



SHOPLY LIMITED
ABN 93 085 545 973

ASX APPENDIX 4D - FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2015

Lodged with ASX under Listing Rule 4.2A
This information should be read in conjunction with 30 June 2015
Annual report

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**SHOPLY LIMITED
AND CONTROLLED ENTITIES
FINANCIAL REPORT FOR THE HALF-YEAR ENDED**

31 DECEMBER 2015

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ASX Announcement - Appendix 4D

HALF YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2015

| | |
|--|------------------|
| Name of Entity | Shoply Limited |
| Australian Business Number | 93 085 545 973 |
| Report for Half Year Ended: | 31 December 2015 |
| Previous corresponding Financial Year ended: | 30 June 2015 |
| And Half Year Ended: | 31 December 2014 |

RESULTS FOR ANNOUNCEMENT TO THE MARKET

| | | % Change | | \$ |
|---|-----------|------------------|----|--------------------------|
| Revenues from ordinary activities | up | 52.1 | to | 12,730,001 |
| Loss from ordinary activities after tax attributable to members | up | 42.8 | to | (1,727,343) |
| Loss for the period attributable to members | up | 51.7 | to | (1,693,963) |
| Dividends (distributions) | | Amount per share | | Franked amount per share |
| Final dividend | | Nil ¢ | | Nil ¢ |
| Interim dividend | | Nil ¢ | | Nil ¢ |
| Previous corresponding period | | Nil ¢ | | Nil ¢ |
| Record date for determining entitlements to the dividends | | N/A | | |
| Brief explanation of any of the figures reported above necessary to enable the figures to be understood: | | | | |
| Revenue for the half-year ended 31 December 2015 was \$12,730,001 , an increase of 52.1% over the previous corresponding period (2014: \$8,367,384). | | | | |
| Net loss from continuing operations was \$1,727,343 , an increase of 42.8% over the previous corresponding period (2014: net loss \$1,209,945). | | | | |
| Net tangible asset backing per ordinary share at 31 December 2015 was (0.16) cents (June 2015: 0.13 cents). | | | | |
| There was no gain or loss of control over any entities during the half-year ended 31 December 2015. | | | | |
| The Company does not propose to pay a dividend. No dividend or distribution plans are in operation. | | | | |

SHOPLY LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2015

The Directors present their report together with the condensed financial report of the consolidated entity of Shoply Limited and the entities it controlled for the half-year ended 31 December 2015 and independent auditor's review report thereon. This financial report has been prepared in accordance with AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

DIRECTORS

The names of the Directors in office 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.

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

REVIEW AND RESULTS OF OPERATIONS

The Group's results for the half-year ended 31 December 2015 was a loss of **\$1,693,963** reflective of the competitive nature of the retail industry in particular online shopping. The company is undergoing growth through organic and acquisition processes. The previous corresponding period was a **net loss of \$1,116,746**.

Revenue for the half-year ended **31 December 2015** was **\$12,738,137** an increase of **51.8%** over the previous corresponding period (**2014: \$8,391,374**). An acquisition completed in March 2015 contributed to the increase in revenue as well as concerted efforts to organically grow revenue.

The Group results reflect a considerable improvement in revenue. The acquisition of the eStore business assets, investment in eBay and in store sales has made significant contributions to revenue. Cash receipts from operating activities in the 1st half of Financial Year 2016 was \$13,802,354.

Forward Strategy

Following a recent business review, The Group has developed a three phased strategy designed to optimise operational and financial performance. In particular, the objectives of the strategy are to:

- Drive profitability in the short to medium term, through a shift of focus away from revenue growth towards a business model underpinned by a lower cost base and higher gross profit margins; and
- Deliver growth in the longer term, through expansion and investment.

