MySale Group Plc

Company Number 115584

Interim Report - 31 December 2016

Directors	Iain McDonald - Independent Non-Executive Chairman David Mortimer AO - Independent Non-Executive Director Jamie Jackson - Executive Director and Vice Chairman Carl Jackson - Executive Director and Chief Executive Officer Andrew Dingle - Executive Director and Chief Financial Officer
Head office	5/111 Old Pittwater Road, Brookvale, NSW 2100, Australia
Company secretary	Prism Cosec Limited, 10 Margaret Street, London, W1W 8RL
Registered office	Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey
Principal place of business	United Kingdom: Second floor, 19-20 Berners Street, London, W1T 3NW Australia: 5/111 Old Pittwater Road, Brookvale, NSW 2100 United States: 1107 S.Boyle Avenue, Los Angeles, CA 90023
Auditor	PricewaterhouseCoopers LLP,1 Embankment Place, London, WC2N 6RH
Solicitors	United Kingdom: Linklaters LLP, One Silk Street, London, EC2Y 8HQ Australia: Clayton Utz, Level 15, 1 Bligh Street, Sydney, NSW 2000 Jersey: Ogier, Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG
Website	www.mysalegroup.com
Nominated advisor and joint brokers	Zeus Capital Limited, 41 Conduit Street, London, W1S2YQ
Joint brokers	N+1 Singer, 1 Bartholomew Lane, London, EC2N 2AX
Company registrars	Computershare Investor Services (Jersey) Limited Queensway House, Hilgrove Street, St. Helier, JE1 1ES, Jersey

H1 Financial highlights

- Underlying[1] EBITDA significantly increased to A$3.0 million (H1 FY16: A$1.8 million)
- Online[2] revenue increased 19% to A$127.1 million (H1 FY16: A$107.0 million)
- Good gross profit growth of 17% to A$38.4 million (H1 FY16: A$32.7 million)
- Underlying profit before tax A$0.6 million (H1 FY16: loss A$0.2 million)
- Strong balance sheet with net cash balance increased to A$29.1 million from A$27.5 million at 30 June 2016 and A$23.4 million at 31 December 2016

H1 Operational highlights

- Active customer base increased 19% to 870,000 (H1 FY16: 731,000)
- Continued focus on activating customers with higher lifetime-value
  - Average order value (AOV) increased 3% to A$86 (H1 FY16: A$84)
  - Robust average revenue per active customer at A$295 (H1 FY16: A$294)
- Mobile channel represented 58% of orders
- Returns rate remains at industry leading levels of only 5%
- Planned increased investment in the technology platform
- Strategic plan to increase own-buy continues – now 19% of sales
- After the period end launched a strategic partnership with USA retailer gilt.com

[1] Underlying basis: stated before non-recurring and certain non-cash items
[2] Online: the group's online web-based retail activities

Chairman's statement

During the first half to 31 December 2016 the group has built on the momentum of the previous year. We have made good progress against the goals we had set ourselves and this is reflected in our much improved financial performance. Solid improvements in gross profit have been achieved and our generation of underlying EBITDA has increased markedly.

We maintain our aims to drive increased activity with existing customers, grow our active customer base and increase profitability whilst re-investing into developments that will drive future growth. We have well invested technology and distribution platforms, but will maintain our process of continual investment and improvement in order to provide even better experiences for customers and solutions to our brand partners. Following the investment in product selection during the prior year, working capital requirements have returned to low levels and cash generation has been positive.

The second half is traditionally stronger and whilst there is much to accomplish the group is performing in line with our expectations for the current financial year and we have a number of exciting new initiatives in place which will support our plans to grow.

Iain McDonald
Chairman
28 February 2017

Review of operations by the Chief Executive Officer

MySale Group Plc ('the group') has made excellent progress in the six months to 31 December 2016 (H1 FY17). Planned strategic initiatives have delivered another half of improved financial performance and positioned the group for further, profitable, growth.

The group's continued focus on customer engagement meant that the active customer base grew 19% and in turn online revenue, which represents over 90% of the group total, grew substantially, up 19%, to A$127.1 million (H1 FY16: A$107.0 million).

Total group revenue rose 7% to A$136.7 million (H1 FY16: A$128.2 million) which reflects the strong online growth referred to above, together with a planned reduction in lower margin offline revenue in the period. The group's focus on gross profit growth has delivered the increase of 17% to A$38.4 million (H1 FY16: A$32.7 million) which is underpinned by a 260 bp increase in gross margin to 28.1% (H1 FY16: 25.5%).

