

# Appendix 4D

## Half year financial Report Half-year ended 31 December 2014

Name of entity

GRAYS ECOMMERCE GROUP LIMITED

ABN

94 125 736 914

**1. Half-year ended**  
**('current reporting period')**  
31 December 2014

**Half-year ended**  
**('previous corresponding period')**  
31 December 2013

### 2. Results for announcement to the market

\$A'000

2.1	Revenue from ordinary activities	up/down	28.9%	To 100,372
2.2	Profit from ordinary activities after tax attributable to members	up/down	142.2%	To 1,235
2.3	Net profit for the period attributable to members	up/down	132.1%	To 1,235

Dividends		Amount per security	Franked amount per security
2.4	Final dividends	1,443.28	618.55
2.5	Interim dividends	N/A	N/A

2.6	Record date for determining entitlements to the dividends	22 September 2014
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2.7 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood:

Revenue from ordinary activities on a like for like basis (excluding acquisitions) increased 7%.

This report should be read in conjunction with Grays eCommerce Group Limited's (formerly Mnemon Limited) most recent Annual and Interim Financial Reports.

Dividends paid were selective dividends as part of a selective buyback and have been approved by the board.

### 3. NTA Backing

3.1 Net tangible assets per security

Current reporting period	Previous corresponding period
10.00 cents	0.00 cents

# Appendix 4D

## Half year financial Report Half-year ended 31 December 2014

### 4. Control gained over entities having material effect

\$A'000

4.1	Name of entity (or group of entities)	Grays eCommerce Group Limited (formerly Mnemon Limited) (and its subsidiaries)
4.2	Date of gain of control	7/11/2014
4.3	Consolidated profit / (loss) from ordinary activities after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	52
4.4	Profit / (loss) from ordinary activities after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	562

### Loss of control of entities having material effect

4.5	Name of entity (or group of entities)	N/A
4.6	Date of loss of control	N/A
4.7	Consideration received for the sale of subsidiaries	N/A

### 5. Dividends/distributions

Date the dividend/distribution is payable

22 September 2014

Amount per security of foreign source dividend/distribution

N/A

### Total dividends/distributions

\$A'000

Ordinary securities

3,594

Preference securities

N/A

### 6. Dividend/distribution plans

Dividend or distribution investment plans in operation:	N/A
The last date(s) for receipt of election notices for participation in dividend or distribution reinvestment plans	N/A

# Appendix 4D

## Half year financial Report Half-year ended 31 December 2014

### 7. Details of aggregate share of profits (losses) of associates and joint venture entities

Name of associate/joint venture	N/A	
Holding in entities	N/A	
<b>Group's aggregate share of associates' and joint venture entities':</b>	<b>Current reporting period \$A'000</b>	<b>Previous corresponding period \$A'000</b>
Profit (loss) from ordinary activities before tax	-	-
Income tax on ordinary activities	-	-
<b>Profit (loss) from ordinary activities after tax</b>	-	-
Extraordinary items net of tax	-	-
<b>Net profit (loss)</b>	-	-
Adjustments	-	-
<b>Share of net profit (loss) of associates and joint venture entities</b>	-	-

### 8. Foreign entities

Which set of accounting standards are used in compiling the report (e.g. International Financial Reporting Standards):	International Financial Reporting Standards (AIFRS)
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### 9. All entities

A description of accounts subject to audit dispute or qualification	N/A
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grays·ecommercegroup

**Grays eCommerce Group Limited**

(formerly Mnemon Limited)

ABN 94 125 736 914

**2015 Half-year Financial Report**

# Contents

Directors' Report .....	1
Interim consolidated statement of profit or loss and comprehensive income .....	4
Interim consolidated statement of financial position.....	5
Interim consolidated statement changes in equity .....	6
Interim consolidated statement of cash flows .....	7
Notes to the interim consolidated financial statements .....	8
Directors' Declaration .....	19
Auditor's Independence Declaration .....	20
Auditor's Report .....	21
Corporate Information.....	23

# Directors' Report

Your directors submit their report for the half-year ended 31 December 2014.

