

# MIYSALE

GROUP PLC

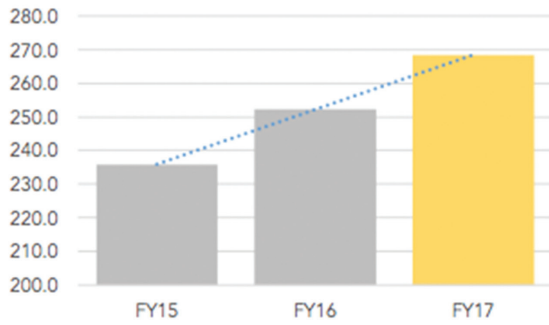
## ANNUAL REPORT 2017



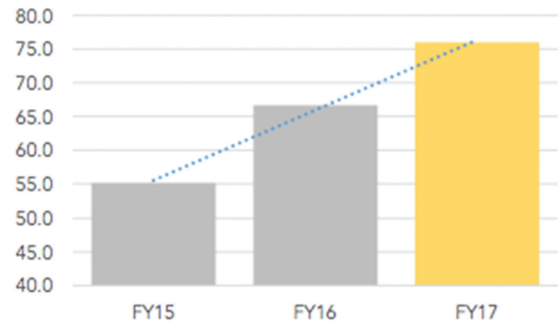
## FY17 OVERVIEW

### ANOTHER YEAR OF PROFITABLE GROWTH

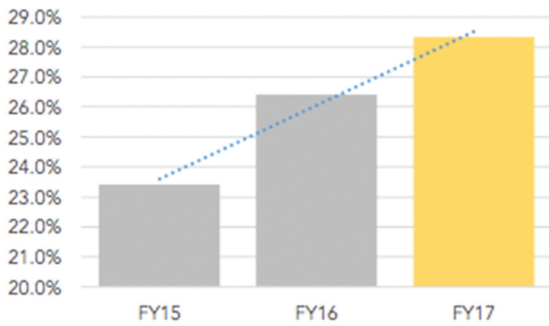
**Revenue (\$m)**



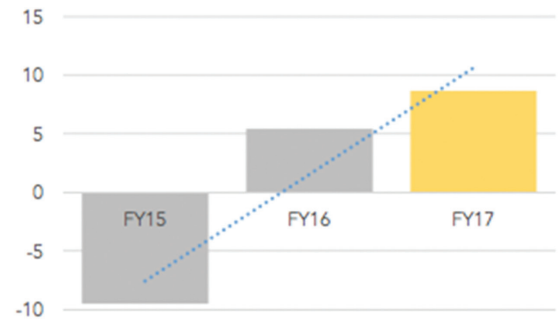
**Gross Profit (\$m)**



**GM%**



**EBITDA**



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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 places 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
Independent 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, JE4 9WG
Website	<a href="http://www.mysalegroup.com">www.mysalegroup.com</a>
Nominated advisor and joint brokers	Zeus Capital Limited, 10 Old Burlington Street, London, W1S 3AG
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

This Strategic report for MySale Group Plc ('MySale' or the 'company') and its subsidiaries (collectively referred to as the 'group') is set out under the following main headings:

1. Financial and operating highlights
2. Chairman's statement
3. Review of operations by the Chief Executive Officer
4. Financial review by the Chief Financial Officer
5. Principal risks and uncertainties
6. Corporate social responsibilities
7. People

### **Cautionary statement regarding forward looking statements**

This document contains certain forward-looking statements. These forward-looking statements include matters that are not historical facts or are statements regarding the company's intentions, beliefs or current expectations concerning, among other things, the group's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industries in which the group operates. Forward-looking statements are based on the information available to the directors at the time of preparation of this document, and will not be updated subsequent to the issued of this document. The directors can give no assurance that these expectations will prove to be correct. Due to inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

## **1. Financial and operating highlights**

### **Financial highlights**

- Underlying basic earnings per share increased 500% to 2.5 cents
- Underlying EBITDA increased by 59% to A\$8.7 million
- Gross profit increased 14% to A\$76 million, as gross margins increased 190bp
- Online revenue grew by 10%, to A\$238 million, driven by the growing active customer base
- Group revenue grew 6% to A\$268 million (CERi growth 9%)
- Underlying profit before tax increased 226% to A\$3.3 million (FY16: A\$1.0 million)
- Reported loss before tax of A\$1.5 million (FY16: A\$0.2 million)

### **Strategic highlights**

- Technology, supply and customer developments significantly strengthen our capability
- Expansion of our marketplace platform
- Creation of our Endless Aisle concept to leverage platform and supply-side strengths
- Further long-term partnerships formed with notable global retail brands
- M&A activity increased and Identity Direct acquired at end of the year

### **Technology highlights**

- Accelerated investment into our data-driven proprietary technology
- New platform launched including a scalable and flexible marketplace to leverage the large customer database
- Single live view of all global inventory available to all websites
- Launch of Ourpay a proprietary 'buy-now, pay-later' payments system

### **Operational highlights**

- Active customer base like-for-like increase of 11% to 0.9 million
- Including Identity Direct active base now increased to 1.0 million
- Strategic plan to increase own-buy inventory continues – now 17% of online revenue
- Integration of Identity Direct business progressing ahead of schedule

### **KPI's**

- Continued focus on activating customers with higher lifetime-value
  - Average order value (AOV) stable at A\$87
  - Robust average revenue per active customer A\$292
  - Steady average frequency of 3.3x
- Mobile activity continues growing and represented 59% of orders
- Returns rate remains at low level of only 5%



## 2. Chairman's statement

Whilst the financial year 2015-16 was all about restoring the business to underlying profitability, this year our aim was to demonstrate that we could build on this as well as producing real step change improvements in our proprietary technology platform.

I am delighted to report a 59% improvement in underlying EBITDA to A\$8.7million which was ahead of the market expectations at the beginning of the period. Furthermore we increased our technology investment from \$4.0 million to \$7.5 million which has allowed us to launch a significantly enhanced marketplace platform, an in-house payments solution ("OurPay") and multiple improvements in marketing automation.

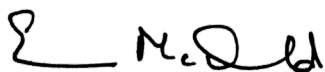
In the last 12 months we have signed notable new brand partnerships, including gilt.com. Global brands and retailers recognise the strength of our international/contra-seasonal platform and our ability to support their inventory management and to connect them to new customers. They increasingly want to deal with a smaller number of regionally dominant partners with leading technology platforms. We are ideally placed to deliver this.

We have made no secret of the fact that strategic acquisitions are a core element of our growth strategy and we continue to refine our process and criteria in this regard. Essentially, we are targeting deals which can either widen the range of products which our existing customers are likely to want to buy or which grow our routes to market in our core geographies. Ideally both.

During the year, we acquired the trade and assets of Identity Direct in Australia and New Zealand. This has opened a new vertical for us in product personalisation; a sector we have been targeting for some time given its attractive margin structure, strong underlying growth and differentiated product set. It has also provided further evidence of our ability to integrate acquisitions onto our platform and add value through cost and revenue synergies.

We have started the current financial year very well and whilst there is much to accomplish both revenue and underlying profitability have grown strongly. Our plans for this year are ambitious and our new partnerships, product verticals and platform enhancements will support these growth plans.

Whilst we are very much a technology focussed business the group owes its success to the ability, intelligence and drive of the hundreds of team members working 24-7 in our global operations and I would like to place on record the board's appreciation of their exceptional hard work.



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Iain McDonald  
Chairman  
25 September 2017

### 3. Review of operations by the Chief Executive Officer

MySale Group Plc ('the group') has made excellent progress in the year to 30 June 2017. Planned strategic initiatives have delivered another year of improved financial performance and positioned the group for further, profitable, growth.

The year's success was delivered by; our relentless focus on providing customers with exceptional value, choice and service and; our excellence in delivering unique sales channels and world-class inventory management to brand partners; whilst simultaneously leveraging the significant strength and efficiency of our proprietary technology platform and international logistics network.

The group's focus on customer engagement saw the active customer base grow 11% and in turn online revenue, which represents 90% of the group total, grew 10%, to A\$238.7 million (FY16: A\$217.9 million). Following the acquisition of Identity Direct, covered in more detail below, the group now has over 1 million active customers.

Total group revenue for the year rose 6% to A\$268.4 million (FY16: A\$252.3 million) which reflects the strong online growth referred to above, together with a planned reduction in lower margin offline revenue. The group's focus on growing gross profit has delivered an increase of 14% to A\$76.0 million (FY16: A\$66.7 million) which was underpinned by a 190 bp increase in gross margin to 28.3% (FY16: 26.4%).

A\$ m	FY17			FY17 Growth		FY16		
	Revenue	Gross Profit	GP%	Revenue	Gross Profit	Revenue	Gross Profit	GP%
<b>Group</b>	<b>268.4</b>	<b>76.0</b>	<b>28.3%</b>	<b>+6%</b>	<b>+14%</b>	<b>252.3</b>	<b>66.7</b>	<b>26.4%</b>
ANZ	221.5	65.7	29.6%	+5%	+15%	210.7	57.1	27.1%
S-E Asia	33.8	8.1	23.9%	+7%	+7%	31.6	7.5	23.9%
ROW	13.1	2.3	17.8%	+31%	+14%	10.0	2.1	20.5%

This improved trading performance is driven primarily by the group's clear plan to prioritise the growth of gross profit and secure higher lifetime-value customers. Key elements of this plan include localised merchandising and pricing, increased proportion of own-buy inventory and reduced delivery promotions. The increased levels of revenue and gross profit combined with a carefully controlled cost base delivered a 59% increase in underlying EBITDA to A\$8.7 million (FY16: A\$5.5 million).

This plan was established 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. The operational achievements and significantly improved financial performance of FY17 represent another step on the group's path of profitable growth, with further significant growth anticipated in the current financial year.

Total underlying operating expenses increased 10% to A\$67.4 million (FY16: A\$61.2 million) reflecting the increased activity and volumes of trade during the year. The group made a planned investment into additional staff members in key senior management and departments such as buying, merchandising and marketing in order to ensure that the choice and service we provide to customers is maintained as we grow. The same increases are not anticipated in future years and the group will be able to leverage its fixed cost base which represents around 56% of the total operating expenses.

During the period, and across all territories, the group continued to dedicate its marketing resources and spend, which was circa 7% of revenue, almost exclusively into measurable, digital channels to attract and engage both new and existing customers. Our ongoing communication programme has seen those loyal and engaged customers continue to spend with reliable frequency and with stable purchasing metrics.

During the year the group diversified the digital marketing spend, notably in Australia and New Zealand (ANZ), by increasing the emphasis of spend into customer re-engagement activity. The early results of this diversification were encouraging as marketing efficiency improved. This has led to a re-calibrated marketing plan for the entire group. From the beginning of the current financial year marketing objectives have been refocused based on these learnings, and improved data analysis capabilities, to better measure marketing costs and returns per purchase and buyer. Whilst early in this revised programme the initial results have been positive and further improvements in marketing efficiency are anticipated during the year.

## **Technology Development**

During the year the group increased capital expenditure, as planned, in order to further develop its proprietary technology capabilities. An important phase of work reached a conclusion and saw the release of a new and enhanced version of the group's technology platform during the year. This new platform's functionality supports our key objectives of increasing revenue and decreasing costs with more efficiency.

This new, marketplace enabled, platform allows fuller integration across all the group's sales channels and to date all of the group's websites, other than the recently acquired Identity Direct, have migrated to this platform. The group now has a single, live view of global inventory and both 1P (owned) and 3P (consignment or drop-ship) products can be sold by any of our websites simultaneously. Similarly the platform allows a single live view of each customer and their individual journeys allowing us to better serve their preferences across all websites and mobile device apps. As always the mobile buyer is at the heart of our capabilities and this channel accounted for 59% of orders received in the past year.

A key element 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 is driving improved customer experiences, increased revenue and more efficiency. The platform allows for campaigns to be launched faster and more efficiently as well as providing seamless user interaction across all devices. These developments provide a step change in capability which will support further growth.

The group has also continued to use its technology innovation for tactical improvements in the customer proposition to drive revenue, one example being the development of Ourpay, a 'buy-now, pay-later' programme. This instalment payment option helps customers manage their finances and has been shown to increase both the spend and the frequency of those customers accepted to the programme. This payment solution was developed in-house in order to deliver a more flexible, cost-efficient and integrated system, which is better suited to the group's requirements than that provided by third parties. The system automates all aspects of the programme including credit scoring and monitoring, an aspect of the programme where the group has adopted a conservative policy. The debtor balance associated with Ourpay was A\$1.8 million at the year end and is anticipated to grow as transaction volumes increase.

The initial trials of Ourpay have been very positive. Customer's average spend increased 19% and the frequency of purchase increased by around 30%. Ourpay shall now be rolled out to all territories and websites where legislation currently allows. In addition we shall shortly launch a subscription-delivery model for customers which will be fully integrated to the Ourpay platform.

## **Brands and Strategic Partnerships**

The group has secured a number of new brand partners during the last 12 months, the most notable being the launch of a strategic relationship with gilt.com, a US based online retailer which is part of The Hudson's Bay Company. This and other strategic partnerships have already provided significant additional product choice to customers in all the group's territories.

The partnership launched with Sports Direct with access to more than 150,000 products from their inventory is now operational and the group commenced live sales on its retail marketplace during the year. Good progress has been made. We have direct inventory feeds, tailored merchandising and volumes continue to grow.

Forging partnerships with flagship retail brands such as Gilt.com and Sports Direct is a strong endorsement of the group's capabilities in supporting brands in establishing new sales channels as well as in inventory management. The retail landscape is undergoing some structural change and increasingly large brands recognise the benefits that more integrated inventory partnerships can bring to their operations. The group's well established international network, flexible and scalable technology platform and resources in key territories means it is an ideal partner for international brands and retailers. Our platform allows us to customise our integration with any brand thus delivering a tailored solution to their requirements.

We have invested more time and funds into product selection during the year, ensuring customers have the best possible choice available and by the end of the year we had more than doubled listed SKU's to over 300,000. Nearly all of the increased product selection has come from relationships with 3P suppliers and thus the group does not take any inventory risk as the terms of business are on a consignment or dropship basis. In order that customers can easily find and navigate to their favourite brands and products the group delivers highly personalised experiences and communications to each customer.

Aligned with this materially increased product selection has been an expansion of the product categories in which we have excellent coverage. Refurbished technology is one such example of a category that the group has launched and which resonates strongly with our existing customer base. Finally, the acquisition of Identity Direct has brought significant licensing expertise and licensing relationships with global brands to the group and this is a revenue opportunity the group plans to develop further.



## **Marketplace**

The group's new technology platform ensures that the retail and flash websites operate on the same platform which provides numerous advantages including: better sharing of data; more efficient use of resources; greater visibility of inventory; and reduced buying administration. This will allow the group to substantially increase the range of products available via our websites, particularly 3P inventory, whilst minimising variable costs.

This platform facilitates the group's marketplace and allows the integration of all websites directly with brands and retailers, whether that be as part of supporting an inventory clearance or providing a brand with a new retail channel. It also has created the group's Endless Aisle concept.

The group has always offered a wide range of products but the marketplace development now means that this range shall be significantly expanded and as we now have a live feed of global inventory to all websites, there is an opportunity to extend the length of time products are available and merchandised to customers - our Endless Aisle. Importantly the expansion of this very long tail of product inventory will be driven by 3P vendor relationships which incur limited marginal cost to the group.

The retail websites within the group's marketplace, predominantly operate on a 3P supplier drop-ship basis and serve the product verticals of sports (dealsdirect), home (oo), gifting (topbuy) and personalised goods (Identity Direct) and are founded on the acquisitions undertaken in ANZ over the last two years. The experience gained during the successful integration and launch of these sites will serve the group well as further verticals are added in the future. As over 80% of our revenues are derived from 3P product listings the group has a relatively light working capital requirement and further reductions in this requirement are targeted in the future.

The creation of the retail marketplace platform represents a step change in the potential addressable audience and in future revenue opportunities of the group. 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 a cost-effective launch in a new territory.

## **Operations**

In FY15 the group began implementing a strategy to increase the proportion of inventory that is purchased outright as 'own- buy' (1P), rather than on a consignment basis (3P) and during this year 1P goods increased to 17% of orders, consistent with that strategy. Whilst the vast majority of goods sold are still done so on a consignment or drop-ship basis, this 1P strategy supports deeper relationships with brand partners, slightly higher gross margins and wider product selection for customers. 1P activity is focused on staple, branded goods.

