Grays eCommerce Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Grays eCommerce Group Limited
ABN:	94 125 736 914
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	14.4%	to	114,851
Loss from ordinary activities after tax attributable to the owners of Grays eCommerce Group Limited	down	1878.2%	to	(21,961)
Loss for the half-year attributable to the owners of Grays eCommerce Group Limited	down	1878.2%	to	(21,961)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
A commentary on these results can be found in Grays eCommerce Group Limited's 2015 Interim Report. This report is based on the consolidated financial statements which have been reviewed by Ernst & Young. Please also refer to the market announcement and investor presentation for analysis of the financial results.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.47	10.00

4. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
No dividends were paid during the previous period to the shareholders of Grays eCommerce Group Limited. However, prior to the reverse acquisition transaction that occurred on 7 November 2014, Grays (Aust) Holdings Pty Limited, which is the accounting acquirer of the Group, paid a fully franked special dividend totalling $3,594,000 on 22 September 2014 relating to a buy-back of that company's share capital. There were no other dividends paid, recommended or declared during the previous period.

5. Audit qualification or review

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

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

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6. Attachments

Details of attachments (if any):

The Interim Report of Grays eCommerce Group Limited for the half-year ended 31 December 2015 is attached.

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7. Signed

Signed _____ Date: 24 February 2016

Jonathan Pinshaw
Chairman

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Grays eCommerce Group Limited

ABN 94 125 736 914

Interim Report - 31 December 2015

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Grays eCommerce Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

Directors

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

Jonathan Pinshaw - Chairman
Mark Bayliss
Naseema Sparks
Will Vicars
Bernie Campbell
Bernard Stanton - Alternate Director

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of the provision of online auctioneering and valuation services in the Industrial Business to Business ('B2B') sector together with online auctioneering and online fixed price retail services in the Business to Consumer ('B2C') sector. During the financial half-year the online fixed price retail operations were sold (refer to 'Significant changes in the state of affairs') and hence this business activity was progressively scaled down to the point where it is expected to be immaterial in the second half of the financial year and future years.

Dividends

There were no dividends paid, recommended or declared during the current financial half-year. During the previous half-year and prior to the reverse acquisition transaction that occurred on 7 November 2014, Grays (Aust) Holdings Pty Limited, which was the accounting acquirer of the Group, paid a fully franked special dividend totalling $3,594,000 on 22 September 2014 relating to a buy-back of that company's share capital.

Review of operations

Financial results

The loss for the group after providing for income tax amounted to $21,961,000 (31 December 2014: profit of $1,235,000). To assist the interpretation of the underlying performance of the Group, EBITDA* has been split into *Continuing and Disposed Operations. Continuing Operations* represents the Group's Industrial B2B and B2C Consumer Auction businesses. Its fixed price retail ("FPR") business is designated as *Disposed Operations.*

A pro forma income statement is presented below:

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Revenues from continuing operations	62,175	60,204
Operating expenses of continuing operations	(54,060)	(52,782)
	8,115	7,422
Revenues from disposed operations **	52,536	39,915
Operating expenses of disposed operations **	(60,415)	(41,623)
	(7,879)	(1,708)
EBITDA* before costs associated with acquisitions, mergers and asset disposals	236	5,714
Depreciation and amortisation	(1,616)	(1,153)
Interest income	140	296
Interest and financing costs	(120)	(79)
Acquisition and merger integration costs	(196)	(2,988)
Disposal of Retail business assets and associated costs	(24,786)	-
Income tax (expense)/benefit	4,381	(555)
Profit/(loss) after income tax	(21,961)	1,235

*EBITDA is a non-IFRS measure and represents earnings from continuing operations before interest, tax, depreciation, amortisation, impairment of assets and significant items in the form of acquisition and merger integration costs and disposal of FPR business assets.

**Disposed operations is a non-IFRS separation of the current and comparative financial contributions of the FPR business which was sold during the half-year. Refer to 'Significant changes in the state of affairs'.

H1 FY16 financial performance

- Gross sales (Continuing Operations) up 12.9% to $267.8 million (H1 FY15: $237.2 million)
- Revenue (Continuing Operations) up 3.3% to $62.2 million (H1 FY15: $60.2 million), with significant growth Industrial B2B of 21.1%
- Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations up 9.3% to $8.1 million (H1 FY15: $7.4 million)
- Goodwill reduction of $16.1 million plus recognition of $6.6 million of onerous leases related to the sale of the FPR business drove a statutory net loss after tax of $22.0 million

The first half of this financial year saw the successful implementation of a range of initiatives to streamline our business and drive future growth. The sale of the Group's FPR assets to MySale in November 2015 was a pivotal move, freeing up management time to focus on growing our most profitable divisions, particularly our Industrial B2B division.

