TEMPLE & WEBSTER GROUP LTD
ABN 69 608 595 660

REGISTERED OFFICE AND
PRINCIPAL PLACE OF BUSINESS:
Unit 1, 1-7 Unwins Bridge Road
St Peters NSW 2044

ASX ANNOUNCEMENT

30 August 2021

Full Year 2021 4E and Annual Report

Temple & Webster Group Ltd attaches the 2021 ASX Appendix 4E and Annual Report.

This document has been authorised for release by the Board of Directors.

About Temple & Webster
Temple & Webster is Australia's leading online retailer of furniture and homewares.

Temple & Webster has over 200,000 products on sale from hundreds of suppliers. The business runs an innovative drop-shipping model, whereby products are sent directly to customers by suppliers thereby enabling faster delivery times and reducing the need to hold inventory thereby allowing a larger product range.

The drop ship range is complemented by a private label range which is sourced directly by Temple & Webster from overseas suppliers.

Temple & Webster is listed on the Australian Securities Exchange under the code TPW.

Temple & Webster Group Ltd
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Temple & Webster Group Ltd
ABN:	69 608 595 660
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	Up	85.1%	to	326,344
Profit from ordinary activities after tax attributable to the owners of Temple & Webster Group Ltd[1]	Up	0.3%	to	13,953
Profit after tax for the year attributable to the owners of Temple & Webster Group Ltd[1]	Up	0.3%	to	13,953

Dividends
There were no dividends paid, recommended or declared during the current financial period.

[1]*Comments*

Profit after tax for the year on a normalised basis (excluding deferred tax adjustments) was up 165% year on year. Normalised profit after tax is calculated as profit after tax adjusted for any benefits received from the recognition and utilisation of historical tax losses.

Further information on the 'Review of operations' is detailed in the Directors' report which forms part of the Annual Report.

3. Net tangible assets

	Reporting period Cents(1)	Previous period Cents(1)
Net tangible assets per ordinary security	57.13	18.09

The net tangible assets per ordinary share amount is calculated based on 120,452,928 ordinary shares on issue as at 30 June 2021 and 113,422,884 on issue as at 30 June 2020.

(1) *Consistent with the Australian Security & Investment Commission interpretation, the Right-of-use asset (AASB 16) and Right of return assets (AASB 15) are intangible assets, and therefore have been excluded from Net tangible assets.*

4. Control gained over entities

No changes to the group structure have occurred during the current financial year.

5. Loss of control over entities

Not applicable.

Temple & Webster Group Ltd
Appendix 4E
Preliminary final report

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

10. Attachments

Details of attachments (if any):

The Annual Report of Temple & Webster Group Ltd for the year ended 30 June 2021 is attached.

11. Signed

Date: 30 August 2021

Stephen Heath
Chairperson
Sydney

Annual Report 2021

TEMPLE & WEBSTER

Contents

Summary

FY21 Revenue

$326.3m

85% growth vs pcp

FY21 EBITDA

$20.5m

141% growth vs pcp

June 21 Cash

$97.5m

FY20 Revenue

$176.3m

FY20 EBITDA

$8.5m

June 20 Cash

$38.1m

Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2020 edition. IBISWorld Online Home Furnishing Sales in Australia Industry Report and Online Household Furniture Sales in Australia Industry Report Jun 20 cash balance excludes proceeds from $40 million placement which took place in July 20.

- Temple & Webster is the leading pure play online retailer for furniture & homewares in Australia

- Large addressable market with accelerating online adoption

- Business is profitable with strong top-line growth, capital light and a debt free balance sheet

Chairperson's Report

Dear shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the 2021 Annual Report.

TEMPLE & WEBSTER CONTINUES TO OUTPERFORM

While FY21 was a year that many Australians will remember as one of great change and disruption, it was also a year that reaffirmed the importance of our homes. Government-enforced lockdowns meant that many Australians turned to online shopping, and Temple & Webster was well placed to service the needs of those customers.

While many Australians turned to the online channel initially out of necessity, strong year on year growth suggested a more permanent shift up the online shopping adoption curve with full year revenue growing to $326.3 million, up 85% on the prior year. This is off the back of previous years that have also grown very strongly.

While industry growth was helped by the tailwinds of consumer discretionary spend moving out of the travel category, pleasingly Temple & Webster also grew its market share by outperforming its peers. This is a testament to the hard work the team has put into strengthening the customer proposition.

As much as this growth is impressive, it is worth reiterating that we are still at the start of the journey – a journey which COVID has accelerated. We operate in the large market for furniture and homewares (~$16 billion), where less than 10% has moved online. This is well behind other markets such as the US which is up to 25% online penetration and showing no signs of slowing down. This shift in spend will be driven by millennials as they enter their core furniture and homewares buying years. In addition to our core market, we also operate in the B2B and home improvement markets. These markets significantly increase our total addressable market to more than $30 billion. This market size and consumer trends are the reason why Temple & Webster should be a high growth business for many years to come.

STRONG BALANCE SHEET & CAPITAL RAISE

During the financial year, we made the strategic decision to strengthen the balance sheet with a $40 million capital raise. As a result of this raise and our record profit, we finished the year with a cash balance of $97.5 million and we remain debt-free. This balance sheet provides us with the flexibility to take advantage of inorganic opportunities which make strategic sense for the Group. While we have no plans for a large program of M&A, we remain open to the right opportunity that aligns to our strategic pillars.

TIME FOR REINVESTMENT

Once again, the year showed the inherent operating leverage in the online retail business model with our EBITDA increasing by 141% to $20.5 million. This was primarily due to the leverage in the fixed costs base which as percentage of sales fell from 10.0% to 7.9%.

During the second half, the Group reaffirmed its commitment to a re-investment strategy to ensure we are building the go-to brand in our category for the next generation of shopper. This will require investment into marketing, technology, data, logistics expertise, along with other key areas of the business. We have guided the market to expect an EBITDA of 2-4% in the short to mid-term to provide us with the flexibility to make these investments. We believe that by making these investments now, the Group will be well positioned to grow its market leadership and the benefits from scale will naturally flow.

NEW DIRECTOR

During the year, Belinda Rowe was appointed as a Non-executive Director of the Group. Our goal is to become the first place Australians turn to when shopping for their homes which will require becoming the top-of-mind brand in our category. Belinda is an experienced marketing professional and successful business executive and will help with our push to national brand status.

THANK YOU TO THE TEAM

On behalf of the Board, I would like to thank management and the broader Temple & Webster team for a busy year, made even harder by moving in and out of the office during lockdown periods. While it's great to see sales and customers grow so fast, the cost of this growth has been a relentless year for the team. We thank you for your passion and dedication.

STEPHEN HEATH
Non-Executive Chairperson


HARE + KLEIN
SUPERHOUSE
DECORATING WITH PLANTS

CEO Letter & Operational Review

Dear fellow shareholders,

As I write this letter to you from lockdown in Sydney, it is somewhat bittersweet to take you through the year that has been. I would like to acknowledge the difficult period that many Australians have lived through over the last year. Temple & Webster does not take for granted how fortunate we are to be able to trade during these lockdowns. Our singular goal is to keep delivering a great experience to our customers, and hopefully have them enjoy their homes, even just a little bit more, during these challenging times.

RECORD CUSTOMERS, REVENUE AND PROFIT

Once again, Temple & Webster has delivered a record set of results, with full year revenue up 85% to $326.3 million and EBITDA up 141% to $20.5 million. This growth was across all major categories, geographies, channels and demographics. Our market remains massive and subject to accelerating tailwinds, and we are well positioned to capitalise on our scale. Importantly, we were a high growth business before COVID, growing 30-50%, and while the lockdowns have no doubt accelerated the underlying trends of the shift to online shopping, what was pleasing to see was that we maintained growth when there were little to no restrictions on retail trading. Our final quarter grew a healthy 26% up on the final quarter in FY20, which in turn was up 130% on the final quarter of FY19.

OPERATIONAL HIGHLIGHTS

Active Customers up 62% year on year

Fig 1. Active Customers by quarter[1]

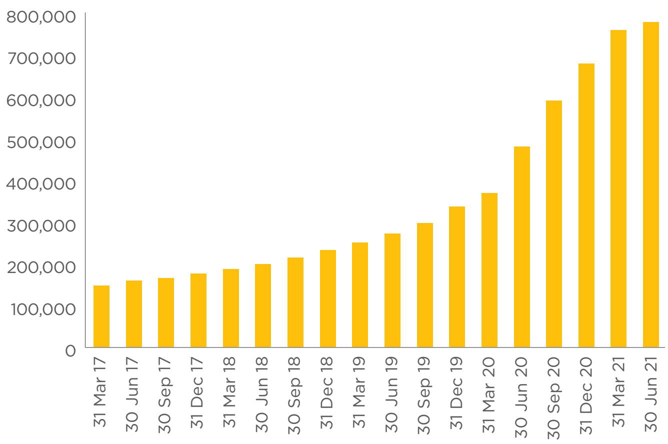
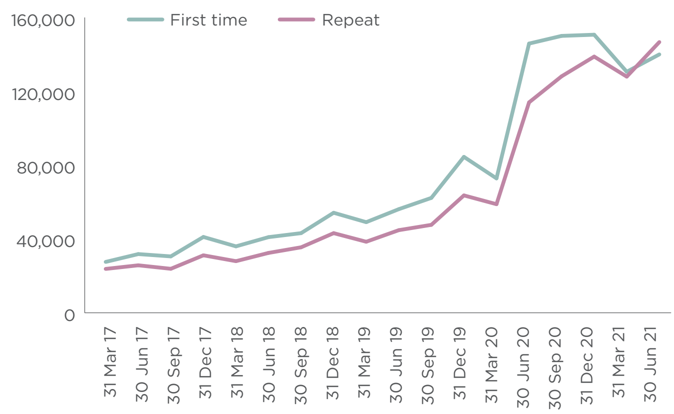


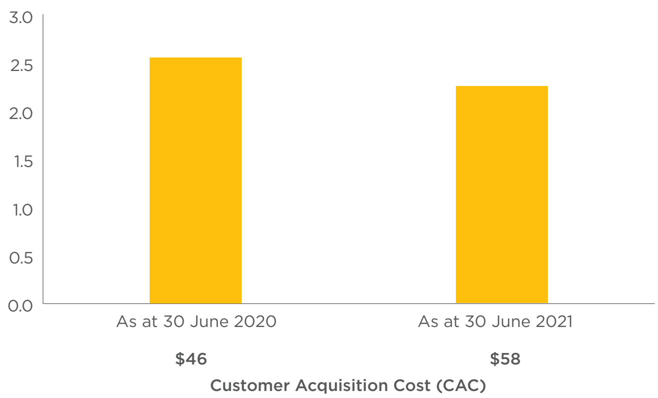
Fig 2. First time and repeat orders



Active Customers were up 62% year on year, with growth even on the COVID periods from last year. Our job was to give first-time customers a great experience to get them to continue shopping online and more relevantly, keep shopping with us. The great news is that orders from repeat customers are growing significantly and have now overtaken first-time customers for the first time. This goes to our public position that we feel COVID has resulted in a permanent shift up the adoption curve for online shopping in our category.