During the year the group's highly efficient platform processed record numbers of transactions. The volumes are remarkable and underline the efficient processes and systems that the group has in place to support brands and serve customers; on average more than 20,000 new products were launched daily and 180,000 digital images were created or edited each month. In the year 2.9 million orders were processed and 12 million units shipped which was only possible due to high levels of automation and streamlined workflows. The strength and capability of this platform will be leveraged to further improve efficiency in coming years as our volumes increase further.

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

Investment in the development of the group's capabilities continues and this year saw a number of key senior hires strengthen the executive team and also enhancement of staff within our marketing, data science and merchandising teams.

## **Acquisition of Identity Direct**

The group acquired the business of Identity Direct, in ANZ, during the fourth quarter of the financial year. Identity Direct is a retailer of personalised products with strong licensing relationships, particularly with entertainment brands, such as Disney and Marvel. In relation to the group it is a relatively small business, with annual revenues of circa A\$10 million. The long term commercial opportunity in this complementary vertical is very attractive and generates high gross margin, in excess of 60%. The products are strong in childrens and sports categories which fits well with existing MySale customer base. There are good opportunities to leverage efficiencies by deploying the group's scale and platform and also growing revenue with enhanced marketing and cross selling between the two customer bases. The group believes that development of its product licensing capability will lead to significant opportunities to generate incremental revenue in the medium term.

The integration of the Identity Direct business is ahead of plan and, with property and resources now rationalised, cost savings and synergies will accrue to the group in the current year. Operational integration will be complete shortly allowing the group to capitalise on the fourth calendar quarter when Identity Direct generates around 60% of its annual revenues. This is the

second integration to our platform undertaken in the last two years and the positive results give the group confidence it can successfully execute further, larger integrations in the future.

### **Australia & New Zealand (ANZ)**

Within this operating territory the group has continued to successfully implement its strategic initiatives and delivered much improved gross profit, up by 15% to A\$65.6 million (FY16: A\$57.1 million) and gross margin to 29.6% (FY16: 27.1%) whilst also growing revenue by 5% to A\$221.5 million (FY16: 210.7 million). The significant 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 ANZ customer proposition.

As noted above the group's nascent retail marketplace was launched in ANZ at the end of the prior year and is an opportunity to significantly increase the group's addressable market in the region. To date the group has already seen in excess of 500 suppliers join this marketplace. The first flagship retailer to join this marketplace, as a 3P vendor, was Sports Direct and they are now fully integrated to the group's platform allowing our ANZ team to efficiently market and merchandise the 150,000 products available. 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 in the medium term.

The group is one of the pre-eminent online, off-price retailers in ANZ and has further 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. In ANZ the group has a small network of physical outlets which is used both to clear the group's own surplus inventory and test brands and products in that offline channel.

The group is actively looking to expand further the breadth and depth of our online and offline sales channels in this region in order to fully leverage our customer base, physical resource, buying power and expertise.

### **South-East Asia**

During the period South-East Asia had revenue growth of 7% to A\$33.8 million (FY16: A\$31.6 million) and a corresponding 7% increase in gross profit to A\$8.1 million (FY16: A\$7.5 million). On a CER basis the underlying revenue growth was 11%. The continued growth in revenue and profitability has been driven by the group's localisation plan which ensures that merchandising, pricing, payment and shipping solutions are all tailored to the needs of local consumers.

Here the strategy has been to grow the active customer base, so acquisition marketing is a priority, to build gross profitability and then leverage this increasing scale to use resources more efficiently and achieve lower shipping rates. With a more profitable local model now established and first mover advantage South-East Asia is an important element of the group's long-term profitable growth.

In the medium to long term this region is anticipated to be increasingly significant as the group grows its customer base and demand for branded products, particularly European and USA brands, continues to increase. 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, which trade predominately under the Cocosa brand, relaunched in FY15, which provides customers with compelling value in premium branded products.

The United Kingdom had a good year, as revenue increased by more than 30%, thereby achieving revenue of A\$13.1 million (FY16: A\$10.0 million). On a CER basis the underlying revenue growth was 59%. This growth was underpinned by increased numbers of active customers which is our key objective in a newer territory. Gross margin was lower than the previous year as the group used products and pricing as promotional tools to develop the customer base. This form of promotion is used by the group much more in an early stage territory than in established territories.

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.

The group has a material presence in the UK as it an important centre for the group's product sourcing team for both UK and European brands. Brands from these territories, along with USA, have grown their weighting within group revenues over the past few years and now account for over half worldwide revenue.

## **Outlook**

The group had an excellent FY17 with significantly improved financial performance and great progress against our strategic goals. Increasing numbers of active customers are driving revenue and efficiency forward.

We have a unique set of brand partners which in turn means that we are able to offer our loyal customers access to a fantastic range of goods and products. When this is combined with our flexible and efficient business platform it gives customers an easy-to-use, compelling value, shopping experience.

The group has carried good momentum into the current year and built on the excellent foundations and initiatives put in place last year. This year has started well with revenue growth accelerating from last year and strong growth in underlying profitability. Whilst our peak trading period is still ahead of us the board has confidence in the current year's prospects and expects that underlying EBITDA for the year will be at least in line with the upper end of market expectations.



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Carl Jackson  
Chief Executive Officer  
25 September 2017

## **4. Financial review by the Chief Financial Officer**

### **Revenue and Gross Profit**

For the year ended 30 June 2017 group revenue increased by 6% to A\$268.4 million (FY16: A\$252.3 million) and gross profit increased faster, by 14%, to reach A\$76.0 million (FY16: A\$66.7 million). This improved performance came as a direct result of the strategic plan implemented by the group in 2015.

On a constant currency basis the growth rates of revenue and gross profit were higher, at 9% and 16% respectively, reflecting the strengthening of the group's reporting currency AUD during the year.

### **Operating Expenses**

The increase in activity and gross profit led underlying operating expenses to increase 10% to A\$67.4 million (FY16: A\$61.2 million) in the period. During the year the group increased staff resources in a number of operational departments to support further growth and ensure the group delivers outstanding service to its customers. This increase included a number of key hires within the senior management team.

### **Profit/Loss before Tax**

The underlying profit before tax for the year is A\$3.3 million (FY16: A\$1.1 million) and the reported loss before tax for the period is A\$1.5 million (FY16: A\$0.2 million profit). 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 6 to the financial statements in order to provide greater insight as to the underlying profitability of the group.

### **Profit/Loss after Tax and earnings per share**

The underlying profit after tax for the year is A\$3.9 million (FY16: A\$0.6 million) and the reported loss after tax for the period is A\$1.0 million (FY16: A\$0.2 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 6 to the financial statements in order to provide greater insight as to the underlying profitability of the group.

Note 36 shows the detailed calculations of basic earnings per share for the financial year which increased by 500% to 2.5 cents per share (FY16: 0.4 cents) on an underlying basis and was 0.6 cents loss (FY16: 0.1 cents loss) on a reported basis.

### **Taxation**

The group has recorded a tax benefit of A\$0.6 million for the year (FY16: tax expense of A\$0.4 million) which diverges from the group's long term guidance of an effective tax rate of approximately 30%. This divergence arises due to various tax adjustments and timing differences. Full details are provided in note 9 to the financial statements. The group has total tax losses of A\$30 million (FY16: A\$31 million) with the majority located in Australia. The entire tax loss has been recognised with the provision of a deferred tax asset of A\$10.5 million (FY16: A\$10.3 million).

### **Balance Sheet, Cash and Working Capital**

The group's closing cash balance was A\$19.0 million (FY16: A\$34.0 million) and the net cash balance was A\$8.9 million (FY16: A\$27.5 million).

The closing cash balance reflects a number of significant working capital outflows which occurred towards the end of the financial year which are temporary in nature and will reverse in the following period. The group's strategic plan allows for selective investment into inventory balances and other working capital deployments to ensure the group is able to take advantage of commercially beneficial opportunities. The group anticipates that working capital balances will normally lie between 1-3% of annual revenue.

Capital expenditure increased, as planned, as the group invested principally in the development of its proprietary technology platform together with expenditure related to property and equipment upgrades. Total capital expenditure was A\$8.5 million (FY16: A\$4.0 million).

During the period the group's acquisition activity was focused around the purchase of Identity Direct, a personalisation business, for consideration of A\$2.9 million, and described in detail in note 33.

### Banking Facilities

The group has significant cash balances, held principally with HSBC with whom the group currently has trade finance multi option debt facilities of A\$13.1 million. In addition the group has finance facilities of A\$0.2 million with ANZ Bank. All facilities are renewed on an annual basis.

### Underlying Basis

As noted above 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 6 to the financial statements and outlined below.

A\$ million	FY17	FY16
Reported EBITDA	3.8	4.6
Shared based payments	1.1	0.4
Discontinued activities	0.3	0.3
One-off costs	2.4	2.0
Unrealised foreign exchange gain / (loss)	1.0	(1.8)
	4.8	0.9
Underlying EBITDA	8.7	5.5
Depreciation & Amortisation	5.3	4.4
Net interest expense	0.1	(0.0)
Underlying profit before tax	3.3	1.1
Reported profit / (loss) before tax	(1.5)	0.2

Included within one-off items acquisition expenses, post-acquisition reorganisation costs, charges arising from system migration and IPO costs.

### 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.



Andrew Dingle  
Chief Financial Officer  
25 September 2017



## **5. Principal risks and uncertainties**

The management of the business and the execution of the group's growth strategies are subject to a number of risks which could adversely affect the group's future development. The following is not an exhaustive list or explanation of all risks and uncertainties associated with the group, but those considered by management to be the principal risks:

### **Membership base**

The group needs to attract new 'active' members, in sufficient numbers, especially in markets where the group already has a degree of market penetration, such as Australia and New Zealand ('ANZ'). In order to expand its membership base, the group is appealing to members who have historically used other methods to purchase products, such as in-store, retailers' own websites or the websites of the group's competitors. The 'flash sale' model operated by the group needs to continue to be successful. The group's strategies require existing members to make repeat purchases from the group. The group's current 'lapsed client strategy' uses personalised emails, vouchers and prompting emails to attempt to re-engage members to purchase product regularly. If these strategies fail, the group's membership base may be reduced which could have an adverse effect on the group's operating results and financial condition.

### **Cost efficiencies**

The group targets a 'cost per acquisition' ('CPA') that is acceptable based on the expected member value and the group's likelihood of recovering the acquisition costs. Increasing the group's membership base is necessary to avoid the group incurring significantly higher marketing expenses and as a result, higher CPA, which could have an adverse effect on the group's operating results and financial condition.

### **Strategies and expansion plans**

The group's strategies and expansion plans, particularly into new geographies, may result in unforeseen costs or require significant management attention or resources. The group may not perform to expectations and, in the case of new geographies, prove to be unsuccessful. In new markets, the group is required to develop banking and merchant solutions, delivery solutions and expand its infrastructure of people and information systems and train and manage its expanding employee base. In new jurisdictions, the group may compete with companies already operating in the relevant market, and these companies may understand the local market better than the group. Unsuccessful attempts at expansion into new jurisdictions could damage the group's reputation, incur significant unanticipated costs and as a result, adversely affect the group's business, prospects, operating results and financial condition.

### **Product inventory**

The group requires a continuous source of inventory, from existing suppliers or new suppliers, at appropriate prices, on appropriate terms, in a timely manner and/or in sufficient volume. A key driver for the group's success is its ability to source product from a wide variety of brands, styles, categories and product types at discounted prices. The group does not have contractual assurances of continued supply, pricing or access to new products from existing suppliers. However, the group maintains strong relationships with suppliers and provide them with an effective mechanism to distribute their products. To maintain its reputation, the group depends on suppliers to provide high quality, genuine, product merchandise that meets with members' expectations. If the group is unable to continue to source such products, member engagement and purchases would likely reduce while costs increase and as a result, the group's operating results and financial condition could be adversely affected.

### **Growth in e-commerce and flash sales**

The business of selling products over the internet, particularly on the flash sale model, is dynamic and relatively new. The market segment for the flash sale model has grown significantly, and this growth may not be sustainable. If members cease to find the flash sale model shopping experience fun, entertaining and good value, or otherwise lose interest in shopping in this manner, the group's member base and buying patterns may decline and could negatively affect net sales and have an adverse effect on the group's operating results and financial condition.

### **Global economy**

The group's performance is subject to global economic conditions. Deterioration in these conditions may reduce consumer spending, particularly on discretionary items, which includes the group's merchandise. Adverse economic changes in any of the regions in which the group sells its products could reduce consumer confidence and could negatively affect net sales and have an adverse effect on the group's operating results and financial condition.

### **Technology and emails**

The group's Information Technology ('IT') systems are integral to its operations. The technology supports the group's websites and mobile applications, logistics management, product information management, administration management systems, security systems and third-party data centre hosting facilities. If the IT systems do not function properly there could be system disruptions, corruptions in databases or other electronic information, delays in sales events, delays in transaction processing,

website slowdown or unavailability, loss of data or the inability to accept and fulfil member orders which, if sustained or regular, could adversely affect the group's business, operating results and financial condition.

The group's business is highly dependent on engaging with members via daily emails and other messaging services. These inform members of the day's sales events, prompting them to visit the relevant website or mobile application and purchase products. The group relies on the successful delivery of emails or other messages to members and also that members actually open and read the emails. Webmail prioritisation, 'spam' and blocking filters and local laws on sending emails could affect the group's business, prospects, operating results and financial condition.

Unauthorised access to customer database, either from external attack or internal control weaknesses, could lead to reputational damage, compliance issues, substantial regulatory fines and loss of customer confidence. The company has implemented a disaster recovery plan and cyber insurance to support the business in the event of an incident occurring.

### **Competition**

Competitive pressures, changes in product and fashion and hence consumer demand are continuing risks which could result in the loss of sales. The group manages this risk by the continuous sourcing of new products, adding new sales categories and marketing to stimulate member interest and by maintaining strong relationships with its members.

The group does not take delivery of products from a large number of suppliers until after it has been ordered by members and therefore delivery times may be longer than some other competitors. If the group seeks to decrease delivery times in order to tackle the competition and meet member demand, additional shipping costs are likely to be incurred. These costs may not be able to be passed on in full or at all to members. Alternatively, the group may be required to change its operations to carry additional inventory and face additional inventory risk.

### **Logistics and distribution networks**

The group uses third-party logistics providers to manage, process and ship product between group locations and directly to members. There is a risk that the group may experience network interruptions (including third parties' delivery services) which may prevent the timely or proper delivery of products. These could damage the group's reputation, deter repeat customers, deter suppliers from dealing with the group and adversely affect its business, operating results and financial condition.

### **Loss of people**

The group's senior executive team is instrumental in implementing the group's business strategies and executing business plans which support the business operations and growth. The sourcing teams have strong supplier relationships which are central to the group's ability to source discounted, quality products. Service agreements are in place and the risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including long term incentive schemes) and succession planning within the team.

### **Trademarks and brand reputation**

Maintaining and enhancing the brand is critical to the group's strategies going forward. If the group fails to meet member (and supplier) expectations, receives negative publicity or unfavourable member reviews and complaints on social media platforms, these could damage the brand and reduce consumer use of the group's websites and mobile applications. If the group fails to maintain the brand or if excessive expenses are incurred in this effort, the group's business, operating results and financial condition may be materially and adversely affected. As with all brands, the group is exposed to risk from unauthorised use of the group's trademarks and other intellectual property. Any infringement could lead to a loss in profits and have a negative impact on image and continued success. Trademarks are registered and where any infringements are identified, appropriate legal action is taken.

### **Changes in indirect tax rules**

Changes in local indirect tax, such as sales taxes, good and services tax and value-added taxes, and duty treatment in any of the markets in which the group operates could have an impact on the sales of products in those markets. Such changes could reduce the attractiveness of the group's sales offering and have a material and adverse effect on the group's financial condition and financial results.

### **Cash**

The management of the group's cash is of fundamental importance. The group maintains all cash balances with large, appropriately capitalised, international financial institutions and seeks any necessary credit facilities from these institutions. The group relies on access to its cash and credit facilities in order to trade successfully and restrictions to such access could have a material and adverse effect on the group's financial condition and financial results.

## **6. Corporate social responsibilities**

The group's approach is to make a positive difference to the people, environment and communities in which it works. Examples include engaging not-for-profit employment agencies, to motivate and upskill the local unemployed community to sustain

employment with the group and investing in warehousing training programs such as a Certificate 3 in Warehousing and Logistics for the group's Australian staff. To reduce waste and the impact on the environment the group does not put copies of customer invoices in its parcels, but rather provide them online.