## Directors

The names and details of the Group's directors in office during the half -year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr J. Pinshaw (Independent Non-executive Chairman)	Appointed 7 November 2014
Ms N. Sparks (Independent Non-executive Director)	Appointed 17 January 2014
Mr W. Vicars (Non-executive Director)	Appointed 7 November 2014
Mr M. Bayliss (Executive Director and Chief Executive Officer)	Appointed 7 November 2014

## Alternate directors

Mr B. Stanton (alternate Non-executive Director) for Mr W. Vicars (Non-executive Director)	Appointed 17 November 2014
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## Previous directors and resignations

Mr David Leslie (Non-executive Director)	Resigned 7 November 2014
Mr Elliott Kaplan (Non-executive Director)	Resigned 7 November 2014

## Significant change in affairs of the Group

On 5 August 2014, Grays eCommerce Group Limited (formerly Mnemon Limited) entered into a Merger Implementation Agreement with Grays (Aust) Holdings Pty Limited. The effect of the merger would see Grays eCommerce Group Limited join with Grays (Aust) Holdings Pty Limited, forming one of Australasia's largest eCommerce groups.

The terms of the merger included:

- 100% scrip-for-scrip acquisition of all shares in Grays (Aust) Holdings Pty Limited
- Additionally, the right to receive Bonus shares, dependent on the shareholders holding no less than 75% of the shares initially issued as part of the merger
- Grays (Aust) Holdings Pty Limited raising no less than \$13,200,000 in cash via a capital raising

The merger would significantly change the operations of the Group from pure online retail services to online auctioneering, valuation and retail services.

On 7 November 2014, at an Extraordinary General Meeting, the current shareholders of Grays eCommerce Group Limited at that time, approved to:

- 1) merge with Grays (Aust) Holdings Pty Limited; and
- 2) change the Group name from Mnemon Limited to Grays eCommerce Group Limited

The merger is considered a reverse acquisition under AASB 3 *Business Combinations* and as at reporting date, the report is prepared on the basis that Grays (Aust) Holdings Pty Limited is the parent.

Within the financial statements all prior period comparatives represent the balances of Grays (Aust) Holdings Pty Limited. In relation to the period ended 31 December 2014, the profit and loss, statement of changes in equity and statement of cash flows represent the activities of Grays (Aust) Holdings Pty Ltd activity up to the acquisition date, 7 November 2014, and of the combined Group thereafter.

## Dividends

Dividends paid during the period ended 31 December 2014 were \$3,594,000 (31 December 2013: \$nil) relating to a buyback of the entity's share capital.

## Directors' Report (continued)

The dividend comprised a dividend relating to a buyback of shares of the Grays (Aust) Holdings Pty Limited's capital. See Note 15 for further information on dividends paid. No further dividends have been recommended or paid or determined prior to the reporting date.

### Principal activities

The Group is a provider of auctioneering, valuation and retail services in Australia and New Zealand, delivering these services primarily online. Outside of the significant changes in affairs of the Group outlined above, there have been no other significant changes in the nature of these activities during the half-year.

### Operating and financial review

The Group operates in the online sector in Australia, providing auctioneering, valuation and retail services in Australia and New Zealand. The Group also procures products from both local and international sources with those products fulfilled from distribution centres in all major capital cities in Australia.

A highlight of the Group's performance in the half was the strong growth in the B2B segment with solid performances observed across all key categories. The B2C segment also reported revenue growth due to the inclusion of MNZ since 7 November 2014.

The Group is well advanced in the integration of the Grays and MNZ businesses with this activity anticipated to be substantially completed by the end of the financial year.

### Operating results for the six months ended 31 December 2014

The Group's half-year trading results are summarised below:

	Half-year ended 31 Dec 2014 \$'000	Half-year ended 31 Dec 2013 \$'000
Revenues (excluding interest income)	100,076	77,640
Operating Expenses	(94,354)	(74,247)
Acquisition Costs	(2,988)	(792)
Profit before interest, tax, depreciation and amortisation	<b>2,734</b>	<b>2,601</b>
Depreciation and amortisation	(1,161)	(1,767)
Interest and financing costs	(79)	(104)
Interest income	296	232
Income Tax	(555)	(452)
Profit after tax	<b>1,235</b>	<b>510</b>

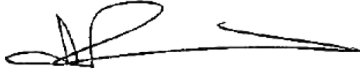


## Directors' Report (continued)

### Auditor independence

The directors received a declaration of independence from the auditor of Grays eCommerce Group Limited which is included on page 20.

Signed in accordance with a resolution of the directors.