Customer and marketing metrics remain strong

Fig 3. 12 month marketing return on Investment[2]

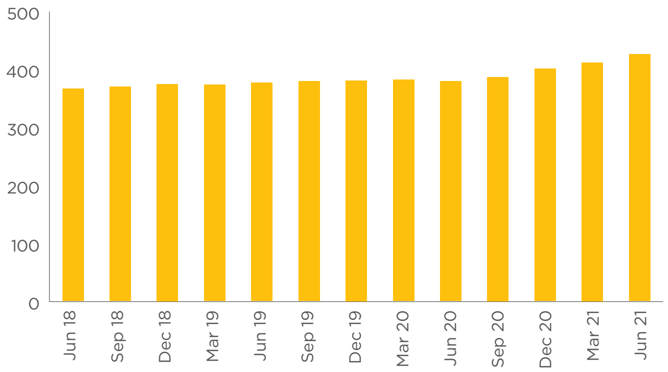


1. Active customers are the number of unique customers who have transacted in the last twelve months (LTM).
2. Marketing ROI = Margin $ / CAC

   Margin = Revenue per active customer as at 30 June 2021 x delivered margin % for FY21

   CAC = Total marketing spend for FY21 x 78% (being the estimated percentage of marketing spent on new customer acquisition, i.e., excludes estimated spend on repeat customers) divided by the number of first-time customers during FY21.

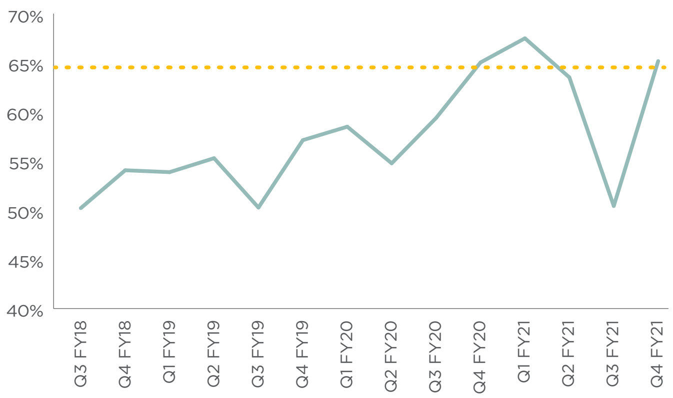
Fig 4. Revenue per Active Customer[3]



This year, we continued our investment in building our brand moat with the goal of becoming the top-of-mind retailer for Australians shopping for their homes. While we have a long way to go on this journey, the return on Investment from our experiments with TV advertising continues to be positive. We have expanded our brand marketing team and are now preparing plans for future campaigns. As predicted, the customer acquisition cost has increased due to these longer payback channels, however this has been somewhat offset by a 12% increase in annual revenue per active customer which is now over $425. This is due to a higher repeat rate and a higher average order value for both new and repeat orders. This indicates customers continue to get more comfortable buying larger items online, plus we are doing a better job at using our ever-increasing pool of data to drive cross-sells by surfacing more relevant items from our catalogue on-site and in our various marketing channels.

Customer satisfaction returns to target levels

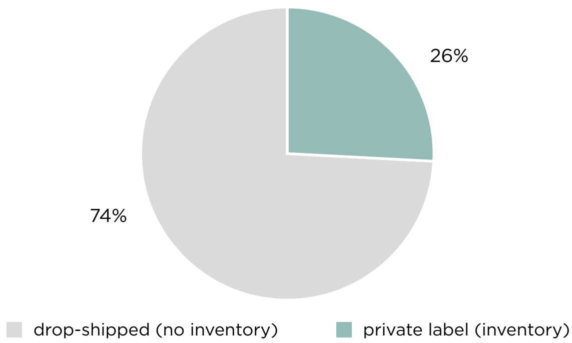
Fig 5. Net Promoter Score (score range -100% to +100%)



Unfortunately, the consequence of a record peak period towards the end of the first half meant that the third-party logistics network and our internal customer service team were stretched. This was further exacerbated by a crunch in our capacity at our 3PL warehouses due to an incredible spike in demand for warehouse space around the country. Over the second half, we have increased our capacity to five warehouse locations and worked hard at improving our internal and logistic partner systems and processes to allow for smoother scaling. The good news is that our NPS has returned to our target levels. While we have no immediate plans to have our own warehouses or trucks, we continue to investigate how we can take more control of the fulfilment journey to ensure that we are delivering a great customer experience.

Private Label increases to 26% of sales

Fig 6. Private label (inventory) share of sales

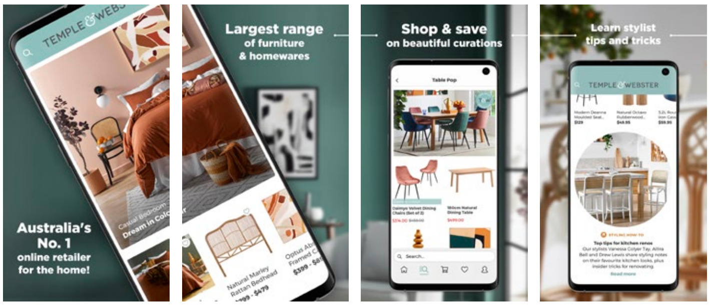


Our owned inventory program or 'Private Label' has been a strategic focus for the business. We have publicly stated a goal of increasing the share of revenue from these products to ~30%, and it's great to see the share grew from 19% to 26% in FY21. This was done by increasing our buying and merchandise planning teams, diversifying our factories outside of China, adding multiple warehouses (including Sydney), investing in data and analytics to improve forecasting accuracy, and expanding our quality and compliance team. We were able to make a step up in inventory while maintaining our target weeks of cover and a very low level of aged stock. Importantly, we have no plans to change our negative working capital and asset-lite model, however our conservative level of inventory allows us to take strategic bets on stock to fill product and price gaps that we have identified using our immense amount of data.

3. Revenue per active customer = Last 12 months revenue divided by active customers.

Android and iOS apps now live

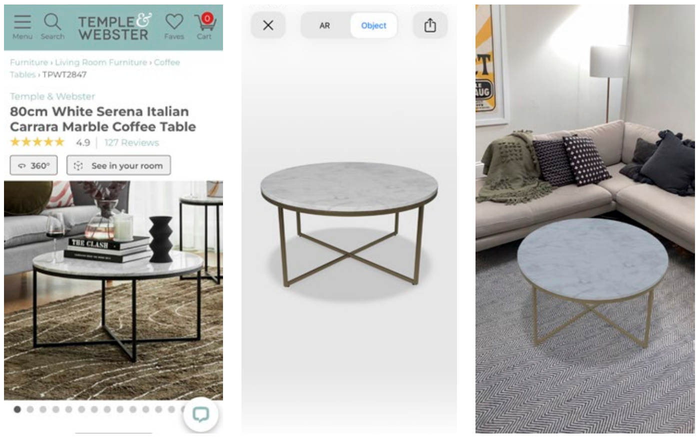
Fig 7. iOS and Android apps now live



Another goal was to launch both iOS and Android apps and target a native mobile customer with a content-rich and seamless app-based shopping experience. We now have apps in both app stores, with early feedback tremendously positive. The iOS app, which was launched during the first half, now has more than 5,000 reviews with an average rating of 4.8 stars (out of 5). The app customer is a more engaged customer with higher conversion and repeat rates. More than 50% of consumer orders are now placed on a mobile device, which we expect will only increase.

Augmented Reality pilot launched

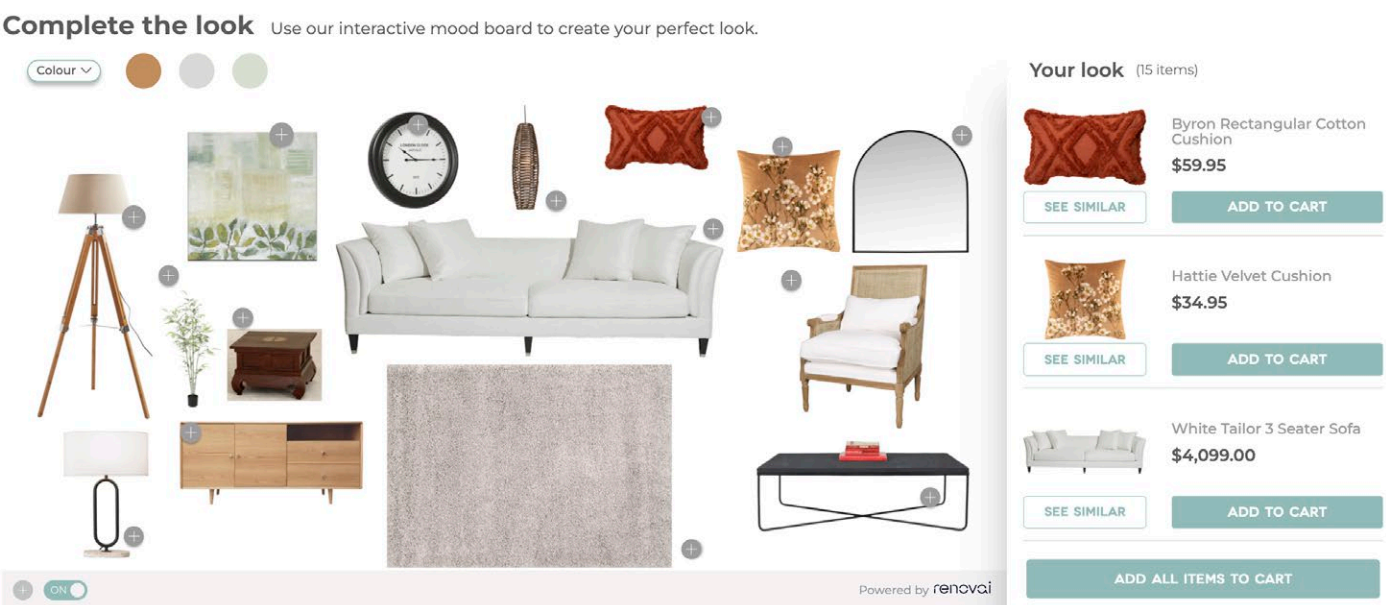
Fig 8. Augmented Reality pilot launched



One of the benefits of the mobile experience (both app and mobile website) is the ability to use functionality such as the phone's camera to deliver augmented reality ('AR') experiences. While there are many use cases for augmented reality, one of the more straightforward ones is seeing a product in your home, a feature which is now being piloted. AR can help customers judge the look of the item and its size relative to their room or other pieces of furniture. We believe features such as AR will continue reducing the barriers to buying online.

Increased investment in AI interior design service

Fig 9. Artificial Intelligence powered design service live



During the year, we launched an artificial intelligence ('AI') interior design service. The AI-powered service is another feature unique to Temple & Webster, again designed to make shopping online easier. It is in partnership with an Israeli startup, in which we have made a second round of investment after a successful pilot of the service. The first version of the product is a 2D version with flat images, and the next version will use our 3D models to generate photo realistic rooms. We love this service as it exposes our huge range of beautiful products across our many categories in an inspirational way that helps customers visualize products, giving them even more confidence to shop with us.

