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 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	down	37.9%	to	71,339
Profit from ordinary activities after tax attributable to the owners of Grays eCommerce Group Limited	up	118.2%	to	3,996
Profit for the half-year attributable to the owners of Grays eCommerce Group Limited	up	118.2%	to	3,996

Dividends
There were no dividends paid during the current financial half-year. On 23 February 2017 the directors declared an interim dividend of $0.012 per share, fully franked, to be paid on 21 April 2017.

Comments
A commentary on these results can be found in Grays eCommerce Group Limited's 2016 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	5.47	2.10

4. Dividends

Current period
There were no dividends paid during the current financial half-year. On 23 February 2017 the directors declared an interim dividend of $0.012 per share, fully franked, to be paid on 21 April 2017.

Previous period
There were no dividends paid, recommended or declared during the previous financial 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.

6. Attachments

Details of attachments (if any):

The Interim Report of Grays eCommerce Group Limited for the half-year ended 31 December 2016 is attached.

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7. Signed

Signed ___________________________ Date: 23 February 2017

Jonathan Pinshaw
Chairman

Grays eCommerce Group Limited

ABN 94 125 736 914

Interim Report - 31 December 2016

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 2016.

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
Will Vicars
Bernie Campbell
Nicolette Maury (appointed on 10 October 2016)
Naseema Sparks (resigned on 10 October 2016)
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 and online auctioneering services in the Business to Consumer ('B2C') sector.

Dividends

There were no dividends paid during the current financial half-year. On 23 February 2017 the directors declared an interim dividend of $0.012 per share, fully franked, to be paid on 21 April 2017.

Review of operations

Summary of results

The Group net profit after tax for the six months to 31 December 2016 was $4.0 million (H1 FY16: statutory loss of $22.0 million).

During the period the Group continued to refocus on its core strength of B2B auctions. The B2B division saw the benefits from investment in new facilities, systems and people start to flow through into the division’s financial results.

Revenue from continuing operations was up 14.6% to $71.3 million (H1 FY16: $62.2 million) following strong revenue growth in B2B.

Earnings before interest, tax, depreciation and amortisation (EBITDA) on a Continuing Operations basis were down 12.4% to $7.1 million (H1 FY16: $8.1 million). This is the result of further investment made in the B2B division to drive long term growth, whilst B2C underperformed with EBITDA down $1.6 million on H1 FY16.

The profit and loss for the consolidated entity is presented below:

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Revenue	**71,339**	**114,851**
Revenues from continuing operations excluding interest income	71,258	62,175
Operating expenses before interest expense, tax, depreciation and amortisation and excluding other non-operating expenses from continuing operations	(64,149)	(54,060)
	7,109	**8,115**
Revenues from disposed operations excluding interest income *	-	52,536
Operating expenses from disposed operations *	-	(60,415)
	-	**(7,879)**
Adjusted EBITDA** before costs associated with acquisitions, mergers and asset disposals	**7,109**	**236**
Depreciation and amortisation	(930)	(1,616)
Interest income	81	140
Interest and financing costs	(361)	(120)
Acquisition and merger integration costs	-	(196)
Disposal of Retail business assets and associated costs	-	(24,786)
Income tax (expense)/benefit	(1,903)	4,381
Profit/(loss) after income tax	**3,996**	**(21,961)**

*Disposed operations is a non-IFRS measure relating to the financial contributions of the FPR business in the comparative period and which was sold during the comparative half-year period.

**Adjusted 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.

B2B - Strong growth in revenue underpins further strategic investment

For H1 FY17, the B2B division generated the following results:
- Gross Sales up 18.9% to $273.6 million (H1 FY16: $230.0 million)
- Net revenue up 16.3% to $40.4 million (H1 FY16: $34.8 million)
- EBITDA up 3.8% to $9.4 million (H1 FY16: $9.0 million).

The significant investment made in people and infrastructure in H2 FY16 delivered increased revenue at higher EBITDA margins. Having completed most of the planned strategic investment program in the first half of FY17, EBITDA margins are expected to further improve in the second half of FY17.

