 5,916,666 | 6,133,483 |
| **Loss of the parent entity** | **(964,603)** | **(967,728)** |
| **Total comprehensive (loss) of the parent entity** | **(964,603)** | **(967,728)** |

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

| ($) | 2015 | 2014 |
|---|---|---|
| **Revenue from operating activities** | | |
| Sale of goods | 18,453,912 | 1,656,743 |
| **Total sales revenue** | **18,453,912** | **1,656,743** |
| **Other income** | | |
| Bank interest receivable | 41,945 | 32,561 |
| **Total other income** | **41,945** | **32,561** |

## 7. EXPENSES

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Distribution expenses** | | |
| Packing Materials | 97,106 | 17,279 |
| General warehouse expenses | 11,220 | - |
| **Total distribution expenses** | **108,326** | **17,279** |
| **Employee contractor and director expenses** | | |
| Wages, salaries and contractors | 2,043,895 | 453,956 |
| Defined contribution plan expenses | 174,897 | 29,748 |
| Director expenses | 145,511 | 184,420 |
| Other employee benefits | 163,672 | 13,200 |
| Payroll tax expenses | 127,491 | 17,524 |
| **Total employee benefits expenses** | **2,655,466** | **698,848** |
| **Other expenses** | | |
| Hosting and domain licence fees | 41,057 | 46,334 |
| Printing and stationary | 9,529 | 14,236 |
| Insurance | 21,807 | 11,784 |
| Advertising | 169,282 | 101,342 |
| General expenses | (2,254) | 254,829 |
| Internet and telephone | 32,698 | 10,409 |
| Software licences and subscriptions | 48,948 | 2,419 |
| IT support | 853 | 1,300 |
| Contractors development | 23,118 | 17,815 |
| **Total other expenses** | **345,038** | **460,468** |
| **Depreciation** | | |
| Plant and equipment | 43,825 | 3,547 |
| **Total depreciation expenses** | **43,825** | **3,547** |
| **Amortisation** | | |
| Intangible assets | 271,768 | 28,744 |
| Software development | 77,381 | - |
| **Total amortisation** | 349,149 | 28,744 |
| **Finance costs** | | |
| Interest expenses: | 44,502 | - |
| Bank and merchant fee | 9,439 | 45,182 |
| **Total finance costs** | **53,941** | **45,182** |

## 8. INVENTORY

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Stock | 1,828,102 | 1,537,488 |
| Provision for stock obsolescence | (71,721) | - |
| | **1,756,381** | **1,537,488** |

## 9. DISCONTINUED OPERATION

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

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Revenue | - | 1,367,681 |
| Direct costs | - | (651,261) |
| **Gross Profit** | **-** | **716,420** |
| Contractors | - | (98,455) |
| Receivables impairment | - | (231,955) |
| Administrative expenses | 93,199 | (345,398) |
| **Profit before tax from a discontinued operation** | **93,199** | **40,612** |
| Tax expense | - | - |
| **Profit for the year from a discontinued operation** | **93,199** | **40,612** |

There are minimal assets and liabilities related to the discontinued operation.

As at 30 June 2015, the remaining assets and liabilities are summarised as below:-

| | | |
|---|---|---|
| **Assets** | | |
| Trade receivables & other receivables (net of impairment) | - | 41,349 |
| Cash and cash equivalents (Note 12) | - | 5,755 |
| **Assets classified as held for disposal** | **-** | **47,104** |
| **Liabilities** | | |
| Trade payables and accruals | (31,764) | (119,036) |
| **Liabilities classified as held for disposal** | **(31,764)** | **(119,036)** |

The group assess at each reporting date the requirement to record assets and liabilities of discontinued operations.