	H1-FY17			Growth vs FY16		H1-FY16		
A$ million	**Revenue**	**Gross Profit**	**GP%**	**Revenue**	**Gross Profit**	**Revenue**	**Gross Profit**	**GP%**
Group	**136.7**	**38.4**	**28.1%**	**+7%**	**+17%**	**128.2**	**32.7**	**25.5%**
ANZ	112.3	32.8	**29.2%**	+3%	+18%	109.5	27.9	**25.5%**
S-E Asia	17.4	4.5	**25.8%**	+12%	+16%	15.5	3.9	**24.9%**
ROW	7.0	1.1	**15.8%**	+112%	+14%	3.3	1.0	**29.4%**

This improved trading performance is driven by the group's clear plan to prioritise the growth of gross profit and secure higher lifetime-value customers. This combined with a carefully controlled cost base drove the group's underlying EBITDA significantly higher to A$3.0 million (H1 FY16: A$1.8 million). The group's strategic plan has now grown underlying EBITDA in each of the last four half year periods.

The basis of the group's improved trading and financial performance this period has its foundations in 2015 when the group re-focused the business on its core aims of providing exceptional value in branded products to customers and exceptional inventory management solutions to brand partners within the group's three core territories. Whilst there is still much work to do and many opportunities to capture the results of H1 FY17 represent yet another step on the group's path of profitable growth.

During the period, and across all territories, the group continued to dedicate its marketing spend, which was circa 7% of revenue, almost exclusively into measurable, digital channels to attract and engage new and existing customers. Ongoing communications with existing customers has seen those loyal and engaged customers continue to spend with reliable regularity and with increasing order sizes.

Recently the group diversified that marketing spend, notably in ANZ, by increasing the emphasis of spend into customer re-engagement activity. Whilst it is very early in this diversification plan the results have been encouraging and marketing efficiency has improved.

Technology Development

The group has, as planned, increased capital expenditure to further develop its proprietary technology capabilities and will do so again in the second half of the financial year. During the period an important phase of work was reaching a conclusion which saw the release of a new and enhanced version of the group's technology platform in January 2017.

The new platform is now fully integrated across both the established flash sale and the nascent retail marketplace activities of the group. A focus of the development has been to enhance the group's data capabilities for better collection and analysis, improved machine learning and automation which in turn will drive improved customer experiences, increased revenue and more efficiency. The platform provides seamless user interaction across all devices and has a strong focus on the mobile buyer which represents 58% of the group's orders.

The group has continued to use its technology innovation for tactical improvements in the customer proposition which drive revenue, one example being the development of Our Pay. Our Pay is an instalment payment scheme which has the ability to increase purchasing with those customers accepted to the programme. The group's instalment solution was developed in house on the group's proprietary platform which has delivered a more flexible solution, which is better suited to the group's requirements than comparable third party solutions.

Brand and Strategic Partnerships

The group has acquired a number of new brand partners during the period, the most notable being the launch of a relationship with gilt.com, a US based online retailer which is part of The Hudson's Bay Company. This is the start of a strategic partnership which is anticipated to provide a significant product selection available to all the group's territories.

The strategic partnership launched with Sports Direct, as previously announced, for access to more than 150,000S SKU's of Sports Direct's inventory is now operational and the group commenced live sales on its retail marketplace in the second quarter. Given the size of this inventory the group is now in a period of planning, testing and optimising the merchandising and marketing of this inventory to the ANZ customer base. Forging partnerships with flagship retailers such as Gilt and Sports Direct is a strong endorsement of the group's capabilities in supporting brands in establishing new sales channels as well as inventory management.

Retail Marketplace

The group's nascent retail marketplace channel, which operates, on a supplier drop-ship inventory basis, in the product verticals of sports, home and gifting has the three ANZ websites of ''dealsdirect'' ''oo'' and ''topbuy'' acquired in H2 FY16 as its foundation. The new group technology platform described above means that the retail marketplace and flash channels operate on the same platform which allows for numerous advantages including: better sharing of data; more efficient use of resources; visibility of inventory performance; and reduced buying administration.

The creation of the retail marketplace platform represents a step change in the potential addressable audience and in future revenue opportunities. Designed with mobile commerce at its heart and to be simple and intuitive for vendors to use, this platform will further support our brand partners and their sales ambitions. Increasingly brands use marketplace solutions to support their international sales as it provides local knowledge, existing audiences, and ease of start-up to their expansion plans.

Operations

In FY16 the group implemented its strategy to increase the proportion of inventory that is obtained on 'own-buy', rather than on a consignment basis, and in this first half own-buy increased to 19% of online revenue, consistent with that strategy. This strategy supports deeper relationships with brand partners, slightly higher gross margins and wider product selection for customers. Own-buy activity is focused on staple, branded goods.

The combination of the group's sourcing, compelling consumer value, product selection and reliable service means that returned goods remain at industry leading levels of only 5% overall.

Australia & New Zealand

Within this operating territory the group has continued to successfully implement our strategic initiatives and improved gross profit, by 18% to A$32.8 million (H1 FY16: A$27.9 million) and gross margin to 29% (H1 FY16: 25%) whilst also growing revenue by 3% to A$112.3 million (H1 FY16: 109.5 million). The increase in AOV to c. $85 achieved in FY16 has been maintained by continued focus on a localised offer with strong merchandising, pricing and overall customer proposition.