During the six months to 31 December 2016, the B2B segment revenue grew across all the division’s categories. Grays was awarded major events, banking, insolvency and finance contracts in Mining, Transport and Manufacturing. These new contracts will underpin revenues into the second half of FY17.

The B2B business segment has invested in the growing Auto business. The investment in people and facilities, including additional auto yards, is driving growth with over 13,500 cars sold in the first-half compared to 8,800 in the prior corresponding period.

The B2B division has attractive growth opportunities and the business has a competitive advantage given our online auction capabilities and depth of data.

B2C – disappointing performance supports strategic decision to reduce exposure to this segment

For H1 FY17, the B2C division generated the following results:
- Gross sales up 3.4% to $39.1 million (H1 FY16: $37.8 million)
- Net revenue down 9.8% to $15.6 million (H1 FY16: $17.3 million)
- EBITDA loss of $0.3 million (H1 FY16: profit of $1.3 million)

Having made the strategic decision to exit the highly competitive and unprofitable fixed price retail segment in FY16, the remaining B2C business was refocused on a narrower range of consumer categories. Further investment was made into the Company's marketing capability by focusing on customer acquisition and engagement, and reviewing the cross-over of customers from B2C to B2B.

With sales over the two key trading months of November and December below expectations, the B2C division generated a small loss. This led to a reassessment of the longer term strategic relevance of this division in the context of building a growing and sustainable B2B focused business. Following this, and continued poor trading performance in January 2017, the Company has decided to further rationalise its B2C categories to those that support B2B. An orderly run-down of owned inventories will be undertaken, and B2C's fixed cost base will be reduced. The purpose of this will be to minimise future losses in B2C, while also ensuring that shareholder capital and management time is focused on the Company's growth engine, B2B, that will drive long term shareholder value.

Maiden interim dividend declared

Reflecting the Group's strong balance sheet (net debt of $1.7 million), return to H1 FY17 profitability and growth opportunities, the Board has declared a maiden interim dividend of $0.012 per share fully franked. This dividend's record date is 1 March 2017 and payment date is 21 April 2017.

Outlook for H2 FY17

As a result of the strategic decision to rationalise B2C, and that division's deteriorating performance, the Company expects to generate Group EBITDA in FY17 at a similar level to that achieved in FY16 (from Continuing Operations). The benefits from investment in the B2B division are expected to continue flowing through in H2 FY17, with continued growth expected in B2B earnings offset by a B2C loss.

Significant changes in the state of affairs
There were no 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 Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument 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 immediately after this directors' report.

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

23 February 2017

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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 2016, 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
23 February 2017

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 31 Dec 2015 $'000
Revenue	4	71,339	114,851
Expenses			
Changes in inventory and finished goods		(15,041)	(49,616)
Freight and transport		(5,401)	(12,427)
Marketing and advertising		(3,725)	(6,927)
Depreciation and amortisation expense		(930)	(1,616)
Occupancy costs		(6,052)	(7,053)
Employee related costs		(25,866)	(29,183)
Finance and borrowing costs		(361)	(120)
Merchant fees and bank charges		(1,289)	(2,332)
Acquisition and merger integration costs		-	(196)
Disposal of fixed price retail business assets and associated costs		-	(24,786)
Other expenses		(6,775)	(6,937)
Profit/(loss) before income tax (expense)/benefit		5,899	(26,342)
Income tax (expense)/benefit		(1,903)	4,381
Profit/(loss) after income tax (expense)/benefit for the half-year attributable to the owners of Grays eCommerce Group Limited		3,996	(21,961)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		83	-
Other comprehensive income for the half-year, net of tax		83	-
Total comprehensive income for the half-year attributable to the owners of Grays eCommerce Group Limited		4,079	(21,961)
		Cents	**Cents**
Basic earnings per share	15	3.13	(21.35)
Diluted earnings per share	15	3.13	(21.35)