## **7. People**

### **Equal opportunity**

The group is committed to an active equal opportunities policy. It is the group's policy to promote an environment free from discrimination, harassment and victimisation, where everyone receives equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of the employees and the needs of the group.

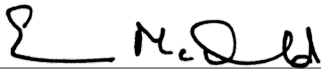
### **Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate re-training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### **Employee consultation**

The group places considerable value on the involvement of its employees and has a practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group, which is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

By Order of the Board.



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Iain McDonald  
Chairman  
London  
25 September 2017

As the company is listed on the Alternative Investment Market, a market regulated by London Stock Exchange Plc, it is not required to comply with any particular corporate governance code. However, the directors recognise the value and importance of high standards of corporate governance and acknowledge the importance of the principles set out in Quoted Companies Alliance ('QCA') Corporate Governance Code for Small and Mid-sized Quoted Companies 2013 (the 'QCA Code'). The Board therefore applies the principles of the QCA Code where they consider it appropriate for a company of MySale's size and nature.

### **The Board of Directors**

During the financial year ended 30 June 2017 and as at the date of approval of these financial statements, the Board consisted of five directors as shown below. Both non-executive directors are considered independent under the criteria identified in the QCA Code and together they bring considerable knowledge, skills and experience to the Board and its deliberations. The members of the Board are:

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

Biographies for each of the current directors are set out in the Directors' report under 'Information on directors and their interests'.

Schedule of matters reserved specifically for the Board include:

- overall business strategy of the group;
- review of key operational and commercial matters;
- review of key financial matters, including changes to the group's capital structure, borrowing facilities, acquisitions, disposals and material capital expenditure;
- membership of the Board and its standing Committees, including delegation of authority to the Audit and Remuneration Committees;
- approval of full year and half-year financial statements and any interim management statements or other financial disclosures;
- regulatory and shareholder communications; and
- appointment and performance review of key advisors.

The Board meets formally on a regular basis to consider strategy, performance and the framework of internal controls. Prior to each meeting, all directors receive appropriate and timely information including briefing papers which enable them to discharge their duties. Directors have access to the advice and services of the company secretary and external legal and financial advisers who together provide guidance and confirmation that Board procedures are followed and applicable rules and regulations are complied with. With the prior approval of the chairman, directors are able to obtain independent professional advice in the furtherance of their duties, at the company's expense.

Details of the service contracts of the executive directors and the letters of appointment of the non-executive directors are set out in the Directors' remuneration report.

In order to facilitate the business of the company, and in line with the recommendations of the QCA Code, the Board has delegated certain of its responsibilities to the Audit Committee or Remuneration Committee, as appropriate.

### **Audit Committee**

The Audit Committee has the primary responsibility for monitoring the adequacy and effectiveness of the group's systems of internal financial control and risk management, ensuring that the financial performance of the group is properly measured and reported on, reviewing and challenging reports from management and the external auditor relating to the company's accounting and internal controls and appraising the need for an internal audit function, in all cases having due regard to the interests of shareholders. The full terms of reference of the Audit Committee are available on the company's website.

The members of the Audit Committee are:

David Mortimer AO	Member
Iain McDonald	Chair

The Audit Committee met three times during the financial year.

The Chief Financial Officer has a standing invitation to attend all meetings of the Audit Committee. The remaining executive directors, other members of the senior management team or the company advisors or the independent Auditors may be invited to attend all or part of any Audit Committee meeting, where appropriate, and minutes of meetings are circulated to all Board members, unless it would be inappropriate to do so.

### **Remuneration Committee**

The Remuneration Committee is responsible for reviewing the performance of the executive directors and for determining the terms and conditions of their employment, level of remuneration including short-term and long-term incentives, having due regard to the interest of shareholders in all matters. The full terms of reference of the Remuneration Committee are available on the company's website.

Details on the structure of the company's remuneration policy and the emoluments paid to the Board members during the financial year are set out in the Directors' remuneration report.

The members of the Remuneration Committee are:

Iain McDonald	Chair
David Mortimer AO	Member

The Remuneration Committee met once during the financial year.

The executive directors, head of human relations or the company's advisers may be invited to attend all or part of any Remuneration Committee meeting, where required, and minutes of meetings are circulated to all Board members, unless it would be inappropriate to do so.

### **Internal financial controls**

The Board place considerable importance on maintaining full control and direction over appropriate strategic, financial, organisational and compliance issues, and have in place an organisational structure with formally defined lines of responsibility and delegation of authority. There are established procedures for planning, capital expenditure, information and reporting systems and for monitoring the group's business and its performance. Adherence to specified procedures is required at all times and the Board actively promotes a culture of quality and integrity. Compliance is monitored by the Audit Committee which, in turn, reports its findings to the Board.

The Board, via delegated authority to the Audit Committee, is also responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve the group's business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The agreed processes include comprehensive budgeting systems with an annual budget approved by the Board, monthly consideration of actual operational results compared with budgets, forecasts and regular review by the Board of year end forecasts. The Board reports to shareholders half-yearly.

The group's control systems address key business and financial risks. Matters arising are reviewed on a regular basis.

As the company is listed on the Alternative Investment Market ('AIM'), it is not required to prepare a Directors' remuneration report. The following narrative disclosures are prepared on a voluntary basis for the group and are not subject to audit, unless otherwise specified.

### **Principles used to determine the nature and amount of remuneration**

The objective of the group's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns the remuneration for executive directors and key senior management with the achievement of strategic objectives and the creation of value for shareholders. The Board of Directors ('the Board') ensures that the remuneration for executive directors and key senior management satisfies the following key criteria for good reward governance practices:

- is competitive and is acceptable to shareholders;
- aligns executive compensation with company performance and shareholder return; and
- is transparent.



The Remuneration Committee, as detailed in the Corporate governance, is responsible for reviewing the performance of the executive directors and senior employees of the group and for determining the terms and conditions of their employment, level of remuneration including short-term and long-term incentives, having due regard to the interest of shareholders in all matters.

The number of times the Remuneration Committee met is also detailed in the Corporate Governance section.

### Remuneration of directors

The fees payable to the directors shall not exceed an aggregate amount of £1,500,000 per annum or such greater amount as shall be determined by the company's shareholders by ordinary resolution. This is distinct from any salary, remuneration or other amounts which may be payable to the directors.

The directors are entitled, under the Articles, to be paid all reasonable expenses as they may properly incur in attending meetings of the directors, committee meetings of the directors, shareholders meetings, or otherwise in connection with the discharge of their duties.

### Executive directors' remuneration

The group's remuneration policy for executive directors considers a number of factors and is designed to:

- have regard to the director's experience and the nature and complexity of their work in order to pay a competitive salary, in line with comparable companies, that attracts and retains directors of the highest quality;
- reflect the director's personal performance;
- link individual remuneration packages to the group's long term performance and continued success of the group through the award of annual bonuses and share-based incentive schemes;
- provide post-retirement benefits through contributions to individual's pension schemes; and
- provide employment-related benefits that may include the provision of a company car or cash alternative, life assurance, insurance relating to the director's duties, housing allowance, medical insurance and permanent health insurance.

#### *Directors' service agreements, salaries, bonuses and other incentive schemes*

Each executive director has a service contract with the group, dated 10 June 2014. Executive directors' salaries are reviewed annually in line with the remuneration reviews for all other group employees. The basic annual salaries and key benefits as at 30 June 2017 are as follows:

Executive Director	Base salary	Pension Contributions	Taxable Benefits	Group entity with which the contract is with
Jamie Jackson	£200,000	-	£18,000	Mysale Group PLC
Carl Jackson	A\$337,500	A\$32,062	A\$30,000	Ozsale Pty Limited
Andrew Dingle	A\$303,188	A\$28,802	A\$33,824	Ozsale Pty Limited

Executive directors' salaries are reviewed annually in line with the remuneration reviews for all other group employees.

Executive director's employment contracts are continuous. They may be terminated by either party by 6 months' written notice. The company may at its sole and absolute discretion terminate the employment of an executive director by making a payment in lieu of any unexpired notice period equal to their basic salary for that period. Executive directors have agreed to confidentiality undertakings, without limitation as to time, and has agreed to non-compete, non-solicitation of staff and non-interference in supply restrictive covenants that apply for a period of 12 months following termination of employment with the group.

Executive directors are eligible to participate in a discretionary annual bonus scheme on the terms decided by the Remuneration Committee and may also participate in any benefits arrangements the group has in place for categories of employees of which he is a member, subject to and in accordance with the terms and/or rules of those arrangements from time to time.

### Non-executive directors' remuneration

The remuneration of non-executive directors is a matter for the Chairman of the Board and the executive directors and no director is involved in any decisions as to their own remuneration.

David Mortimer AO and Iain McDonald entered into letters of appointment on 3 June 2014 and 27 July 2015, respectively. David Mortimer's letter was updated on 12 August 2015. Each receives a fee for their services which takes into account the role undertaken. They do not receive any pension or other benefits from the group.

The annual fees for non-executive directors, effective at the date of this report, are as follows:

Non-executive director	Base fee	Group entity with which the appointment is with
Iain McDonald	£75,000	Mysale Group PLC
David Mortimer AO	£40,000	Mysale Group PLC

The appointment of any non-executive director is terminable on 3 months' written notice.

**The following information is subject to audit.**

Directors' remuneration for the year ended 30 June 2017 was as follows and this information is subject to audit:

	Base salary/fee	Bonus	Taxable benefits	Pension contributions	Total 2017	Total 2016
Non-executive directors:						
Iain McDonald	£75,000	-	-	-	£75,000	£68,750
David Mortimer AO	£40,000	-	-	-	£40,000	£45,000
Executive directors:						
Jamie Jackson	A\$338,466	-	A\$30,487	-	A\$368,953	A\$344,064
Carl Jackson	A\$337,500	-	A\$30,000	A\$32,062	A\$399,562	A\$351,286
Andrew Dingle	A\$303,188	-	A\$33,824	A\$28,802	A\$365,814	A\$342,585

#### Employee Share Plan

The Company's employee share plan is called the Loan Share Plan ('LSP'). The LSP enables directors and employees selected to participate to buy or subscribe for ordinary shares of the company, using a loan from the company. The ordinary shares are bought on-market or are subscribed at market value. The loan is then repayable, five years from grant date, and the ordinary shares may be sold to repay the loan on vesting. The loan is interest-free and recourse is limited to the value of the ordinary shares bought with it. 100% of the ordinary shares vested three years from grant date and are subject to the achievement of the Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') included in the company's internal forecasts set by the Board in the year of the grant.

Shares granted under the LSP are as follows:

	Balance 1 July 2016	Granted	Exercised	Cancelled	Balance 30 June 2017	Exercise price (£)	Date of exercise	Market price on exercise (£)
Iain McDonald	-	-	-	-	-	-	-	-
David Mortimer AO	-	-	-	-	-	-	-	-
Jamie Jackson	-	-	-	-	-	-	-	-
Carl Jackson	111,499	-	-	-	111,499	£2.26	-	-
Andrew Dingle	357,138	-	-	-	357,138	£0.51	-	-
Andrew Dingle	-	509,722	-	-	509,722	£0.65	-	-

#### Share price information

The market price of MySale Group Plc ordinary shares at 30 June 2017 was £1.15 (2016: £0.65) and the range during the financial year was between £0.65 and £1.15 (2016: £0.41 and £0.72).

The directors present their report, together with the audited financial statements and independent auditors' report, on the consolidated group (referred to hereafter as the 'consolidated entity', 'group' or 'MySale') consisting of MySale Group Plc and the subsidiaries it controlled at the end of, or during, the year ended 30 June 2017.

### **Directors**

The directors who have served on the Board of MySale Group Plc during the whole of the financial year and up to the date of this report are set out below:

Iain McDonald  
David Mortimer AO  
Jamie Jackson  
Carl Jackson  
Andrew Dingle

### **Information on directors and their interests**

Biographies for the directors and their interests in the ordinary shares of the company, are shown below:

Name: Iain McDonald  
Title: Independent Non-Executive Chairman  
Age: 47

#### **Experience and expertise:**

Iain was appointed to the Board in July 2015. Based in London, Iain has a wealth of experience of high growth, online businesses and capital markets which the Board believes will be of great benefit to the group. Iain is a partner with the William Currie Group of Companies ('WCG'), a family business founded by financier Bill Currie to invest primarily in technology and e-commerce companies. Iain has worked with WCG for seven years now during which time WCG has built upon its already strong track record in the sector, having invested in the early stages of development of companies including ASOS, The Hut Group, Metapack, Eagle Eye Solutions and Anatwine. As well as working on the investment side of the business, Iain is a non-executive director at The Hut Group, Anatwine and Houseology.com.

Name: David Mortimer AO  
Title: Independent Non-Executive Director  
Age: 72

#### **Experience and expertise:**

David was appointed to the Board in May 2014. He has over 41 years of corporate finance and commercial experience predominantly whilst working in Australia and the US. Amongst David's broad experience, notable appointments include current chairman of Crescent Capital Partners, and former appointments include CEO of TNT Limited worldwide group, chairman of Australia Post, chairman of Leighton Holdings, chairman of Sydney Airports and deputy chairman of Ansett Australia Holdings. David was also appointed an Officer of the Order of Australia in 2005.

Name: Jamie Jackson  
Title: Executive Director and Vice Chairman  
Age: 52

#### **Experience and expertise:**

Jamie founded MySale in 2007 having identified the gap in the Asia-Pacific region for an online flash sales marketplace. He has been involved in the fashion wholesale business for more than 21 years, including senior roles with French Connection and President Stone. Jamie also built up extensive experience in managing and operating his own retail stores in the UK and Australia including liquidating leading brands' excess stock to retailers for companies such as TK Maxx, Costco and Tesco. He is currently focused on the group's international buying, product development and strategic partnerships.

Name: Carl Jackson  
Title: Executive Director and Chief Executive Officer  
Age: 54

#### **Experience and expertise:**

Carl joined MySale in 2009 and has over 27 years of international operational, sales and commercial management experience gained from a number of retail and consumer venture capital investments including senior management retail experience and 15 years in retail and consumer brand private equity. Carl has led MySale's expansion into New Zealand and South-East Asia to over 10 million members and has ongoing responsibility for the group's day-to-day operations and new market expansion.

Name: Andrew Dingle  
Title: Executive Director and Chief Financial Officer  
Age: 47

**Experience and expertise:**

Andrew joined MySale in 2013 having previously served as ANZ CFO for Henry Schein, a US Fortune 500 company. He started his career with Grant Thornton initially in tax and business services before moving into insolvency and business reconstruction where he focused on the retail and manufacturing sectors. A move to the UK in 1997 enabled Andrew to work in a number of financial accounting roles across various industries including financial services, entertainment and retail. Andrew possesses strong financial, strategy and commercial management skills, including distribution and inventory management experience in multi-warehousing environments, and is focused on group finance, logistics and warehousing and strategy. Andrew is a qualified CPA and also holds an MBA from the Australian Graduate School of Management.

**Directors' beneficial interests in the shares of the company:**

<b>Name</b>	<b>Ordinary shares</b>	<b>Percentage holding</b>
Iain McDonald	248,482	0.2%
David Mortimer AO <sup>1</sup>	165,000	0.1%
Jamie Jackson	47,469,189	31.4%
Carl Jackson <sup>2</sup>	3,745,000	2.5%
Andrew Dingle	201,115	0.1%

Details of share options or share awards granted to the executive directors are disclosed in the Directors' remuneration report.

**Information on company secretary**

Name: Prism Cosec Limited  
Title: Company Secretary

**Experience and expertise:**

Prism Cosec Limited is UK incorporated professional corporate company secretary, providing corporate governance and company secretarial services to quoted and unquoted companies.

**Results and dividends**

The results for the financial year are set out in the statement of profit or loss and other comprehensive income. No dividend has been paid during the financial year and the directors do not recommend a final dividend in respect of the year ended 30 June 2017 (June 2016: A\$nil).

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and financial position are given in the Strategic report and this Directors' report. In addition, the notes to the financial statements include details on the group's borrowing facilities and its objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk (note 2).

The group has considerable financial resources together with a member base split across different geographic areas. The group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facility. As a consequence, the directors believe that the group is well placed to manage its business risks successfully.

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence for at least the next twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

<sup>1</sup> Held by David Mortimer and Barbara Mortimer as trustees for the Wallaroy Provident Fund

<sup>2</sup> Held by Jackson Capital Pty Ltd as trustee for the Jackson Family Trust.

### Subsequent events

The group's borrowing facility with Hong Kong and Shanghai Banking Corporation increased to \$13,353,000 (previously \$13,120,000) in July 2017. The facility is secured by a Corporate Guarantee.