As noted above the group's nascent retail marketplace sales channel was launched in this territory during the period and represents an opportunity to significantly increase the group's addressable market in the region. The first flagship retailer to join this marketplace was Sports Direct and they are now fully integrated to the group's platform which allows the process of marketing, merchandising and optimising the customer offer, from the c. 150,000 SKU's available, to start. The sporting goods market in ANZ is estimated to be worth in excess of A$3 billion annually and the strong value offer provided by Sports Direct combined with group's experience in connecting customers with brands is anticipated to create a compelling proposition in this vertical.

While the group's operation in ANZ is long established, it continues to provide attractive growth possibilities due to both the lower levels of internet penetration, in comparison to territories such as the United Kingdom and the USA, and this region's relative lack of off-price retailers.

South-East Asia

During the period this region had revenue growth of 12% to A$17.4 million (H1 FY16: A$15.5 million) and a 16% increase in gross profit to A$4.5 million (H1 FY16: A$3.8 million). The continued growth in revenue and profitability has been driven by the group's localisation plan for this territory which ensures that merchandising, pricing, payment and shipping solutions are all tailored to the needs of local consumers. The significant increase in AOV achieved in FY16 has been maintained.

The group's strategy for this territory has been to grow firstly the active customer base, so acquisition marketing is a priority, and then to build gross profitability and leverage this increasing scale to use resources more efficiently and achieve lower shipping rates. With a more profitable model now established, South-East Asia reinforces its position as a key element of the group's growth strategy.

In the medium to long term this region is anticipated to be increasingly significant as the group sees growth in both its customer base and demand for branded products, particularly European and USA brands. With a substantial addressable population, increasing disposable income, lack of off-price competition and high mobile penetration this region is well served by the group's strong value, branded sales offer and exceptional mobile commerce capability.

Rest of World

This territory comprises the group's operations within the United Kingdom, re-launched in the second half of FY15 and trading predominately under the Cocosa brand, which provides customers with compelling value in premium branded products.

The United Kingdom had a positive first half, as revenue increased by more than 100%, thereby achieving revenues of A$7.0 million (H1 FY16: A$3.3 million) for the period. This significant growth was underpinned by increased numbers of active customers. Gross margin was lower than a year earlier but this is consistent with an early stage territory when margins are more likely to fluctuate as the business is developing the customer base. Full year margins are anticipated to be higher.

These are encouraging results and position the business for further growth in the current financial year. Whilst currently a relatively small part of the group's overall activities, this business operates in the UK's large and well developed online marketplace where engaged and active consumers can be acquired successfully and cost effectively. Given there is no online flash sale operator of scale in the UK the group has targeted becoming a leading operator in the country.

Outlook

The group made a strong start to the year with significantly improved financial performance and good progress against the strategic goals. Customers are buying in increasing numbers, group trading metrics remain stable or improving and both gross profit and underlying EBITDA moved forward again.

The group carries good momentum into the historically stronger second half of the year and has a number of exciting initiatives which will support the future growth plans.

Growth of underlying EBITDA for four consecutive half year periods provides an endorsement of the group's strategic plan. The board remains confident in the current year's prospects and that trading will be in line with the current range of analysts' projections of underlying EBITDA of A$8.5 to A$8.7 million.

Carl Jackson
Chief Executive Officer
28 February 2017

Financial review by the Chief Financial Officer

Revenue and Gross Profit
For the half year ended 31 December 2016 group revenue increased by 7% to A$136.7 million (H1 FY16: A$128.2 million) and gross profit increased substantially by 17% to A$38.4 million (H1 FY16: A$32.7 million) as a result of the strategic plans implemented in H1 FY16.

Operating Expenses
The substantial increase in activity and gross profit led underlying operating expenses to increase 14% to A$35.4 million (H1 FY16: A$30.9 million) in the period. The group has a number of operating expenses which are incurred in a profile that is weighted to the first half of the financial year.

Profit/Loss before Tax
The underlying profit before tax for the period is A$0.6 million (H1 FY16: loss A$0.2 million) and the reported loss before tax for the period is $A1.4 million (H1 FY16: A$0.5 million). This reported loss is after the inclusion of a number of one-off and non-cash items which are shown in more detail in note 4 to the financial statements in order to provide greater insight as to the underlying profitability of the group.

Taxation
The group has recorded a tax benefit of A$1.0 million for the year (H1 FY16: tax expense of A$0.1 million) which represents an effective rate of tax which diverges from the group's long term guidance of c. 30%. This divergence arises due to various tax adjustments and timing differences. Full details are provided in note 5 to the financial statements. The group has total tax losses of A$31 million (H1 FY16: A$30 million) with the majority located in Australia. The entire tax loss has been recognised with the provision of a deferred tax asset of A$10.9 million (H1 FY16: A$11.0 million).

Balance Sheet, Cash and Working Capital
The group's closing cash balance was A$37.8 million (H1 FY16: A$30.0 million) and the net cash balance increased to A$29.1 million (H1 FY16: A$30.0 million) from A$27.5 million at the prior year end June 2016.