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

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Operating | - | 222,666 |
| Investing | - | - |
| Financing | - | (222,762) |
| **Net cash inflow/(outflow)** | **-** | **5,755** |

Cash balance as at 1 July, 2014 : $5,851

| | | |
|---|---|---|
| *Earnings per share* | *cents* | *cents* |
| Basic, profit for the year from discontinued operation | 0.02 | 0.01 |
| Diluted, profit for the year from discontinued operation | 0.02 | 0.01 |

## 10. INCOME TAXES

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Current and deferred tax expense for the year ended 30 June 2015 were $nil (2014: $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 | (2,481,432) | (1,489,936) |
| At the Group's statutory income tax rate of 30% (2014: 30%) | (744,430) | (446,980) |
| Adjustments: | - | - |
| Utilisation of previously unrecognised tax losses | - | 8,623 |
| Non recognition of current year tax loss | 774,430 | 438,357 |
| Income tax benefit reported in the consolidated income statement | - | - |
| Income tax losses | - | - |
| Unused tax losses for which no deferred tax asset has been recognised | 1,522,679 | 902,531 |

### 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 or same business tests.

### Unrecognised temporary differences

At 30 June 2015 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 2015 (2014: nil).

### Tax consolidation

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

## 11. 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:

| | **2015** | **2014** |
|---|---|---|
| Basic and diluted (loss)/earnings per share | (0.47) cents | (0.55) cents |
| Net (loss)/profit for the year | (2,481,432) | (1,489,936) |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 530,405,894 | 276,967,440 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 530,405,894 | 276,967,440 |

## 12. CASH AND CASH EQUIVALENTS

| | **2015** | **2014** |
|---|---|---|
| | | **$** |
| Cash at bank and on hand | 2,307,247 | 3,504,504 |
| | **2,307,247** | **3,504,504** |

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

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 30 June 2015:

| | **2015** | **2014** |
|---|---|---|
| | | **$** |
| Cash at bank and on hand | 2,307,247 | 3,504,504 |
| Cash attributable to discontinued operations | - | 5,755 |
| | **2,307,247** | **3,510,259** |

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| **Reconciliation** | | |
| Net loss before tax | (2,481,432) | (1,489,936) |
| Non cash flows | | |
| Depreciation and amortisation | 392,974 | 32,291 |
| Performance rights issued (non-cash) | 61,489 | 42,616 |
| Interest expense | 44,489 | |
| Capital Raising costs | 39,539 | - |
| Net receivables written off to profit & loss | - | 231,955 |
| Changes in assets and liabilities | - | |
| (Increase) / decrease in trade and other receivables | (577,316) | 124,720 |
| (Increase) / decrease in inventories | (223,950) | |
| Increase/ (decrease) in trade and other payables | 2,620,924 | 584,605 |
| **Net cash flows provided by/(used in) op act** | **(123,283)** | **(473,749)** |

| | | |
|---|---|---|
| | $ | $ |
| **Facilities** | | |
| Equity Line of Credit and Convertible Note Facility – Furneaux Equity | - | 5,000,000 |
| **Total** | **-** | **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 |
| **Total** | **-** | **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 for five year period. The facilities expired at 28 June 2015.

## 13. TRADE AND OTHER RECEIVABLES

| | 2015 $ | 2014 $ |
|---|---|---|
| Trade receivables | 426,510 | - |
| Allowance for Impairment loss | - | - |
| Other receivables | 224,176 | 102,791 |
| | **650,686** | **102,791** |

Trade receivables are non-interest bearing.

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 29.

**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 9.

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.