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

	Note	Consolidated 31 Dec 2016 $'000	Consolidated 30 Jun 2016 $'000
Assets			
Current assets			
Cash and cash equivalents		1,878	2,796
Trade and other receivables	5	7,071	5,961
Inventories		7,760	7,926
Income tax refund due		-	59
Prepayments		7,350	5,062
Total current assets		24,059	21,804
Non-current assets			
Property, plant and equipment		3,150	3,231
Intangibles		17,583	17,482
Deferred tax		7,976	9,827
Total non-current assets		28,709	30,540
Total assets		52,768	52,344
Liabilities			
Current liabilities			
Trade and other payables	6	14,329	15,107
Provisions	7	6,941	8,827
Total current liabilities		21,270	23,934
Non-current liabilities			
Trade and other payables	8	-	1,050
Borrowings	9	3,568	2,447
Provisions	10	3,368	4,750
Total non-current liabilities		6,936	8,247
Total liabilities		28,206	32,181
Net assets		24,562	20,163
Equity			
Issued capital		45,563	45,563
Reserves		(6,504)	(6,907)
Accumulated losses		(14,497)	(18,493)
Total equity		24,562	20,163

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

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	400	-	-	400
Balance at 31 December 2015	45,027	(7,124)	(20,435)	17,468

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016	45,563	(6,907)	(18,493)	20,163
Profit after income tax expense for the half-year	-	-	3,996	3,996
Other comprehensive income for the half-year, net of tax	-	83	-	83
Total comprehensive income for the half-year	-	83	3,996	4,079
Transactions with owners in their capacity as owners:				
Share-based payments	-	320	-	320
Balance at 31 December 2016	45,563	(6,504)	(14,497)	24,562

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

	Note	Consolidated 31 Dec 2016 $'000	31 Dec 2015 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		75,788	118,712
Payments to suppliers and employees (inclusive of GST)		(75,525)	(118,874)
		263	(162)
Interest received		81	140
Interest and other finance costs paid		(361)	(120)
Income taxes refunded/(paid)		7	(1,664)
Net cash used in operating activities	14	(10)	(1,806)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired		(1,079)	(2,697)
Payments for acquisition and merger integration costs		-	(196)
Payments for property, plant and equipment		(498)	(328)
Payments for intangibles		(452)	(580)
Proceeds from disposal of business		-	3,000
Net cash used in investing activities		(2,029)	(801)
Cash flows from financing activities			
Proceeds from borrowings		1,121	2,447
Net cash from financing activities		1,121	2,447
Net decrease in cash and cash equivalents		(918)	(160)
Cash and cash equivalents at the beginning of the financial half-year		2,796	6,989
Cash and cash equivalents at the end of the financial half-year		1,878	6,829

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

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 23 February 2017.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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 or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended 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 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017.

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

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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.

Note 3. Operating segments (continued)

The CODM reviews adjusted 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 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 2016 and 31 December 2015.

Operating segment information

Consolidated - 31 Dec 2016	B2B $'000	B2C $'000	Other segments $'000	Total $'000
Revenue				
Sales to external customers	43,218	27,880	160	71,258
Interest revenue	61	-	20	81
Total revenue	43,279	27,880	180	71,339
Adjusted EBITDA	9,384	(342)	(1,933)	7,109
Depreciation and amortisation				(930)
Interest revenue				81
Finance costs				(361)
Profit before income tax expense				5,899
Income tax expense				(1,903)
Profit after income tax expense				3,996

Consolidated - 31 Dec 2015	B2B $'000	B2C $'000	Other segments $'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)

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

Note 4. Revenue

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Sales revenue		
Sale of goods	20,127	63,092
Commissions	36,273	31,529
	56,400	94,621
Other revenue		
Interest	81	140
Recovery of expenses	9,883	16,236
Other revenue	4,975	3,854
	14,939	20,230
Revenue	71,339	114,851

Note 5. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Trade receivables	6,325	5,888
Less: Provision for impairment of receivables	(136)	(138)
	6,189	5,750
Other receivables	882	211
	7,071	5,961

Note 6. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Trade payables	9,885	8,779
Other payables and accruals	4,444	6,328
	14,329	15,107

Refer to Note 8 for details of the contingent consideration liability included in Other payables and accruals.