The Board is pleased to advise that effective progress has been made in the implementation of the strategic initiatives.,

Update on Three-Phased Strategy

The Group's restructure and growth strategy is being implemented in three distinct phases in accordance with the milestone dates detailed below:

Phase One: Cost reductions to direct and operational expenses

Status and Completion Date: Ongoing; to be completed by February 2016

- Reduction of use of external service providers and associated costs;
- Reduction in inventory of circa \$500K;
- Optimisation of performance marketing to focus on channels that deliver proven ROI;
- Restructure of operations and warehouse personnel at Your Home Depot operations; and
- Restructure of Business Technology management team.

Phase Two: Consolidation of operations

Status and Completion Date: Ongoing; to be completed by March 2016

- Review of warehousing requirements currently underway to identify locations to consolidate operations and achieve synergies;
- Consolidation and centralisation of Group marketing function in Melbourne, to be completed by February 2016; and
- Reinforcement of the Group's customer service function, and an emphasised focus on customer service as the Group's competitive edge and differentiator in a price-driven marketplace; this will be achieved through the initial consolidation of resources within customer service, followed by an active reinforcement of the dedicated customer service function.

Phase Three: Growth Opportunities

Status and Completion Date: To be implemented progressively after the completion of Phases One and Two

- The Australian business equipment and supplies market is estimated at \$11.9B. The Group recognises that, whilst eStore and Warcom's focus is traditionally in the B2C market, significant potential revenue growth exists in the B2B market. Accordingly, the opportunity of further B2B sales in this market will be explored. Initiatives being undertaken include:
 - Establishment of a dedicated commercial sales team to lead activity in this channel
 - Segmentation of the Business Technology databases for target marketing to SME and government customers; and
 - Strengthening of existing supplier arrangements with key distributors to enable rapid expansion into the supply to B2B channels.
- Your Home Depot (YHD) predominantly services the kitchen category of the Australian online furniture and homewares market. This market is estimated at \$458M and includes; furniture 58.8%, kitchen 12.1% and rugs 3.2%. The Group has identified furniture and rugs as being attractive categories for YHD to enter. To this end, YHD will continue its expansion by entering these categories with the Q1 launch of its on trend furniture and modern and traditional rugs range. The Board is excited by the launch of these two new categories and the expansion of Your Home Depot brand.
- Phase Three represents the Group's longer term growth strategy which is intended to be implemented once the Group achieves the financial and operational stability that Phases One and Two are expected to deliver in the short to medium term. Further details about this growth strategy will be provided in future updates to the market. The Group remains committed to the growth plan for the Online Shopping Division and the transition from online advertising to an online shopping company.

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

The Group previously announced plans to expand its Online Shopping platform and now has a scalable platform and the appropriate capability to support the growth of its online shopping division and integrate new acquisitions quickly and efficiently.

Financial performance

Sales revenue for the half-year ended 31 December 2015 was **\$12,730,001**, an increase of 52.1% over the previous corresponding period (2014: **\$8,367,384**).

Net loss from continuing operations was \$1,727,343, an increase of 42.8% over the previous corresponding period (2014: net loss \$1,209,945).

The net loss from continuing operations was due to a reduction in product margin resulting from an increase in Business Technology sales.

Financial position

The consolidated entity had net assets of \$2,199,555 as at 31 December 2015 (30 June 2015: \$3,837,025).

Cash flows

During the six months ended 31 December 2015, the consolidated entity generated net operating cash outflows of (\$1,436,307) (2014: net outflows \$99,333). The consolidated entity had cash of \$615,511 as at 31 December 2015 (30 June 2015: \$2,307,247).

The net operating cash outflow for the half was due to the downturn of the retail sector from October to December 2015.

Auditor's Independence Declaration

The Auditor's Independence Declaration under section 307C of the Corporation Act 2001 is included on page 6 and forms part of Shoply Limited's Directors' report for the period from 1 July 2015 to 31 December 2015.

Signed for and on behalf of the Directors in accordance with a resolution of the Board.