Jonathan Pinshaw  
Chairman

26 February 2015

# Interim consolidated statement of profit or loss and comprehensive income

## For the half-year ended 31 December 2014

		Half-year ended 31 Dec 2014 \$'000	Half-year ended 31 Dec 2013 \$'000
	Note		
<b>Continuing operations</b>			
Sale of goods		49,169	34,894
Commission received		31,221	24,805
Recovery of expenses		17,106	15,717
Other income	5(a)	2,876	2,456
<b>Revenue</b>		<b>100,372</b>	<b>77,872</b>
<b>Expenses</b>			
Change in inventories and finished goods		(35,901)	(25,756)
Freight and transport		(10,582)	(8,508)
Marketing and advertising		(6,082)	(4,562)
Occupancy costs	5(b)	(5,639)	(5,252)
Employment and related costs		(27,281)	(22,457)
Finance and borrowing costs		(79)	(104)
Merchant fees and bank charges		(1,801)	(1,991)
Acquisition costs	5(c)	(2,988)	(792)
Other expenses	5(d)	(8,229)	(7,488)
<b>Total expenses</b>		<b>(98,582)</b>	<b>(76,910)</b>
<b>Profit before tax</b>		<b>1,790</b>	<b>962</b>
Income tax expense		(555)	(452)
<b>Profit after tax from continuing operations</b>		<b>1,235</b>	<b>510</b>
<b>Other comprehensive income</b>			
Foreign currency translation		-	20
Income tax benefit/(expense) on items of other comprehensive income		-	2
<b>Total other comprehensive income for the period</b>		<b>-</b>	<b>22</b>
<b>Profit attributable to shareholders of the Company</b>		<b>1,235</b>	<b>532</b>
<b>Earnings per share</b>			
Basic, profit for the period attributable to ordinary equity holders of the Parent		0.02	0.01
Diluted, profit for the period attributable to ordinary equity holders of the Parent		0.02	0.01

Notes to the financial statements form part of the Financial Report and are included on pages 8 to 18.

## Interim consolidated statement of financial position

### As at 31 December 2014

	Note	As at 31 Dec 2014 \$'000	As at 30 Jun 2014 \$'000
<b>Current assets</b>			
Cash and short-term deposits	6	14,218	1,488
Trade and other receivables		8,362	7,307
Inventories	7	19,091	10,027
Other assets		1,177	714
<b>Total current assets</b>		<b>42,848</b>	<b>19,536</b>
<b>Non-current assets</b>			
Property, plant and equipment	8	3,576	3,382
Intangible assets	9	31,228	6,875
Other financial assets		-	5,456
Deferred tax assets		4,894	2,904
<b>Total non-current assets</b>		<b>39,698</b>	<b>18,617</b>
<b>Total assets</b>		<b>82,546</b>	<b>38,153</b>
<b>Current liabilities</b>			
Trade and other payables		30,355	19,948
Provisions		9,502	4,143
Interest-bearing loans and borrowings	6	-	4,500
<b>Total current liabilities</b>		<b>39,857</b>	<b>28,591</b>
<b>Non-current liabilities</b>			
Trade and other payables		578	-
Provisions		1,199	1,090
<b>Total non-current liabilities</b>		<b>1,777</b>	<b>1,090</b>
<b>Total liabilities</b>		<b>41,634</b>	<b>29,681</b>
<b>Net assets</b>		<b>40,912</b>	<b>8,472</b>
<b>Equity</b>			
Issued capital	13	44,091	9,292
Reserves	14	(7,145)	(7,145)
Retained earnings		3,966	6,325
<b>Total equity</b>		<b>40,912</b>	<b>8,472</b>

Notes to the financial statements form part of the Financial Report and are included on pages 8 to 18.

## Interim consolidated statement changes in equity For the half-year ended 31 December 2014

	Issued capital \$'000	Foreign currency reserve \$'000	Share equity reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2014	9,292	(5)	(7,140)	6,325	8,472
Profit attributable to shareholders of the parent entity	-	-	-	1,235	1,235
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,235</b>	<b>1,235</b>
Issue of options	-	-	-	-	-
Buyback of ordinary shares	(211)	-	-	-	(211)
Issue of ordinary shares	13,215	-	-	-	13,215
Dividends declared and paid	-	-	-	(3,594)	(3,594)
Issue of ordinary shares to acquire Grays eCommerce Group Limited	21,795	-	-	-	21,795
	<b>34,799</b>	<b>-</b>	<b>-</b>	<b>(3,594)</b>	<b>31,205</b>
<b>Balance at 31 December 2014</b>	<b>44,091</b>	<b>(5)</b>	<b>(7,140)</b>	<b>3,966</b>	<b>40,912</b>

	Issued capital \$'000	Foreign currency reserve \$'000	Share equity reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2013	5,984	(28)	(7,140)	10,352	9,168
Profit attributable to shareholders of the parent entity	-	-	-	532	532
Other comprehensive income for the year	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>532</b>	<b>532</b>
Issue of ordinary shares	531	-	-	-	531
	531	-	-	-	531
<b>Balance at 31 December 2013</b>	<b>6,515</b>	<b>(28)</b>	<b>(7,140)</b>	<b>10,884</b>	<b>10,231</b>

Notes to the financial statements form part of the Financial Report and are included on pages 8 to 18.