## 14. PREPAYMENTS AND DEPOSITS

| | 2015 $ | 2014 $ |
|---|---|---|
| **Current assets** | | |
| Prepaid insurance | 2,846 | 2,163 |
| Prepaid market campaign | - | 1,308 |
| Rental deposit | 29,500 | 7,500 |
| Hosting servers | 12,048 | - |
| Deposits | 145,407 | - |
| Business asset purchased (a) | - | 4,000 |
| | **189,801** | **14,971** |

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

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Warehouse fit-out<br>$ | Office equipment<br>$ | Computers<br>$ | Total<br>$ |
|---|---|---|---|---|
| **Gross carrying amount** | | | | |
| At 1 July 2013 | - | - | - | - |
| Additions | 200,000 | 1,600 | 64,190 | 265,790 |
| **At 30 June 2014** | **200,000** | **1,600** | **64,190** | **265,790** |
| Additions | - | - | - | - |
| Assets acquired | 5,310 | 8.680 | 10,955 | 24,945 |
| **At 30 June 2015** | **205,310** | **10,280** | **75,145** | **290,735** |
| | | | | |
| **Depreciation and impairment** | | | | |
| At 1 July 2013 | - | - | - | - |
| Depreciation charge for the year | (1,095) | (16) | (2,435) | (3,546) |
| **At 30 June 2014** | **(1,095)** | **(16)** | **(2,435)** | **(3,546)** |
| Depreciation charge for the year | (20,081) | (1,199) | (22,545) | (43,825) |
| **At 30 June 2015** | **(21,176)** | **(1,215)** | **(24,980)** | **(47,371)** |
| | | | | |
| **Net carrying amount** | | | | |
| **At 30 June 2015** | **184,134** | **9,065** | **50,165** | **243,364** |
| At 30 June 2014 | 198,905 | 1,584 | 61,755 | 262,244 |

## 16. INTANGIBLE ASSETS

| | Software Development $ | Domain & Websites $ | Customer databases $ | Brands $ | Goodwill $ | Total $ |
|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | |
| At 1 July 2013 | - | - | - | - | - | - |
| Additions | | 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 |
| Additions | 328,515 | 57,410 | - | - | - | 385,925 |
| Business assets acquired | | - | 162,375 | 201,427 | 1,001,175 | 1,364,977 |
| **At 30 June 2015** | **328,515** | **254,195** | **422,722** | **319,195** | **2,277,857** | **3,602,484** |
| **Amortisation and impairment** | | | | | | |
| At 1 July 2013 | | - | - | - | - | - |
| Amortisation | | 9,839 | 13,017 | 5,888 | - | 28,744 |
| At 30 June 2014 | | 9,839 | 13,017 | 5,888 | - | 28,744 |
| Amortisation | 77,381 | 121,714 | 95,975 | 54,079 | | 349,149 |
| Impairment | | 8,082 | | | 100,000 | 108,082 |
| **At 30 June 2015** | **77,381** | **139,635** | **108,992** | **59,967** | **100,000** | **485,975** |
| **Net carrying amount** | | | | | | |
| At 30 June 2015 | 251,134 | 114,560 | 313,730 | 259,228 | 2,177,857 | 3,116,510 |
| **At 30 June 2014** | **-** | **186,946** | **247,330** | **111,880** | **1,276,682** | **1,822,838** |

During the year the Group acquired the assets of eStore, a business technology online business. The significant costs associated with the acquisition of the intangible assets mainly comprised of customer databases, website, brand and domain name to the Group.

Goodwill arose on the acquisition of the Your Home Depot (YHD) and Warcom and eStore businesses and assets (refer Note 24):-

| **Goodwill ($)** | **Fair value recognised on acquisition** |
|---|---|
| YHD | 784,193 |
| Warcom | 392,489 |
| eStore | 1,001,175 |
| **Total** | **2,177,857** |

Management considered all these purchases as one business segment which is the Online Retail 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 recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The following are the key assumptions used in the value-in –use calculations:

- Average annual sales growth 7%
- Budgeted gross margins – 10%
- Long term growth rates – 3%
- Weighted average cost of capital – 20.9%

## 17. TRADE AND OTHER PAYABLES

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Trade payables | 2,922,309 | 689,150 |
| Other payables | 664,852 | 241,918 |
| Related parties | - | 29,931 |
| | **3,587,161** | **960,999** |

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 29.