In addition, we strengthened our executive management team with the appointment of David Grbin as Chief Financial Officer, and put in place a new $30 million banking facility that provides the Group with added flexibility to take advantage of attractive growth opportunities.

Having expanded our industrial B2B offering into the key agricultural segment with the acquisition of DMS Davlan, we completed the integration of this business into the group during the first half. DMS Davlan is the leading agribusiness machinery auction house in Australia with a national footprint and a number of regional locations. With the business now fully integrated, the acquisition will be EPS accretive from the second half on.

B2B – Growth engine driven by auto, transport and mining
For H1 FY16, the B2B division generated the following results:

- Gross Sales up 17.3% to $230.0 million (H1 FY15: $196.2 million)
- Revenue up 21.2% to $36.1 million (H1 FY15: $29.8 million)
- EBITDA up 4.9% to $9.0 million (H1 FY15: $8.6 million)

We are pleased with the performance of our Industrial B2B business, with gross sales up 17% to $230 million in the first half and revenue up 21% to $36 million. The strong revenue growth was driven by initiatives in key segments including Automotive, Transport and Mining, partially offset by a weaker Banking, Insolvency and Finance ('BIF') market due to the delay of some contracts into the second half of the 2016 financial year. Diverse revenue streams are a strength of our B2B division where the weaker BIF result was offset by 30% plus growth in our core vertical markets. Traditionally skewed to the first half, BIF is expected to grow strongly in the second half given current contracts and pipeline.

B2C (Continuing Operations) – driving efficiency across the division
For H1 FY16, the continuing operations of our B2C division generated the following results:

- Gross sales down 7.9% to $37.8 million (H1 FY15: $41.0 million)
- Revenue down 14.2% to $26.1 million (H1 FY15: $30.4 million)
- Expenses down 15.1% to $24.8 million (H1 FY15: $29.2 million)
- EBITDA up 6.6% to $1.3 million (H1 FY15: $1.3 million)

Commenting on the B2C division Mr Bayliss said: "We were pleased to achieve EBITDA growth from our continuing B2C division. The reduction in gross sales and revenue compared to H1 FY15 was driven by major event sales not being repeated this period. In addition, cost savings were realised from warehouse and logistics efficiency measures.

Strong balance sheet
At 31 December 2015, the company had net cash of $4.4 million. Net assets reduced to $17.5 million following the sale of the FPR business, with inventory levels substantially lower as a controlled sell down occurred in line with the sale of FPR to MySale.

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Positive outlook for FY16
Having delivered EBITDA growth from our B2B and continuing B2C divisions during the first half of the 2016 financial year, we are well positioned to increase the growth rate over the second half compared with the second half of the 2015 financial year.

We have had a promising start to the second half. The core segments of our Industrial B2B division continue to perform well with revenue in the first seven weeks of the second half up on the corresponding period for the last financial year. Our BIF business currently has a strong pipeline of opportunities with a number of projects being undertaken that were deferred from the first half.

The sale of our FPR business ensures management can now focus on our core auction businesses.

With the platform now in place to drive long term growth, we are well positioned to see our business grow earnings. Accordingly, we expect our Continuing Operations EBITDA in FY16 to comfortably exceed that achieved during FY15.

Significant changes in the state of affairs

Disposal of the Group's fixed price retail businesses
On 23 November 2015, the Group completed the sale of its fixed price retail ('FPR') businesses to MySale Group plc ('MySale') for $5.2 million. MySale have acquired the assets of the FPR businesses (including trademarks, domain names, customer databases etc.) operated under the OO.com.au, dealsdirect.com.au and topbuy.com.au websites. The Group received the initial purchase price component of $3.0 million with the remaining $2.2 million received on 2 February 2016.

Acquisition of DMS Davlan Pty Limited's business assets
On 3 July 2015, the Group acquired the business assets of DMS Davlan Pty Limited ('DMS Davlan') for an initial consideration of $3,096,995 of which $2,696,995 was paid in cash and $400,000 via the issue of GEG ordinary shares. Additionally, earn-out provisions linked to earnings before interest, tax, depreciation and amortisation contributions by DMS Davlan for the years ending 30 June 2016 and 30 June 2017 are in place. DMS Davlan is a leader in the sale by auction of agricultural machinery and brings recognised expertise in the transport and civil construction industries. DMS Davlan operates through a national network with 15 branches throughout Australia including 7 key regional locations. It is expected that the acquisition will strongly complement the existing Industrial B2B business.