Note 7. Current liabilities - provisions

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Employee benefits	4,545	6,512
Deferred lease incentives	512	524
Lease make good	56	-
Onerous lease	1,828	1,791
	6,941	8,827

Note 8. Non-current liabilities - trade and other payables

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Other payables and accruals	-	1,050

Other payables and accruals at 30 June 2016 represented contingent consideration arising from the acquisition of DMS Davlan Pty Limited's business assets. As at 30 June 2016, the total contingent consideration liability of $2,100,000 was split between current liability ($1,050,000) and non-current liability ($1,050,000). During the 6 months to 31 December 2016, contingent consideration amounting to $1,079,000 was paid and the remaining balance of $1,021,000 is included in other payables and accruals in current liabilities.

Note 9. Non-current liabilities - borrowings

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Bank loans	3,568	2,447

The bank loan facility has a 3 year term with no fixed repayment schedule. It is subject to periodic review with the financier, the next such review date falling within the 2019 financial year.

Note 10. Non-current liabilities - provisions

	Consolidated	
	31 Dec 2016 $'000	30 Jun 2016 $'000
Employee benefits	413	551
Deferred lease incentives	1,271	1,532
Lease make good	388	437
Onerous lease	1,296	2,230
	3,368	4,750

Note 11. Equity - dividends

There were no dividends paid during the current financial half-year. On 23 February 2017 the directors declared an interim dividend of $0.012 per share, fully franked, to be paid on 21 April 2017.

Note 12. Fair value measurement

Fair value hierarchy
The following tables detail the Group's 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 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration*	-	-	1,021	1,021
Total liabilities	-	-	1,021	1,021

Consolidated - 30 Jun 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Contingent consideration*	-	-	2,100	2,100
Total liabilities	-	-	2,100	2,100

* Contingent consideration relates to the acquisition of DMS Davlan Pty Limited's business assets. As at 31 December 2016, contingent consideration of $1,021,000 (30 June 2016: $1,050,000) is included in other payables and accruals in current liabilities and $nil (30 June 2016: $1,050,000) 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
Financial assets and financial liabilities have been valued using a discounted cash flow model using market interest rates.

Level 3 assets and liabilities
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 2016	2,100	2,100
Amounts paid	(1,079)	(1,079)
Balance at 31 December 2016	1,021	1,021

Note 13. Contingent liabilities

As at 31 December 2016 $5,319,000 of the bank guarantee facility has been utilised (30 June 2016: $5,319,000) and $nil was unused (30 June 2016: $nil).

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 $5,580,000 (30 June 2016: $15,000,000) Any guarantees called upon 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.

Note 14. Reconciliation of profit/(loss) after income tax to net cash used in operating activities

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Profit/(loss) after income tax (expense)/benefit for the half-year	3,996	(21,961)
Adjustments for:		
Depreciation and amortisation	930	1,616
Share-based payments	320	-
Foreign exchange differences	83	-
Disposal of goodwill	-	16,060
Acquisition and merger integration costs	-	196
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,110)	(5,399)
Decrease in inventories	166	5,240
Decrease/(increase) in income tax refund due	59	(455)
Decrease/(increase) in deferred tax assets	1,851	(4,483)
Increase in prepayments	(2,288)	(1,215)
Increase/(decrease) in trade and other payables	(749)	3,326
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	(3,268)	(1,800)
Net cash used in operating activities	(10)	(1,806)

Note 15. Earnings per share

	Consolidated	
	31 Dec 2016 $'000	31 Dec 2015 $'000
Profit/(loss) after income tax attributable to the owners of Grays eCommerce Group Limited	3,996	(21,961)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	127,477,311	102,871,348
Weighted average number of ordinary shares used in calculating diluted earnings per share	127,477,311	102,871,348
	Cents	Cents
Basic earnings per share	3.13	(21.35)
Diluted earnings per share	3.13	(21.35)

Note 15. Earnings per share (continued)

4,559,937 (31 December 2015: 2,400,000) performance rights outstanding as at 31 December 2016 have been excluded from the above calculations, as they were not dilutive.

Note 16. Events after the reporting period

Apart from the dividend declared as disclosed in note 11, no other matter or circumstance has arisen since 31 December 2016 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.

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 2016 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

23 February 2017

Ernst & Young
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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 2016, 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 2016 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.

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 2016 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
23 February 2017