### 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 29.

### Foreign exchange and interest rate risk

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

## 18. FINANCIAL LIABILITY

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **At 1 July 2014** | | |
| Financial liability - earn-out on acquisition (Note 24) | 816,662 | 550,000 |
| Discount rate adjustment | (79,158) | (23,301) |
| **Fair value at 30 June 2015** | **737,504** | **526,699** |
| | | |
| Current | 564,135 | 271,250 |
| Non-Current | 173,369 | 255,449 |
| | **737,504** | **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 2015.

| | Carrying amount | Fair value |
|---|---|---|
| Financial liability - earn-out on acquisition | 737,504 | 737,504 |

The fair value of financial liability – earn out on acquisition is calculated using a present value technique. The $737,540 fair value has been discounted at 20.9%. The discount rate used represents the Group's weighted average cost of capital.

## 19. EMPLOYEE BENEFIT LIABILITIES

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Current** | | |
| Annual leave | 58,076 | 12,426 |
| **Non-current** | | |
| Long service leave | 12,459 | 17,424 |

## 20. CONTRIBUTED EQUITY

### a) Issued and paid up capital

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Ordinary shares | | |
| Ordinary shares fully paid | 33,352,308 | 32,750,515 |
| Listed options | 117,539 | 117,720 |
| **Contributed equity** | **33,469,847** | **32,868,235** |

| **Movements in ordinary shares on issue** | **Number of Shares** | **$** |
|---|---|---|
| Opening balance | 521,938,161 | **32,750,515** |
| Shares issued during the year: | | |
| Issue of shares on 17 October 2014 as part consideration for acquisition of the Warcom business | 2,851,052 | **49,997** |
| Issue of shares on 9 February 2015 as part consideration for acquisition of the Warcom business | 4,620,852 | **69,524** |
| Issue of shares on 17 March 2015 as part consideration for acquisition of the eStore business | 14,970,060 | **249,282** |
| Issue of shares on 17 March 2015 on exercise of listed options | 4,175 | **146** |
| Issue of shares on 13 May 2015 as part consideration for acquisition of the Warcom business | 2,336,058 | **37,009** |
| Issue of shares on 13 May 2015 on exercise of listed options | 1,000 | **35** |
| Issue of shares on 30 June 2015 as part consideration for acquisition of Warcom business | 5,178,886 | **76,887** |
| Issue of shares on 30 June 2015 as part consideration for acquisition of the eStore business | 8,041,504 | **118,913** |
| Closing balance | 559,941,748 | **33,352,308** |

### 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** | **2015 Number of Options** | **2015 $** | **2014 Number of Options** | **2014 $** |
|---|---|---|---|---|
| Opening balance | 59,990,207 | 117,720 | 147,248,490 | 117,720 |
| *Listed options issued during the year:* | | | | |
| Listed options issued | 0 | - | 75,592,668 | - |
| Exercise / lapsing of options | (5,175) | (181) | (162,850,952) | - |
| **Closing balance** | **59,985,032** | **117,539** | **59,990,206** | **117,720** |

### (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 2015 (2014: $nil).

## 21. RESERVES

| | **2015 $** | **2014 $** |
|---|---|---|
| *Options and performance rights granted reserve* | | |
| Balance at beginning of financial year | 66,616 | 24,000 |
| Movement for the year | 61,489 | 42,616 |
| **Balance at end of financial year** | **128,105** | **66,616** |

### 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 23.

### 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:-

| | 2015 | 2015 | 2014 | 2014 |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price** | **Number of Options** | **Weighted Average Exercise Price** |
| Balance at beginning of year | **13,500,000** | **$0.05** | **2,600,000** | **$0.10** |
| Granted | - | - | 10,900,000 | $0.04 |
| Expired | | | - | - |
| Lapsed | (4,500,000) | $0.05 | - | - |
| Other changes during the year | | | - | - |
| Balance at end of year | **9,000,000** | **$0.03** | **13,500,000** | **$0.05** |
| Exercisable at end of year | **2,333,332** | **$0.05** | **2,600,000** | **$0.10** |