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

Jonathan Pinshaw
Chairman

24 February 2016

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Auditor's Independence Declaration to the Directors of Grays eCommerce Group Limited

As lead auditor for the review of Grays eCommerce Group Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Grays eCommerce Group Limited and the entities it controlled during the financial period.

Ernst & Young

Christopher George
Partner
24 February 2016

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Grays eCommerce Group Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2015

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	Note	Consolidated 31 Dec 2015 $'000	31 Dec 2014 $'000
Revenue	4	114,851	100,414
Expenses			
Changes in inventory and finished goods		(49,616)	(35,943)
Freight and transport		(12,427)	(11,232)
Marketing and advertising		(6,927)	(6,082)
Depreciation and amortisation expense		(1,616)	(1,153)
Occupancy costs		(7,053)	(5,639)
Employee related costs	5	(29,183)	(27,281)
Finance and borrowing costs	5	(120)	(79)
Merchant fees and bank charges		(2,332)	(1,801)
Acquisition and merger integration costs	6	(196)	(2,988)
Disposal of fixed price retail business assets and associated costs	6	(24,786)	-
Other expenses		(6,937)	(6,426)
Profit/(loss) before income tax (expense)/benefit		(26,342)	1,790
Income tax (expense)/benefit		4,381	(555)
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Grays eCommerce Group Limited		(21,961)	1,235
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Grays eCommerce Group Limited		(21,961)	1,235
		Cents	**Cents**
Basic earnings per share	19	(21.35)	1.81
Diluted earnings per share	19	(21.35)	1.81

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

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Grays eCommerce Group Limited
Statement of financial position
As at 31 December 2015

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	Note	Consolidated 31 Dec 2015 $'000	30 Jun 2015 $'000
Assets			
Current assets			
Cash and cash equivalents		6,829	6,989
Trade and other receivables	7	10,590	7,472
Inventories		10,048	15,288
Income tax refund due		455	-
Prepayments		3,764	2,549
Total current assets		31,686	32,298
Non-current assets			
Property, plant and equipment		3,089	3,542
Intangibles	8	16,870	30,471
Deferred tax		10,917	6,285
Total non-current assets		30,876	40,298
Total assets		62,562	72,596
Liabilities			
Current liabilities			
Trade and other payables	9	31,040	22,999
Interest bearing loans and borrowings	10	1,000	-
Income tax		-	1,107
Provisions		5,032	6,243
Total current liabilities		37,072	30,349
Non-current liabilities			
Trade and other payables		5,490	2,055
Borrowings	11	1,447	-
Provisions		1,085	1,163
Total non-current liabilities		8,022	3,218
Total liabilities		45,094	33,567
Net assets		17,468	39,029
Equity			
Issued capital	12	45,027	44,627
Reserves		(7,124)	(7,124)
Retained profits/(accumulated losses)		(20,435)	1,526
Total equity		17,468	39,029

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

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Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	9,292	(7,145)	6,325	8,472
Profit after income tax expense for the half-year	-	-	1,235	1,235
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	1,235	1,235
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	34,799	-	-	34,799
Dividends paid (note 13)	-	-	(3,594)	(3,594)
Balance at 31 December 2014	44,091	(7,145)	3,966	40,912

Consolidated	Issued capital $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total equity $'000
Balance at 1 July 2015	44,627	(7,124)	1,526	39,029
Loss after income tax benefit for the half-year	-	-	(21,961)	(21,961)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(21,961)	(21,961)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	400	-	-	400
Balance at 31 December 2015	45,027	(7,124)	(20,435)	17,468

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

Grays eCommerce Group Limited
Statement of cash flows
For the half-year ended 31 December 2015