The significant increase in cash balances over the last 12 months principally results from the combination of cash generated from operations and an improved working capital profile less investment into the technology platform in line with the group's strategic plan.

Capital expenditure increased, as planned, during the period as the group invested in the development of its proprietary technology platform. Total capital expenditure was A$3.2 million (H1 FY16: A$1.5 million)

Banking Facilities
The group has significant cash balances, held principally with HSBC with whom the group also has trade finance multi option debt facilities of GBP£3.0 million. In addition the group has trade finance facilities of A$12.2 million with ANZ Bank. All facilities are renewed on an annual basis. Of the total facilities of A$18.0 million, A$9.3 million remains undrawn at the period-end.

Key Performance Indicators
The group manages its operations through the use of a number of key performance indicators (KPI's) such as revenue, revenue growth, gross margin percentage, average order value (AOV), average revenue per active customer (RPAC), and underlying EBITDA.

Underlying Basis
The group manages its operations by looking at the underlying EBITDA which excludes the impact of a number of one-off and non-cash items of a non-trading nature as this, in the Board's opinion, provides a more representative measure of the group's performance. A reconciliation between reported profit before tax and underlying EBITDA is included at note 4 to the financial statements. Included within these items during the period were share based payments, unrealised FX costs and one-off costs including items relating to prior period reorganisations and one-off transition costs arising from system migration.

Andrew Dingle
Chief Financial Officer
28 February 2017

MySale Group Plc
Statements of profit or loss and other comprehensive income
For the period ended 31 December 2016

	Note	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Revenue				
Revenue from sale of goods		136,682	128,230	252,289
Cost of sale of goods		(98,255)	(95,503)	(185,633)
Gross profit		38,427	32,727	66,656
Other operating (loss)/gains, net		(1,304)	971	2,173
Finance income		60	50	125
Finance costs		(79)	(22)	(97)
Finance income, net		(19)	28	28
Expenses				
Selling and distribution expenses		(23,098)	(19,249)	(37,460)
Administration expenses		(15,397)	(14,931)	(31,126)
Share of loss of joint venture		-	(43)	(104)
(Loss)/profit before income tax benefit/(expense)		(1,391)	(497)	167
Income tax benefit/(expense)	5	1,048	(119)	(364)
Loss after income tax benefit/(expense) for the period		(343)	(616)	(197)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Net change in the fair value of cash flow hedges taken to equity, net of tax		927	(684)	(1,068)
Foreign currency translation		(1,352)	4	(2,161)
Other comprehensive income for the period, net of tax		(425)	(680)	(3,229)
Total comprehensive income for the period		(768)	(1,296)	(3,426)
Loss for the period is attributable to:				
Non-controlling interest		-	-	(20)
Owners of MySale Group Plc		(343)	(616)	(177)
		(343)	(616)	(197)
Total comprehensive income for the period is attributable to:				
Non-controlling interest		-	-	(20)
Owners of MySale Group Plc		(768)	(1,296)	(3,406)
		(768)	(1,296)	(3,426)

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

	Note	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
		Cents	Cents	Cents
Basic earnings per share	14	(0.23)	(0.41)	(0.12)
Diluted earnings per share	14	(0.23)	(0.41)	(0.12)

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

MySale Group Plc
Balance sheets
As at 31 December 2016

	Note	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Assets				
Current assets				
Cash and cash equivalents	6	37,825	29,978	34,005
Trade and other receivables		8,759	22,180	9,058
Inventories		32,249	35,145	35,473
Other		5,859	8,162	7,973
Total current assets		84,692	95,465	86,509
Non-current assets				
Investments in joint venture		-	91	-
Property, plant and equipment	7	2,184	2,466	2,226
Intangibles	8	30,540	23,468	29,765
Deferred tax	9	10,879	10,986	10,295
Total non-current assets		43,603	37,011	42,286
Total assets		128,295	132,476	128,795
Liabilities				
Current liabilities				
Trade and other payables		29,068	29,991	29,548
Borrowings	10	8,677	6,590	6,476
Derivative financial instruments		120	662	1,047
Income tax payable		211	1,234	1,104
Provisions		1,930	1,941	2,163
Deferred revenue		11,552	13,277	11,677
Total current liabilities		51,558	53,695	52,015
Non-current liabilities				
Provisions		1,093	636	368
Total non-current liabilities		1,093	636	368
Total liabilities		52,651	54,331	52,383
Net assets		75,644	78,145	76,412
Equity				
Share premium account		306,363	306,363	306,363
Other reserves		(126,188)	(123,611)	(125,763)
Accumulated losses		(104,511)	(104,607)	(104,168)
Equity attributable to the owners of MySale Group Plc		75,664	78,145	76,432
Non-controlling interest		(20)	-	(20)
Total equity		75,644	78,145	76,412

The above balance sheets should be read in conjunction with the accompanying notes

The interim financial statements of MySale Group Plc (company number 115584) were approved by the Board of Directors and authorised for issue on 28 February 2017. They were signed on its behalf by:

Carl Jackson	Andrew Dingle
Director	Director

The above balance sheets should be read in conjunction with the accompanying notes

	Share premium account A$'000	Other reserves A$'000	Accumulated losses A$'000	Non-controlling interest A$'000	Total equity A$'000
Balance at 1 July 2015	306,363	(122,931)	(103,991)	-	79,441
Loss after income tax benefit/(expense) for the period	-	-	(616)	-	(616)
Other comprehensive income for the period, net of tax	-	(680)	-	-	(680)
Total comprehensive income for the period	-	(680)	(616)	-	(1,296)
Balance at 31 December 2015	306,363	(123,611)	(104,607)	-	78,145

	Share premium account A$'000	Other reserves A$'000	Accumulated losses A$'000	Non-controlling interest A$'000	Total equity A$'000
Balance at 1 July 2016	306,363	(125,763)	(104,168)	(20)	76,412
Loss after income tax benefit/(expense) for the period	-	-	(343)	-	(343)
Other comprehensive income for the period, net of tax	-	(425)	-	-	(425)
Total comprehensive income for the period	-	(425)	(343)	-	(768)
Balance at 31 December 2016	306,363	(126,188)	(104,511)	(20)	75,644

Audited year ended 30 June 2016	Share premium account A$'000	Other reserves A$'000	Accumulated losses A$'000	Non-controlling interest A$'000	Total equity A$'000
Balance at 1 July 2015	306,363	(122,931)	(103,991)	-	79,441
Loss after income tax (expense)/benefit for the period	-	-	(177)	(20)	(197)
Other comprehensive income for the period, net of tax	-	(3,229)	-	-	(3,229)
Total comprehensive income for the period	-	(3,229)	(177)	(20)	(3,426)
Transactions with owners in their capacity as owners:					
Share-based payments	-	397	-	-	397
Balance at 30 June 2016	306,363	(125,763)	(104,168)	(20)	76,412

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

	Note	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Cash flows from operating activities				
Loss before income tax benefit/(expense) for the period		(1,391)	(497)	167
Adjustments for:				
Depreciation and amortisation		2,411	2,042	4,383
Net (gain)/loss on disposal of property, plant and equipment		(11)	(14)	30
Share of loss - joint ventures		-	43	104
Interest income		(60)	(50)	(125)
Interest expense		79	22	97
		1,028	1,546	4,656
Change in operating assets and liabilities:				
Decrease in trade and other receivables		299	1,494	14,167
Decrease/(increase) in inventories		3,223	(17,265)	(17,593)
Decrease/(increase) in other operating assets		2,119	(3,386)	(3,153)
(Decrease)/increase in trade and other payables		(440)	762	155
Increase in other provisions		494	134	486
(Decrease)/increase in deferred revenue		(125)	2,130	530
		6,598	(14,585)	(752)
Interest received		60	50	125
Interest paid		(79)	(22)	(97)
Income taxes refunded		-	818	832
Income taxes paid		(418)	-	-
Net cash from/(used in) operating activities		6,161	(13,739)	108
Cash flows from investing activities				
Payment for purchase of business, net of cash acquired		-	-	(5,300)
Payments for property, plant and equipment	7	(613)	(225)	(782)
Payments for intangibles	8	(2,584)	(1,320)	(3,248)
Payments for security deposits		(6)	(39)	-
Proceeds from disposal of property, plant and equipment		47	120	153
Proceeds from disposal of intangibles		-	-	8
Proceeds from release of security deposits		-	-	(120)
Net cash used in investing activities		(3,156)	(1,464)	(9,289)
Cash flows from financing activities				
Proceeds from borrowings		5,931	7,812	9,089
Repayment of borrowings		(3,666)	(2,428)	(3,775)
Repayments of leases		(64)	(46)	(91)
Net cash from financing activities		2,201	5,338	5,223

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

	Note	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000
Net increase/(decrease) in cash and cash equivalents		5,206	(9,865)	(3,958)	
Cash and cash equivalents at the beginning of the financial period		34,005	39,853	39,853	
Effects of exchange rate changes on cash		(1,386)	(10)	(1,890)	
Cash and cash equivalents at the end of the financial period	6	37,825	29,978	34,005	

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

Note 1. General information

MySale Group Plc is a group consisting of MySale Group Plc (the 'company' or 'parent entity') and its subsidiaries (the 'group'). The financial statements of the group, in line with the location of the majority of the group's operations and customers, are presented in Australian dollars rounded to the nearest thousand.

The principal business of the group is the operation of online shopping outlets for consumer goods including; ladies, men and children’s fashion clothing, accessories, beauty and homeware items.

MySale Group Plc is a public company listed on the AIM (Alternative Investment Market), a sub-market of the London Stock Exchange. The company is incorporated and registered under the Companies (Jersey) Law 1991. The Company is domiciled in Australia.

The registered office of the company is Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey and principal place of business is at Unit 5, 111 Old Pittwater Road, Brookvale, NSW 2100, Australia.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 February 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with International Accounting Standards IAS 34 'Interim Financial Reporting'.