## Interim consolidated statement of cash flows

### For the half-year ended 31 December 2014

	Note	Half-year ended 31 Dec 2014 \$'000	Half-year ended 31 Dec 2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		114,932	96,702
Payments to suppliers and employees		(114,296)	(94,066)
		636	2,636
Finance costs		(79)	(104)
Interest received		296	232
Income tax paid		(190)	(175)
<b>Net cash (used in)/received from operating activities</b>		<b>663</b>	<b>2,589</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(569)	(1,641)
Proceeds on sale of property, plant and equipment		92	26
Acquisition of intangibles		(592)	(488)
Cash acquired from subsidiary		5,867	-
<b>Net cash (used in)/received from investing activities</b>		<b>4,798</b>	<b>(2,103)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		13,215	532
Buyback of shares		(211)	-
Cost of ordinary share issues		(2,988)	-
Loans from/(to) related entities		-	14
Proceeds from loan receivables		1,753	-
Repayment of interest-bearing loans and borrowings		(4,500)	-
<b>Net cash received from financing activities</b>		<b>7,269</b>	<b>546</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>12,730</b>	<b>1,032</b>
Cash and cash equivalents at the beginning of the financial period		1,488	2,212
<b>Cash and cash equivalents at the end of the reporting period</b>	6	<b>14,218</b>	<b>3,244</b>

Notes to the financial statements form part of the Financial Report and are included on pages 8 to 18.

# Notes to the interim consolidated financial statements

## For the half-year ended 31 December 2014

### 1. Corporate Information

The interim consolidated financial statements of Grays eCommerce Group Limited (formerly Mnemon Limited) and its subsidiaries (collectively, the Group) for the six months ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 26 February 2015.

Grays eCommerce Group Limited (the Legal Parent) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

### 2. Summary of Significant Accounting Policies

#### 2.1 Basis of preparation

The interim condensed consolidated financial statements of Grays eCommerce Group Limited (formerly Mnemon Limited) and its subsidiaries (collectively, the Group) for the six months ended 31 December 2014 have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide a complete understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2014 and any public announcements made by Grays eCommerce Group Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The same accounting policies and methods of computation have been followed in these half-year financial statements as compared with the most recent annual financial statements, apart from the changes in accounting policy, disclosures, standards and interpretations as noted in 2.2 below.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

#### Reverse acquisition

When Grays eCommerce Group Limited (formerly Mnemon Limited and the legal parent) acquired Grays (Aust) Holdings Pty Limited and its subsidiaries, the acquisition was deemed to be a reverse acquisition. The interim condensed consolidated financial statements are issued under the name of the legal parent, Grays eCommerce Group Limited, but are a continuation of the financial statements of the deemed acquirer under the reverse acquisition rules, Grays (Aust) Holdings Pty Limited.

Due to the nature of the acquisition, this set of financial statements reflects first time adoption of Australian Accounting Standards as per AASB1: *First time adoption of Australian Accounting Standards*. This did not have a material impact on the Group's reported financial position, financial performance and cash flows.

# Notes to the interim consolidated financial statements (continued)

## 2.2 Changes in accounting policy, disclosures, standards and interpretations

### (i) Changes in accounting policies, new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the mandatory adoption of new and revised Standards and Interpretations issued by the AASB. The adoption of the new and revised Standards and Interpretations had no material impact on these financial statements or on the financial position or performance of the Group.

## 3. Business combinations

### Acquisitions in 2014

On 7 November 2014, the Group acquired 100% of the issued securities of Grays (Aust) Holdings Pty Limited, an unlisted company based in Australia, operating in online retail, auctioneering and valuation services. The emergence of online retail in Australia continues to disrupt traditional retail channels and presents an opportunity to leverage strong eCommerce capabilities and scale, allowing value creation through industry consolidation. Grays (Aust) Holdings Pty Limited is one of Australia's leading online retailers, auctioneers and valuation service providers.

The acquisition of Grays (Aust) Holdings Pty Ltd by Grays eCommerce Group Limited (formerly Mnemon Limited) is considered a reverse acquisition, with Grays (Aust) Holdings Pty Limited being considered the Parent for reporting purposes and the business combination being accounted for in accordance with AASB 3 *Business Combinations*.

### Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired entities as at the date of acquisition were:

	<b>Grays eCommerce Group Limited (provisional) \$'000</b>
<b>Assets</b>	
Cash and cash equivalents	5,867
Trade receivables	1,040
Property, plant and equipment	166
Inventories	10,558
Deferred tax assets	478
Intangible assets	33
<b>Total assets</b>	<b>18,142</b>
<b>Liabilities</b>	
Trade payables	16,764
Contingent liabilities	1,156
Provisions	2,796
<b>Total liabilities</b>	<b>20,716</b>
<b>Total identifiable net assets at fair value</b>	<b>(2,574)</b>
Goodwill arising on acquisition	24,369
<b>Purchase consideration</b>	<b>21,795</b>

## Notes to the interim consolidated financial statements (continued)

### Analysis of cash flows on acquisition

	<u>\$'000</u>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	<u>5,867</u>
<b>Net cash inflow</b>	<b><u>5,867</u></b>

There were no cash outflows for the purchase of Grays eCommerce Group Limited as it was acquired by scrip-for-scrip.

From the date of acquisition, Grays eCommerce Group Limited and its subsidiaries have contributed approximately \$17,400,000 of revenue and \$50,000 to the net profit before tax from the continuing operations of the Group.

If the combination had taken place at the beginning of the financial year (1 July 2014), revenue from continuing operations would have been approximately \$18,000,000 higher and profit from continuing operations for the period would have been approximately \$500,000 lower. This amount is a pre-Christmas trading contribution to 6 November 2014 and takes no account of expected annual operations and revenue synergies.

The goodwill is attributed to the expected synergies and other benefits from combining the activities of Grays eCommerce Group Limited (and its subsidiaries) (formerly Mnemon Limited) to the Group. A provisional allocation of intangibles has been undertaken with the remainder allocated to goodwill. This allocation is still provisional, and will be finalised as part of the 30 June 2015 financial statements.



# Notes to the interim consolidated financial statements (continued)

## 4. Segment information

The following represents the revenue and profit information of the Group's operating segments for the six months ended 31 December 2014 and 2013 respectively:

	Online Industrial Auction (B2B) \$'000	Online Consumer Auction and Fixed Price Retail (B2C) \$'000	Corporate Costs \$'000	Total consolidated segments \$'000
<b>Six months ended 31 December 2014</b>				
<b>Revenue</b>				
Gross sales <sup>1</sup>	185,784	88,209	-	273,993
Revenue	29,837	70,240	296	100,372
<b>Results</b>				
Segment profit / (loss)	<b>9,099</b>	<b>3,067</b>	<b>(6,442)</b>	<b>5,723</b>

	Online Industrial Auction (B2B) \$'000	Online Consumer Auction and Fixed Price Retail (B2C) \$'000	Corporate Costs \$'000	Total consolidated segments \$'000
<b>Six months ended 31 December 2013</b>				
<b>Revenue</b>				
Gross sales <sup>1</sup>	107,909	81,934	-	189,843
Revenue	20,856	56,784	232	77,872
<b>Results</b>				
Segment profit / (loss)	<b>5,607</b>	<b>2,789</b>	<b>(5,004)</b>	<b>3,393</b>

1 Gross sales is a non-IFRS measure that is reported to provide greater understanding of the performance of the underlying business and represents the gross sale value of consignment assets auctioned plus sales of owned inventory.

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

### Reconciliation of profit

	Six months ended 31 Dec 2014 \$'000	Six months ended 31 Dec 2013 \$'000
Segment profit	5,723	3,393
Finance income	296	232
Finance costs	(79)	(104)
Depreciation and amortisation	(1,161)	(1,767)
Income tax	(555)	(452)
Acquisition costs	(2,988)	(792)
Group net profit after tax	<b>1,235</b>	<b>510</b>

# Notes to the interim consolidated financial statements (continued)

## 5. Other income/expenses and adjustments

Profit before income tax has been arrived at after receiving the following revenues and charging the following expenses. The line items below are for the continuing operations of the Group. There were no discontinued operations during the financial year.