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	Note	Consolidated 31 Dec 2015 $'000	31 Dec 2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		118,712	114,932
Payments to suppliers and employees (inclusive of GST)		(118,874)	(111,308)
		(162)	3,624
Interest received		140	296
Interest and other finance costs paid		(120)	(79)
Income taxes paid		(1,664)	(190)
Net cash from/(used in) operating activities	18	(1,806)	3,651
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	16	(2,697)	-
Payments for acquisition and merger integration costs		(196)	(2,988)
Payments for property, plant and equipment		(328)	(569)
Payments for intangibles		(580)	(592)
Proceeds from disposal of business		3,000	-
Proceeds from disposal of property, plant and equipment		-	92
Cash acquired from subsidiary		-	5,867
Net cash from/(used in) investing activities		(801)	1,810
Cash flows from financing activities			
Proceeds from issue of shares	12	-	13,215
Proceeds from borrowings	10,11	2,447	1,753
Payments for share buy-backs		-	(211)
Share issue transaction costs		-	(2,988)
Repayment of borrowings		-	(4,500)
Net cash from financing activities		2,447	7,269
Net increase/(decrease) in cash and cash equivalents		(160)	12,730
Cash and cash equivalents at the beginning of the financial half-year		6,989	1,488
Cash and cash equivalents at the end of the financial half-year		6,829	14,218

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

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Note 1. General information

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

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

Homebush Corporate Park
29-33 Carter Street
Lidcombe NSW 2141

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2016.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2015 and are not expected to have any significant impact for the full financial year ending 30 June 2016.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group will adopt this standard from 1 January 2018 but the impact of its adoption is yet to be fully assessed by the Group.

Note 2. Significant accounting policies (continued)

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

The financial results for the year half ended 31 December 2015 were impacted by the sale of the fixed price retail business (refer Note 6). The Group incurred a loss after income tax of $21,961,000 (31 December 2014: profit of $1,235,000), was in a net current liability position of $5,386,000 (30 June 2015: net asset position of $1,949,000) and had net cash outflows from operating activities of $1,806,000 (31 December 2014: net cash inflows $3,651,000).

The directors believe the consolidated entity is a going concern due to the expected future financial performance of the group and unutilised interchangeable financing facilities of $17,000,000 which are available to the Group at 31 December 2015.

Comparatives
Comparatives in the statement of profit or loss and other comprehensive income have been reclassified, where necessary, to align with the current period presentation. There was no effect on profit or net assets.

Note 3. Operating segments

Identification of reportable operating segments
The Group is organised into two operating segments:
- Business to business ('B2B'); and
- Business to consumer ('B2C').

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation, amortisation and other items which are determined to be outside of the control of the respective segments). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Major customers
No single customer contributed 10% or more to the Group's external revenue during the half years ended 31 December 2015 and 31 December 2014.

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Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2015	B2B $'000	B2C $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	36,050	78,661	-	114,711
Interest revenue	59	3	78	140
Total revenue	36,109	78,664	78	114,851
Adjusted EBITDA	9,041	(6,541)	(2,264)	236
Depreciation and amortisation				(1,616)
Interest revenue				140
Finance costs				(120)
Acquisition and merger integration costs				(196)
Disposal of Retail business assets and associated costs				(24,786)
Loss before income tax benefit				(26,342)
Income tax benefit				4,381
Loss after income tax benefit				(21,961)

Consolidated - 31 Dec 2014	B2B $'000	B2C $'000	Intersegment eliminations/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	29,750	70,369	-	100,119
Interest	86	29	180	295
Total revenue	29,836	70,398	180	100,414
Adjusted EBITDA	8,616	(453)	(2,449)	5,714
Depreciation and amortisation				(1,153)
Interest revenue				296
Finance costs				(79)
Acquisition and merger integration costs				(2,988)
Profit before income tax expense				1,790
Income tax expense				(555)
Profit after income tax expense				1,235

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall Group basis.

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Note 4. Revenue

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Sales revenue		
Sale of goods	63,092	49,211
Commissions	31,529	31,221
	94,621	80,432
Other revenue		
Interest	140	296
Recovery of expenses	16,236	17,106
Other revenue	3,854	2,580
	20,230	19,982
Revenue	114,851	100,414

Note 5. Expenses

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Finance costs		
Interest and finance charges paid/payable	120	79
Rental expense relating to operating leases		
Minimum lease payments	5,333	4,094
Superannuation expense		
Defined contribution superannuation expense	1,808	1,671
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	27,375	25,610

Note 6. Significant items

Significant items incurred during the half years ended 31 December 2015 and 31 December 2014 are costs which include the following acquisition, merger, integration and business disposal related expenses:

- transaction associated costs of the reverse acquisition of Mnemon Ltd;
- transaction associated costs of the acquisition of the DMS Davlan business;
- integration and consolidation costs of distribution facilities, back office and support functions; and
- net loss on disposal of the fixed price retail business and associated costs.