The group's borrowing facility with ANZ Bank Limited reduced to \$174,000 (previously \$11,576,000) in July 2017. The facility is secured by a Term Deposit security. Refer to Note 38 Event after the reporting period.

### Substantial shareholdings

At the reporting date, the company had been notified of the following interests of 3% or more of the share capital of the company, other than those of the directors above:

Name	Number of shares held	Percentage holding
Shelton Capital Limited	33,237,124	22.0%
Schroders plc	18,736,175	12.4%
Lombard Odier Asset Management Europe Ltd	15,137,772	10.0%
Sports Direct International	7,251,065	4.8%

### Charitable and political donations

The group made charitable donations of nil (2016: nil) during the financial year. The group made no political donations.

### Indemnity and insurance of officers

The company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The company has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision. This was in place throughout the year and up to the date and approval of the financial statements.

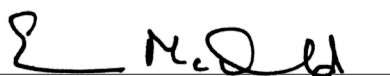
### Independent Auditor

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

PricewaterhouseCoopers LLP have expressed their willingness to continue as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By Order of the Board.



Iain McDonald

Chairman

London

25 September 2017



The directors are responsible for preparing the financial statements of the group in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and financial statements of the parent company in accordance with applicable law and United Kingdom Accounting Standards.

The Companies (Jersey) Law 1991 requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss of the group for that period.

In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable United Kingdom Accounting Standards have been followed for the group and the parent company respectively, subject to any material departures disclosed and explained in the group and parent company financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors confirm they have complied with all the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the parent company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and the parent company and to prevent and detect fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the group and parent company auditors are unaware, and each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and parent company's auditors are aware of that information.

The directors consider that the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the group;
- the Directors' report includes a fair review of the development and performance of the business and the position of the group; and
- the Strategic report contains a description of the principal risks and uncertainties that the group faces.

## Report on the audit of the financial statements

### Opinion

In our opinion:

- MySale Group Plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2017 and of the group's loss and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and parent company Balance sheets as at 30 June 2017; the group Statement of profit or loss and other comprehensive income; the group statement of cash flows; and the Group and parent company Statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These disclosures are cross-referenced from the financial statements and are identified as audited.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our audit approach

#### Context

The principal activities of MySale Group Plc are as an international online retailer with established websites in Australia and New Zealand, South-East Asia and an expanding presence in the United Kingdom.

#### Overview

	<ul style="list-style-type: none"><li>• A\$2.6 million (2016: \$2.5 million) - group financial statements</li><li>• Based on 1% of total revenues.</li><li>• A\$1.7 million (2016: \$A1.7 million) - parent company financial statements</li><li>• Based on 1% of total assets.</li><li>• We conducted an audit of the complete financial information of the main Australian trading entity. Specific balances and financial line items were audited at the remaining reporting units based on their nature and size.</li><li>• The reporting unit where we performed an audit of complete financial information accounted for 94% of group revenue.</li><li>• Fraud in revenue recognition (group).</li></ul>
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## The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

## Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Fraud in revenue recognition</b></p> <p>Refer to Note 2 (Significant accounting policies).</p> <p>We have identified a risk of fraud in relation to the potential misstatement of revenue for the year.</p> <p>Due to the nature of MySale Group plc's core sales, transactions are individually low in value and are highly automated through the website and related systems. As a result the risk of manipulation is highest at the financial statement level, as management may seek to inflate results through the posting of fictitious sales transactions by way of manual journals, by recognising revenue for sales made where the goods have yet to be delivered or by manipulating the provision for sales returns.</p>	<p>As part of our audit work we have understood and evaluated the control environment surrounding revenue recognition. We have also substantively tested a sample of revenue transactions to supporting sales invoices or contracts, delivery confirmation from external logistics suppliers, and cash receipt. No discrepancies were noted from our testing performed.</p> <p>We discussed the revenue recognition policy with management and obtained management's calculation to assess their procedures around cut-off of revenue recognition related to sales that have been made where products have not yet been delivered to the customer. We tested managements' calculations which included agreeing samples to delivery notices to verify their proper inclusion of exclusion in the revenue figures for the year ended 30 June 2017.</p> <p>We obtained management's calculation of the provision for returns recognised against revenue and considered historical accuracy of the provision and compared the provision to actual returns processed subsequent to year end. The methodology used to calculate the provision is consistent with prior year and we noted no material discrepancies from our testing performed.</p>

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and parent company, the accounting processes and controls, and the industry in which they operates.

MySale Group Plc trades internationally through a number of websites. The group financial statements are ultimately a consolidation of 18 reporting units representing the group's operating businesses. The reporting units vary in size and we identified one reporting unit which required an audit of its complete financial information due to its individual size.

The reporting unit where we performed an audit of the complete financial information accounted for 94% of the group's revenue. Audits of specific financial statement line items were performed on certain balances in a further one reporting unit, to provide additional coverage over certain financial statement line items. Our scoping considerations for the group audit were based both on financial information and risk. OzSale Pty Ltd represents the majority of the revenue and trading results for the group and, as such, is the only reporting unit which we considered required an audit of its complete financial information. We have additionally performed procedures over an additional seven reporting components that were not deemed material for the group audit. We also visited the group's main operations and our component team in Sydney, Australia as part of our audit procedures.

Our audit work at these reporting units, together with the additional procedures performed at group level on the consolidation gave us the evidence we needed for our opinion on the group and parent company financial statements as a whole.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature,

timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<b>Group financial statements</b>	<b>Parent company financial statements</b>
<b>Overall materiality</b>	A\$2.6 million (2016: \$2.5 million).	A\$1.7 million (2016: \$A1.7 million).
<b>How we determined it</b>	1% of total revenues.	1% of total assets.
<b>Rationale for benchmark applied</b>	Based on the benchmarks used in the annual report, revenue is one of the primary measures used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	As the parent entity, MySale Group plc, is essentially a holding company for the group, the materiality benchmark has been determined to be based on total assets which is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between A\$1.7 million and A\$2.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above A\$134,000 (group audit) (2016: A\$126,000) and A\$82,500 (parent company audit) (2016: A\$85,300) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 22, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies (Jersey) Law 1991 exception reporting

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept; or
- proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Craig Skelton  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Recognized Auditor  
London  
25 September 2017


**MySale Group Plc**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2017**


	Note	2017 A\$'000	2016 A\$'000
<b>Revenue</b>			
Revenue from sale of goods	4	268,387	252,289
Cost of sale of goods		(192,344)	(185,633)
Gross profit		<u>76,043</u>	<u>66,656</u>
Other operating (loss)/gains, net	5	(1,334)	2,173
Finance income		105	125
Finance costs	7	(223)	(97)
Finance (costs)/income, net		<u>(118)</u>	<u>28</u>
<b>Expenses</b>			
Selling and distribution expenses		(44,040)	(37,460)
Administration expenses		(32,109)	(31,126)
Share of loss of joint venture	35	-	(104)
<b>(Loss)/profit before income tax benefit/(expense)</b>		<u>(1,558)</u>	<u>167</u>
Income tax benefit/(expense)	9	576	(364)
<b>Loss after income tax benefit/(expense) for the year</b>		<u>(982)</u>	<u>(197)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax	23	259	(1,068)
Foreign currency translation	23	(1,751)	(2,161)
Other comprehensive income for the year, net of tax		<u>(1,492)</u>	<u>(3,229)</u>
<b>Total comprehensive income for the year</b>		<u>(2,474)</u>	<u>(3,426)</u>
Loss for the year is attributable to:			
Non-controlling interest		-	(20)
Owners of MySale Group Plc		<u>(982)</u>	<u>(177)</u>
		<u>(982)</u>	<u>(197)</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		-	(20)
Owners of MySale Group Plc		<u>(2,474)</u>	<u>(3,406)</u>
		<u>(2,474)</u>	<u>(3,426)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	36	(0.65)	(0.12)
Diluted earnings per share	36	(0.65)	(0.12)

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

	Note	2017 A\$'000	2016 A\$'000
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	19,027	34,005
Trade and other receivables	11	16,951	9,058
Inventories	12	38,042	35,473
Other	13	4,949	7,973
Total current assets		<u>78,969</u>	<u>86,509</u>
<b>Non-current assets</b>			
Property, plant and equipment	14	2,711	2,226
Intangibles	15	35,572	29,765
Deferred tax	16	10,544	10,295
Total non-current assets		<u>48,827</u>	<u>42,286</u>
<b>Total assets</b>		<u>127,796</u>	<u>128,795</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	28,586	29,548
Borrowings	18	10,014	6,476
Derivative financial instruments		788	1,047
Income tax payable		193	1,104
Provisions	19	2,283	2,163
Deferred revenue		10,222	11,677
Total current liabilities		<u>52,086</u>	<u>52,015</u>
<b>Non-current liabilities</b>			
Borrowings	20	143	-
Provisions	21	332	368
Total non-current liabilities		<u>475</u>	<u>368</u>
<b>Total liabilities</b>		<u>52,561</u>	<u>52,383</u>
<b>Net assets</b>		<u>75,235</u>	<u>76,412</u>
<b>Equity</b>			
Share premium account		306,363	306,363
Other reserves	23	(125,958)	(125,763)
Accumulated losses		(105,150)	(104,168)
Equity attributable to the owners of MySale Group Plc		75,255	76,432
Non-controlling interests	24	(20)	(20)
<b>Total equity</b>		<u>75,235</u>	<u>76,412</u>

The financial statements of MySale Group Plc (company number 115584) were approved by the Board of Directors and authorised for issue on 25 September 2017. They were signed on its behalf by:

  
 Carl Jackson  
 Director

  
 Andrew Dingle  
 Director



	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 for the year	-	-	(177)	(20)	(197)
Other comprehensive income for the year, net of tax	-	(3,229)	-	-	(3,229)
Total comprehensive income for the year	-	(3,229)	(177)	(20)	(3,426)
Transactions with owners in their capacity as owners:					
Share-based payments (note 23)	-	397	-	-	397
Balance at 30 June 2016	306,363	(125,763)	(104,168)	(20)	76,412

	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 expense for the year	-	-	(982)	-	(982)
Other comprehensive income for the year, net of tax	-	(1,492)	-	-	(1,492)
Total comprehensive income for the year	-	(1,492)	(982)	-	(2,474)
Transactions with owners in their capacity as owners:					
Share-based payments (note 23)	-	1,297	-	-	1,297
Balance at 30 June 2017	306,363	(125,958)	(105,150)	(20)	75,235

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

	Note	2017 A\$'000	2016 A\$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax benefit/(expense) for the year		(1,558)	167
Adjustments for:			
Depreciation and amortisation		5,275	4,383
Net loss/(gain) on disposal of property, plant and equipment		(15)	30
Share of loss - joint ventures		-	104
Interest income		(105)	(125)
Interest expense		223	97
		<hr/>	<hr/>
		3,820	4,656
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		(7,893)	14,167
Increase in inventories		(2,529)	(17,593)
Decrease/(increase) in other operating assets		3,190	(3,153)
Increase/(decrease) in trade and other payables		(1,167)	155
Increase in other provisions		1,207	486
(Decrease)/increase in deferred revenue		(1,455)	530
		<hr/>	<hr/>
		(4,827)	(752)
Interest received		105	125
Interest paid		(223)	(97)
Income taxes (paid)/refunded		(575)	832
		<hr/>	<hr/>
Net cash from/(used in) operating activities		(5,520)	108
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	33	(3,090)	(5,300)
Payments for property, plant and equipment	14	(1,184)	(782)
Payments for intangibles	15	(7,308)	(3,248)
Payments for security deposits		-	(120)
Proceeds from disposal of property, plant and equipment		68	153
Proceeds from disposal of intangibles		-	8
Proceeds from release of security deposits		103	-
		<hr/>	<hr/>
Net cash used in investing activities		(11,411)	(9,289)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		13,234	9,089
Repayment of borrowings		(9,671)	(3,775)
Repayments of leases		(28)	(91)
Additional lease finance		146	-
		<hr/>	<hr/>
Net cash from financing activities		3,681	5,223
Net decrease in cash and cash equivalents		(13,250)	(3,958)
Cash and cash equivalents at the beginning of the financial year		34,005	39,853
Effects of exchange rate changes on cash and cash equivalents		(1,728)	(1,890)
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	10	19,027	34,005

The above statement 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 and generally rounded to the nearest thousand.

The principal business of the group is the operating of online shopping outlets for consumer goods like ladies, men and children's fashion clothing, accessories, beauty and homeware items.

MySale Group Plc is a public company, limited by shares, listed on the AIM (Alternate 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 25 September 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 years presented, unless otherwise stated.

These financial statements are prepared in accordance with International Finance Reporting Standards ('IFRS' or 'IFRSs') as adopted for use in the European Union (the 'EU') and IFRS Interpretations Committee interpretations (together 'EU/IFRS').

### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments at fair value.

### *Going concern*

The Directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group has adequate resources to continue in operational existence for at least the next twelve months from the date of approval of these financial statements. The going concern basis of accounting has therefore been adopted in preparing the financial statements. Further details are contained in the Directors' report on pages 17 to 19.

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

## **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.

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

## **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MySale Group Plc as at 30 June 2017 and the results of all subsidiaries for the year then ended

## **Note 2. Significant accounting policies (continued)**

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of common control subsidiaries is accounted for using the pooling of interest method of accounting. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, balance sheet and statement of changes in equity of the group. Losses incurred by the group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of trade discounts, returns and value of gift vouchers used. Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the group; and when specific criteria have been met for each of the group's activities, as described below. The group bases its estimate of return on historical results and provisions are made for goods expected to be returned.

## **Note 2. Significant accounting policies (continued)**

### *Sale of goods*

The group operates an online retail and wholesale business selling men's, ladies and children's apparel, accessories, beauty and homeware items. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Risks and rewards are considered passed to the buyer when the goods have been delivered to the customer and it is reasonably assured the customer has accepted the goods. Sales represent product shipped plus postage, less actual and estimated future returns and slotting fees, rebates and other trade discounts accounted for as reductions of revenue. Online sales are usually by credit card or online payment.

It is the group's policy to sell its products to the customer with a right of return within 14 days. Accumulated experience is used to estimate and provide for such returns at the time of sale.

### *Other revenue*

Other revenue is recognised when it is received or when the right to receive payment is established.

## **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

MySale Group Plc (the 'head entity') and its wholly-owned Australian subsidiaries plus Apac Sale Group Pte. Ltd. have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

## **Current and non-current classification**

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

## **Note 2. Significant accounting policies (continued)**

Deferred tax assets and liabilities are always classified as non-current.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Other receivables are recognised at amortised cost, less any provision for impairment.

### **Inventories**

Goods for resale are stated at the lower of cost and net realisable value on a 'weighted average cost' basis. Cost comprises purchase, delivery and direct labour costs, net of rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value, based on management assessment of the expected future sales of that inventory, the condition of the inventory and the seasonality of the inventory.

### **Derivative financial instruments**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

#### *Cash flow hedges*

Cash flow hedges are used to cover the group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

### **Joint ventures**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Income/(losses) earned from joint ventures increase/(reduce) the carrying amount of the investment. When the group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, including any other unsecured non-current receivables, the group does not recognise further losses, unless it has obligations to make or has made payments on behalf of the joint venture.

## **Note 2. Significant accounting policies (continued)**

### **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-7 years
Plant and equipment	3-7 years
Fixtures and fittings	5-10 years
Motor vehicles	4-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### **Intangible assets**

Externally acquired intangible assets are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.



## **Note 2. Significant accounting policies (continued)**

### *Customer relationships*

Customer relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of three years.

### *ERP system and software*

Acquired enterprise resource planning ('ERP') systems and software costs are initially capitalised at cost which includes the purchase price, net of any discounts and rebates, and other directly attributable cost of preparing the asset for its intended use. Direct expenditure including employee costs, which enhances or extends the performance of these systems beyond its specifications and which can be reliably measured, is added to the original costs incurred. These costs are amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between three and five years.

Costs associated with maintenance are recognised as an expense in profit or loss when incurred.

### **Impairment of non-financial assets**

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Due to their short-term nature they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Deferred revenue**

Deferred revenue relates to cash received in advance from customers where the goods have not been delivered as at the reporting date.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Provisions**

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

## **Note 2. Significant accounting policies (continued)**

### *Other long-term employee benefits*

Employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### *Long-term employee incentive plan*

The group operates an employee incentive plan to reward and retain key employees. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### *Share-based payments*

Equity-settled share-based compensation benefits are provided to employees. There are no cash-settled share-based compensation benefits.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## **Note 2. Significant accounting policies (continued)**

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### **Earnings per share**

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of MySale Group Plc, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

## **Note 2. Significant accounting policies (continued)**

### *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share is not calculated if anti-dilutive.

### **Value Added Tax ('VAT'), Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated VAT/GST, unless the VAT/GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT/GST receivable or payable. The net amount of VAT/GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The VAT/GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT/GST recoverable from, or payable to, the tax authority.