These interim 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.

New, revised or amending Accounting Standards and Interpretations adopted
The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the International Accounting Standards Board 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 group 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, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments
The group's operating segments are determined based on the internal reports that are reviewed and used by the Board of Directors (being the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews revenue and gross profit by reportable segments, being geographical regions. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in these financial statements.

The group’s operates separate websites in each country that it sells goods in. Revenue from external customers is attributed to each country based on the activity on that countries website. Similar types of goods are sold in all segments. The group's operations are unaffected by seasonality.

Intersegment transactions
Intersegment transactions were made at market rates and are eliminated on consolidation.

Note 3. Operating segments (continued)

Segment assets and liabilities
Assets and liabilities are managed on a group basis. The CODM does not regularly review any asset or liability information by segment and, accordingly there is no separate segment information. Refer to the consolidated balance sheet for group assets and liabilities.

Operating segment information

Unaudited six months ended 31 December 2016	Australia and New Zealand A$'000	South-East Asia A$'000	Rest of the world A$'000	Total A$'000
Revenue				
Sales to external customers	112,332	17,378	6,972	136,682
Total revenue	112,332	17,378	6,972	136,682
Gross profit	32,835	4,487	1,105	38,427
Other operating loss, net				(1,304)
Selling and distribution expenses				(23,098)
Administration expenses				(15,397)
Finance income				60
Finance costs				(79)
Loss before income tax benefit				(1,391)
Income tax benefit				1,048
Loss after income tax benefit				(343)

Reviewed six months ended 31 December 2015	Australia and New Zealand A$'000	South-East Asia A$'000	Rest of the world A$'000	Total A$'000
Revenue				
Sales to external customers	109,482	15,457	3,291	128,230
Total revenue	109,482	15,457	3,291	128,230
Gross profit	27,907	3,852	968	32,727
Other operating gains, net				971
Selling and distribution expenses				(19,249)
Administration expenses				(14,931)
Finance income				50
Finance costs				(22)
Share of loss of joint venture accounted for using the equity method				(43)
Loss before income tax expense				(497)
Income tax expense				(119)
Loss after income tax expense				(616)

Note 3. Operating segments (continued)

Audited year ended 30 June 2016	Australia and New Zealand A$'000	South-East Asia A$'000	Rest of the world A$'000	Total A$'000
Revenue				
Sales to external customers	210,710	31,590	9,989	252,289
Total revenue	210,710	31,590	9,989	252,289
Gross profit	57,060	7,546	2,050	66,656
Other operating gains, net				2,173
Selling and distribution expenses				(37,460)
Administration expenses				(31,126)
Finance income, net				28
Share of loss of joint venture accounted for using the equity method				(104)
Profit before income tax expense				167
Income tax expense				(364)
Loss after income tax expense				(197)

Note 4. EBITDA reconciliation (earnings before interest, taxation, depreciation and amortisation)

	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
EBITDA reconciliation			
(Loss)/profit before income tax benefit/(expense)	(1,391)	(497)	167
Add: Share of loss of joint venture	-	43	104
Less: Interest income	(60)	(50)	(125)
Add: Interest expense	79	22	97
Add: Depreciation and amortisation	2,413	2,042	4,383
EBITDA	1,041	1,560	4,626

Underlying EBITDA reconciliation

Underlying EBITDA represents EBITDA adjusted for significant, unusual and other one-off items.

EBITDA	1,041	1,560	4,626
Share-based payments expense	510	303	397
One off costs including IPO costs, acquisition expenses, one-off expenses	645	726	1,997
Reorganisation and discontinued operations	62	13	265
Unrealised FX (gain)/loss revaluation	790	(790)	(1,819)
Underlying EBITDA	3,048	1,812	5,466

The share based payments expense was included in this reconciliation from 30 June 2016 and therefore for consistency has also been included in the comparative figures for the six months ended 31 December 2015. Underlying EBITDA previously reported for the six months to 31 December 2015 was A$ 1,508,000.

Note 5. Income tax (benefit)/expense

	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Income tax (benefit)/expense			
Current tax	282	810	759
Deferred tax - origination and reversal of temporary differences	(681)	(881)	(413)
Adjustment recognised for prior periods	(649)	190	18
Aggregate income tax (benefit)/expense	(1,048)	119	364
Deferred tax included in income tax (benefit)/expense comprises:			
Increase in deferred tax assets (note 9)	(681)	(881)	(413)
Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate			
(Loss)/profit before income tax benefit/(expense)	(1,391)	(497)	167
Tax at the statutory tax rate of 30%	(417)	(132)	50
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Non-deductible expenses	35	196	218
Tax-exempt income	-	-	(26)
	(382)	64	242
Adjustment recognised for prior periods	(649)	190	64
Current period tax losses not recognised	-	34	58
Expected changes in future tax rates	-	(29)	-
Difference in overseas tax rates	(17)	(140)	-
Income tax (benefit)/expense	(1,048)	119	364

Tax at the statutory tax rate represents the effective rate of income tax across the jurisdictions in which each of the group entities are domiciled.