Trade & Commercial bounces back

Fig 10. Trade & Commercial (B2B) revenue by quarter[4]

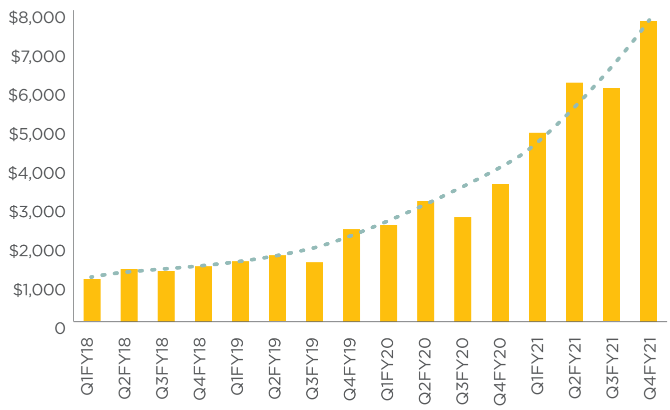
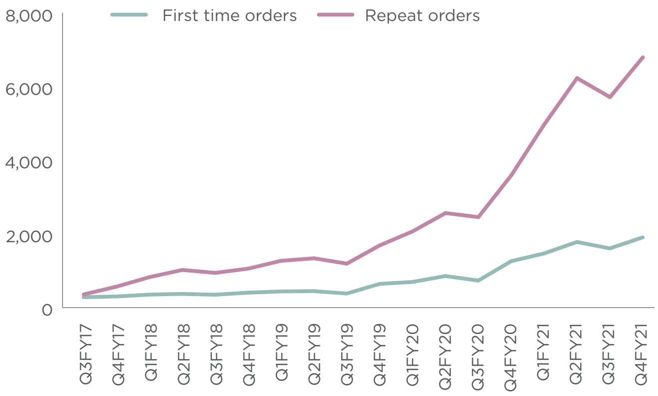


Fig 11. Trade & Commercial orders by type



After a difficult end to the previous financial year, it was great to see our business customers come back in full force during FY21 with our Trade & Commercial division growing 110% year on year. Again, it's worth noting that these are great customers – with high repeat activity and large order sizes. This year, we continued to focus on the rebounding residential property development sector and the regional hospitality industry. Our range and flexible go-to-market model has allowed us to quickly pivot and chase these growth sectors.

Where to from here

We have a simple and consistent strategy. We want to have the biggest and best range – having everything you need for the home. Importantly, the "best" bit of this means we won't list everything. We want to be seen as a place for quality, at an affordable price; we want to be a source of inspiration and the place customers go to when they want to make their home more beautiful; and we want to create a seamless customer experience when shopping, including our customer's experience of the delivery to their home.

With scale comes benefits such as being able to forge closer relationships with our suppliers; obtaining better terms and exclusive product ranges; making bigger investments in areas like technology and data; and expanding our logistics capabilities. In effect, the bigger we become, the better and stronger our customer proposition becomes, which is the flywheel effect. This is in turn will lead us to increase our market share.

We believe that now is the time to invest and scale our market leadership. This is the period where customers are choosing their trusted brands and we want to be that brand.

Thank you to the Tempster team

As always, a massive shout-out to the Tempster team – once again, you have shown incredible resilience. While we have bounced in and out of the office, and you have had to cope with a rapidly scaling business, and you have done so with humility, grace and a customer-first mindset.

MARK COULTER

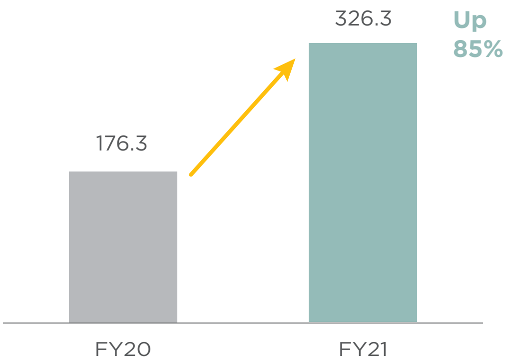
Chief Executive Officer

4. Revenue based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision).

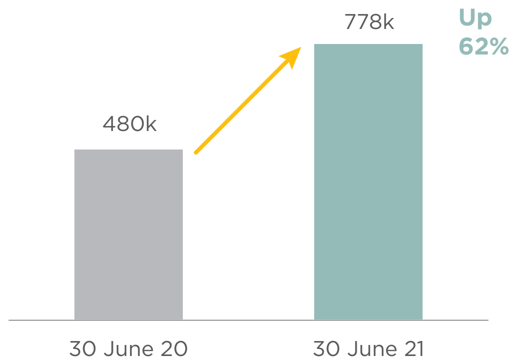
KPI Snapshot & Strategic Priorities Overview

KEY PERFORMANCE INDICATOR SNAPSHOT

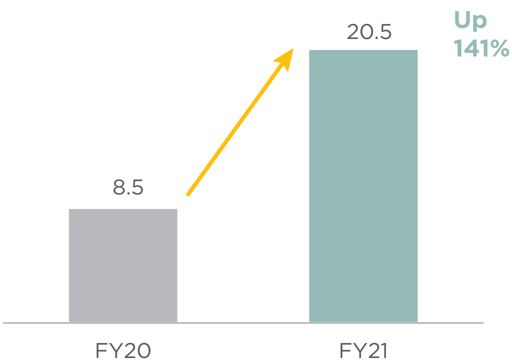
Revenue $m



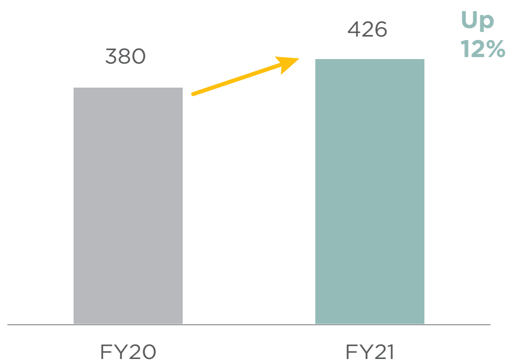
Active Customers[5]



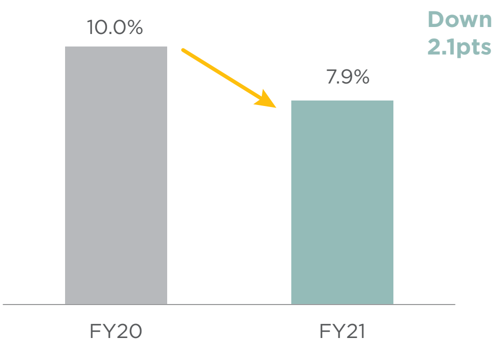
EBITDA $m



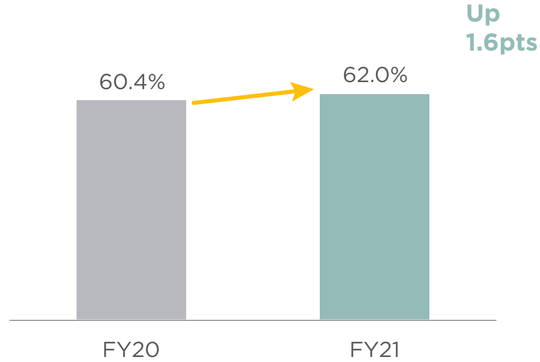
$ per Active Customer[6]



Fixed Costs (% of Rev)



Net Promoter Score



5. Active customers are the number of unique customers who have transacted in the last twelve months (LTM).
6. Revenue per active customer = Last 12 months revenue divided by active customers.

STRATEGIC PRIORITIES OVERVIEW

High Growth	Happy Customers	Engaged Team	Shareholder Value
Our goal is to deliver a high growth business to take advantage of a once in a generation change in shopping behaviours	We are building a sustainable business that puts the customer at the heart of everything we do. Our vision is to make the world more beautiful, one room at a time	We believe our team is the most important stakeholder group, as everything starts with an engaged and productive team	Our goal is to deliver market leading shareholder returns
Our Target Significantly outperform the online category for furniture & homewares	**Our Target** Maintain and grow our high Net Promoter Score as we scale	**Our Target** Top quartile of technology companies in Australia	**Total Shareholder Returns (TSR)[7]**
Our Results Group Revenue up 85% B2B Division Revenue[8] up 110% Active Customers[9] up 62%	**Our Results** NPS of 62% iOS App Store Rating 4.8/5[10] Customer product review rating of 4.7 out of 5 stars[11]	**Our Results** 84% employee engagement 95% employees proud to work for Temple & Webster 51% manager level and 44% executive team are female	7,607% 5 year 1,320% 3 year 71% 1 year

7. TSR is the sum of share price appreciation and dividends (assumed to be reinvested in shares) expressed as a growth %. While the Group is not paying the dividends, it's equal to share price growth %.
8. Revenue based on checkout revenue which is pre accounting adjustments (deferred revenue, refund provision).
9. Active customers are the number of unique customers who have transacted in the last twelve months (LTM).
10. Rating as of August 2021.
11. Average of all customer reviews on https://www.templeandwebster.com.au/ as of August 2021.

Committed to making the world more beautiful

At Temple & Webster, we are proud of our vision to make the world more beautiful, one room at a time. This vision extends to the broader community in which our customers, suppliers, shareholders and team members work and live. Although we are a young company, we take our environmental, social and ethical responsibilities seriously. We are a next generation company with a purpose to deliver sustainable value for all our stakeholders.

CLIMATE CHANGE AND SUSTAINABILITY

Given our business involves the manufacture and transport of physical goods, climate change is a significant sustainability issue relevant to us. We accept the Intergovernmental Panel on Climate Change's assessment of climate change science. We understand our responsibility in mitigating the impact of our business on the environment and are developing a program of initiatives that align with relevant United Nations Sustainable Development Goals ('UN SDGs'). The UN SDGs aim to end poverty, protect the planet, and promote prosperity and peace.

Our key environmental areas of focus are:

- Reducing our carbon footprint
- Improving our raw materials and component sourcing
- Improving the sustainability of our packaging

Activities undertaken in FY21 included:

- Identification of carbon reduction opportunities through employee surveys, and engaging external sustainability consultants
- Responsible sourcing initiatives (e.g., audits for ranges with Forest Stewardship Council®, Better Cotton Initiative™, and Greenguard Environmental Institute certifications)
- Implementation of OEKO-TEX Standard 100® certification for specific ranges of homewares

As part our commitment to the environment, we have engaged an external consultant to assist us in developing a materiality assessment, to identify, review and rank the material risks and issues to our business, which will provide the foundations for our sustainability roadmap. A full-time sustainability officer in our Quality, Compliance and Sustainability team will be added to the Group to support the development and execution of our roadmap.

TIMBER SUSTAINABILITY AND ILLEGAL LOGGING

As Australia's leading pure-play online retailer for furniture and homewares, we understand that our industry is dependent on natural resource availability. We rigorously assess all timber products which we import into Australia to ensure that the timber is harvested, processed, and purchased from legally verifiable sources.

We have a dedicated internal function that is responsible for the maintenance and facilitation of our timber due diligence system which also works to guide and educate key stakeholders in understanding the requirements of the Illegal Logging Prohibition Act and Regulations. Our illegal logging governance framework requires us to audit each individual timber species used in the construction of our imported products, for all relevant manufacturers at least annually, to ensure ongoing compliance and effective risk mitigation.

MODERN SLAVERY AND ETHICAL SOURCING

We believe that freedom from modern slavery is a human right which should be afforded to everyone in the world. We are committed to stamping out modern slavery in our supply chains, both onshore and offshore.

Our offshore suppliers are governed by an ethical and social audit framework, whereby regular factory audits are undertaken by third parties, allowing us to measure supplier ethical performance prior to starting a business relationship and to show continuous improvement over time. We are working with our suppliers through action plans which address specific key risk areas.