	For the six months ended 31 Dec 2014 \$'000	For the six months ended 31 Dec 2013 \$'000
<b>(a) Included in other revenue in the statement of profit or loss and other comprehensive income</b>		
Interest income	296	232
Other revenue	2,580	2,224
<b>Total other revenue</b>	<b>2,876</b>	<b>2,456</b>
<b>(b) Occupancy expenses</b>		
Minimum lease payments	4,094	3,741
Rates, taxes and other property costs	1,545	1,511
<b>Total occupancy expenses</b>	<b>5,639</b>	<b>5,252</b>
<b>(c) Acquisition costs</b>		
Business combination costs	2,988	792
<b>Total acquisition costs</b>	<b>2,988</b>	<b>792</b>
<b>(d) Included in other expenses in the statement of profit or loss and other comprehensive income</b>		
<b>Depreciation and amortisation</b>		
<b>Depreciation of non-current assets</b>		
Plant and office equipment	103	78
Furniture and fittings	40	86
Leasehold improvements	188	116
Electronic equipment	181	193
Motor vehicles	2	4
	514	477
<b>Amortisation of non-current assets</b>		
Software	373	852
Website development	255	438
Other intangible assets	19	-
	647	1,290
<b>Total depreciation and amortisation</b>	<b>1,161</b>	<b>1,767</b>
<b>Overheads</b>		
Information technology, warehousing and other general expense	5,410	4,031
Other expenses	1,658	1,690
<b>Total overhead expenses</b>	<b>7,068</b>	<b>5,721</b>
<b>Total other expenses</b>	<b>8,229</b>	<b>7,488</b>

## Notes to the interim consolidated financial statements (continued)

### 6. Cash and bank balances

	As at 31 Dec 2014 \$'000	As at 30 Jun 2014 \$'000
Cash on hand	13,875	1,488
Cash on deposit	343	-
<b>Cash and cash equivalents</b>	<b>14,218</b>	<b>1,488</b>

During the half-year, material inflows and outflows of cash occurred. These effects are:

- 1) Net inflows of \$13,004,000 cash resulting from a capital raising
- 2) Inflow of \$5,867,000 cash from the acquisition of Grays eCommerce Group Limited (formerly Mnemon Limited, and its subsidiaries), represented as investing cash flows in the cash flow statement
- 3) Inflow of \$1,753,000 cash as part of finalising of all Grays (Aust) Holdings Pty Limited outstanding loan receivables
- 4) Outflow of \$4,500,000 cash to repay a debt facility with the Commonwealth Bank of Australia
- 5) Outflows of \$2,988,000 related to other financing activities

### 7. Inventories

	As at 31 Dec 2014 \$'000	As at 30 Jun 2014 \$'000
<b>Finished goods</b>		
Finished goods (at the lower of cost and net realisable value)	19,091	10,027
<b>Total inventory at the lower of cost and net realisable value</b>	<b>19,091</b>	<b>10,027</b>

# Notes to the interim consolidated financial statements (continued)

## 8. Property, plant and equipment

	Plant and office equipment	Furniture and fittings	Leasehold improvements	Electronic equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>						
At 1 July 2014	940	1,957	2,707	3,691	32	<b>9,327</b>
Additions	163	127	122	157	-	<b>569</b>
Acquisition of subsidiary	159	-	7	-	-	<b>166</b>
Disposals	(6)	(30)	(35)	(21)	-	<b>(92)</b>
<b>At 31 December 2014</b>	<b>1,256</b>	<b>2,054</b>	<b>2,801</b>	<b>3,827</b>	<b>32</b>	<b>9,970</b>
<b>Depreciation and impairment</b>						
At 1 July 2014	(373)	(1,765)	(1,001)	(2,789)	(17)	<b>(5,945)</b>
Depreciation	(103)	(40)	(188)	(181)	(2)	<b>(514)</b>
Disposals	3	29	33	-	-	<b>65</b>
Impairment	-	-	-	-	-	<b>-</b>
<b>At 31 December 2014</b>	<b>(473)</b>	<b>(1,776)</b>	<b>(1,156)</b>	<b>(2,970)</b>	<b>(19)</b>	<b>(6,394)</b>
<b>Balance at 31 December 2014</b>	<b>783</b>	<b>278</b>	<b>1,645</b>	<b>857</b>	<b>13</b>	<b>3,576</b>

	Plant and office equipment	Furniture and fittings	Leasehold improvements	Electronic equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>						
At 1 July 2013	626	1,957	1,426	3,301	42	<b>7,353</b>
Additions	339	29	1,282	391	11	<b>2,052</b>
Acquisition of subsidiary	-	-	-	-	-	<b>-</b>
Disposals	(25)	(29)	-	-	(22)	<b>(76)</b>
<b>At 30 June 2014</b>	<b>940</b>	<b>1,957</b>	<b>2,707</b>	<b>3,691</b>	<b>32</b>	<b>9,327</b>
<b>Depreciation and impairment</b>						
At 1 July 2013	(226)	(1,665)	(641)	(2,417)	(13)	<b>(4,961)</b>
Depreciation	(167)	(125)	(360)	(372)	(7)	<b>(1,031)</b>
Disposals	19	24	-	-	4	<b>47</b>
Impairment	-	-	-	-	-	<b>-</b>
<b>At 30 June 2014</b>	<b>(373)</b>	<b>(1,765)</b>	<b>(1,001)</b>	<b>(2,789)</b>	<b>(17)</b>	<b>(5,945)</b>
<b>Balance at 30 June 14</b>	<b>567</b>	<b>192</b>	<b>1,706</b>	<b>902</b>	<b>15</b>	<b>3,382</b>