### **Rounding of amounts**

Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

### **New Accounting Standards and Interpretations not yet mandatory or early adopted**

International Financial Reporting Standards ('IFRS') and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2017. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant and material to the group, are set out below:

#### *IFRS 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The group will adopt this standard from 1 July 2018 and the impact of its adoption is expected to be minimal.

## **Note 2. Significant accounting policies (continued)**

### *IFRS 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's balance sheet as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the group.

### *IFRS 16 Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the balance sheet, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the group.

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Provision for obsolete and slow moving inventories*

The provision for obsolete and slow moving inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### **Note 3. Critical accounting judgements, estimates and assumptions (continued)**

#### *Estimation of useful lives of assets*

The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Goodwill*

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. No impairment charge was required in 2017 (2016: A\$nil).

#### *Impairment of non-financial assets*

The group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Income tax*

The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### **Note 4. 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 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 country's 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.

#### *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 balance sheet for group assets and liabilities.

#### *Major customers*

During the year ended 30 June 2017 there were no major customers (2016: none). A customer is considered major if its revenues are 10% or more of the group's revenue.

**Note 4. Operating segments (continued)**

Operating segment information

	Australia and New Zealand A\$'000	South-East Asia A\$'000	Rest of the world A\$'000	Total A\$'000
<b>- 2017</b>				
<b>Revenue</b>				
Sales to external customers	221,451	33,806	13,130	268,387
<b>Total revenue</b>	221,451	33,806	13,130	268,387
<b>Gross profit</b>	65,662	8,058	2,323	76,043
Other operating (loss)/gains, net				(1,334)
Selling and distribution expenses				(44,040)
Administration expenses				(32,109)
Finance income				105
Finance costs				(223)
<b>Loss before income tax benefit</b>				(1,558)
Income tax benefit				576
<b>Loss after income tax benefit</b>				(982)

	Australia and New Zealand A\$'000	South-East Asia A\$'000	Rest of the world A\$'000	Total A\$'000
<b>- 2016</b>				
<b>Revenue</b>				
Sales to external customers	210,710	31,590	9,989	252,289
<b>Total revenue</b>	210,710	31,590	9,989	252,289
<b>Gross profit</b>	57,060	7,546	2,050	66,656
Other operating (loss)/gains, net				2,173
Selling and distribution expenses				(37,460)
Administration expenses				(31,126)
Finance income				125
Finance costs				(97)
Share of loss of joint venture				(104)
<b>Loss before income tax benefit</b>				167
Income tax benefit				(364)
<b>Loss after income tax benefit</b>				(197)



**Note 5. Other operating (loss)/gains, net**

	2017 A\$'000	2016 A\$'000
Net foreign exchange (loss)/gain	(1,425)	2,177
Net gain on disposal of property, plant and equipment	15	19
Other income/(expense)	76	(23)
	<hr/>	<hr/>
Other operating (loss)/gains, net	(1,334)	2,173
	<hr/>	<hr/>

**Note 6. EBITDA reconciliation (earnings before interest, taxation, depreciation and amortisation)**

	2017 A\$'000	2016 A\$'000
(Loss)/profit before income tax	(1,558)	167
Add: Share of loss of joint venture	-	104
Less: Interest income	(105)	(135)
Add: Interest expense	223	97
Add: Depreciation and amortisation	5,275	4,383
	<hr/>	<hr/>
EBITDA	3,835	4,626
	<hr/>	<hr/>

Underlying EBITDA represents EBITDA adjusted for one-off, non-trading items.

	2017 A\$'000	2016 A\$'000
<b>Underlying EBITDA reconciliation</b>		
EBITDA	3,835	4,626
Share-based payments	1,132	397
Reorganisation and discontinued operations	320	265
One-off costs of non-trading, non-recurring nature including IPO and acquisition expenses	2,434	1,997
Unrealised foreign exchange loss/(gain)	953	(1,819)
Total one-off, non-trading items	4,839	840
	<hr/>	<hr/>
Underlying EBITDA	8,674	5,466
	<hr/>	<hr/>

**Note 7. Expenses**

	2017 A\$'000	2016 A\$'000
(Loss)/profit before income tax includes the following specific expenses:		
<i>Sales, distribution and administration expenses:</i>		
Staff costs (note 8)	34,254	29,716
Marketing expenses	18,119	16,714
Occupancy costs	5,575	5,617
Merchant and other professional fees	5,764	5,936
Depreciation and amortisation	5,275	4,383
Other administration costs	7,162	6,220
	<hr/>	<hr/>
Total sales, distribution and administration expenses	76,149	68,586
<i>Underlying operating expenses</i>		
Total sales, distribution and administration expenses	76,149	68,586
Add: Realised foreign currency loss/(gain)	472	(359)
Add: Other (expense)/income	(76)	23
Add: Gain on disposal of fixed assets	(15)	(19)
Less: Share-based payments, one-off costs and reorganisation and discontinued operations	(3,886)	(2,559)
Less: Depreciation and amortisation	(5,275)	(4,383)
Less: Share of loss in joint venture	-	(104)
	<hr/>	<hr/>
Total underlying operating expenses	67,369	61,185
<i>Finance costs</i>		
Interest and finance charges paid/payable	223	97
	<hr/>	<hr/>
Occupancy costs include:		
Minimum operating lease payments	4,568	4,372
	<hr/>	<hr/>
Cost of inventories recognised as an expense in 'cost of sales' in profit or loss	152,426	149,297
	<hr/>	<hr/>

**Note 8. Staff costs**

	2017 A\$'000	2016 A\$'000
Aggregate remuneration:		
Wages and salaries	27,064	24,463
Social security costs	2,380	2,095
Long term employee incentive plan	1,297	397
Other staff costs and benefits	3,513	2,761
	<hr/>	<hr/>
Total staff costs	34,254	29,716
	<hr/>	<hr/>

**Note 8. Staff costs (continued)**

	2017 A\$'000	2016 A\$'000
The average monthly number of employees (including executive directors and those on a part-time basis) was:		
Sales and distribution	363	357
Administration	181	186
	544	543

Details of directors' remuneration and interests are provided in the audited section of the Directors' remuneration report and should be regarded as part of these financial statements.

**Note 9. Income tax (benefit)/expense**

	2017 A\$'000	2016 A\$'000
<i>Income tax (benefit)/expense</i>		
Current tax	624	759
Deferred tax - origination and reversal of temporary differences	(397)	(413)
Adjustment recognised for prior years	(803)	18
	(576)	364
Deferred tax included in income tax (benefit)/expense comprises:		
Increase in deferred tax assets (note 16)	(397)	(413)
<i>Numerical reconciliation of income tax (benefit)/expense and tax at the statutory rate</i>		
(Loss)/profit before income tax benefit/(expense)	(1,558)	167
Tax at the statutory tax rate of 30%	(467)	50
Effect of overseas tax rates	183	-
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	22	218
Tax-exempt income	-	(26)
Current year tax losses not recognised	-	58
Change in recognised deductible temporary difference	489	-
Adjustment recognised for prior years	(803)	64
	(576)	364

The tax rates of the main jurisdictions are Australia 30% (2016: 30%), Singapore 17% (2016: 17%), New Zealand 28% (2016: 28%), United Kingdom 20% (2016: 20%) and United States 42.8% (2016: 42.8%).

**Note 10. Current assets - cash and cash equivalents**

	2017 A\$'000	2016 A\$'000
Cash at bank	12,314	28,805
Bank deposits at call	6,713	5,200
	19,027	34,005

**Note 11. Current assets - trade and other receivables**

	2017 A\$'000	2016 A\$'000
Trade receivables	16,800	9,058
Less: Provision for impairment of receivables	(86)	-
	16,714	9,058
Other receivables	237	-
	16,951	9,058

Trade receivables include uncleared cash receipts due from online customers which amounted to A\$2,515,000 (2016: A\$2,473,000).

*Impairment of receivables*

The group has recognised a loss of A\$91,000 (2016: A\$nil) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

Movements in the provision for impairment of receivables are as follows:

	2017 A\$'000	2016 A\$'000
Opening balance	-	37
Additional provisions recognised	86	-
Unused amounts reversed	-	(37)
Closing balance	86	-

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to A\$751,000 as at 30 June 2017 (A\$580,000 as at 30 June 2016).

The ageing of the past due but not impaired receivables are as follows:

	2017 A\$'000	2016 A\$'000
3 to 6 months overdue	751	580

The group did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

**Note 12. Current assets - inventories**

	2017 A\$'000	2016 A\$'000
Goods for resale	35,403	35,395
Obsolete and slow moving inventory provision	(895)	(456)
	34,508	34,939
Stock in transit	3,534	534
	38,042	35,473

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2017 amounted to A\$281,000 (2016: A\$789,000). This expense has been included in 'cost of sales' in profit or loss.

**Note 13. Current assets - other**

	2017 A\$'000	2016 A\$'000
Prepayments	1,419	984
Prepaid inventory	3,030	6,271
Other deposits	333	435
Other current assets	167	283
	4,949	7,973

Prepaid inventory relates to the costs of goods for resale that have been paid for by the group but not delivered to its distribution centres for further dispatch to the customers who placed the orders as at the reporting date. The corresponding cash received in advance from customers are accounted for within deferred revenue category in the balance sheet which includes the total amount of cash received for the goods not delivered to customers at the reporting date.

**Note 14. Non-current assets - property, plant and equipment**

	2017 A\$'000	2016 A\$'000
Leasehold improvements - at cost	1,408	993
Less: Accumulated depreciation	(901)	(784)
	507	209
Plant and equipment - at cost	5,064	4,535
Less: Accumulated depreciation	(3,725)	(3,068)
	1,339	1,467
Fixtures and fittings - at cost	1,313	1,025
Less: Accumulated depreciation	(712)	(528)
	601	497
Motor vehicles - at cost	516	391
Less: Accumulated depreciation	(252)	(338)
	264	53
	2,711	2,226

#### Note 14. Non-current assets - property, plant and equipment (continued)

##### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	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 2015	379	2,058	380	206	3,023
Additions	71	427	284	-	782
Disposals	(4)	(74)	(3)	(102)	(183)
Exchange differences	(4)	(30)	(11)	(5)	(50)
Depreciation expense	(233)	(914)	(153)	(46)	(1,346)
Balance at 30 June 2016	209	1,467	497	53	2,226
Additions	477	154	306	286	1,223
Additions through business combinations (note 33)	-	489	-	-	489
Disposals	(7)	(5)	(12)	(25)	(49)
Exchange differences	(3)	(37)	(1)	-	(41)
Depreciation expense	(169)	(729)	(189)	(50)	(1,137)
Balance at 30 June 2017	507	1,339	601	264	2,711

##### Assets pledged as security

Refer to note 20 for property, plant and equipment pledged as security.

##### Property, plant and equipment secured under finance leases

Refer to note 31 for further information on property, plant and equipment secured under finance leases.

Depreciation expense is included in the 'administration expenses' in profit or loss.

#### Note 15. Non-current assets - intangibles

	2017 A\$'000	2016 A\$'000
Goodwill - at cost	24,019	21,504
Customer relationships - at cost	3,519	3,512
Less: Accumulated amortisation	(2,593)	(1,536)
	926	1,976
Software - at cost	13,824	6,986
Less: Accumulated amortisation	(5,202)	(3,070)
	8,622	3,916
ERP system	4,436	3,923
Less: Accumulated amortisation	(2,431)	(1,554)
	2,005	2,369
	35,572	29,765

## Note 15. Non-current assets - intangibles (continued)

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill A\$'000	Customer relationships A\$'000	Software A\$'000	ERP system A\$'000	Total A\$'000
Balance at 1 July 2015	16,849	1,529	2,912	2,227	23,517
Additions	-	-	2,408	840	3,248
Additions through business combinations	4,655	1,495	-	-	6,150
Disposals	-	-	(8)	-	(8)
Exchange differences	-	(94)	(11)	-	(105)
Amortisation expense	-	(954)	(1,385)	(698)	(3,037)
Balance at 30 June 2016	21,504	1,976	3,916	2,369	29,765
Additions	-	-	6,851	492	7,343
Additions through business combinations (note 33)	2,515	124	-	-	2,639
Disposals	-	-	(3)	-	(3)
Exchange differences	-	(33)	(9)	8	(34)
Amortisation expense	-	(1,141)	(2,133)	(864)	(4,138)
Balance at 30 June 2017	24,019	926	8,622	2,005	35,572

Amortisation expense is included in 'administration expenses' in profit or loss.

Goodwill is allocated to the group's cash-generating units ('CGUs') identified according to business model as follows:

	2017 A\$'000	2016 A\$'000
Online Flash	19,659	17,144
Online Retail	4,360	4,360
	24,019	21,504

The recoverable amounts of the CGUs were determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period were extrapolated using the estimated growth rates stated below.

Management determined budgeted gross margin based on expectations of market developments. The growth rates used were conservative based on industry forecasts. The discount rates used were pre-tax and reflected specific risks relating to the CGUs.

### Online Retail

Key assumptions used for value-in-use calculations:

	2017 %	2016 %
Budgeted gross margin	29.5%	28.1%
Five year compound growth rate	11.0%	12.0%
Long term growth rate	2.0%	2.0%
Pre-tax discount rate	9.0%	9.0%



### Note 15. Non-current assets - intangibles (continued)

Based on the assessment, no impairment charge is required. Management have performed a number of sensitivity tests on the above rates and note that there is no impairment indicators arising from this analysis. The recoverable amount exceeded the carrying amount by A\$45,464,000.

#### Online Retail

Key assumptions used in value-in-use calculation

	2017 %	2016 %
Budgeted gross margin	22.7%	22.7%
Five year compound growth rate	(10.0%)	50.0%
Long term growth rate	2.0%	2.0%
Pre-tax discount rate	9.0%	9.0%

Based on the assessment, no impairment charge is required. Management have performed a number of sensitivity tests on the above rates and note that there is no impairment indicators arising from this analysis. The recoverable amount exceeded the carrying amount by A\$2,456,000.

### Note 16. Non-current assets - deferred tax

	2017 A\$'000	2016 A\$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	8,876	9,324
Accrued expenses	485	701
Provisions	784	847
Sundry	673	269
Property, plant and equipment	4	(253)
Intangibles	(278)	(593)
Deferred tax asset	10,544	10,295
Movements:		
Opening balance	10,295	10,320
Credited to profit or loss (note 9)	397	413
Additions through business combinations	-	(360)
Exchange loss	(148)	(78)
Closing balance	10,544	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.

**Note 17. Current liabilities - trade and other payables**

	2017 A\$'000	2016 A\$'000
Trade payables	23,460	22,464
Other payables and accruals	4,450	6,168
Payable to other related party	58	50
Sales tax payable	618	866
	28,586	29,548

Refer to note 26 for further information on financial instruments.

**Note 18. Current liabilities - borrowings**

	2017 A\$'000	2016 A\$'000
Bank loans	5,200	5,200
Bank loans under interchangeable facilities including letters of credit	4,775	1,212
Finance lease liability	39	64
	10,014	6,476

Refer to note 20 for further information on assets pledged as security and financing arrangements.

Refer to note 26 for further information on financial instruments.

**Note 19. Current liabilities - provisions**

	2017 A\$'000	2016 A\$'000
Employee benefits provision	1,115	770
Lease make good provision	173	182
Gift voucher provision	433	699
Sales returns provision	562	512
	2,283	2,163

*Lease make good provision*

The provision represents the present value of the estimated costs to make good the premises leased by the group at the end of the respective lease terms.

*Gift voucher provision*

The provision represents the estimated costs to honour gift vouchers that are in circulation and not expired.

*Sales return provision*

The provision represents the costs for goods expected to be returned by customers.

### Note 19. Current liabilities - provisions (continued)

#### Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

<b>-2017</b>	<b>Lease make good provision</b>	<b>Gift vouchers provision</b>	<b>Sales returns provision</b>
Carrying amount at the start of the year	182	699	512
Additional provisions recognised	13	433	562
Amounts used	(19)	(699)	(512)
Foreign exchange differences	(3)	-	-
	<hr/>	<hr/>	<hr/>
Carrying amount at the end of the year	173	433	562

### Note 20. Non-current liabilities - borrowings

	<b>2017 A\$'000</b>	<b>2016 A\$'000</b>
Finance lease liability	143	-

Refer to note 26 for further information on financial instruments.

#### Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	<b>2017 A\$'000</b>	<b>2016 A\$'000</b>
Bank loans	5,200	5,200
Bank loans under interchangeable facilities including letters of credit	4,775	1,212
Finance lease liability	182	64
	<hr/>	<hr/>
	10,157	6,476

The group has a A\$11,576,000 (2016: 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:

- 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 A\$13,120,000 (2016: £3,000,000) borrowing facility with Hong Kong and Shanghai Banking Corporation Plc ('HSBC') which is secured by a Corporate Guarantee.

Refer to note 38 for changes in borrowing facilities post 30 June 2017.

## Note 20. Non-current liabilities - borrowings (continued)

Assets pledged as security

All bank borrowings of the group are secured by a Corporate Guarantee and Indemnity. The average interest rate incurred on these bank borrowings was 2.59% (2016: 2.0%). The borrowings are expected to be repaid within 90 days.

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.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2017 A\$'000	2016 A\$'000
Cash and cash equivalents	5,200	5,200

### Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	2017 A\$'000	2016 A\$'000
Total facilities		
Bank loans and overdrafts	5,200	9,970
Bank guarantees	3,096	67
Bank loans under interchangeable facilities including letters of credit	16,400	8,262
	<u>24,696</u>	<u>18,299</u>
Used at the reporting date		
Bank loans and overdrafts	5,200	5,200
Bank guarantees	1,405	21
Bank loans under interchangeable facilities including letters of credit	4,775	2,229
	<u>11,380</u>	<u>7,450</u>
Unused at the reporting date		
Bank loans and overdrafts	-	4,770
Bank guarantees	1,691	46
Bank loans under interchangeable facilities including letters of credit	11,625	6,033
	<u>13,316</u>	<u>10,849</u>

## Note 21. Non-current liabilities - provisions

	2017 A\$'000	2016 A\$'000
Employee benefits provision	332	368

### Long term incentive plan

Refer to note 37 for details on the long term incentive plan.

## Note 22. Equity - share capital

	2017 Shares	2016 Shares	2017 A\$'000	2016 A\$'000
Ordinary shares £nil each (2016: £nil) - issued and fully paid	154,331,652	151,331,652	-	-

**Note 22. Equity - share capital (continued)**

*Authorised share capital*

200,000,000 (2016: 200,000,000) ordinary shares of £nil each.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

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

*Capital risk management*

The group's objectives when managing capital is to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. It is the group's strategy to maintain borrowing base ratio well below 65% requirement in order to comply with the borrowing facility covenants. Refer to note 20.

Capital is regarded as total equity, as recognised in the balance sheet, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

**Note 23. Equity - other reserves**

	<b>2017</b>	<b>2016</b>
	<b>A\$'000</b>	<b>A\$'000</b>
Foreign currency reserve	2,187	3,938
Hedging reserve - cash flow hedges	(788)	(1,047)
Share-based payments reserve	5,399	4,102
Capital reorganisation reserve	(132,756)	(132,756)
	<hr/>	<hr/>
	(125,958)	(125,763)

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

*Hedging reserve - cash flow hedges*

The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Capital reorganisation reserve*

The reserve is used to recognise the difference between the purchase price of APAC Sale Group Pte. Ltd. and the net assets acquired following a group reorganisation in 2014.

### Note 23. Equity - other reserves (continued)

#### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency A\$'000	Hedging A\$'000	Share-based payments A\$'000	Capital reorganisation A\$'000	Total A\$'000
Balance at 1 July 2015	6,099	21	3,705	(132,756)	(122,931)
Foreign currency translation	(2,161)	-	-	-	(2,161)
Cash flow hedge	-	(1,068)	-	-	(1,068)
Share-based payments	-	-	397	-	397
Balance at 30 June 2016	3,938	(1,047)	4,102	(132,756)	(125,763)
Foreign currency translation	(1,751)	-	-	-	(1,751)
Cash flow hedge	-	259	-	-	259
Share-based payments	-	-	1,297	-	1,297
Balance at 30 June 2017	2,187	(788)	5,399	(132,756)	(125,958)

### Note 24. Equity - non-controlling interests

	2017 A\$'000	2016 A\$'000
Accumulated losses	(20)	(20)

The non-controlling interests has a 40% equity holding in Invite to Buy, 40% in Chic Global Limited and 49% in Simply Send H Pty Limited.

### Note 25. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

### Note 26. Financial instruments

#### Financial risk management objectives

The group's activities expose it to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the group's financial performance. The group uses financial instruments such as currency forwards to hedge certain financial risk exposures.

The Board of Directors (the 'Board') is responsible for setting the objectives and underlying principles of financial risk management for the group.

Financial risk management is carried out by the executive directors and the executive management team in accordance with the policies set by the Board. They identify, evaluate and hedge financial risks in close co-operation with the group's operating units. Regular reports are circulated and reviewed by executive directors.

## **Note 26. Financial instruments (continued)**

### **Market risk**

#### *Foreign currency risk*

The company is incorporated in Jersey and the group operates from Australia with operations in New Zealand, USA and Asia (including Malaysia, Thailand and Singapore). Entities in the group regularly transact in currencies other than their respective functional currencies ('foreign currencies'). The group purchases products in these countries and other European Union countries.

Currency risk arises within entities in the group when transactions are denominated in foreign currencies. To manage the currency risk, the executive management team manages the overall currency exposure mainly by entering into currency forwards with banks.

The carrying amount of the group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2017</b> <b>A\$'000</b>	<b>2016</b> <b>A\$'000</b>	<b>2017</b> <b>A\$'000</b>	<b>2016</b> <b>A\$'000</b>
US dollars	1,333	3,052	2,368	2,399
Euros	13,314	5,940	6,702	2,780
Pound sterling	5,130	15,942	1,093	1,188
New Zealand dollars	1,702	4,842	1,130	800
Singapore dollars	1,022	4,585	5	6
Malaysian ringgit	697	1,958	-	17
Chinese Yuan	-	586	-	-
Others	2	78	49	95
	<b>23,200</b>	<b>36,983</b>	<b>11,347</b>	<b>7,285</b>

The group had net assets denominated in foreign currencies of A\$11,853,000 as at 30 June 2017 (2016: A\$29,698,000). Based on this exposure, had the Australian dollar weakened by 10% / strengthened by 10% (2016: weakened by 10% / strengthened by 10%) against these foreign currencies with all other variables held constant, the group's loss before tax for the year would have been A\$1,185,000 lower / higher (2016: A\$2,969,000 lower / higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 6 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the year ended 30 June 2017 was A\$1,425,000 (2016: profit of A\$2,177,000).

#### *Price risk*

The group is not exposed to any significant price risk.

#### *Cash flow and fair value interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The group is not exposed to any significant cash flow interest rate risks arising mainly from interest bearing deposits.

### **Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the group. The major classes of financial assets of the group are bank deposits. For bank deposits, the group adopts the policy of dealing only with high credit quality financial institutions and major banks.

The principal business of the group is online cash sales. The group adopts the policy of dealing with customers of appropriate credit history in relation to its online sales and wholesale business.

The group's maximum exposures to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

## Note 26. Financial instruments (continued)

### Concentration of credit risk

There are no significant concentrations of credit risk within the group. The credit risk on liquid funds is limited as the counterparties are banks with high credit ratings.

Credit risk is managed by limiting the amount of credit exposure to any single counter-party for cash deposits.

### Liquidity risk

The group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Unused borrowing facilities at the reporting date:

	2017 A\$'000	2016 A\$'000
Bank loans and overdrafts	-	4,770
Bank guarantees	1,691	46
Bank loans under interchangeable facilities	11,625	6,033
	13,316	10,849

### Remaining contractual maturities

Trade payables and other financial liabilities mainly arise from the financing of assets used in the group's ongoing operations such as plant and equipment and investments in working capital. These assets are considered in the group's overall liquidity risk.

The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the balance sheet.

- 2017	Weighted average interest rate %	1 year or less A\$'000	Between 1 and 5 years A\$'000	Over 5 years A\$'000	Remaining contractual maturities A\$'000
<b>Non-derivatives</b>					
Non-interest bearing					
Trade and other payables	-	27,910	-	-	27,910
Sales tax payable	-	618	-	-	618
Payable to other related party	-	58	-	-	58
<b>Interest-bearing - variable</b>					
Bank loans	2.59%	10,160	-	-	10,160
Lease liability	7.20%	51	149	-	200
Total non-derivatives		38,797	149	-	38,946
<b>Derivatives</b>					
Forward foreign exchange contracts net settled	-	788	-	-	788
Total derivatives		788	-	-	788



**Note 26. Financial instruments (continued)**

- 2016	Weighted average interest rate %	1 year or less A\$'000	Between 1 and 5 years A\$'000	Over 5 years A\$'000	Remaining contractual maturities A\$'000
<b>Non-derivatives</b>					
Non-interest bearing					
Trade and other payables	-	28,632	-	-	28,632
Sales tax payable	-	866	-	-	866
Payable to other related party	-	50	-	-	50
<b>Interest-bearing - variable</b>					
Bank loans	2.00%	6,412	-	-	6,412
Lease liability	8.97%	65	-	-	65
Total non-derivatives		36,025	-	-	36,025
<b>Derivatives</b>					
Forward foreign exchange contracts net settled	-	1,047	-	-	1,047
Total derivatives		1,047	-	-	1,047

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Note 27. 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)

- 2017	Level 1 A\$'000	Level 2 A\$'000	Level 3 A\$'000	Total A\$'000
Liabilities				
Derivative financial instruments	-	788	-	788
Total liabilities	-	788	-	788
- 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

There were no transfers between levels during the financial year.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. 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 instruments. Also, there is no material difference between the fair value of cash and cash equivalents and the carrying amounts.

### Note 27. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2

The fair value of the derivative financial instruments, being forward exchange contracts, are determined using quoted forward exchange rates at the reporting date. These instruments are included in Level 2.

### Note 28. Key management personnel disclosures

#### Compensation

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	2017 A\$'000	2016 A\$'000
Short-term employee benefits	1,616	1,734
Post-employment benefits	117	125
	1,733	1,859

Key management includes directors (executives and non-executives) and key heads of departments.

During the financial year ended 30 June 2017 A\$nil (2016: A\$nil) performance rights were granted to members of key management personnel under share-based payments plans operated by the group as disclosed in note 37.

### Note 29. Remuneration of auditors

Services provided by the company's auditors and network firms. During the year the company (including its overseas subsidiaries) obtained the following services from the company's auditors at costs as detailed below:

	2017 A\$'000	2016 A\$'000
Fees payable to the company's auditor and its associates for the audit of the consolidated financial statements	190	190
Fees payable to the company's auditor and its associates for other services:		
- the audit of the company's subsidiaries	207	240
- review related assurance services	-	68
- taxation services	132	129
- other non-audit services	74	136
	603	763

### Note 30. Contingent liabilities

The group has reduced its bank guarantees issued by ANZ Bank Limited ('ANZ'), in respect of lease obligations amounting to A\$nil (2016: A\$874,000).

The group also issued a bank guarantee through its banker ANZ Bank New Zealand Limited, in respect of customs and duties obligations amounting to NZ\$150,000 (2016: NZ\$150,000) and lease obligations to NZ\$nil (2016: NZ\$22,000).

The group issued bank guarantees through its banker, Hong Kong and Shanghai Banking Corporation ('HSBC'), in respect of lease obligations amounting to A\$979,000 (2016: A\$nil).

**Note 31. Commitments**

	2017 A\$'000	2016 A\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,324	3,494
One to five years	9,138	10,167
	12,462	13,661
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	51	65
One to five years	149	-
	200	65
Less: Future finance charges	(18)	(1)
	182	64
Net commitment recognised as liabilities		
Representing:		
Finance lease liability - current (note 18)	39	64
Finance lease liability - non-current (note 20)	143	-
	182	64
<i>Sub-lease receivable - operating</i>		
Committed at the reporting date but not recognised as assets, receivables:		
Within one year	269	559
One to five years	289	585
	558	1,144

The group leases office space, land and buildings and warehouses from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The group leases certain plant and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the group with options to purchase the leased assets at nominal values at the end of the lease term.

The carrying amounts of plant and equipment and motor vehicles held under finance leases are A\$nil (2016: A\$29,000) and A\$182,000 (2016: A\$35,000) respectively at the reporting date.

The company also subleases some of its office and warehouse space to related and non-related parties. The subleases have varying terms and expiry dates.

**Note 32. Related party transactions**

*Parent entity*

MySale Group Plc is the parent company of the group.

*Subsidiaries*

Interests in subsidiaries are set out in note 34.

*Joint ventures*

Interests in joint ventures are set out in note 35.

### Note 32. Related party transactions (continued)

#### Key management personnel

Disclosures relating to key management personnel are set out in note 28.

#### Transactions with related parties

The following transactions occurred with related parties:

	2017 A\$'000	2016 A\$'000
<i>Sale of goods and services:</i>		
Sale of goods to other related party (Arcadia and Sports Direct)	3,074	22,521
Sale of rent and freight services to other related party (recharges of payment)	522	1,028
<i>Payment for goods and services:</i>		
Purchase of goods from other related party	1,782	685

#### Receivable from and payable to related parties

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

	2017 A\$'000	2016 A\$'000
<i>Current receivables:</i>		
Trade receivables from other related party	2,200	1,784
<i>Current payables:</i>		
Trade payables to other related party	1,452	224

#### 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 33. Business combinations

Acquisition of the online personalization businesses from the Administrators of Ortega Publishing Pty Ltd and Identity Direct Ltd

On 4 April 2017, the group acquired the trade and assets of the online personalization businesses from the Administrators of Ortega Publishing Pty Ltd and Identity Direct Ltd. The assets included a membership database, trade and domain names and plant and equipment to personalize consumer gifts and products including apparel, sporting goods, labels and books.

The purchase price was A\$2,936,000.

**Note 33. Business combinations (continued)**

	Fair value A\$'000
Inventories	182
Prepayments	296
Plant and equipment	489
Customer list	124
Adjusted for fair value of sales	(37)
	<hr/>
Net assets acquired	1,054
Goodwill	1,882
	<hr/>
Acquisition-date fair value of the total consideration transferred	2,936
	<hr/>
Representing:	
Cash paid or payable to vendor	2,762
Deduction for leave entitlements	174
	<hr/>
	2,936
	<hr/>

The goodwill is attributable to the synergies expected to be achieved from operating the retail businesses alongside the group's existing online flash businesses. The goodwill recognised will not be deductible for tax purposes.

*Acquisition of the business and assets of Hot!mess Fashion Ltd*

On 21 April 2017, the group acquired the online trade and certain assets of Hot!mess Fashion Limited from Hot!mess Fashion Ltd. The business designs and sells apparel, beauty products and accessories online. The assets included a membership database, trade and domain names, inventory and work in progress. The purchase price was A\$633,000 (£362,000).

The goodwill of A\$633,000 is attributable to the expected opportunities to grow this business that will come from integrating the business into the group. The goodwill recognized will not be deductible for tax purposes.