Our FY20 Modern Slavery Statement is available at https://modernslaveryregister.gov.au/

(search "temple & webster").

CUSTOMER DATA AND PRIVACY

As an online retailer, cyber security is paramount. Our platforms need to be secure, scalable and protect our customers' data. To that end, we have adopted the ISO 27001 standard as a framework for cyber security. We have also added dedicated resources to manage the roll out of this standard, including a Cyber Security Officer. As part of ISO 27001 we regularly engage independent industry experts to perform audits across our platforms, policies and processes, including regular penetration testing.

OUR ROLE IN THE COMMUNITY

RECONCILIATION AUSTRALIA

Temple & Webster acknowledges the traditional custodians of the land, and we are committed to progressing the goals of reconciliation. We have committed to the development of a Reconciliation Action Plan which will include practical actions that can drive our contribution to reconciliation both internally and more broadly within the wider community. We have commenced this work with a First Nations consultant.

WOMEN'S COMMUNITY SHELTERS

Temple & Webster is proud of its long-term partnership with Women's Community Shelters ('WCS') – an organisation that provides community-based emergency accommodation and support for vulnerable women and children. WCS works in direct partnership with communities to establish shelters to provide support in a safe environment that enables women and their children to rebuild self-esteem, control and fulfilment in their lives.

Temple & Webster and our partners assist WCS in a range of capacities from supplying furniture and homewares and styling services to fit out shelters; donating food; providing essential personal items for women; toys for children; to sharing our technology knowledge; assisting with fundraising, and, of course, volunteering in person.

Financial Report 2021

The Directors of the Temple & Webster Group present the report, together with the consolidated financial report for the year ended 30 June 2021.

Directors' Report

The directors present their report, together with the consolidated financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Temple & Webster Group Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

The following persons were directors of Temple & Webster Group Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stephen Heath
Susan Thomas
Conrad Yiu
Mark Coulter
Belinda Rowe (appointed 26 February 2021)

Principal activities

Temple & Webster is Australia's leading pure play online retailer of furniture and homewares.

Temple & Webster has over 200,000 products on sale from hundreds of suppliers. The business runs an innovative drop-shipping model, where products are sent directly to customers by suppliers, enabling a larger product range, faster delivery times and reducing the need to hold inventory.

The drop-ship range is complemented by a private label range which is sourced directly by Temple & Webster from overseas suppliers.

The Temple & Webster Group is headquartered in Sydney, Australia and is listed on the Australian Securities Exchange under the code TPW.

Dividends

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

Financial and operational review

	30/06/2021 $m	30/06/2020 $m
Revenue	326.3	176.3
Gross margin	148.0	78.6
%	*45.3%*	*44.6%*
EBITDA [(1)]	20.5	8.5
EBIT [(2)]	18.9	7.9
NPAT	14.0	13.9
Cash balance	97.5	38.1

[(1)] Earnings before interest, tax, depreciation and amortisation
[(2)] Earnings before interest and tax

Key financial and operational metrics for the year ended 30 June 2021 include:

- Record year for revenue, profit and customers
- Revenue up 85% for the year, driven primarily by growth in active customers and average order value
- Gross margin % in line with last year at 45%
- EBITDA increased by 141% as a result of operating leverage driven by revenue and margin growth and tight management of fixed costs
- NPAT of $14.0m, which on a normalised basis[3] (excluding deferred tax adjustments) was up 165% YoY
- Cash flow positive with an ending cash balance of $97.5m
- Active customer growth of 62%

[(3)]Normalised NPAT is calculated as NPAT adjusted for any benefits received from the recognition and utilisation of historical tax losses

Please refer to the CEO Letter & Operational review and the Group's FY21 results presentation for further commentary on the Group's financial results.

Key business risks

There are a number of market, financial and operational risks both specific to the Group and externally that could have an adverse effect on the Group's future performance. The Group has a risk management framework in place with internal control systems to identify key business risks and mitigate them to an acceptable level. The material business risks are summarised below.

Key risk	Description
COVID-19	Events related to the coronavirus pandemic ('COVID-19') have resulted in continued uncertainty as to ongoing and future response of governments and authorities globally as well as a likelihood of an Australian economic recession of unknown duration or severity. As such, the full impact of COVID-19 to consumer behaviour, suppliers, employees and the Group are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to the Group's financial and operational performance. Further, any government or industry measures may adversely affect the Group's operations and are likely beyond the control of the Group.
Continued growth of retail ecommerce in general and growth in demand may be affected by economic factors	While the B2C retail ecommerce market and the online market for furniture and homewares have been growing there is no guarantee this will continue into the future. The Group is subject to factors outside its current control including Australia's outlook for economic growth, cash rate, taxation, unemployment rate, consumer sentiment, global economic outlook, foreign economic shocks and building activity. One or more of these factors could cause a slowing or contraction in the forecasted growth in the market and industry.
New and existing competitors could adversely affect prices and demand and decrease the Group's market share	The furniture and homewares segment is highly fragmented. Competition can arise from a number of sources including traditional offline retailers, including multi-channel, mono-channel, multi-branded retailers, and online-only ecommerce competitors. Existing online competitors may strengthen through funding or industry consolidation, or through financial or operational advantages which allow them to compete aggressively on pricing. Competition may also come from third-party suppliers establishing their own online presence as opposed to utilising the Group's platform. As a result, this may increase the costs of customer acquisition, lower margins due to pricing pressure and reduce the Group's market share in the furniture and homewares segment.
Supply chain might be disrupted	There remains a risk that the spread of COVID-19, or a similar event, has an adverse impact on the Group's supply chain. This could occur if the ability to transport products between countries is disrupted, the Group's key suppliers are negatively affected or the Group is otherwise unable to efficiently distribute products to customers. In the event that the supply chain of the Group is disrupted, this may have a material adverse effect on the Group's operating performance and earnings.
Reliance on third party product suppliers	The Group has a large number of suppliers that provide a broad range of products. Its supply agreements are on a case by case basis, with the majority of relationships informal and terminable at will. The Group has some formal contracts but a number are short-term and with foreign suppliers and have no guarantees associated with renewal on like terms. The deterioration of the Group's relationships with these suppliers and inability of these suppliers to renew informal or contractual agreements may have a material adverse effect on the Group's financial and operational performance in the future.
Political, economic or social instability	The Group's suppliers and service providers are also subject to various risks which could limit their ability to provide the Group with sufficient, or any, products or services. Some of these risks include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruption in exports, trade restrictions, currency fluctuations and general economic and political instability (including as a result of pandemics such as COVID-19). The Group is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers and service providers operate. Any of these risks, individually or collectively, could materially adversely affect the Group's financial and operational performance.

Key business risks (continued)

Key risk	Description
Performance, reliability and security of websites, databases, operating systems	The Group's financial and operational performance could be adversely affected by a system failure that causes disruption to its websites, or to third party suppliers of its systems and products. This could directly damage the reputation and brand of the relevant platform and could reduce visitors to the Group's website and directly influence sales to customers. The Group's databases and systems are hosted on platforms provided by third party providers. As a result, the Group is subject to its own disaster planning contingencies and those of its third parties to deal with events that are beyond the control of those parties such as natural disasters, infrastructure failures, terrorist and cyber attacks. A material failure in the systems of a third party provider is likely to have a material impact on the systems and operations of the Group's platforms.
Unauthorised use of intellectual property or independent development of technology	Substantial parts of the Group's online platforms, distribution software, applications, data analytics and customer databases are seen as proprietary information. Unauthorised parties may obtain or copy, or seek to imitate, all or portions of this intellectual property or independently develop technology that is similar and may be in breach of proprietary rights. In this instance, the Group may seek legal actions to remedy the breach of proprietary information. This may incur legal or other fees and if unsuccessful may have a material adverse effect on the Group's financial and operational performance in the future
Laws and regulations may change	The Group is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including goods and services taxes and stamp duty), accounting standards, customs and tariffs. Failure to comply with, or changes to, laws and regulations may adversely affect the Group, including by increasing its costs either directly or indirectly (including by increasing the cost to the business of complying with legal requirements).
Key management personnel ('KMP')	The Group relies on the expertise, experience and strategic direction provided by its Key Management Personnel. These individuals have extensive experience in, and knowledge of, the Group's business. Additionally, successful operation of the Group's business depends on its ability to attract and retain quality employees. Competition could increase the demand for, and cost of hiring, quality employees. The Group's ability to meet its labour needs while controlling costs associated with hiring and training employees is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics.

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Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
On 22 July 2021, the Group increased its investment into a start-up developing artificial intelligence ("AI") interior design tools to accelerate the company's growth after a successful pilot. The Group's investment is in alignment with its strategy to innovate its digital offering through 3D and AI generated tools to help customers navigate the vast range of furniture & homewares to aid engagement and conversion.

The additional investment entailed a first tranche cash consideration of USD $1,000,000 in exchange for shares in the company, enabling the Group to exercise significant influence over the investee from the investment date onwards. The second tranche of USD $500,000 will be paid on the completion of product deliverables.

On 12 August 2021, the Group signed a new 10-year lease for office space in St Peters Sydney. The lease will be recognised under AASB 16 Leases and the liability of $17,839,000 will be recognised in the next financial year.

No other matter or circumstance has arisen since 30 June 2021 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.

Likely developments and expected results of operations
Likely developments in the operations of the consolidated entity and expected results of those operations are contained in the Chairperson's and the CEO's reports.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Share Options

Unissued shares
As at the date of this report and at the reporting date, there were 5,543,078 unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding for Key Management Personnel ('KMP').

Information on directors

Name:	**Stephen Heath**
Title:	Independent Non-Executive Director and Chairperson
Qualifications:	Graduate of the Australian Institute of Company Directors.
Experience and expertise:	Stephen is a specialist in consumer goods brand management with over 25 years of manufacturing/wholesale distribution and retail experience. Stephen spent 16 years as CEO of some of Australia's best-known consumer brands that includes Rebel Sport, Godfrey's and Fantastic Holdings with operations experience in Australia, New Zealand, and Asia. His experience includes working for both ASX Listed and Private Equity owned companies.
Other current directorships:	Board Chairperson of Shiro Holdings Limited (appointed on 24 October 2019) and Director of Redhill Education Limited (appointed on 1 September 2019).
Former directorships (last 3 years):	Non-Executive Director of Funtastic Limited (appointed on 18 October 2010 and resigned on 6 February 2019).
Special responsibilities:	Chair of the Board
Interests in shares:	34,000
Interest in options over shares:	181,026

Information on directors (continued)

Name:	**Susan Thomas**
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Commerce and Bachelor of Law from the University of New South Wales.
Experience and expertise:	Susan is an experienced company director and audit and risk committee chair. Susan has expertise in technology and law. Susan founded and was the Managing Director at FlexiPlan Australia, an investment administration platform sold to MLC.
Other current directorships:	Director of Fitzroy River Holdings Limited (appointed on 26 November 2012) and Director of Nuix Limited (appointed 18 November 2020).
Former directorships (last 3 years):	Board Chairperson of Alexium International Group Limited (appointed to Board on 10 December 2017, Chairperson on 8 May 2018 and resigned on 31 March 2019). In February 2020, Fitzroy River Holdings Limited acquired 100% of Royalco Resources Limited ('Royalco'). Accordingly, Royalco is no longer a listed entity, however, Susan Thomas is still a director of Royalco (appointed on 22 February 2017).
Special responsibilities:	Chair of the Audit and Risk Management Committee
Interests in shares:	Nil
Interest in options over shares:	181,026