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Acquisition and merger integration costs		
Costs related to acquisition of Mnemon Ltd	103	2,988
Costs related to acquisition of DMS Davlan	93	-
Total acquisition and merger integration costs	196	2,988

Note 6. Significant items (continued)

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Loss on disposal of fixed price retail business assets and associated costs		
Loss on disposal of fixed price retail business assets*	13,051	-
Recognition of onerous lease contracts upon disposal	6,605	-
Provision for inventory liquidation	1,870	-
Other costs including employment terminations	3,260	-
Loss on disposal of fixed price retail business assets and associated costs	24,786	-

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
***Loss on disposal of fixed price retail business assets comprises of the following:**		
Proceeds on sale	5,200	-
Goodwill associated with the fixed price retail business sold	(16,060)	-
Intangibles sold (customer database and software)	(1,526)	-
Assets sold (capitalised web development and software)	(665)	-
Loss on disposal of fixed price retail business assets	(13,051)	-

Note 7. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Trade receivables	7,960	7,347
Less: Provision for impairment of receivables	(193)	(170)
	7,767	7,177
Other receivables	542	295
Advance payment	2,281	-
	10,590	7,472

The advance payment of $2,281,000 represents non-contingent consideration to be received following the sale of the fixed price retail business. This amount was subsequently received after the reporting date.

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Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2015	30 Jun 2015
	$'000	$'000
Goodwill - at cost	15,589	26,891
Website - at cost	4,959	5,683
Less: Accumulated amortisation	(4,778)	(4,905)
	181	778
Software - at cost	4,888	4,750
Less: Accumulated amortisation	(3,929)	(3,566)
	959	1,184
Other intangible assets - at cost	267	1,864
Less: Accumulated amortisation	(126)	(246)
	141	1,618
	16,870	30,471

Disposal of goodwill
During the half year ended 31 December 2015, Goodwill of $16,060,000 (2014: $nil) was disposed of following the sale of the fixed price retail business. The goodwill was initially recognised following the acquisition of the fixed price retail business. Goodwill acquired and recognised within the period will be subject to impairment reviews on an annual basis or as indicators of impairment come to the attention of management.

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2015	30 Jun 2015
	$'000	$'000
Trade payables	14,230	12,922
Other payables and accruals	16,810	10,077
	31,040	22,999

Other payables and accruals at 31 December 2015 includes the provision for onerous lease contracts of $2,980,762 and an accrual for employment termination costs of $1,121,294.

Note 10. Current liabilities - interest bearing loans and borrowings

	Consolidated	
	31 Dec 2015	30 Jun 2015
	$'000	$'000
Bank loans	1,000	-

Bank loans at 31 December 2015 reflects current amounts outstanding on an acquisition facility used specifically to fund the acquisition of DMS Davlan Pty Limited (refer to note 16).

Note 11. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2015 $'000	30 Jun 2015 $'000
Bank Loans	1,447	-

Bank loans at 31 December 2015 reflects non-current amounts outstanding on an acquisition facility used specifically to fund the acquisition of DMS Davlan Pty Limited (refer to note 16).

Note 12. Equity - issued capital

	Consolidated			
	31 Dec 2015 Shares	30 Jun 2015 Shares	31 Dec 2015 $'000	30 Jun 2015 $'000
Ordinary shares - fully paid	127,160,447	92,849,622	45,027	44,627

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2015	92,849,622		44,627
Issue of shares	1 July 2015	476,037	$0.84	400
Issue of bonus shares	9 November 2015	33,203,168	$0.00	-
Issue of bonus shares	13 November 2015	631,620	$0.00	-
Balance	31 December 2015	127,160,447		45,027

Bonus shares
As part of the merger between Grays eCommerce Group Limited (formerly Mnemon Ltd) and Grays (Aust) Holdings Pty Limited on 7 November 2014, shareholders of Grays (Aust) Holdings Pty Limited were entitled to receive additional bonus shares should they have 75% (collectively) or more of the original shares issued at the first year anniversary date of the merger i.e. 7 November 2015.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 13. Equity - dividends

There were no dividends paid, recommended or declared during the current financial half-year. During the previous half-year and prior to the reverse acquisition transaction that occurred on 7 November 2014, Grays (Aust) Holdings Pty Limited, which was the accounting acquirer of the Group, paid a fully franked special dividend totalling $3,594,000 on 22 September 2014 relating to a buy-back of that company's share capital.

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Note 14. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration*	-	-	1,446	1,446
Total liabilities	-	-	1,446	1,446

* Contingent consideration relates to the acquisition of DMS Davlan Pty Limited's business assets. As at 31 December 2015 contingent consideration of $723,000 is included in other payables and accruals in current liabilities and $723,000 is included in other payables and accruals in non-current liabilities.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. Their fair values are categorised as Level 2.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. The financing liabilities have been recently renegotiated at market rates and therefore their carrying value approximates fair value (Level 2 of the hierarchy).