**Note 34. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Principal activities	Parent		Non-controlling interest	
			Ownership interest 2017	Ownership interest 2016	Ownership interest 2017	Ownership interest 2016
APAC Sale Group Pte. Ltd.	Singapore	Trading company	100%	100%	-	-
APAC Sale Italy s.r.l	Italy	Trading company	100%	100%	-	-
APAC Sales Group, Inc.	United States of America	Trading company	100%	100%	-	-
APAC UK Procurement Co Limited	United Kingdom	Trading company	100%	100%	-	-
APACSale Limited	United Kingdom	Trading company	100%	100%	-	-
BuyInvite Pty Limited	Australia	Trading company	100%	100%	-	-
Cocosa Lifestyle Limited	United Kingdom	Trading company	100%	100%	-	-
NZ Sale Limited	New Zealand	Trading company	100%	100%	-	-
Ozsale Pty Limited	Australia	Trading company	100%	100%	-	-
Ozsale Sdn. Bhd.	Malaysia	Trading company	100%	100%	-	-
Private Sale Asia Pacific Pte Ltd	Singapore	Trading company	100%	100%	-	-
Simply Sent It Pty Limited	Australia	Trading company	51%	51%	49%	49%
Singsale Pte. Ltd.	Singapore	Trading company	100%	100%	-	-
Brand Search Pty Limited	Australia	Trading company	100%	100%	-	-
Chic Global Limited	United Kingdom	Trading company	60%	50%	40%	50%
BuyInvite NZ Pty Limited	Australia	Dormant	100%	100%	-	-
Click Frenzy Australia Pty Ltd	Australia	Dormant	100%	100%	-	-
NZ Wine Limited	New Zealand	Dormant	100%	100%	-	-
Ourpay Ltd (formerly My Trade Ltd)	United Kingdom	Dormant	100%	100%	-	-
MySale Group Limited	Hong Kong	Dormant	100%	100%	-	-
Handelsselskabet 1 September 2008 ApS	Denmark	Trading company	60%	60%	40%	40%
Branch of Click Frenzy Australia Pty Ltd	Russia	Trading company	100%	100%	-	-
Ozsale Philippine Branch	Philippines	Dormant	100%	100%	-	-

**Note 34. Interests in subsidiaries (continued)**

<b>Name</b>	<b>Registered Address</b>
APAC Sale Group Pte. Ltd.	3 Fusionopolis Link #02-08 Nexus@one-north, Singapore
Apac Sale Italy s.r.l.	Impruneta (Florence), via Di Colle Ramole 11, 50023, Bottai, Italy
APAC Sales Group, Inc.	1107 S Boyle Street, Los Angeles, CA 90023, U.S.A
APAC UK Procurement Co Limited	1 Brunel Road, Earlstrees Industrial Estate, Corby, Northants, NN17 4JW, UK
APACSale Limited	The Old Mill, 9 Soar Lane, Leicester, LE3 5DE, UK
Branch of Click Frenzy Australia Pty Ltd	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
Brand Search Pty Ltd.	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
BuyInvite NZ Pty Limited	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
BuyInvite Pty Ltd.	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
Chic Global Limited	12 Bridgford Road, West Bridgford, Nottingham, Nottinghamshire, NG2 6AB, UK
Click Frenzy Australia Pty Limited	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
Cocosa Lifestyle Ltd	1 Brunel Road, Earlstrees Industrial Estate, Corby, Northants, NN17 4JW, UK
Handelsselskabet 1 September 2008 ApS	c/o Accura Advokatpartnerselskab Tuborg Boulevard 1 2900 Hellerup, Denmark
Mysale Group Limited	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
MySale Group plc	Ogier House, The Esplanade, St Helier, Jersey JE4 9WG, UK
NZ Sale Limited	25 Barrys Point Road, Takapuna Auckland 0632, NZ
NZ Wine Limited	25 Barrys Point Road, Takapuna Auckland 0632, NZ
Ourpay Ltd	The Old Mill, 9 Soar Lane, Leicester, LE3 5DE, UK
Ozsale Philippine Branch	5J Westgate Tower, Investment Drive, Madrigal Business Park, Muntinlupa City, Philippines 1780
Ozsale Pty Limited	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
Ozsale Sdn. Bhd	29-3, Block F2, Jalan PJU1/42A, Dataran Prima, 47301 Petaling Jaya, Selangor, Malaysia
Private Sale Asia Pacific Pte Ltd.	3 Anson Road, #27-01 Springleaf Tower, Singapore
Simply Send It Pty Ltd	Unit 5, 111 Old Pittwater Road, Brookvale, 2100, Australia
Singsale Pte. Ltd.	3 Fusionopolis Link #02-08 Nexus@one-north, Singapore

Summarised financial information for subsidiaries that have non-controlling interests, has not been provided as they are not material to the group.

**Note 35. Interests in joint ventures**

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Invite to Buy (Handelsselskabet 1 September 2008 ApS)	Denmark	60.00%	60.00%

*Invite to Buy*

Invite to Buy is deemed to be a jointly controlled operation of the group, as the appointment of its directors and the allocation of voting rights for the key business decisions require the unanimous approval of its venturers. On 1 April 2016, the group took operational control of the joint venture through the integration of the joint venture's business into the group's existing online flash businesses. Thereafter the joint venture has been accounted for on a consolidated basis, due to the exercising of operational control.

The group's loss on investment upon consolidation at 31 March 2016 amounted to A\$55,000.

**Note 36. Earnings per share**

Loss after income tax	2017 A\$'000	2016 A\$'000
Non-controlling interest	(982)	(197)
	-	20
Loss after income tax attributable to the owners of MySale Group Plc	(982)	(177)
Add back items of a one-off, non-trading nature (note 6)	4,839	840
Underlying profit after income tax attributable to the owners of MySale Group Plc	3,857	663
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	151,331,652	151,331,652
Weighted average number of ordinary shares used in calculating diluted earnings per share	151,331,652	151,331,652
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.65)	(0.12)
Diluted earnings per share	(0.65)	(0.12)
Underlying earnings per share	2.50)	0.40)

8,615,909 (2016: 5,539,326) employee long term incentives have been excluded from the 2017 (2016) diluted earnings calculation as they are anti-dilutive for the year.

**Note 37. Share-based payments**

The company established two new employee share plans prior to the AIM admission; (1) the Executive Incentive Plan ('EIP') and (2) the Loan Share Plan ('LSP'). In accordance with the terms of each plan 100% of the ordinary shares will vest three years from grant date subject to the achievement of the Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') included in the company's internal forecasts set by the Board in the year of the grant.



### Note 37. Share-based payments (continued)

In July 2015, 3,000,000 options over the ordinary share capital of the company were granted to the Chairman with an exercise price of £0.53. 1,000,000 options will vest when the company's share price reaches £1.50, a further 1,500,000 shall vest when the company's share price reaches £2.26 and a further 500,000 shall vest when the company's share price reaches £2.75. The options expire five years after the grant date. Other than the vesting conditions, all other terms are the same as the EIP. The fair value of the accounting expense in relation to these options are recognised over the vesting period.

Set out below are summaries of share and options granted under the plans for directors and employees:

#### 2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
28/05/2014	16/06/2019 ***	£2.26	111,499	-	-	-	111,499
18/08/2015	18/08/2020 ***	£0.51	2,027,806	-	-	-	2,027,806
18/08/2015	18/08/2020 **	£0.51	400,021	-	-	-	400,021
27/07/2015	27/07/2020 ***	£0.53	3,000,000	-	-	-	3,000,000
19/08/2016	19/08/2021 ***	£0.65	-	1,959,599	-	-	1,959,599
19/08/2016	19/08/2021 **	£0.65	-	1,116,984	-	-	1,116,984
			5,539,326	3,076,583	-	-	8,615,909

\*\* EIP - Options

\*\*\* LSP

#### 2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
28/05/2014	16/06/2015 *	£0.00	684,042	-	(684,042)	-	-
28/05/2014	16/06/2019 ***	£2.26	111,499	-	-	-	111,499
18/08/2015	18/08/2020 ***	£0.51	-	2,027,806	-	-	2,027,806
18/08/2015	18/08/2020 **	£0.51	-	400,021	-	-	400,021
27/07/2015	27/07/2020 ***	£0.53	-	3,000,000	-	-	3,000,000
			795,541	5,427,827	(684,042)	-	5,539,326

\* EIP - Share rights

\*\* EIP - Options

\*\*\* LSP

The weighted average remaining contractual life of the share plan outstanding at the end of the financial year was 4 years (2016: 4 years).

The share-based payment expense for the year was A\$1,297,000 (2016: A\$397,000).

### Note 38. Events after the reporting period

The group's borrowing facility with Hong Kong and Shanghai Banking Corporation increased to \$13,353,000 (previously \$13,120,000) in July 2017. The facility is secured by a Corporate Guarantee.

The group's borrowing facility with ANZ Bank Limited reduced to \$174,000 (previously \$11,576,000) in July 2017. The facility is secured by a term deposit security.

All bank guarantees with ANZ were released in August 2017.

No other matter or circumstance has arisen since 30 June 2017 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	2017 A\$'000	2016 A\$'000
<b>Fixed assets</b>			
Tangible assets	4	183	125
Investment in subsidiary	5	162,771	161,474
Deferred tax		359	383
Total fixed assets		163,313	161,982
<b>Current assets</b>			
Debtors	6	14,753	5,203
Cash at bank and in hand	7	2,085	12,231
Total current assets		16,838	17,434
<b>Current liabilities</b>			
Creditors - amounts falling due within one year	8	1,042	385
Finance lease liability		96	-
Total current liabilities		1,138	385
<b>Net current assets</b>		15,700	17,049
<b>Total assets less current liabilities</b>		179,013	179,031
<b>Net assets</b>		179,013	179,031
<b>Equity</b>			
Share premium account		306,363	306,363
Other reserves	10	(125,490)	(125,657)
Accumulated losses	11	(1,860)	(1,675)
<b>Total equity</b>		179,013	179,031

Refer to note 8 for share capital details.

The financial statements of MySale Group Plc (company number 115584) were approved by the Board of Directors and authorised for issue on 25 September 2017. They were signed on its behalf by:



Carl Jackson  
 Director



Andrew Dingle  
 Director

	Share premium account A\$'000	Other reserves A\$'000	Accumulated losses A\$'000	Total equity A\$'000
Balance at 1 July 2015	306,363	(123,734)	(1,730)	180,899
Profit after income tax benefit for the year	-	-	55	55
Other comprehensive income for the year, net of tax	-	(2,320)	-	(2,320)
Total comprehensive income for the year	-	(2,320)	55	(2,265)
Transactions with owners in their capacity as owners: Share-based payments	-	397	-	397
Balance at 30 June 2016	306,363	(125,657)	(1,675)	179,031

	Share premium account A\$'000	Other reserves A\$'000	Accumulated losses A\$'000	Total equity A\$'000
Balance at 1 July 2016	306,363	(125,657)	(1,675)	179,031
Loss after income tax expense for the year	-	-	(185)	(185)
Other comprehensive income for the year, net of tax	-	(1,130)	-	(1,130)
Total comprehensive income for the year	-	(1,130)	(185)	(1,315)
Transactions with owners in their capacity as owners: Share-based payments	-	1,297	-	1,297
Balance at 30 June 2017	306,363	(125,490)	(1,860)	179,013

## **Note 1. General information**

MySale Group Plc (the 'company' or 'parent entity') is a public company limited by shares and was incorporated on 28 April 2014 and was admitted onto the Alternative Investment Market ('AIM') on 16 June 2014.

The financial statements functional currency is Pounds Sterling. The presentation currency is Australian dollars, the most representable currency of the company's operations and generally rounded to the nearest thousand.

The principal business of the group is the operating of online shopping outlets for consumer goods like ladies, men and children's fashion clothing, accessories, beauty and homeware items.

MySale Group Plc is a public company, limited by shares, listed on the AIM (Alternate 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 25 September 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 years presented, unless otherwise stated.

### **New, revised or amending Accounting Standards and Interpretations adopted**

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Financial Reporting Council ('FRC') that are mandatory for the current reporting year. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

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

### **Basis of preparation**

These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the company has taken advantage of all of the disclosure exemptions available to it, including:

- a. The requirements of paragraph 45(b) and 46-52 of IFRS 2 Share-based payment;
- b. The requirements of IFRS 7 Financial Instruments: Disclosures;
- c. The requirements of paragraph 91 to 99 of IFRS 13 Fair value measurement;
- d. The requirements of paragraph 38 of IAS 1 Presentation of financial statements to present comparative information in respect of:
  - i. paragraph 79(a)(iv) of IAS 1;
  - ii. paragraph 73(e) of IAS 16 Property, plant and equipment;
  - iii. paragraph 118(e) of IAS 38 Intangible assets.
- e. The following paragraphs of IAS 1 Presentation of financial statements:
  - i. 10(d) statement of cash flows;
  - ii. 10(f) statement of financial position;
  - iii. 16 statement of compliance with all IFRS;
  - iv. 38A requirement for minimum of two primary statements, including cash flow statements;
  - v. 38B-D additional comparative information;
  - vi. 40A-D requirement for a third statement of financial position;
  - vii. 111 cash flow statement information; and
  - viii. 134-136 capital management disclosures.
- f. IAS 7 Statement of cash flows; and
- g. IAS 24 Related party disclosures

## **Note 2. Significant accounting policies (continued)**

The company has elected not to present its own profit and loss account. The company reported a loss for the financial year ended 30 June 2017 of A\$185,000 (2016: profit of A\$55,000).

### *Historical cost convention*

These separate financial statements of the company are designed to include disclosures sufficient to comply with those parts of the UK Companies Act 2006 applicable to companies reporting under UK accounting standards even though the company is incorporated and registered in Jersey. They have been prepared under the historical cost convention and under the going concern assumption. Further details of the Directors' considerations in relation to going concern are included in the Directors' report.

### **Foreign currency translation**

#### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Functional currency translation*

The assets and liabilities of operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

### **Income tax**

Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the reporting date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis. The taxation liabilities are reduced wholly or in part by the surrender of tax losses by fellow group undertakings for which payment is made.

### **Cash at bank and in hand**

Cash at bank and in hand includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Debtors**

Other receivables are recognised at amortised cost, less any provision for impairment.

#### *Loans receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

The residual amounts due by other group undertakings are unsecured, non-interest bearing, have no fixed date of repayment and are repayable on demand.

## **Note 2. Significant accounting policies (continued)**

### **Tangible assets**

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5-7 years
Plant and equipment	3-7 years
Fixtures and fittings	5-10 years
Motor vehicles	4-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

### **Investments in subsidiaries**

Investments in subsidiaries are shown at cost less provision for impairment.

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. Due to their short-term nature they are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Employee benefits**

#### *Long term employee incentive plan*

The company operates an employee incentive plan to reward and retain key employees. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### **Financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

### **Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## **Note 2. Significant accounting policies (continued)**

### **Rounding of amounts**

Amounts in this report have been rounded off to the nearest thousand Australian dollars, or in certain cases, the nearest dollar.

## **Note 3. Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Estimation of useful lives of assets*

The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

### *Impairment of non-financial assets*

The group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

### *Income tax*

The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax audit issues based on the group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Note 4. Fixed assets - tangible assets**

	2017 A\$'000	2016 A\$'000
Leasehold improvements - at cost	71	75
Less: Accumulated depreciation	(40)	(28)
	31	47
Plant and equipment - at cost	17	18
Less: Accumulated depreciation	(9)	(6)
	8	12
Fixtures and fittings - at cost	99	106
Less: Accumulated depreciation	(57)	(40)
	42	66
Motor vehicles - at cost	115	-
Less: Accumulated depreciation	(13)	-
	102	-
	183	125

**Note 5. Fixed assets - investment in subsidiary**

	2017 A\$'000	2016 A\$'000
Investment in APAC Sale Group Pte. Ltd. - at cost	106,403	106,403
Investment in Ozsale Pty. Ltd. - at cost	56,368	55,071
	162,771	161,474

A detailed list of subsidiaries is detailed within note 34 to the consolidated financial statements.

**Note 6. Current assets - Debtors**

	2017 A\$'000	2016 A\$'000
Other receivables	144	281
Amounts owed by other group undertakings	14,609	4,922
	14,753	5,203

**Note 7. Current assets - cash at bank and in hand**

	2017 A\$'000	2016 A\$'000
Cash at bank	2,085	12,231



**Note 8. Current liabilities - Creditors - amounts falling due within one year**

	2017 A\$'000	2016 A\$'000
Trade payables	234	93
Accruals	405	292
Sales tax payable	403	-
	1,042	385

**Note 9. Equity - called up share capital**

	2017 Shares	2016 Shares	2017 A\$'000	2016 A\$'000
Ordinary shares £nil each - issued and fully paid	154,331,652	151,331,652	-	-

*Authorised share capital*

200,000,000 (2016: 200,000,000) ordinary shares of £nil each.

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

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

**Note 10. Equity - other reserves**

	2017 A\$'000	2016 A\$'000
Foreign currency reserve	1,867	2,997
Share-based payments reserve	5,399	4,102
Capital reorganisation reserve	(132,756)	(132,756)
	(125,490)	(125,657)

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from translation of the financial statements from the functional currency to the presentation currency.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Capital reorganisation reserve*

This reserve is used to recognise the excess of purchase price of APAC Sale Group Pte Ltd (refer share premium account) over the shareholding acquired of A\$132,756,000.