## Notes to the interim consolidated financial statements (continued)

### 9. Intangible assets

	Software	Website Development	Goodwill	Other Intangible Assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>					
At 1 July 2014	3,712	5,270	4,995	120	14,097
Additions	440	147	-	5	592
Acquisition of subsidiary	33	-	24,369	-	24,402
Disposals	-	-	-	-	-
<b>At 31 December 2014</b>	<b>4,185</b>	<b>5,417</b>	<b>29,364</b>	<b>125</b>	<b>39,091</b>
<b>Amortisation and impairment</b>					
At 1 July 2014	(2,751)	(4,466)	-	(5)	(7,222)
Amortisation	(373)	(255)	-	(19)	(647)
Disposals	(1)	-	-	7	6
Impairment	-	-	-	-	-
<b>At 31 December 2014</b>	<b>(3,125)</b>	<b>(4,721)</b>	<b>-</b>	<b>(17)</b>	<b>(7,863)</b>
<b>Balance at 31 December 2014</b>	<b>1,060</b>	<b>696</b>	<b>29,364</b>	<b>108</b>	<b>31,228</b>

	Software	Website Development	Goodwill	Other Intangible Assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost</b>					
At 1 July 2013	3,011	5,977	4,995	3,846	17,829
Additions	700	160	-	4	865
Acquisition of subsidiary	-	-	-	-	-
Disposals	-	(867)	-	(3,730)	(4,598)
<b>At 30 June 14</b>	<b>3,712</b>	<b>5,270</b>	<b>4,995</b>	<b>120</b>	<b>14,097</b>
<b>Amortisation and impairment</b>					
At 1 July 2013	(2,201)	(3,712)	-	(514)	(6,427)
Amortisation	(550)	(1,210)	-	-	(1,760)
Disposals	-	456	-	509	965
Impairment	-	-	-	-	-
<b>At 30 June 14</b>	<b>(2,751)</b>	<b>(4,466)</b>	<b>-</b>	<b>(5)</b>	<b>(7,222)</b>
<b>Balance at 30 June 14</b>	<b>961</b>	<b>804</b>	<b>4,995</b>	<b>115</b>	<b>6,875</b>

### 10. Impairment testing of goodwill and intangibles with indefinite lives

Impairment testing of goodwill and intangible assets with indefinite lives occurs annually and when circumstances indicate the carrying value may be impaired.

As at reporting date and to the date of issue of this report, there have been no circumstances that have occurred to indicate the carrying value of goodwill and intangibles with indefinite lives are impaired.

An additional \$24,369,000 of provisional goodwill was recognised during the period by virtue of the reverse acquisition of Grays eCommerce Group Limited (formerly Mnemon Limited) and its subsidiaries on 7 November 2014.

# Notes to the interim consolidated financial statements (continued)

## 11. Financial assets and financial liabilities

### (a) Fair value of financial instruments

The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

### (b) Categories of financial instruments

The following table details the carrying amounts, recorded at amortised cost, of the Group's financial assets and financial liabilities:

	As at 31 Dec 2014 \$'000	As at 30 Jun 2014 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	14,218	1,488
Loans and receivables	8,362	12,763
<b>Total financial assets</b>	<b>22,580</b>	<b>14,251</b>
<b>Financial liabilities</b>		
Trade and other payables	30,933	19,948
Interest bearing loans and borrowings	-	4,500
<b>Total financial liabilities</b>	<b>30,933</b>	<b>24,448</b>

The fair value of the interest bearing loans and liabilities approximates carrying value.

The following table details the carrying amount, recorded at fair value, of the Group's financial assets and financial liabilities:

	As at 31 Dec 2014 \$'000	As at 30 Jun 2014 \$'000
<b>Financial Assets/(Liabilities)</b>		
Foreign exchange contracts	29	(52)
<b>Total financial assets/(liabilities)</b>	<b>29</b>	<b>(52)</b>

## 12. Income taxes

	For the six months ended 31 Dec 2014 \$'000	For the six months ended 31 Dec 2013 \$'000
<b>Income taxes</b>		
Current income tax expense/(benefit)	555	450
<b>Income tax expense/(benefit) recognised in the statement of profit or loss and other comprehensive income</b>	<b>555</b>	<b>450</b>

Grays eCommerce Group Limited (formerly Mnemon Limited) and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 7 November 2014. Grays eCommerce Group Limited is the head entity of the tax consolidated group. Members of the former Grays (Aust) Holdings Pty Limited Tax Group entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

## Notes to the interim consolidated financial statements (continued)

Tax sharing agreements are currently in review and will be updated to include all entities within the Group.