## 22. ACCUMULATED LOSSES

| **($)** | **2015** | **2014** |
|---|---|---|
| Balance at beginning of financial year | (27,279,495) | (25,789,559) |
| Net profit/(loss) for the year | (2,481,432) | (1,489,936) |
| **Balance at end of financial year** | **(29,760,927)** | **(27,279,495)** |

## 23. SHARE-BASED PAYMENTS

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

The Company's LTIP was approved by shareholders at the 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 options to acquire or performance rights over shares. Participation in the plan is at the Board's discretion.

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

Performance rights and options under the LTIP can be issued up to a maximum of 5% of the issued share capital of the Company. The performance rights and options cannot be transferred and will not be quoted on the ASX. Performance rights or options 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 or options was made. The Board determination will depend upon the reason for employment ceasing (resignation, dismissal for cause, death or illness). For details of options outstanding and movements in options during the financial year, refer note 21.

The Company did not grant any performance rights or options under the LTIP during the year.

## 24. BUSINESS COMBINATIONS

In March 2015, the Group bought an asset business combination, eStore. The business operates online shopping based in Australia. The Group acquired this business to enlarge the range of products in the online shopping division.

The fair values of the identifiable assets of eStore as at the date of acquisition were:

| | **eStore**<br>**Fair value recognised on acquisition ($)** |
|---|---|
| Cash and cash equivalents | - |
| Inventories | 16,131 |
| Property, plant & equipment (Note 15) | 10,000 |
| Identifiable intangibles (Note 16) | 363,801 |
| **Total identifiable assets at fair value** | **389,933** |
| Goodwill arising on acquisition (Note16) | 1,001,175 |
| **Purchase consideration transferred** | **1,391,107** |
| | |
| Cash paid | (500,000) |
| Share consideration paid | (369,343) |
| Financial liability - Deferred consideration by shares* | (521,764) |
| **Net cash flow on acquisition** | **1,391,107** |

**recognised as financial liability.*

The assets recognised on 30 June 2015 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 assets of Warcom and eStore, the consideration 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 and eStore businesses. 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(Warcom), $1,800,000(eStore). As at the acquisition date, the fair value of the deferred consideration was provided for using a weighted average cost of capital rate of 20.9% (Note 18).

For the full year 2015 Warcom has contributed $2,773,842 of revenue contributed $149,445 of loss before tax from contributing operations. From the date of acquisition eStore has contributed $2,964,154 of revenue and contributed $58,814 of profit before tax from contributing operations.

## 25. COMMITMENTS

The Group entered into a commercial property lease in Victoria on the 16th of April 2015. This lease replaces the initial Victoria property lease that was entered into on 7 May 2013, the lease was finalised on 30 May 2015. The New South Wales lease that took effect 1 July 2014, with rent payable monthly in advance remains in place.

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| Non-cancellable operating leases contracted for but not capitalised in the financial statements | | |
| Within one year | 1,122,716 | 322,116 |
| After one year but not more than five years | 3,974,660 | 1,253,779 |
| More than five years | - | 345,403 |
| | **5,097,376** | **1,921,298** |

The property lease in Victoria is for a 4 year term with an option to extend the lease for another 4 year term at the latest exercising option date of 30 January 2019. The lease required a security deposit of an amount equivalent to 4 months' rent plus GST. The Company has elected to pay the security deposit by a bank guarantee.

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.

## 26. CONTINGENT ASSETS AND LIABILITIES

The Company had no contingent assets and liabilities as at 30 June 2015 (2014: nil).