Name:	**Conrad Yiu**
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce from the University of New South Wales and a Master of Business Administration from the University of Cambridge.
Experience and expertise:	Conrad is a co-founder of Temple & Webster and joined the Board on its formation in July 2011. Conrad was Chairperson of the Company until immediately prior to the IPO. Conrad has over 25 years commercial and advisory experience with a focus on investing in, acquiring and building high growth businesses in the consumer and technology sectors. Conrad was previously Director of Corporate Development with the digital division of Newscorp Australia (formerly News Digital Media), co-founder and Director of a London-based mobile technology company, a manager at Arthur Andersen and is a principal of ArdenPoint, an investment firm which he co-founded with Mark Coulter in 2011, the CEO of Temple & Webster Group Ltd. Conrad is a co-founder and current partner of AS1 Growth Partners, a private investment firm focused on growth & technology investments in public and private markets.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,557,018 ordinary shares
Interest in options over shares:	181,026

Name:	**Belinda Rowe**
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Arts Monash University, AFA (Advertising Federation Australia) Graduate.
Experience and expertise:	Belinda is a very experienced business leader and successful marketing executive. Belinda's extensive professional experience lies in marketing communications, content, media and digital marketing technologies. Belinda led media and marketing communications businesses for Zenith and Publicis Media globally based in the UK, and held many senior roles in the marketing industry, including as CEO of ZenithOptimedia for 10 years in Australia and as Director Brand & Marcoms for O2 Telefonica in the UK.
Other current directorships:	Independent Non-Executive Director of HT&E Limited (appointed on 5 February 2019) and Soprano Design Limited (appointed on 22 September 2020).
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee
Interests in shares:	Nil
Interest in options over shares:	Nil

Information on directors (continued)

Name:	**Mark Coulter**
Title:	Executive Director
Qualifications:	Bachelor of Laws and Bachelor of Science (Biochemistry) from the University of Sydney.
Experience and expertise:	Mark is a co-founder of Temple & Webster and has been involved as an advisor to the Group since its inception. Previously, Mark worked at News Limited where he was Director of Strategy for the Digital Media properties and managed a portfolio of businesses including Moshtix, a digital ticketing company. Mark was also a solicitor at Gilbert + Tobin and management consultant at McKinsey & Company. Mark co-founded the National Online Retailers Association and is a co-founder of ParcelPoint/Fluent Retail, a logistics and technology company servicing many of Australia's largest online and omni-channel retailers.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer
Interests in shares:	2,253,484 ordinary shares
Interests in options over shares:	5,000,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Michael Egan is Company Secretary of Temple & Webster Group Ltd. He has a range of experience in the Chartered Accounting profession, business and consulting. Michael has held Directorships and has been Company Secretary in ASX listed companies and in Australian subsidiaries of multi-national companies including Anglo-Australian Group, Rio Tinto and Hoechst (Germany).

Meetings of directors

The number of meetings of the Group's Board of Directors ('the Board') held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
Stephen Heath	5	6	3	3	4	4
Susan Thomas	6	6	3	3	4	4
Conrad Yiu	6	6	2	2	4	4
Belinda Rowe	2	2	2	2	1	1
Mark Coulter	6	6	-	-	-	-

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

Dear Shareholder,

On behalf of the Board, it gives me great pleasure to present the FY21 remuneration report, my first as the Chair of the Nomination and Remuneration Committee.

FY21 was certainly a transformative year for Temple & Webster. During the year, the Group entered the ASX 300 due to a record year in terms of revenue, profit and customers. As the business scales in complexity and sophistication, so too does our remuneration strategy. This strategy is outlined in more detail in this year's remuneration report.

In FY21, the Board put in place a remuneration framework that provides a clear line of sight between the Group's performance and remuneration outcomes, as well as driving deep alignment between the interests of directors, employees and shareholders. To achieve this, the Board conducted an independent review of our remuneration design (see section 5.5), with the following notable outcomes:

Adopting best practice remuneration design which is "fit for purpose"

- The Board adopted an executive remuneration package composed of an appropriate mix of remuneration elements including fixed pay, short-term variable remuneration and long-term variable remuneration. Short-term variable remuneration was clearly linked to the strategic priorities of the Group through a mix of financial and non-financial KPIs, while longer-term variable remuneration was linked to longer term shareholder outcomes.
- At the same time, the Board has built a remuneration framework which is flexible and is "fit for purpose", particularly when dealing with a founder-led Company. For example, for the last five years the CEO has been on a lower fixed remuneration / higher equity package versus benchmarked peers. As the Company evolves so too will our remuneration design, which the Board regularly reviews.

Market benchmarking

- As a result of the rapid growth in scale, complexity, and market position of the Group, the Board has provided remuneration increases as needed to meet the objectives of the Group's strategy, and ensure the Group is attracting and retaining the best talent.
- Benchmarking of NED remuneration appropriate to the Group's current market capitalisation, also indicated a need to increase the Board Fees to ensure that individuals of the appropriate calibre and experience can be attracted and retained.

Updated rights plans

- The Non-executive Director ('NED') option plan has been reviewed and is proposed to be replaced with a new Temple & Webster Group Ltd NED Equity Plan.
- An independent review of the executive equity plan has resulted in the development of a new Temple & Webster Group Ltd Rights Plan adopted in FY21. The change includes a range of improvements in terms of instruments available, expected tax and termination outcomes, and governance improvements aligned with current best practices such as the inclusion of malus and clawback clauses;

I hope the additional information and disclosures contained in this year's remuneration report provide a deeper understanding of remuneration governance and practices for our shareholders, and that you will agree we have struck the right balance for a Group that is scaling rapidly in what has been another complex year.

Belinda Rowe
Chair – Nomination and Remuneration Committee

The Directors of Temple & Webster Group Ltd present the Remuneration Report ('the Report') for the Group and its controlled entities for the year ended 30 June 2021. This Report forms part of the Directors' Report and has been prepared in accordance with the Corporations Act 2001 ('the Act'), Corporations Regulation 2M.3.03, in compliance with AASB124 Related Party Disclosures, and audited as required by section 208(3C) of the Act.

The Report is divided into the following sections:

Section	Description
1. Persons covered by this Report	This section provides details of the directors and executives who are subject to the disclosure requirements of this report, together with the Key Management Personnel, including roles and changes in roles.
2. Remuneration overview	This section provides an overview of performance and reward for FY21, including "at-a-glance" summaries.
3. Remuneration strategy, policy and framework	This section provides details of the elements of the remuneration framework, including market positioning, changes to fixed pay, variable remuneration principles, and the terms of variable remuneration.
4. Link between performance and reward	This section addresses FY21 short and long-term variable remuneration outcomes based on performance Measurement Periods completed during FY21, as well as the "achieved" remuneration outcomes for the executives.
5. Statutory tables and disclosures	This section provides the statutory disclosures not addressed by preceding sections of the Report, including statutory remuneration tables, changes in equity, KMP service agreements, related party loans/transactions, and the engagement of external remuneration consultants.

1. Persons covered by this report

This report covers Key Management Personnel ('KMP') which are defined as those who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The below table outlines the KMP of the Group:

Name	Role at Year End	Appointed	Committee membership[1] Nomination & Remuneration	Audit & Risk
Non-executive KMP				
Stephen Heath	Independent Board Chair	15 October 2016	M	M
Susan Thomas	Independent Non-executive Director	23 February 2016	M	C
Conrad Yiu	Non-executive Director	6 October 2015	M	M
Belinda Rowe	Independent Non-executive Director	26 February 2021	C	M
Executive KMP				
Mark Coulter[2]	Executive Director and Chief Executive Officer ('CEO')	22 April 2016[3]	n/a	n/a
Adam McWhinney[2]	Customer Experience Officer ('CXO')	1 July 2017	n/a	n/a
Mark Tayler	Chief Financial Officer ('CFO')	18 April 2016[4]	n/a	n/a

(1) M = Member, C = Chair
(2) These individuals are considered co-founders of the Company and referred as "founder executives" in this report
(3) Mark Coulter was appointed as the interim CEO on 22 April 2016, the CEO on 24 October 2016 and an Executive Director on 23 October 2019
(4) Mark Tayler was appointed as the interim CFO on 18 April 2016 and the CFO on 24 October 2016

The following changes to KMP occurred during the year ending 30 June 2021 and between 30 June 2021 and the date of publication of this report:

- Belinda Rowe was appointed an independent non-executive director, chair of the nomination and remuneration committee and a member of the Board and the audit and risk committee on 26 February 2021;
- Stephen Heath was replaced by Belinda Rowe as chair of the nomination and remuneration committee on 26 February 2021, however, still remains a member;
- Conrad Yiu was appointed a member of the nomination and remuneration committee on 1 September 2020.

2. Remuneration overview

2.1. Executive remuneration structure at-a-glance

The following diagram outlines the executive KMP remuneration cycle under the remuneration framework as applicable to FY21:

<table>
<tr><th>Component/Year ending</th><th>30-Jun-21</th><th>30-Jun-22</th><th>30-Jun-23</th><th>30-Jun-24</th></tr>
<tr><td>Fixed</td><td>Fixed pay cash</td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">Short term</td><td rowspan="2">< STVR[1] performance period ></td><td><Metric assessment based on FY21 audited results in Q1 FY22</td><td></td><td></td></tr>
<tr><td><Cash or equity settlement[2] in Q1 FY22</td><td></td><td></td></tr>
<tr><td>Long term</td><td colspan="3">< LTVR[3] performance period - performance rights with a 3-year TSR vesting condition and 1-year service test[4] ></td><td>< Metric assessment and vesting confirmed by the Board in Q1 FY24, exercisable up to 15th year</td></tr>
</table>

[1] STVR is short term variable remuneration
[2] The Board has discretion to determine whether the STVR award is settled in cash or in equity interests such as rights (see point 3.2). The Board determined that FY21 STVR would be settled in cash only.
[3] LTVR is long term variable remuneration
[4] LTVR service is tested during the first year only

The Board deemed the LTVRs granted to the CEO and CXO in FY19, subject to vesting conditions being met in August 2022, as sufficient variable remuneration for the financial year, therefore the structure outlined above only applied to the CFO and non-KMP executives in FY21.

Outcomes from the FY21 STVR opportunity and FY19 LTVR that were eligible to be awarded/vest following the end of FY21 are outlined in the section titled “The link between performance and reward in FY21”.

2.2 Group’s performance at-a-glance

The following outlines the Group’s performance in FY21 in the context of the prior 4 years, which is intended to assist in demonstrating the link between performance, value creation for shareholders, and executive reward:

FY end date	Normalised NPAT[1] $m	NPAT[1] $m	Share price[2] $	Change in share price $	Dividends[3] $	Change in shareholder wealth[4] $	Change in shareholder wealth[4] %	Rolling 3-year annualised TSR[5] %
30/06/2021	12,088	13,954	10.79	4.48	-	4.48	71%	142%
30/06/2020	4,560	13,909	6.31	4.96	-	4.96	367%	227%
30/06/2019	637	3,764	1.35	0.59	-	0.59	78%	113%
30/06/2018	(524)	(21)	0.76	0.58	-	0.58	322%	n/a
30/06/2017	(5,451)	(7,754)	0.18	0.04	-	0.04	29%	n/a

[1] Normalised Net Profit After Tax (‘Normalised NPAT’) is calculated as NPAT adjusted for any benefits received from the recognition and utilisation of historical tax losses
[2] Share price at the end of the financial year
[3] Dividends paid during the financial year
[4] Share price change plus dividends on prior financial year
[5] TSR is the sum of share price appreciation and dividends (assumed to be reinvested in shares) during the Measurement Period expressed as a growth %. While the Group is not paying the dividends, it’s equal to annualised share price growth

3. Remuneration strategy, policy and framework

3.1. Executive (other than the founder executives) remuneration - fixed pay, total remuneration package and variable remuneration framework

Total remuneration package ('TRP') is intended to be composed of an appropriate mix of remuneration elements including fixed pay, short-term variable remuneration ('STVR') and long-term variable remuneration ('LTVR').