Andrew Plympton
Non-Executive Chairman
29 February 2016

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Shoply Limited for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM AUSTRALIA PARTNERS****J S CROALL**

Partner

Melbourne, VIC
29 February 2016

**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Notes | Half Year to 31 Dec 2015 \$ | Half Year to 31 Dec 2014 \$ |
|--|-------|-----------------------------------|-----------------------------------|
| Revenue | | | |
| Sales revenue | | 12,730,001 | 8,367,384 |
| Finance revenue | | 8,136 | 23,990 |
| | | <u>12,738,137</u> | <u>8,391,374</u> |
| Direct costs | | (10,960,583) | (6,977,086) |
| Gross profit | | 1,777,554 | 1,414,288 |
| Distribution expenses | | (327,238) | (372,324) |
| Performance marketing expenses | | (744,904) | (324,325) |
| Transaction expenses | | (288,394) | (144,936) |
| Employee contractor and director expenses | | (1,227,924) | (905,676) |
| Occupancy costs | | (256,380) | (245,428) |
| Professional fees | | (175,018) | (248,555) |
| Depreciation and amortisation expenses | | (245,010) | (188,369) |
| Finance costs | | (69,512) | (3,362) |
| Other expenses | | (170,517) | (191,259) |
| (Loss) / Profit before income tax | | (1,727,343) | (1,209,945) |
| Income tax benefit / (expense) | | - | - |
| (Loss) / Profit from continuing operations | | (1,727,343) | (1,209,945) |
| Discontinued operations | | 33,380 | 93,199 |
| Loss for the period | | (1,693,963) | (1,116,746) |
| Other Comprehensive Income | | - | - |
| Total Comprehensive (loss) / profit for the period | | (1,693,963) | (1,116,746) |
| Earnings per share from continuing operations (cents per share) | | | |
| - Basic earnings/(loss) per share | | (0.003) | (0.002) |
| - Diluted earnings/(loss) per share | | (0.003) | (0.002) |

The accompanying notes form part of these financial statements.

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**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

| | Note | Consolidated 31 Dec 2015 \$ | Consolidated 30 Jun 2015 \$ |
|---|------|-----------------------------------|-----------------------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 615,511 | 2,307,247 |
| Trade and other receivables | | 860,713 | 650,686 |
| Inventories | | 2,212,013 | 1,756,381 |
| Prepayments and deposits | | 273,261 | 189,801 |
| Total Current Assets | | 3,961,498 | 4,904,115 |
| Non-current Assets | | | |
| Property, plant and equipment | | 232,577 | 243,364 |
| Intangible Assets | 5 | 3,115,995 | 3,116,510 |
| Total Non-current Assets | | 3,348,572 | 3,359,874 |
| Total Assets | | 7,310,070 | 8,263,989 |
| Current Liabilities | | | |
| Trade and other payables | | 4,274,978 | 3,587,161 |
| Financial liability | | 635,051 | 564,135 |
| Employee benefit liabilities | | 121,882 | 58,076 |
| Liabilities classified as held for disposal | | - | 31,764 |
| Total Current Liabilities | | 5,031,911 | 4,241,136 |
| Non-current Liabilities | | | |
| Financial liability | | 72,536 | 173,369 |
| Employee benefit liabilities | | 6,068 | 12,459 |
| Total Non-current Liabilities | | 78,604 | 185,828 |
| Total Liabilities | | 5,110,515 | 4,426,964 |
| Net Assets | | 2,199,555 | 3,837,025 |
| Equity | | | |
| Contributed equity | | 33,552,045 | 33,469,847 |
| Reserves | | 102,400 | 128,105 |
| Accumulated losses | | (31,454,890) | (29,760,927) |
| Total Equity | | 2,199,555 | 3,837,025 |

The accompanying notes form part of these financial statements.