## 27. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

**Significant events after the balance date**

- Effective 10 August 2015, Shoply transferred responsibility for the maintenance of its share register from Computershare Investor Services Pty Limited to Boardroom Pty Limited.
- Subsequent to the year on 18 August 2015, the Company issued a number of shares to the vendors of the eStore and Warcom businesses as deferred consideration for Shoply's purchase of those businesses, in accordance with the terms of the respective assets purchase agreements with the vendors. The deferred consideration shares are subject to a voluntary escrow period of 12 months from their date of issue.

## 28. AUDITOR'S REMUNERATION

| | 2015 $ | 2014 $ |
|---|---|---|
| Amounts received or due and receivable by Ernst & Young and RSM Bird Cameron for: | | |
| ▸ An audit or review of the financial report of the entity and any other entity in the consolidated entity paid to Ernst & Young | - | 95,000 |
| ▸ An audit or review of the financial report of the entity and any other entity in the consolidated entity paid to RSM Bird Cameron | 45,000 | - |
| ▸ Other assurance service on acquisition accounting paid to Ernst & Young | - | 19,261 |
| | **45,000** | **114,261** |

## 29. RELATED PARTY DISCLOSURE

### (a) Subsidiary

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

| | | % of Equity interest | | Investment ($) | |
|---|---|---|---|---|---|
| Name of entity | Country of Incorporation | 2015 | 2014 | 2015 | 2014 |
| AdEffective Business Networks Pty Ltd | Australia | 100 | 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 $3,847,055 due to the parent entity from its controlled entity - AER Group Pty Ltd (2014: $3,696,643).

### (d) Other related party transactions

During the financial year ended 30 June 2015, no other related party transactions took place (2014: nil), except for the services fees as shown in the remuneration report at 30 June 2015.

## 30. KEY MANAGEMENT PERSONNEL

The total remuneration paid to KMP of the company and the Group during the year are as follows:

| | 2015 | 2014 |
|---|---|---|
| | $ | $ |
| Short-term employee benefits | 596,670 | 314,598 |
| Post-employment benefits | 43,817 | 16,153 |
| Share based payments | (7,625) | 42,161 |
| | **632,862** | **372,912** |

### Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

### Post-employment benefits

These amounts are superannuation contributions made during the year.

### Share-based payments

These amounts represent the expense related to the participation of KMP in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

Further information in relation to KMP remuneration can be found in the Directors' Report.

## 31. 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.

The Group consists of one business segment which operates in one geographical area, being Australia.

# Directors' Declaration
# (For The Financial Year Ended 30 June 2015)

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 2015 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 2015 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 2015.

On behalf of the Board

**Andrew Plympton**
Non-Executive Chairman

Melbourne, 28 September 2015

**RSM Bird Cameron Partners**
Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
**T** +61 3 9286 8000 **F** +61 3 9286 8199
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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 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), 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. These Auditing 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 judgement, 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 control 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 control. 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 opinions.

RSM Bird Cameron Partners

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Shoply Limited, would be in the same terms if given to the directors as at the time of this auditor's 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 2015 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(b).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 23 to 29 of the directors' report for the year ended 30 June 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

**RSM BIRD CAMERON PARTNERS**

Jason Croall

**J S CROALL**
Partner

Melbourne, VIC
28 September 2015

# 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 10 September 2015 **(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 in relevant class |
|---|---|---|---|
| **Domenic Carosa** | Ordinary Shares | 63,534,991 | 11.35 |
| **Tiger Domains Pty Ltd ATF Tiger Domains Unit A/C** | Ordinary Shares | 36,178,324 | 6.46 |
| **Chris Retzos** | Ordinary Shares | 33,297,791 | 5.95 |

## 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 | 2,430 |
| Unlisted options exercisable at $0.10 on or before 8 December 2015 | 1 |
| Unlisted options issued under the Company's LTIP * | 1 |