Fixed Pay	**Short-term variable remuneration (STVR)**	**Long-term variable remuneration (LTVR)**
Fixed pay comprises base salary, plus any other fixed elements such as superannuation, allowances, benefits, fixed equity and fringe benefits tax for example. Fixed pay is intended to be positioned competitively in the market when assessed against suitable benchmarks but may vary with decisions around the mix of cash, equity and performance linked remuneration as negotiated between the Board and each incumbent on a case-by-case and fit-for-purpose basis.	100% of the FY21 STVR was paid in cash Performance is measured on 12 month financial and non-financial goals, both at a Group and Individual scorecard level, with threshold, target and stretch levels FY21 STVR goals were: • Group Revenue Growth exceeding market growth (45%) • Various Group customer and employee operational goals (30%) • Individual Goals (25%) See more detail in section 3.2.	Performance rights vesting after 3 years The LTVR program aligns executives to shareholder interests through iTSR targets (indexed relative Total Shareholder Returns) See more detail in section 3.3.

Variable remuneration is not a "bonus", but a blend of at-risk remuneration (below target) and incentives (above target and up to stretch). Metrics selected are intended to be linked to the primary drivers of value creation for stakeholders, and successful implementation of the long-term strategy over both the short and long term. Thresholds are intended to be a near-miss of expectations, while target is intended to be a challenging but realistically achievable objective with a probability of around 50% to 60%. Stretch, on the other hand, is designed to be exceptionally challenging with a probability of around 10% to 20%.

Variable remuneration outcomes and performance are linked as shown below:

Performance Assessment	Variable remuneration outcome	Approximate market position - TRP
Exceeds expectations	Target to stretch - incentive/upside	High in TRP market benchmark range
Meets expectations	Target - expected reward	Around midpoint to P62.5[(1)] of TRP market range
Below expectations	Threshold to target - at risk/downside	Low in TRP market benchmark range
Below threshold	Fixed pay only	Very low within or below minimum of TRP market range

[(1)] "P" refers to "Percentile" or the point in the sample data range below which the specified percentage of data points lie below.

Executive KMP remuneration is tested regularly by reference to appropriate independently sourced comparable benchmark data, and specific advice as may be appropriate from time to time. Benchmark groups are generally designed to be based on 20 companies from the same market sector, within a range of 50% to 200% of the market value of the Group at the time, and evenly balanced to ensure measures of central tendency are highly relevant. Benchmarks may be adjusted upwards or downwards for variations in role design compared to market benchmark roles, and individual remuneration may vary by +/- 20% compared to the policy midpoint, to reflect individual factors such as experience, qualifications and performance.

During the current financial year, the CFO was the only executive KMP role to receive a fixed pay increase, which was appropriate to the changes in the Group scale, complexity and operations. The Board will continue to monitor market positioning to ensure that appropriate talent can be attracted, retained and aligned.

3. Remuneration strategy, policy and framework (continued)

3.2 Executive (other than the founder executives) STVR plan

A description of the STVR structure applicable for FY21 is set out below.

Purpose	To provide at-risk remuneration and incentives that rewards executives for performance against annual objectives set by the Board at the beginning of the financial year. Objectives selected were designed to support long-term value creation for shareholders, and link to the long-term strategy on an annual basis.
Measurement Period	The financial year of the Group (ending 30 June 2021).
Opportunity	The target value was 25% of fixed pay, with a maximum stretch target of 28% of fixed pay.
Outcome metrics and weightings	The STVR was dependent on meeting Group, individual and business unit (if applicable) performance objectives. For FY21, the metrics were as follows: 1. Revenue growth – 45% weighting – must exceed market growth by specified percentage, with a target of a materially higher growth rate 2. Operational metrics – 30% weighting – employee and customer metrics, must exceed prior year result, with a target of a specified improvement 3. Individual performance – 25% weighting – three to five individual metrics related to strategic implementation directly relevant to the role. These metrics were selected because they are viewed by the Board as the primary drivers of value creation for the business in FY21.
Gate	The Group metrics were subject to a Normalised Earnings Per Share[1] growth gate and a revenue growth gate.
Settlement	Awards are determined following auditing of accounts after the end of the financial year. The Board has discretion to determine whether the STVR award is settled in cash or in equity interests such as rights. The Board elected to settle the FY21 STVR in cash.
Malus and clawback	The STVR is currently not subject to any malus or clawback clauses or policies, however, this may be reviewed in the next financial year.
Board discretions	The Board has discretion to modify the awards payable to participants regardless of any performance outcome or gate, to ensure that outcomes are appropriate to the circumstances that prevailed over the Measurement Period.
Corporate actions	The Board has discretion to determine the treatment of unpaid STVR in the case of major corporate actions such as a change in control, delisting, major return of capital or demerger.

(1) Normalised Earnings Per Share is a Normalised NPAT divided by weighted average number of ordinary shares

3. Remuneration strategy, policy and framework (continued)

3.3. Executive (other than the founder executives) long-term variable remuneration plan

A description of the LTVR structure granted in FY21 is set out below. The details of the LTVR grant that vested following FY21 completion or in FY21 are provided in latter sections (see section 3.5 and 3.6 respectively).

Purpose

To provide at-risk remuneration and incentives that rewards executives for performance against long-term value creation objectives set by the Board at the beginning of the financial year and to align the interests of executives with the interests of shareholders.

Measurement Period

3 years from 1 July 2020 to 30 June 2023.

Opportunity

The target value is 25% of fixed pay ('FP'), with a maximum stretch of double the target, or 50% of fixed pay.

Instrument

The LTVR is granted under the rights plan which allows for performance rights, service rights or restricted rights, each of which may be constructed as a share appreciation right ('SAR'), which is equivalent to an Option, when an exercise price is specified. For FY21, performance rights were used for the purposes of the LTVR. Rights are not subject to dividend or voting entitlements.

Price

The price is nil because it forms part of the remuneration of the participant.

Exercise price

The exercise price is nil.

Allocation method

The grant number is determined by dividing the stretch LTVR value by the 30-day Volume Weighted Average Price following the release of unaudited financial results for FY20.

Performance metrics and weightings

FY21 granted performance rights have an Indexed Total Shareholder Return ('iTSR') vesting condition (100% weighting). The vesting of such performance rights will be determined by comparing the Group's TSR over the Measurement Period with the TSR of the ASX 300 Industrials Total Return Index, according to the following vesting scale:

Performance level	TSR of the Group vs TSR of the ASX 300 Industrials Total Return Index	Vesting %
Stretch	Index TSR + 10% TSR p.a.	100%
Target	Index TSR + 5% TSR p.a.	50%
Threshold	Index TSR	0%
Below threshold	<Index TSR	0%

Outcomes that fall between the specified levels of performance will result in a pro-rata calculation being applied. TSR is the sum of share price appreciation and dividends (assumed to be reinvested in shares) during the Measurement Period. It is annualised for the purposes of the above vesting scale. The TSR of the Group over the Measurement Period will be calculated and converted to a compound annual growth rate (CAGR) value for the purposes of assessment against this scale. During periods of nil dividends being declared, TSR is equal to change in Share Price.

This metric was selected because it is the best measure of value creation for shareholders that adjusts for windfall gains and losses arising from broad market movements.

Equity grants are tested against the performance measures set. If the performance hurdles are not met at the vesting date, performance rights lapse.

3. Remuneration strategy, policy and framework (continued)

Gate	iTSR performance rights are subject to a gate of TSR for the Group being positive for the Measurement Period to ensure the grant does not vest when shareholders are losing value.
Settlement	The rights are "Indeterminate Rights" which may be settled in the form of a Group share (including a restricted share), or cash equivalent, upon valid exercise.
Term	Rights must be exercised within 15 years of the grant date, otherwise they lapse.
Service condition	In addition to the performance conditions, continued service during the full first year of the Measurement Period is a requirement for any rights to become eligible to vest.
Malus and clawback	The rights plan includes malus and clawback clauses which will result in forfeiture of unvested rights in a range of circumstances, including material misstatements resulting in overpayment, the participant joining a competitor or being involved in actions that are deemed to have harmed other stakeholders.
Board discretions	The Board has discretion to modify vesting to Participants regardless of any performance outcome or gate, to ensure that outcomes are appropriate to the circumstances that prevailed over the Measurement Period.
Corporate actions	In the case of a change in control, the modifications are subject to the Board's discretion. In the case of a delisting of the Group's shares, the automatic vesting will occur based on the increase in the share price since the start of the Measurement Period, with Board discretion regarding the lapsing or vesting of any remainder. In the case of a major return of capital or demerger, the Board has discretion to bring forward vesting or to alter the number of rights or the exercise price or to alter vesting conditions to ensure that the outcome is fair to participants. This is because following such an event, the share price is likely to be materially different from the basis of the grant, and performance conditions set may be unable to be met.

3. Remuneration strategy, policy and framework (continued)

3.4. Non-executive directors' fee policy

The principles that the Group applies to governing the non-executive directors' remuneration are outlined below.

Principles

- Fees for NEDs are based on the nature of the Directors' work and their responsibilities, taking into account the nature and complexity of the Group and the skills and experience of the Director.
- NEDs' fees are recommended by the Nomination & Remuneration Committee and determined by the Board.
- External consultants were used to source the relevant data and commentary and to obtain independent recommendations given the potential for a conflict of interest in the Board setting its own fees.
- Fees are intended to be positioned around the 50^{th} percentile of the tailored market benchmarks.

Fees structured to preserve independence

- To preserve independence and impartiality, NEDs are not entitled to any form of variable remuneration payments and the level of their fees is not set with reference to measures of the Group's performance

Aggregate Board Fees approved by shareholders

- The total amount of fees paid to NEDs in FY21 is within the aggregate amount approved at a general meeting of the Group on 27 November 2018 of $700,000 a year.
- Grants of equity approved by shareholders are excluded from counting towards the aggregate Board Fees, in accordance with the ASX Listing Rules.

Flexibility in how fees are received

- NEDs can elect how they wish to receive their fees – i.e. as cash, superannuation contributions or equity for example.
- In 2018, several NEDs elected to exchange $25,000 per year worth of future Board Fees for service tested options vesting over FY19, FY20 and FY21 commensurate with the year the fee sacrifice related to. This was intended to support the preservation of limited cash resources and to align NEDs' interests with that of the Group at the time.