No amounts have been recognised in the financial statements in respect of the current agreements on the basis that the possibility of default is remote.

### 13. Issued capital

	As at 31 Dec 2014 \$'000		As at 30 Jun 2014 \$'000	
Ordinary shares				
Issued and fully paid		44,091		9,292

	31-Dec-14		30-Jun-14	
	No	\$	No	\$
<i>Movements in ordinary shares</i>				
Balance at beginning of period	57,883	9,292	53,208	5,984
Movements throughout the year:				
Buyback of ordinary shares	(1,333)	(211)	-	-
Issue of ordinary shares	16,696	13,215	4,675	3,308
Issued capital of Grays eCommerce Group Limited	19,288	21,795	-	-
Balance at end of period	92,534	44,091	57,883	9,292

As a result of the reverse acquisition, the number of shares above has been converted at the exchange ratio of 638 shares to 1.

As part of the merger between Grays eCommerce Group (formerly Mnemon Limited) and Grays (Aust) Holdings Pty Limited, shareholders of Grays (Aust) Holdings Pty Limited are 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 7 November 2015.

### 14. Reserves

The nature and purpose of the Group reserves are:

#### Foreign exchange reserve

Foreign exchange reserve occurs on consolidation of a foreign entity. The Group has an entity located in New Zealand and a foreign exchange reserve at 31 December 2014 of (\$5,000) (30 June 2014: (\$5,000)) was accounted for.

#### Share equity reserve

The share equity reserve is a result of accounting for a transaction in accordance with AASB 3 *Business Combinations*.

## **Notes to the interim consolidated financial statements (continued)**

### **15. Dividends**

Grays eCommerce Group Limited (formerly Mnemon Limited) had no dividends paid or declared during the half-year ended 31 December 2014 (30 June 2014: nil).

On 22 September 2014, Grays (Aust) Holdings Pty Limited paid out fully franked dividends which comprised a special dividend of \$3,594,000 (at 30 June 2014: \$nil) relating to a buyback of the entity's share capital.

### **16. Related party transactions**

There have been no related party transactions during the half-year period.

### **17. Subsequent events**

There have been no material subsequent events.



## Directors' Declaration

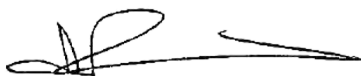
In accordance with a resolution of the directors of Grays eCommerce Group Limited for the half-year ended 31 December 2014, I state that:

In the opinion of the directors:

- (a) the attached financial statements and notes of Grays eCommerce Group Limited are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year then ended; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the board



J. Pinshaw  
Chairman

26 February 2015

## Auditor's Independence Declaration



Ernst & Young Services Pty Limited  
680 George Street  
Sydney NSW 2000 Australia  
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Fax: +61 2 9248 5959  
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### Auditor's Independence Declaration to the Directors of Grays eCommerce Group Limited

In relation to our review of the financial report of Grays eCommerce Group Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Et + Yoy'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'C George'.

Christopher George  
Partner  
26 February 2015

# Auditor's Report



Ernst & Young  
680 George Street  
Sydney NSW 2000 Australia  
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[ey.com/au](http://ey.com/au)

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 2014, 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 2014 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 period, 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.

## Auditor's Report (continued)



### 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 2014 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*.

A handwritten signature in black ink, appearing to read 'EY + Yoy', is positioned above the company name.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Christopher George', is positioned above the printed name.

Christopher George  
Partner  
Sydney  
26 February 2015

## Corporate Information

<b>ABN</b>	94 125 736 914
<b>Directors</b>	Mr J. Pinshaw (Chairman) Ms N Sparks Mr W. Vicars Mr M. Bayliss (Executive Director)
<b>Company Secretary</b>	Ms Leanne Ralph
<b>Registered office</b>	29-33 Carter Street Lidcombe NSW 2140 Phone: +61 2 9741 9600 Facsimile: +61 2 9741 9680
<b>Principal place of business</b>	29-33 Carter Street Lidcombe NSW 2140 Phone: +61 2 9741 9600 Facsimile: +61 2 9741 9680
<b>Share register</b>	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272 or 1300 850 505 Facsimile: +61 2 8235 8150