The tax rates of the main jurisdictions are Australia 30% (2015: 30%), Singapore 17% (2015: 17%), New Zealand 28% (2015: 28%), United Kingdom 20% (2015: 20%) and United States 43% (2015: 43%).

Note 6. Current assets - cash and cash equivalents

	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Cash at bank	32,625	22,578	28,805
Bank deposits at call	5,200	5,200	5,200
Bank deposits - pledged	-	2,200	-
	37,825	29,978	34,005

Bank deposits - pledged
The pledged bank deposits were in relation to the Asset Sale Deed to acquire the trade and assets of three online consumer retail businesses from Grays eCommerce Group Limited in Australia.

Note 7. Non-current assets - property, plant and equipment

	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Leasehold improvements - at cost	1,149	996	993
Less: Accumulated depreciation	(868)	(668)	(784)
	281	328	209
Plant and equipment - at cost	4,613	4,779	4,535
Less: Accumulated depreciation	(3,440)	(3,041)	(3,068)
	1,173	1,738	1,467
Fixtures and fittings - at cost	1,248	859	1,025
Less: Accumulated depreciation	(616)	(533)	(528)
	632	326	497
Motor vehicles - at cost	357	409	391
Less: Accumulated depreciation	(259)	(335)	(338)
	98	74	53
	2,184	2,466	2,226

	Leasehold improvements A$'000	Plant and equipment A$'000	Fixtures and fittings A$'000	Motor vehicles A$'000	Total A$'000
Balance at 1 July 2016	209	1,467	497	53	2,226
Additions	178	142	246	82	648
Disposals	(8)	(5)	(13)	(25)	(51)
Exchange differences	(3)	(38)	(7)	-	(48)
Depreciation	(95)	(393)	(91)	(12)	(591)
Balance at 31 December 2016	281	1,173	632	98	2,184

Note 7. Non-current assets - property, plant and equipment (continued)

Note 8. Non-current assets - intangibles

	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Goodwill - at cost	21,504	16,849	21,504
Customer relationships - at cost	3,407	2,274	3,512
Less: Accumulated amortisation	(2,030)	(1,136)	(1,536)
	1,377	1,138	1,976
Software - at cost	9,206	5,536	6,986
Less: Accumulated amortisation	(3,899)	(2,328)	(3,070)
	5,307	3,208	3,916
ERP system	4,326	3,460	3,923
Less: Accumulated amortisation	(1,974)	(1,187)	(1,554)
	2,352	2,273	2,369
	30,540	23,468	29,765

	Goodwill A$'000	Customer relationships A$'000	Software A$'000	ERP system A$'000	Total A$'000
Balance at 1 July 2016	21,504	1,976	3,916	2,369	29,765
Additions	-	-	2,219	397	2,616
Disposals	-	-	(3)	-	(3)
Exchange differences	-	(31)	8	5	(18)
Amortisation	-	(568)	(833)	(419)	(1,820)
Balance at 31 December 2016	21,504	1,377	5,307	2,352	30,540

Note 9. Non-current assets - deferred tax

	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Deferred tax asset comprises temporary differences attributable to:			
Amounts recognised in profit or loss:			
Tax losses	9,073	8,743	9,324
Accrued expenses	560	1,277	701
Provisions	782	604	847
Sundry	1,118	1,324	269
Property, plant and equipment	(171)	(757)	(253)
Intangibles	(483)	(205)	(593)
Deferred tax asset	10,879	10,986	10,295
Movements:			
Opening balance	10,295	10,320	10,320
Credited to profit or loss (note 5)	681	881	413
Additions through business combinations	-	-	(360)
Exchange loss	(97)	(215)	(78)
Closing balance	10,879	10,986	10,295

Deferred income tax assets are recognised for tax losses, non-deductible accruals and provisions and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Note 10. Current liabilities - borrowings

	Unaudited six months ended 31 December 2016 A$'000	Reviewed six months ended 31 December 2015 A$'000	Audited year ended 30 June 2016 A$'000
Bank loans	5,200	5,200	5,200
Bank loans under interchangeable facilities	3,477	1,281	1,212
Finance lease liability	-	109	64
	8,677	6,590	6,476

Note 10. Current liabilities - borrowings (continued)

The group has a A$12,233,000 (30 June 2016: A$12,233,000 and at 31 December 2015: A$12,233,000) borrowing facility with Australia and New Zealand Banking Group Limited ('ANZ') which is secured by a Corporate Guarantee and Indemnity. The group is required to comply with the following covenants in relation to this facility:

● EBITDA and sales must not be less then amounts agreed with ANZ, being 90% of budgeted EBITDA and sales on a half-yearly basis. The group is in compliance with the covenant;

● Current ratio being the ratio of total current assets over total current liabilities must exceed 1.5:1 at all times. The group is in compliance with the covenant and its strategy is to maintain the current ratio above the 1.5:1 requirement; and

● Distributions to shareholders must not be made without the written consent of ANZ. The group is in compliance with the covenant as of the reporting date and at the date these financial statements were authorised for issue.