** 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 2,430 holders of a total of 559,987,531 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 | 139,159 | 0.025 |
| 1,001 – 5,000 | 192 | 528,042 | 0.094 |
| 5,001 – 10,000 | 88 | 687,642 | 0.123 |
| 10,001 – 100,000 | 598 | 29,251,432 | 5.224 |
| 100,001 – 9,999,999,999 | 479 | 529,381,256 | 94.534 |
| **Totals** | **2,430** | **559,987,531** | **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 | 1 | 4,000,000 | 100 |
| **Totals** | **1** | **4,000,000** | **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 |
|---|---|---|---|
| 559,987,531 | 84,816 | 999 | 0.01515 |

## 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 | 3.08 |
| MRS ISABEL COPPA (COPPA FAMILY A/C) | 20,017,552 | 3.575 |
| DIAMOND BOWL PTY LTD <THE DIAMOND BOWL S/F A/C> | 17,350,199 | 3.098 |
| MP3 AUSTRALIA PTY LTD <THE MP3 UNIT A/C> | 16,866,667 | 3.012 |
| T E & J PASIAS PTY LTD | 15,000,000 | 2.679 |
| MR CHRIS RETZOS | 14,856,613 | 2.653 |
| NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C> | 13,847,628 | 2.473 |
| TIGER DOMAINS PTY LTD <TIGER DOMAINS UNIT A/C> | 12,960,477 | 2.314 |
| ARLCO (AUSTRALIA) PTY LTD | 11,721,573 | 2.093 |
| DOMINET DIGITAL CORPORATION PTY LTD (THE CAROSA FAMILY A/C) | 10,490,000 | 1.873 |
| SAM GOULOPOULOS PTY LTD <S GOULOPOULOS F/SUPER A/C> | 8,817,292 | 1.575 |
| MRS JACLYN STOJANOVSKI AND MR CHRIS RETZOS AND MRS SUSIE RETZOS (RETZOS EXECUTIVE S/F A/C) | 7,965,333 | 1.422 |
| MR PAUL WARREN | 7,868,094 | 1.405 |
| MR NORMAN VINCENT MAHER | 7,700,000 | 1.375 |
| MR GORDIUS MAK | 7,018,774 | 1.253 |
| ATLANTIS MG PTY LTD <MG FAMILY SUPER FUND A/C> | 7,000,000 | 1.25 |
| MR JOEL SILVA AND MISS JACQUELINE LEE | 6,816,177 | 1.217 |
| VAUTES INVESTEMNTS PTY LTD (VAUGHAN CLARK FAMILY A/C) | 6,369,411 | 1.137 |
| MR RODNEY JAMES MCDONELL AND MR GRAEME MCDONELL | 6,000,000 | 1.071 |
| ATLANTIS MG PTY LTD <MG FAMILY A/C> | 5,697,565 | 1.017 |
| **Total number of shares of Top 20 Holders** | **225,641,202** | **40.294** |
| **Total Remaining Holders Balance** | **334,346,329** | **59.706** |

## Company Secretary

The Company's Secretary is Ms Alyn Tai.

## 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, Boardroom Pty Limited, are:

Street Address:

Boardroom Pty Limited
Level 12, 225 George Street
Sydney New South Wales 2000

Tel: 1300 737 760

## Stock Exchange Listing

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

## Voluntary escrow

| Class of restricted securities | Type of restriction | Number of securities | End date of escrow period |
|---|---|---|---|
| Ordinary shares | Voluntary escrow | 4,620,852 | 9 February 2016 |
| Ordinary shares | Voluntary escrow | 14,970,060 | 17 March 2016 |
| Ordinary shares | Voluntary escrow | 2,336,058 | 13 May 2016 |
| Ordinary shares | Voluntary escrow | 13,220,390 | 18 August 2016 |

## 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 | Number of holders | Comment |
|---|---|---|---|
| Unlisted options exercisable at $0.10 on or before 8 December 2015 | 1,000,000 | 1 | All of these options are held by Cary Stynes |
| Unlisted options issued under the Company's LTIP * | 4,000,000 | 1 | 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.

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