### Note 10. Equity - other reserves (continued)

#### Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Foreign currency A\$'000	Share-based payments A\$'000	Capital reorganisation A\$'000	Total A\$'000
Balance at 1 July 2015	5,317	3,705	(132,756)	(123,734)
Foreign currency translation	(2,320)	-	-	(2,320)
Share-based payments	-	397	-	397
Balance at 30 June 2016	2,997	4,102	(132,756)	(125,657)
Foreign currency translation	(1,130)	-	-	(1,130)
Share-based payments	-	1,297	-	1,297
Balance at 30 June 2017	1,867	5,399	(132,756)	(125,490)

### Note 11. Equity - accumulated losses

	2017 A\$'000	2016 A\$'000
Accumulated losses at the beginning of the financial year	(1,675)	(1,730)
(Loss)/profit after income tax benefit for the year	(185)	55
Accumulated losses at the end of the financial year	(1,860)	(1,675)

### Note 12. Contingent liabilities

The company had no contingent liabilities as at 30 June 2017 and 30 June 2016.

### Note 13. Commitments

	2017 A\$'000	2016 A\$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	360	426
One to five years	390	997
	750	1,423
<i>Sub-lease receivable - operating</i>		
Committed at the reporting date but not recognised as assets, receivable:		
Within one year	-	282
One to five years	-	585
	-	867

The company leases office space from non-related parties under a non-cancellable operating lease agreement. The lease expires within three years. The company also subleases some of its office space to a related party.

**Note 14. Remuneration of auditors**

*Services provided by the company's auditors and network firms*

During the year the company obtained the following services from the company's auditors at costs as detailed below:

	2017 A\$'000	2016 A\$'000
Fees payable to the company's auditor and its associated for the audit of the financial statements	120	90

**Note 15. Events after the reporting period**

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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<sup>i</sup>CER: measure of annual growth based on constant exchange rates

**MYSALE GROUP PLC**  
**Registered Number 115584**

## **Notice of Annual General Meeting**

Notice is hereby given that the fourth Annual General Meeting (**AGM**) of MySale Group plc (**MySale** or the **Company**) will be held at Unit 5, 111 Old Pittwater Road, Brookvale, NSW 2100, Australia on Monday 4 December 2017 commencing at 19.30 Australian Eastern Daylight Time (**AEDT**) (08.30 GMT) to consider and, if thought fit, to pass **resolutions 1 to 4 (inclusive) as ordinary resolutions and resolutions 5 to 7 (inclusive) as special resolutions.**

### **Resolutions**

#### **Ordinary Resolutions**

**1. Financial statements for the year ended 30 June 2017**

To receive the Company's Annual Report and Accounts for the financial year ended 30 June 2017 together with the Reports of the Directors and Auditor thereon.

**2. Re-appointment of the auditor**

To re-appoint PricewaterhouseCoopers LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the Directors to fix the remuneration of the auditor.

**3. Re-election of Directors**

To re-elect Jamie Jackson as a Director in accordance with Articles 7.2 and 7.9 - 7.12 of the Company's Articles of Association (the Articles).

**4. To re-elect David Mortimer as a Director in accordance with Articles 7.2 and 7.9 - 7.12 of the Articles.**

#### **Special Resolutions**

**5. Dis-application of pre-emption rights - general**

THAT, in substitution for all existing authorities to the extent unused, the Directors be generally and unconditionally empowered, pursuant to and in accordance with Article 2.15 of the Articles, to exercise all powers of the Company to allot Shares (as that term is defined in the Articles) for cash as if Article 2.8 of the Articles did not apply to any such allotment, provided that this power shall be limited to:

- a) the allotment of Shares for cash in connection with or pursuant to a rights issue (as defined below) or any other issue in favour of holders of Shares in proportion (as nearly as may be practicable) to the respective holdings of Shares then held by them;
- b) the allotment of Shares in connection with any scrip dividend scheme or similar arrangement implemented in accordance with the Articles from time to time in force; and
- c) otherwise than pursuant to paragraphs 5(a) and (b) above, the allotment of Shares for cash up to an aggregate amount of 7,600,000 Shares, being approximately 5% of the Company's issued Shares as at close of business on 15 November 2017, being the latest practicable date before publication of this notice,

provided further that such power shall expire at the conclusion of the Company's next Annual General Meeting or fifteen months following the passing of this resolution, whichever is the sooner, unless previously revoked, varied or renewed by the Company in general meeting (save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and notwithstanding such expiry the Directors may allot Shares in pursuance of such offer or agreement). For the purposes of the authority in paragraph 5(a) above, "rights issue" means an offer to: (i) holders (other than the Company) on the register on a record date fixed by the Directors of Shares in proportion (as nearly as may be practicable) to their existing holdings; and (ii) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, but subject in both cases to such exclusions, restrictions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

For the purposes of the authority in paragraph 5(a) above, "rights issue" means an offer to: (i) holders (other than the Company) on the register on a record date fixed by the Directors of Shares in proportion (as nearly as may be practicable) to their existing holdings; and (ii) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, but subject in both cases to such exclusions, restrictions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory.

**6. Dis-application of pre-emption rights – financing**

THAT, in addition to any authority granted under Resolution 5 above, the Directors be generally and unconditionally empowered, pursuant to and in accordance with Article 2.15 of the Articles, to exercise all powers of the Company to allot Shares for cash as if Article 2.8 of the Articles did not apply to any such allotment, provided that this power shall be:

- a) limited to the allotment of Shares for cash up to an aggregate amount of 15,200,000 Shares, being approximately 10% of the Company's issued Shares as at close of business on 15 November 2017, being the latest practicable date before publication of this notice; and
- b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-emption Group prior to the date of this notice,

provided further that such power shall expire at the conclusion of the Company's next Annual General Meeting or fifteen months following the passing of this resolution, whichever is the sooner, unless previously revoked, varied or renewed by the Company in general meeting (save that the Company may before such expiry make an offer or agreement which would or might require Shares to be allotted after such expiry and notwithstanding such expiry the Directors may allot Shares in pursuance of such offer or agreement).

such expiry and notwithstanding such expiry the Directors may allot Shares in pursuance of such offer or agreement).

**7. Authority to buy back shares**

THAT the Company be and is hereby generally and unconditionally authorised for the purposes of Article 57 of the Companies (Jersey) Law 1991 (as amended) (the Law) to make one or more purchases on the AIM market operated by the London Stock Exchange plc of its own Shares on such terms and in such manner as the Directors may from time to time determine, provided that:

- a) the maximum aggregate number of Shares hereby authorised to be purchased is 15,200,000, (representing approximately 10% of the total number of Shares in issue as at close of business on 15 November 2017, being the latest practicable date before publication of this notice);
- b) the minimum price which may be paid for a Share is £0.01 each;
- c) the maximum price which may be paid for a Share is an amount equal to the higher of:
  - i) 5% above the average of the middle market quotations for such shares taken from the AIM Appendix of The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and
  - ii) the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System;
- d) such authority shall expire at the conclusion of the Company's next Annual General Meeting or fifteen months following the passing of this resolution, whichever is the sooner, unless previously revoked, varied or renewed by the Company in general meeting;

- e) the Company may make a contract to purchase its own Shares under the authority conferred by this resolution prior to the expiry of such authority, which will or may be executed wholly or partly after the expiry of such authority, and the Company may make a purchase of its own Shares in pursuance of any such contract as if the authority had not expired; and
- f) subject to the provisions of the Articles, the Company be and is hereby generally and unconditionally authorised for the purposes of Article 58A of the Law, to hold any Shares repurchased under the authority conferred by this Resolution 7 as treasury shares

**By order of the Board**

**Prism CoSec Limited**  
**Company Secretary, MySale Group plc**

**15 November 2017**

## Notes to the Notice of Annual General Meeting

- 1 **Record Date**  
Shareholders registered in the Register of Members of the Company as at 18:00 GMT on 30 November 2017 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend or vote at the AGM in respect of the shares registered in their name at that time. Changes to entries on the Register of Members after 18:00 GMT on 30 November 2017 will be disregarded in determining the rights of any person to attend or vote at the AGM.
- 2 **Attendance at the AGM**  
The Company's fourth AGM will be held at 19.30 Australian Eastern Daylight Time (08.30 GMT) on 4 December 2017. However, shareholders should note that votes may only be cast in person, by proxy or by corporate representative at the venue of the AGM.
- 3 **Proxies**  
A member is entitled to appoint another person as his proxy (who need not be a member of the Company) to exercise all or any of their rights to attend and vote on their behalf at the AGM.  
  
A member may appoint more than one proxy in relation to the AGM. When two or more valid but differing appointments of proxy are delivered or received for the same share, the one which is last validly delivered or received (regardless of its date or the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that share.  
  
Members who wish to appoint more than one proxy in respect of their holding may obtain additional Forms of Proxy by contacting the Company's Registrars, Computershare Investor Services at 0870 707 4040. Lines are open Monday to Friday 9.00am to 5.30pm. Alternatively, members may photocopy the Form of Proxy provided with this document indicating on each copy the name of the proxy appointed and the number of ordinary shares in the Company in respect of which that proxy is appointed. All Forms of Proxy should be returned together in the same envelope.  
  
A Form of Proxy is enclosed with this Notice. Completion of the Form of Proxy will not prevent a member from subsequently attending and voting at the AGM in person if they so wish. The Form of Proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be either (i) received by post or (during normal business hours only) by hand at the offices of the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZYUK or (ii) members may submit their proxies electronically at [www.investorcentre.co.uk/je](http://www.investorcentre.co.uk/je) using the designation set out in the Form of Proxy, in each case by no later than 19.30 AEDT/08.30 GMT on 4 November 2017, being 48 working hours before the time appointed for the holding of the AGM.
- 4 **Corporate Representatives**  
A corporate shareholder may authorise a person to act as its representative at the AGM. Each representative may exercise (on behalf of the corporate shareholder) the same powers as the corporate shareholder could exercise if they were an individual shareholder in the Company.
- 5 **CREST Proxy Instructions**  
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment thereof by following the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider who will be able to take the appropriate action on their behalf.  
  
In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instruction, as described in the CREST Manual (available at [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by no later than 19.30 AEDT/08.30 GMT on 30 November 2017. No message received through the CREST network after this time will be accepted. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.  
  
The CREST Manual is available at [www.euroclear.com/CREST](http://www.euroclear.com/CREST).  
CREST members and, where applicable, their CREST sponsors or voting service provider should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.  
  
The Company will treat as invalid a CREST Proxy Instruction in the circumstances set out in Article 34 of the Companies (Uncertificated Securities) (Jersey) Order 1999, as amended.
- 6 **Total Voting Rights**  
Holders of the Company's ordinary shares are entitled to attend and vote at general meetings of the Company. Each ordinary share entitles the holder to one vote on a poll. As at 15 November 2017, being the latest practicable date prior to the publication of this Notice, the Company had 154,331,652 shares in issue. The Company does not hold any shares in treasury. However 3,000,000 shares are held within the Company's Employee Benefit Trust and all voting rights in those shares have been waived. Therefore, the total voting rights in the Company as at 15 November 2017 are 151,331,652.

- 7 Voting at the AGM  
In order for the voting preferences of all shareholders to be taken into account, and not only those who can physically attend, the Company will conduct a poll vote on all resolutions put to the AGM. As soon as practicable following the meeting, the results of voting at the meeting and the numbers of proxy votes cast for and against each resolution, together with the number of votes actively withheld will be announced to the market via a Primary Information Provider and also placed on the Company's website (www.mysalegroup.com).  
In the case of joint holders of shares, the vote of the senior member who is entitled to receive notice of general meetings in accordance with the Articles whether in person or by proxy shall be accepted to the exclusion of any votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.
- 8 Display Documents  
Copies of the service contracts for all Executive Directors and the letters of appointment for the Non-executive Directors are available for inspection at the registered office of the Company during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays) from the date of this Notice until the conclusion of the AGM and also at the place of the AGM from 19.00 AEDT on the day of the AGM until the conclusion thereof.
- 9 Electronic address  
Please note that shareholders may not use any electronic address provided in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.



## Explanatory Notes to the Resolutions

### Ordinary Resolutions

Resolutions 1 to 4 (inclusive) are being proposed as ordinary resolutions and for each of these resolutions to be passed, more than 50% of the votes cast must be in favour of the resolution.

#### 1 Report and Accounts

The Companies (Jersey) Law 1991 as amended requires the Directors of a public company to lay its Annual Report and Accounts, together with a copy of any auditor's report on them, before a general meeting of the shareholders. An ordinary resolution to receive the Annual Report and Accounts will be proposed.

#### 2 Appointment of the Auditor and Auditor's Remuneration

Shareholders are required to appoint the external auditor at the AGM to hold office until the conclusion of the next annual general meeting. Following a review of the effectiveness, independence and objectivity of the external auditor, PricewaterhouseCoopers LLP, the Board is proposing their re-appointment as external auditor. PricewaterhouseCoopers LLP have expressed their willingness to continue in office for a further year.

The resolution also authorises the Directors, in accordance with standard practice, to negotiate and agree the remuneration of the auditors. In practice, the Audit Committee will consider the audit fees for recommendation to the Board.

#### 3 and 4 Re-election of Directors

The Company's Articles of Association require one-third of the Directors to retire by rotation at the AGM. Directors retiring by rotation may, if they wish, stand for re-election. Accordingly, this year, Jamie Jackson and David Mortimer will retire by rotation at the AGM and will offer themselves for re-election as Directors. Biographical details of each of the Directors can be found in the Annual Report and Accounts.

### Special Resolutions

Resolutions 5 to 7 (inclusive) are being proposed as special resolutions. In order for a special resolution to be passed, at least two-thirds of the votes cast must be in favour of the resolution.

#### 5 Disapplication of Pre-Emption Rights – general

In relation to Resolution 5, if the Directors wish to allot new Shares for cash (other than bonus shares or in connection with an employee share scheme) they are required to first offer these Shares to existing shareholders in proportion to their holdings in accordance with Article 2.8 of the Articles (the Pre-emption Procedure).

The purpose of paragraphs (a) and (b) of resolution 5 is to authorise the Directors to allot new Shares for cash in connection with or pursuant to a rights issue or any other issue in favour of holders of Shares in proportion (as nearly as may be practicable) to the respective holdings of Shares then held by them, or in connection with a scrip dividend scheme or similar arrangement, in each case without following the Pre-emption Procedure.

The purpose of paragraph (c) of Resolution 5 is to allow the Directors, in addition to the authority granted to the Directors pursuant to paragraphs (a) and (b), generally to allot Shares for cash up to an aggregate amount equal to 5% of the issued Shares, again without following the Pre-emption Procedure.

This authority would remain in force until the conclusion of the Company's next annual general meeting or fifteen months following the passing of this resolution, whichever is the earlier.

#### 6 Disapplication of Pre-Emption Rights – financing

Resolution 6 seeks a separate and additional authority to dis-apply pre-emption rights in respect of 10% of issued ordinary share capital for certain purposes pursuant to certain elements of the guidance from the Pre-Emption Group (PEG).

On 5 May 2016, the PEG published a recommended template resolution for dis-applying pre-emption rights. The template recommends companies request separate authority to dis-apply pre-emption rights in respect of amounts in addition to a base 5% to be used when the Board considers the use to be for an acquisition or specified capital investment in accordance with the 2015 Statement of Principles as a separate resolution to the disapplication to issue share on an unrestricted basis.

The Directors confirm, partly in accordance with the 2015 Statement of Principles, that they will only allot Shares representing more than 5% of the issued ordinary share capital of the Company for cash pursuant to the authority referred to in Resolution 6, where the allotment is in connection with an acquisition or specified capital investment, which is announced contemporaneously with the allotment.

The Directors consider that the authorities sought are appropriate as they provides the Company with the necessary flexibility to take advantage of business opportunities as they arise.

#### 7 Authority to buy back Shares

Resolution 7 seeks authority for the Company to make market purchases of its own Shares, such authority being limited to the purchase of 10% of the Shares in issue as at 15 November 2017, being the last practicable date prior to publication of this Notice.

The maximum price payable for the purchase by the Company of its own Shares will be limited to an amount equal to the higher of (i) 5% above the average of the middle market quotations of the Shares, as derived from the AIM Appendix of The London Stock Exchange Daily Official List for the five business days prior to the purchase; and (ii) the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System. The minimum price payable by the Company for the purchase of its own Shares will be £0.01 per Share.

The Directors have no present intention of exercising the authority to purchase the Company's Shares but will keep the matter under review, taking into account other investment opportunities. The authority would only be exercised if and when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be in the best interests of shareholders generally.

The Law allows the Company to hold in treasury any Shares purchased by it. Such Shares will remain in issue and will be capable of being re-sold by the Company or used in connection with certain of its share schemes.

At the date of this Notice the Company does not hold any treasury shares, but Resolution 7 seeks authority for any Shares which are repurchased to be held in treasury.

The authority set out in this resolution will expire at the end of the next annual general meeting or fifteen months after the resolution is passed, whichever is sooner.