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**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Share Capital \$ | Reserves \$ | Accumulated Losses \$ | Total Equity \$ |
|--|---------------------|----------------|-----------------------------|--------------------|
| At 1 July 2015 | 33,469,847 | 128,105 | (29,760,927) | 3,837,025 |
| Loss for the period | - | - | (1,693,963) | (1,693,963) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | (1,693,963) | (1,693,963) |
| Transactions with owners in their capacity as owners | | | | |
| Share options expense | 82,198 | - | - | 82,198 |
| Exercise of listed options | - | (25,705) | - | (25,705) |
| Share options expense | - | - | - | - |
| Capital raising costs | - | - | - | - |
| At 31 December 2015 | 33,552,045 | 102,400 | (31,454,890) | 2,199,555 |
| At 1 July 2014 | 32,868,235 | 66,616 | (27,279,495) | 5,655,356 |
| Profit for the period | - | - | (1,116,746) | (1,116,746) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | - | - | (1,116,746) | (1,116,746) |
| Transactions with owners in their capacity as owners | | | | |
| Shares issued | 119,953 | - | - | 119,953 |
| Share options expense | - | 53,000 | - | 53,000 |
| Capital raising costs | - | - | - | - |
| At 31 December 2014 | 32,988,188 | 119,616 | (28,396,241) | 4,711,563 |

The accompanying notes form part of these financial statements.

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**SHOPLY LIMITED
& CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

| | Half Year to 31 Dec 2015 \$ | Half Year to 31 Dec 2014 \$ |
|--|-----------------------------------|-----------------------------------|
| Cash Flows From Operating Activities | | |
| Receipts from customers | 13,802,354 | 8,885,698 |
| Payments to suppliers and employees | (15,246,798) | (9,004,991) |
| Interest received | 8,137 | 24,279 |
| Borrowing costs | - | (4,319) |
| Net cash (used in) / from operating activities | (1,436,307) | (99,333) |
| Cash Flow From Investing Activities | | |
| Payments for intangible assets | (251,432) | (120,514) |
| Payments for property, plant and equipment | (3,997) | (7,530) |
| Net cash flows provided by investing activities | (255,429) | (128,044) |
| Cash Flow From Financing Activities | | |
| Proceeds from shares issued | - | - |
| Capital raising costs | - | - |
| Net cash flows provided by financing activities | - | - |
| Net increase in cash and cash equivalents | (1,691,736) | (227,377) |
| Cash at beginning of period | 2,307,247 | 3,510,259 |
| Cash at end of period | 615,511 | 3,282,882 |

The accompanying notes form part of these financial statements.

**SHOPLY LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

1. Basis of preparation of the half-year financial report

(a) Basis of preparation

This condensed half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*.

This half year financial report does not include all the notes of the type usually included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this interim financial report be read in conjunction with the financial report for the year ended 30 June 2015 and any public announcements made by Shoply Limited during the half year ended 31 December 2015 in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001* and ASX listing rules.

(b) Significant accounting policies

Except as described below, the accounting policies and methods of computation in preparing the consolidated financial statements for the half-year ended 31 December 2015 are consistent with those of the most recent annual financial report.

Fair value measurement

All financial instruments including cash, trade receivables and trade payables are all carried at fair value.

The management assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(c) Going Concern

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.

As disclosed in the financial statements, the consolidated entity incurred a loss of \$1,693,963 (2014: loss \$1,116,746) and had net cash outflows from operating activities of \$1,436,307 (2014: outflow \$99,333) for the half year ended 31 December 2015. As at that date the consolidated entity had net current liabilities of \$1,070,413 (June 2015: net current assets \$662,979).

These factors indicate a material uncertainty which may cast significant doubt over the ability of the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- As recently announced by Shoply, the Company is in the process of implementing a restructure strategy and a range of cost reduction measures across the Group, with the

objective of materially reducing direct and operational expenses. Shoply expects that these cost reduction measures will deliver total cost savings of \$350K in the second half of the 2016 financial year. In addition, the Company has identified scope to consolidate and centralise its operations in New South Wales or Victoria, which will in turn lead to a material reduction in overheads associated with maintaining a presence in two states.