The group has a GBP £3,000,000 (30 June 2016: GBP £3,000,000 and at 31 December 2015: GBP £3,000,000) borrowing facility with Hong Kong and Shanghai Banking Corporation Plc ('HSBC') which is secured by a Corporate Guarantee.

Assets pledged as security
All bank borrowings of the group are secured by a Corporate Guarantee and Indemnity. Average interest rate incurred on these bank borrowings was 1.9% (30 June 2016: 2.0% and at 31 December 2015: 2.2%).

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the balance sheet, revert to the lessor in the event of default.

Note 11. Fair value measurement

Fair value hierarchy
The following tables detail the group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Unaudited six months ended 31 December 2016	Level 1 A$'000	Level 2 A$'000	Level 3 A$'000	Total A$'000
Liabilities				
Derivative financial instruments	-	120	-	120
Total liabilities	-	120	-	120

Reviewed six months ended 31 December 2015	Level 1 A$'000	Level 2 A$'000	Level 3 A$'000	Total A$'000
Liabilities				
Derivative financial instruments	-	662	-	662
Total liabilities	-	662	-	662

Audited year ended 30 June 2016	Level 1 A$'000	Level 2 A$'000	Level 3 A$'000	Total A$'000
Liabilities				
Derivative financial instruments	-	1,047	-	1,047
Total liabilities	-	1,047	-	1,047

Note 11. Fair value measurement (continued)

There were no transfers between levels during the period.

The carrying values of other financial assets and financial liabilities presented in these financial statements represent a reasonable approximation of fair value.

Note 12. Contingent liabilities

The group issued a bank guarantee through its banker, ANZ, in respect of lease obligations amounting to A$979,000 (30 June 2016: A$874,000 and 31 December 2015: A$874,000). As 31 December 2016, the group no longer had a bank guarantee through ANZ in respect of a merchant facility deposit (30 June 2016: USD$ Nil and 31 December 2015: USD$2,100,000).

The group also issued a bank guarantee through its banker ANZ, in respect of customs and duties obligations amounting to NZ$150,000 (30 June 2016: NZ$150,000 and 31 December 2015: NZ$150,000).

The group also issued bank guarantees through its banker, HSBC, in respect of retail lease agreements in New Zealand, amounting to NZ$69,000 (30 June 2016: A$Nil and 31 December 2015: A$Nil).

Note 13. Related party transactions

Parent entity
MySale Group Plc is the parent company of the group.

Transactions with related parties
The following transactions occurred with related parties:

	Unaudited six months ended 31 December 2016 A$000	Reviewed six months ended 31 December 2015 A$000	Audited year ended 30 June 2016 A$000
Sale of goods and services:			
Sale of goods to other related party	897	15,263	22,521
Sale of freight services to other related party	324	270	1,028
Payment for goods and services:			
Purchase of goods from other related party	161	60	685

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Unaudited six months ended 31 December 2016 A$000	Reviewed six months ended 31 December 2015 A$000	Audited year ended 30 June 2016 A$000
Current receivables:			
Trade receivables from other related party	-	11,415	1,784
Current payables:			
Trade payables to other related party	292	159	224

Note 13. Related party transactions (continued)

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 14. Earnings per share

	Unaudited six months ended 31 December 2016 A$000	Reviewed six months ended 31 December 2015 A$000	Audited year ended 30 June 2016 A$000
Loss after income tax	(343)	(616)	(197)
Non-controlling interest	-	-	20
Loss after income tax attributable to the owners of MySale Group Plc	(343)	(616)	(177)

	Number	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	150,647,610	150,647,610	150,647,610
Weighted average number of ordinary shares used in calculating diluted earnings per share	150,647,610	150,647,610	150,647,610

	Cents	Cents	Cents
Basic earnings per share	(0.23)	(0.41)	(0.12)
Diluted earnings per share	(0.23)	(0.41)	(0.12)

Comment at 31 December 2016
9,350,287 employee long term incentives have been excluded from the diluted earnings calculation as they are anti-dilutive for the period.

Comment at 30 June 2016
5,539,326 employee long term incentives have been excluded from the diluted earnings calculation as they are anti-dilutive for the year.

Comment at 31 December 2015
111,499 employee long term incentives have been excluded from the diluted earnings calculation as they are anti-dilutive for the period.

Note 15. Events after the reporting period

On 30 January 2017, the company issued 3,000,000 ordinary shares to MySale Group Trustee Limited, in its capacity as the trustee of the MySale Group Plc Employee Benefit Trust ('EBT'). This issue is in accordance with the terms of the Company's Joint Share Ownership Plan (the "Plan") ("JSOP Shares") which provides long-term performance-related incentives to employees and to assist with the retention of key employees.

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.

Note 15. Events after the reporting period (continued)