Valuation techniques for fair value measurements categorised within level 2 and level 3
Unquoted investments have been valued using a discounted cash flow model.

Movements in level 3 assets and liabilities during the current financial half-year are set out below:

Consolidated	Contingent consideration $'000	Total $'000
Balance at 1 July 2015	-	-
Additions	1,446	1,446
Balance at 31 December 2015	1,446	1,446

Note 15. Contingent liabilities

As at 31 December 2015 $4,846,116 of the bank guarantee facility has been utilised (30 June 2015: $4,325,000) and $153,884 was unused (30 June 2015: $675,000).

During the course of its business the Group may issue to its customers guarantees relating to the future financial outcomes of auction sales events. The Group has internal controls in place and a Board review process to ensure that there are no potential future losses arising from these guarantees. At the end of the current period, the maximum exposure is $6,778,000 of guarantee commitments of this nature on issue, all of which are expected to be settled within 12 months from balance date. The Group does not expect that any of these guarantees will result in losses.

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Note 16. Business combinations

Acquisition of DMS Davlan Pty Limited's business assets
On 3 July 2015, the Group acquired the business assets of DMS Davlan Pty Limited ('DMS Davlan'). DMS Davlan is a leader in the sale by auction of agricultural machinery and brings recognised expertise in the transport and civil construction industries. The acquisition has been accounted for using the acquisition method.

The interim consolidated statement of profit or loss and comprehensive income includes the acquired business from acquisition date.

Details of the acquisition are as follows:

	Fair value $'000
Plant and equipment	146
Deferred tax asset	149
Provisions	(511)
Net liabilities acquired	(216)
Goodwill	4,759
Acquisition-date fair value of the total consideration transferred	4,543
Representing:	
Cash paid to vendor	2,697
Grays eCommerce Group Limited shares issued to vendor	400
Deferred consideration at fair value	1,446
	4,543
Acquisition costs expensed to profit or loss	93

The assets and liabilities of DMS Davlan were integrated into disparate geographic operations of the Group's B2B segment. As such, due to the integration of DMS Davlan employees, locations and sales force, the Group is unable to accurately extract separate DMS Davlan revenue or profit information.

If the combination had taken place at the beginning of the financial year (1 July 2015) revenue and profit would not have been materially affected.

The goodwill is attributed to the expected synergies and other benefits combining the activities of DMS Davlan to the Group.

Provisions and intangibles are provisional at 31 December 2015 and will be finalised as part of the 30 June 2016 annual report which may affect the final goodwill amount.

Note 17. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 18. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit/(loss) after income tax (expense)/benefit for the half-year	(21,961)	1,235
Adjustments for:		
Depreciation and amortisation	1,616	1,153
Disposal of goodwill	16,060	-
Acquisition and merger integration costs	196	2,988
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,399)	(15)
Decrease in inventories	5,240	1,494
Increase in income tax refund due	(455)	-
Increase in deferred tax assets	(4,483)	(1,512)
Increase in prepayments	(1,215)	(463)
Increase/(decrease) in trade and other payables	3,326	(3,901)
Increase/(decrease) in trade and other payables – associated with the disposal of fixed price business assets	8,176	-
Decrease in provision for income tax	(1,107)	-
Increase/(decrease) in provisions	(1,800)	2,672
Net cash from/(used in) operating activities	(1,806)	3,651

Note 19. Earnings per share

	Consolidated	
	31 Dec 2015 $'000	31 Dec 2014 $'000
Profit/(loss) after income tax attributable to the owners of Grays eCommerce Group Limited	(21,961)	1,235
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	102,871,348	68,404,173
Weighted average number of ordinary shares used in calculating diluted earnings per share	102,871,348	68,404,173
	Cents	Cents
Basic earnings per share	(21.35)	1.81
Diluted earnings per share	(21.35)	1.81

2,400,000 (2014: nil) performance rights outstanding as at 31 December 2015 have been excluded from the above calculations, as they were anti-dilutive.

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In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Jonathan Pinshaw
Chairman

24 February 2016

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To the members of Grays eCommerce Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Grays eCommerce Group Limited, which comprises the condensed statement of financial position as at 31 December 2015, the statement of profit and loss and comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Grays eCommerce Group Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Grays eCommerce Group Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Christopher George
Partner
Sydney
24 February 2016

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