- The Company continues to progress discussions with parties who have variously expressed interest in acquiring certain assets of the Company, making a significant investment in the Company, and/or a change of control transaction. Whilst these discussions are preliminary in nature, the Board is optimistic that there is potential for the Company to realise additional funds through a combination of the divestment of certain assets, equity raising and/ or debt funding, which will be required to ensure the consolidated entity can continue to meet its debts as and when they become due and payable

In the event that forecast cashflows are not achieved, notwithstanding any cost restructuring that could be undertaken, and should additional funding not be available from either capital raisings or external financing arrangements, there would be a significant uncertainty as to whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

2. Dividends

The Company does not intend to pay a dividend in respect of the period ended 31 December 2015 (2014: nil). The Company does not have any dividend or distribution reinvestment plans in operation.

3. Net tangible assets per share

Net tangible asset backing per ordinary share at 31 December 2015 was (0.16) cents (June 2015 0.13).

4. Options issued to Directors and Company Secretary for the Long Term Incentive Plan (LTIP)

The options were approved by shareholders on 10 November 2015 under the Company's LTIP.

The Company granted 16,000,000 options under the plan to Directors on 10 November 2015. The exercise price of the options is \$0.02 per option. The Company granted 2,000,000 options under the plan to the Company Secretary on 10 November 2015. The exercise price of the options is \$0.02 per option.

The fair value of the options granted to Directors and Company Secretary at grant date was \$0.0064 based on reference to the Black and Scholes option pricing model.

The table below shows a summary of the options granted during the period:

| | Directors | Company Secretary |
|---------------------------|------------------|--------------------------|
| Grant date | 10-11-2015 | 10-11-2015 |
| Number of options granted | 16,000,000 | 2,000,000 |
| Share price at grant date | \$0.010 | \$0.010 |
| Fair value at grant date | \$0.0064 | \$0.0064 |
| Exercise price | \$0.02 | \$0.02 |
| Expected volatility | 90% | 90% |
| Risk free interest | 1.95% | 1.95% |
| Expiry date | 10-11-2018 | 10-11-2018 |

5. Intangible Assets

| | Consolidated 31 Dec 2015 | Consolidated 30 Jun 2015 |
|----------------------------|-------------------------------------|-------------------------------------|
| | \$ | \$ |
| (a) Carrying values | | |
| Intangible assets | 3,721,116 | 3,602,484 |
| Accumulated amortisation | 605,121 | 485,975 |
| Net carrying amount | 3,115,995 | 3,116,510 |

As at 31 December 2015, the Company amortised \$605,121 to statement of comprehensive income.

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

Control gained over entities

During the half year ended 31 December 2015, the Company did not acquire any subsidiary entities.

Loss of control of entities

There was no disposal of subsidiary entities in the half-year ended 31 December 2015.

7. Associates and joint venture entities

The Company did not have any interests in associates or joint venture entities during the period ended 31 December 2015 (2014: nil).

**SHOPLY LIMITED
& CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2015**

In accordance with a resolution of Directors of Shoply Limited, the Directors declare that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the financial position as at 31 December 2015 and of the performance for the half year ended on that date; and
 - ii. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Shoply Limited will be able to pay its debts as and when they become due and payable. This declaration is made in accordance with a resolution of the Directors.

This declaration is made in accordance with a resolution of the Directors.

On behalf of the board



Andrew Plympton
Non-Executive Chairman

29 February 2015

RSM Australia Partners

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INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF****SHOPLY LIMITED**

We have reviewed the accompanying half-year financial report of Shoply Limited which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 control as the directors determine is 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 half-year 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 Shoply Limited, 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 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.

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 Shoply 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 *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1c in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,693,963 (2014: loss \$1,116,746) and had net cash outflows from operating activities of \$1,436,307 (2014: outflow \$99,333) during the half year ended 31 December 2015. As of that date, the consolidated entity's current liabilities exceeded current assets by \$1,070,413 (June 2015: net current assets \$662,979). These conditions, along with other matters as set forth in Note 1c, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.



RSM AUSTRALIA PARTNERS



J S CROALL
Partner

Melbourne, VIC
29 February 2016