The following outlines the Board Fees applicable as at the end of FY21, which were subject to independent review by external remuneration consultants:

Role/Function	Main Board	Audit and Risk Management Committee	Nomination and Remuneration Committee
Chair	$212,750	$20,000	$20,000
Member	$115,000	$10,000	$10,000

Fees are expressed as inclusive of superannuation and are reduced by any election to exchange cash for equity or other benefits (i.e., the values are inclusive of any equity). The Board Chair does not receive committee fees. NEDs are also reimbursed for out-of-pocket expenses that are directly related to the Group's business.

3. Remuneration strategy, policy and framework (continued)

3.5. Founder executives LTVR Rights and Options granted in FY19

For the CEO and CXO who were not participants in the new Rights/LTVR plan or STVR plan in FY21, their previous grants of options made in FY21 under the FY19 equity plan remained on-foot, subject to vesting conditions being met in August 2022:

Instrument	For the CEO: 5,000,000 Options granted in FY19. For the CXO: 1,800,000 Performance Rights granted in FY19
Purpose	The Board negotiated with the CEO and the CXO for variable remuneration opportunities for a number of years to be wrapped up into an up-front option and performance right grant. This scheme was fit for purpose at a time in which it was crucial to ensure continuity in management.
Performance metrics and weightings	For the CEO: continued service up to the point of the approval of the FY22 Annual Accounts in August 2022. For the CXO: Tranche 1 - 500,000 Performance Rights subject to continued service up to the point of the approval of the FY22 Annual Accounts in August 2022 and Tranche 2 – 1,300,000 Performance Rights subject to continued service up to the point of the approval of the FY22 Annual Accounts in August 2022 and the Share Price on the release of FY22 results being at least 200% of the 30-day VWAP up to 1 July 2018.
Settlement	Options are subject to the submission of an Exercise Notice and the payment of the Exercise Price. Rights are subject to the submission of an Exercise Notice only. The grants outlined are subject to settlement in Shares only.
Corporate actions	A change in control will result in pro-rata vesting to reflect the completed portion of the Measurement Period. If the Participant is terminated in circumstances classified as a Good Leaver (death, disability etc.) following a change in control, then all Options will vest.
Special circumstances	In “Special Circumstances” (e.g. death) the Board has discretion to accelerate vesting.
Disposal restrictions	Options may not be dealt with. The Board may attach disposal restrictions to the Shares that result from exercising Options.
Exercise price	The 30-day VWAP prior to 1 July 2018 of $0.74.
Exercise term	15 years from the Grant Date.

3. Remuneration strategy, policy and framework (continued)

3.6. Non-executive directors' equity remuneration granted in FY19

During FY21, no grants were made to the non-executive directors under the NED Option plan. In FY19, grants were made in respect of Board Fees which would be payable in FY19, FY20 and FY21 ('FY19 Options'). FY19 Options vested by 30 June 2021 (note 60,342 options vested for three non-executive directors in FY21, see section 5.3 for details) and the Board has decided that Options under this Plan will no longer be offered to NEDs. The Board is proposing to replace this plan with a NED Rights plan specifically designed for the NEDs, which is based on Restricted Rights rather than options

Purpose	At a time when the Group was needing to preserve cash and align remuneration for the Board members, the Board resolved to exchange future cash remuneration ($25,000 per annum) for an up-front option grant, which would vest over FY19, FY20 and FY21.
Instrument	A separate option plan designed to preserve NED independence.
Measurement Period	3 years from 1 July 2018 to 30 June 2021.
Option price	The Option price is nil because it forms part of the remuneration of the participant.
Exercise price	The 10-day VWAP following the release of the FY18 Annual report of $0.99.
Allocation method	The number of options granted is determined by dividing the sacrificed salary by the option value calculated using the Black-Sholes model. The share price used in the Black-Scholes model was based on 10-day Volume Weighted Average Price after the release of FY18 annual report to the ASX.
Vesting Conditions	Options are subject to a service-related vesting condition, such that they vest progressively over the Measurement Period.
Exercise restrictions and disposal restrictions	Options may not be exercised within 90 days of the grant date and may not be disposed of or otherwise dealt with. A specified disposal restriction applies to shares acquired by exercising options, such as that shares may not be disposed of until the NED ceases to hold the office of NED or a taxing point arises, or otherwise determined by the Board.
Settlement	The Options are share options and may only be settled in shares.
Term	Options must be exercised by 30 June 2025, otherwise they will lapse.

3.7. Other Elements of the current KMP and senior executive remuneration governance framework

The following outlines the other elements that together with the foregoing form the KMP remuneration governance framework:

- The Nomination & Remuneration Committee Charter outlines the roles and responsibilities of the committee. This is available on the Group website.
- The Securities Dealing Policy outlines under what circumstances and when trading in the Group's securities by KMP and other nominated employees may be permitted or prohibited. This is available on the Group website.
- External Remuneration Consultant Engagement Policy which is intended to ensure the independence of any recommendation received regarding KMP remuneration, and which supports the Board's published statements regarding such recommendations. In addition to the requirements outlined in the Corporations Act, it requires the external remuneration consultant to notify the Board if management contacts the external remuneration consultant on remuneration matters outside of interactions approved or supervised by the Board, such as the provision of factual information for benchmarking purposes.
- The Diversity Policy, which supports the Board and management making sustainable and appropriate decisions around hiring, career development and remuneration.

4. Link between performance and reward in FY21

The Board views the outcomes of remuneration for FY21 performance as appropriately aligned, given the strong group and individual performance against annual objectives, the substantial shareholder value created through share price growth, and progress towards strategy objectives made by the executive team.

4.1. FY21 Executive (other than the founder executives) STVR outcomes

Metric/Measure	Weight	
Revenue Growth Exceeding Market Growth	45%	64.4% out of a maximum of 100.0% group award was achieved in FY21
Revenue was considered a key driver of sustainable value creation in FY21. Given the Group is benefiting from significant tailwinds, targets were set on exceeding market growth rates.		
Operational Metrics	30%	
Customer and employee outcomes were considered key drivers of operational value creation in FY21.		
Personal Targets	25%	Various outcome ranges were achieved on personal targets
Individual role-related metrics are the primary indicator of strategy execution at the role level.		

4.2. FY19 Executives (other than the founder executives) LTVR grant assessment and vesting

The LTVR that was granted in FY19 to selected executives (excluding the CEO and CXO and some others) and vested in respect of FY21 is summarised as follows:

Instrument	Performance Rights granted in FY19.
Measurement Period	3 years from 1 July 2018 to 30 June 2021.
Performance Metrics and Weightings	The performance metric was a Share Price objective of the 30 trading-day VWAP for Temple & Webster Group Limited ('TPW') Shares up to and including 30th June 2021 must be equal to or greater than $1.45 (100% weighting).
Service Conditions	A two-year service condition applied, i.e. a participant must be employed on the date of the FY20 financial results announcement.
Performance Outcome and Vesting Determination	The Board has assessed that the performance vesting conditions have been met, and as a result, 100% vesting applies in respect of the completed FY21 reporting period for the participants that held unvested FY19 Performance Rights at the Vesting Date. In the Board's view, this is appropriate given the exceptional value created for shareholders over the Measurement Period.
Board Discretions Applied	The Board did not apply any discretionary adjustments to the performance assessment or vesting.
Settlement	Rights are exercised automatically upon vesting. The Rights are "Indeterminate Rights" which may be settled in the form of a Group Share (including a Restricted Share), or cash equivalent, upon valid exercise. This grant is subject to settlement in Shares as determined by the Board.

4. Link between performance and reward FY21 (continued)

4.3. Achieved Total Remuneration Package for FY21

The statutory remuneration tables prepared in accordance with the statutory requirements in section 5 are on an accrual basis and may not reflect the value of shares that result in vesting. The table below outlines "achieved" total remuneration, including the portions of maximum variable remuneration that were awarded or vested, and portions that were forfeited or lapsed as the result of performance assessments:

Name	FY	Fixed pay (incl. super)		Total STVR awarded following completion of the financial year				Value of LTVR expected to vest following completion of the Measurement Period/FY				Achieved TRP $
		Amount $	% of TRP	Amount[1] $	% of max awarded	% of max forfeited	% of TRP	Amount[2] $	% of max vested	% of max lapsed	% of TRP	
Mark Coulter	2021	395,000	100%	-	n/a	n/a	0%	-	n/a	n/a	0%	395,000
	2020	387,579	100%	-	n/a	n/a	0%	-	n/a	n/a	0%	387,579
Adam McWhinney	2021	303,850	100%	-	n/a	n/a	0%	-	n/a	n/a	0%	303,850
	2020	302,454	100%	-	n/a	n/a	0%	-	n/a	n/a	0%	302,454
Mark Tayler	2021	390,833	77%	80,719	70%	30%	16%	34,561	100%	n/a	7%	506,113
	2020	291,746	79%	77,642	94%	6%	21%	-	n/a	0%	0%	369,388

(1) This is the value of the total STVR award calculated following the end of the Financial Year. The Board determined that it would be settled in cash only, to be paid through payroll in September.
(2) This is the grant value of the LTVR that vested after the end of the reporting period for which the Measurement Period finished by 30 June 2021. The grant value is the grant number multiplied by the Monte Carlo simulation value at grant.

5. Statutory tables and supporting disclosures

5.1. Executive KMP statutory remuneration

The following table outlines the statutory remuneration of executive KMP:

Name	FY	Salary $	Super $	Fixed Pay: Total Fixed Pay Amount $	Fixed Pay: Total Fixed Pay % of TRP	Variable Remuneration: Cash STVR [1] Amount $	Variable Remuneration: Cash STVR [1] % of TRP	Variable Remuneration: LTVR [2] Amount $	Variable Remuneration: LTVR [2] % of TRP	Total for year: Statutory Total Remuneration Package (TRP) $	Other statutory items: Change in accrued leave $
Mark Coulter	2021	373,306	21,694	395,000	48%	-	0%	421,799	52%	816,799	28,688
	2020	366,576	21,003	387,579	48%	-	0%	422,955	52%	810,534	(8,187)
Adam McWhinney	2021	282,156	21,694	303,850	62%	-	0%	183,530	38%	487,380	3,195
	2020	281,451	21,003	302,454	62%	-	0%	186,014	38%	488,468	6,965
Mark Tayler	2021	369,139	21,694	390,833	69%	80,719	14%	95,351	17%	566,903	3,399
	2020	270,743	21,003	291,746	74%	77,642	20%	24,171	6%	393,559	(843)

(1) This is the value of the total STVR award calculated following the end of the Financial Year. The Board determined that it would be settled in cash only, to be paid in September 2021.
(2) Note that the LTVR value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period. Where a market based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTVR vesting.

5. Statutory tables and supporting disclosures (continued)

5.2. Non-executive Director KMP statutory remuneration

The following table outlines the statutory remuneration of non-executive director KMP:

Name	FY	Cash Board Fees $	Committee Fees $	Superannuation $	Other Benefits $	Equity Grant Expense $	Termination Benefits $	Total $
Stephen Heath	2021	146,809	6,088	14,525	-	35,843	-	203,265
	2020	73,059	36,530	10,411	-	35,843	-	155,843
Susan Thomas	2021	67,852	28,919	9,193	-	35,843	-	141,807
	2020	45,662	36,530	7,808	-	35,843	-	125,843
Conrad Yiu	2021	67,852	21,309	8,470	-	35,843	-	133,474
	2020	45,662	36,530	7,808	-	35,843	-	125,843
Belinda Rowe	2021	35,445	9,247	4,246	-	-	-	48,938
	2020	-	-	-	-	-	-	-

5.3. KMP equity interests and changes during FY21

Movements in equity interests held by executive KMP during FY21, including their related parties, are set out below. All equity interests are granted by the listed entity unless otherwise specified:

Name	Instrument	Balance at the start of the year Number	Granted as remuneration Date granted	Granted as remuneration Number	Vested and exercisable Number	Sold Number	Balance at the end of the year Number
Mark Coulter	Shares	4,671,312	n/a	-	-	2,417,828	2,253,484
	Unvested Rights	-	n/a	-	-	-	-
	Options	5,000,000	n/a	-	-	-	5,000,000
Adam McWhinney	Shares	2,460,897	n/a	-	-	460,000	2,000,897
	Unvested Rights	1,800,000	n/a	-	-	-	1,800,000
	Options	-	n/a	-	-	-	-
Mark Tayler	Shares	529,393	n/a	-	-	260,226	269,167
	Unvested Rights	143,419	28/06/2021	25,786	-		169,205
	Options	-	n/a	-	-	-	-
		14,605,022	n/a	25,786	-	3,138,054	11,492,754

Movements in equity interests held by Non-executive KMP during the reporting period, including their related parties, are set out below:

Name	Instrument	Balance at the start of the year Number	Granted as remuneration Date Granted	Granted as remuneration Number	Vested and exercisable Number	Sold Number	Balance at the end of the year Number
Stephen Heath	Shares	184,000	-	-	-	150,000	34,000
	Unvested Rights	-	-	-	-	-	-
	Options	181,026	-	-	60,342	-	181,026
Susan Thomas	Shares	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-
	Options	181,026	-	-	60,342	-	181,026
Conrad Yiu	Shares	2,807,018	-	-	-	250,000	2,557,018
	Unvested Rights	-	-	-	-	-	-
	Options	181,026	-	-	60,342	-	181,026
Belinda Rowe	Shares	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-
	Options	-	-	-	-	-	-
		3,534,096	-	-	181,026	400,000	3,134,096

5. Statutory tables and supporting disclosures (continued)

The following outlines the accounting values and potential future costs of equity remuneration granted during FY21 for executive KMP:

Name	Tranche	Grant Type	Vesting Conditi ons	Grant Date	Number	Fair Value Each At Grant Date	Total Fair Value at Grant	Value Expensed in FY 21	Max Value to be Expensed in Future Years
Mark Tayler	Tranche 1 iTSR PRs[(1)]	LTVR	Indexed TSR	28-06-21	25,786	8.71	224,597	74,866	149,732

[(1)] PRs is performance rights

Note that the minimum value to be expensed in future years for each of the above grants made in FY21 is nil. A reversal of previous expense resulting in a negative expense in the future may occur in the event of an executive KMP departure or failure to meet non-market based conditions including failure for Gate to open. All Rights granted under the LTVR in FY21 will expire on 28 June 2036. They may only be exercised after vesting which is expected to occur after the auditing of FY23 accounts in FY24.

No equity was granted to Non-executive KMP during FY21. However, the prior year option grants, that were made under the previous NED Option plan, have now vested (see section 3.6 for details).

5.4. KMP service agreements

Executive KMP service agreements

The following outlines current executive KMP service agreements:

Name	Employing company	Duration of contract	Termination payments [(1)]	Period of Notice	
				From company	From KMP
Mark Coulter	TPW Group Services Pty Ltd	No fixed term	3 months	3 months	3 months
Adam McWhinney	TPW Group Services Pty Ltd	No fixed term	2 months	2 months	2 months
Mark Tayler	TPW Group Services Pty Ltd	No fixed term	3 months	3 months	3 months

[(1)] Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (over prior 3 years) unless shareholder approval is obtained.

Non-executive directors service agreements

The appointment of non-executive directors is subject to a letter of engagement. Under this approach, NEDs are not eligible for any termination benefits following termination of their office, nor any payments other than those required under law such as in respect of superannuation. There are no notice periods applicable to either party under this approach.

5.5. Other statutory disclosures

Loans to KMP and their related parties

During FY21 and to the date of this report, the Group made no loans to directors and other KMP and none were outstanding as at 30 June 2021.

Other transactions with KMP

During FY21 there were no other reportable transactions between the Group and its directors, KMP, or their personally related entities (Related Parties).

__5. Statutory tables and supporting disclosures (continued)__

External remuneration consultants

During FY21, the Board engaged approved external remuneration consultants to provide KMP remuneration recommendations and other services as outlined below:

Name	Board Assessment of Independence	Rationale for Board Assessment	Services	Fees (Inc. GST) $
Godfrey Remuneration Group Pty Ltd	The consultant provided statements indicating that they viewed the advice they gave as being independent from undue influence, which the Board agrees with.	The Board is of the view that the recommendations received were independent and free from undue influence of any KMP to whom the recommendations related, because the ERC complied with the Group's policy for engaging ERCs.	Market data and recommendations regarding NED and Executive Remuneration	30,305
			Updated market data and recommendations on LTVR design changes	5,500
			Updates to NED and Executive Rights Plans documentation suites	10,945

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of performance rights
During the financial year, there were no employees or executives that exercised performance rights to acquire ordinary shares in Temple & Webster Group Ltd (refer to note 18).

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount), other than a loss arising from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during the financial year and up to the date of this report.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
The amounts paid or payable to the auditor for non-audit services during the financial year was $45,786 (2020: $51,075). This is outlined in note 23 to the consolidated financial statements.

The directors are of the opinion that the services as disclosed in note 23 to the consolidated financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Ernst & Young
There are no officers of the Company who are former partners of Ernst & Young.

Rounding of amounts
Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Stephen Heath
Chairperson
30 August 2021

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Auditor's Independence Declaration to the Directors of Temple & Webster Group Ltd

As lead auditor for the audit of the financial report of Temple & Webster Group Ltd for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Temple & Webster Group Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Graham Leonard
Partner
30 August 2021

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	2020 $'000
Revenue			
Revenue from contracts with customers	4	326,344	176,342
Cost of goods sold		(178,348)	(97,721)
Gross margin		147,996	78,621
Interest income		438	229
Expenses			
Distribution		(47,279)	(24,728)
Merchant Fees		(4,031)	(2,646)
Marketing		(42,398)	(21,037)
Employee benefits	5	(26,693)	(17,921)
Depreciation and amortisation	5	(1,629)	(637)
Finance costs	5	(153)	(59)
Other	5	(7,091)	(3,805)
Profit before tax		19,160	8,017
Income tax (expense)/benefit	6	(5,207)	5,892
Profit after tax for the year attributable to the owners of Temple & Webster Group Ltd		13,953	13,909
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Temple & Webster Group Ltd		13,953	13,909
		Cents	**Cents**
Basic earnings per share	31	11.60	12.28
Diluted earnings per share	31	10.75	11.67

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

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Assets			
Current assets			
Cash and cash equivalents	7	97,504	38,082
Trade and other receivables		104	55
Inventories	8	21,341	6,619
Current financial asset	20	943	-
Other	9	4,329	3,492
Total current assets		124,221	48,248
Non-current assets			
Right-of-use assets	10	6,998	1,393
Property, plant and equipment		1,152	453
Intangibles	11	8,091	7,859
Deferred tax assets	6	7,845	9,356
Other		39	-
Total non-current assets		24,125	19,061
Total assets		148,346	67,309
Liabilities			
Current liabilities			
Trade and other payables	12	33,173	22,130
Lease liabilities	5	1,965	504
Income tax payable		3,196	-
Employee benefits	13	1,301	752
Provisions	14	3,684	2,386
Deferred revenue	15	15,290	10,025
Other	20	-	46
Total current liabilities		58,609	35,843
Non-current liabilities			
Employee benefits		450	462
Lease liabilities	5	5,098	885
Provisions		185	135
Total non-current liabilities		5,733	1,482
Total liabilities		64,342	37,325
Net assets		84,004	29,984
Equity			
Contributed capital	16	115,397	76,566
Reserves	17	4,749	3,513
Accumulated losses		(36,142)	(50,095)
Total equity		84,004	29,984

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

Consolidated	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	76,566	2,615	(63,968)	15,213
Effect of adoption of new accounting standard (AASB 16)	-	-	(36)	(36)
Balance at 1 July 2019 (restated)	76,566	2,615	(64,004)	15,177
Profit after tax for the year	-	-	13,909	13,909
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	13,909	13,909
Share-based payments (note 18)	-	909	-	909
Transaction cost	-	(11)	-	(11)
Balance at 30 June 2020	76,566	3,513	(50,095)	29,984

Consolidated	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	76,566	3,513	(50,095)	29,984
Profit after tax for the year	-	-	13,953	13,953
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	13,953	13,953
Issue of share capital (note 16)	40,000	-	-	40,000
Transaction costs of issue of shares (note 16)	(1,670)	(2)		(1,672)
Tax impact on transaction costs (note 6)	501	-	-	501
Share-based payments (note 18)	-	1,238	-	1,238
Balance at 30 June 2021	115,397	4,749	(36,142)	84,004

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		362,276	200,889
Payments to suppliers and employees (inclusive of GST)		(338,055)	(175,556)
Interest received		438	229
Interest and other finance costs paid		(153)	(59)
Net cash from operating activities	30	24,506	25,503
Cash flows from investing activities			
Payment for current financial asset		(970)	-
Payments for property, plant and equipment		(1,078)	(231)
Payments for intangibles	11	(398)	(339)
Net cash used in investing activities		(2,446)	(570)
Cash flows from financing activities			
Proceeds from issue of shares	16	38,330	-
Transaction costs of issue of shares		(2)	(11)
Payment of principal portion of lease liabilities	5	(966)	(379)
Net cash from/(used in) financing activities		37,362	(390)
Net increase in cash and cash equivalents		59,422	24,543
Cash and cash equivalents at the beginning of the financial year		38,082	13,539
Cash and cash equivalents at the end of the financial year	7	97,504	38,082

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

Notes to the Consolidated Financial Statements

Note 1. Corporate information

The consolidated financial statements cover Temple & Webster Group Ltd (referred to as 'Company' or 'parent entity') as a Group consisting of Temple & Webster Group Ltd and the entities it controlled at the end of, or during, the year (collectively referred to in these consolidated financial statements as the 'Group’). The consolidated financial statements are presented in Australian dollars, which is Temple & Webster Group Ltd's functional and presentation currency.

Temple & Webster Group Ltd is a for profit company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The Group’s principal place of business is:

1A / 1-7 Unwins Bridge Road
St Peters, NSW 2044

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the consolidated financial statements.

The consolidated financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2021. The directors have the power to amend and reissue the consolidated financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated 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.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the stated accounting policy. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. This calculation requires the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of long-term variable remuneration (‘LTVR’) performance rights is determined by using either the Trinomial, Monte Carlo or Black-Scholes models, as appropriate, taking into account the terms and conditions upon which the instruments were granted. The fair value of short-term variable remuneration (‘STVR’) performance rights is based on the market value of Temple & Webster Group Ltd shares less dividend yield at the date each performance right is accepted by the participant, or a fixed percentage of remuneration as determined by the Performance Rights Plan. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Refunds provision
In determining the level of the provision, the Group has made judgements in respect of the expected return of products, number of customers who will actually return the products and how often, and the costs of fulfilling the return. Historical experience and current knowledge of the performance of the products have been used in determining this provision. Refer to note 14 for further details.

Deferred Tax Asset
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. Refer to note 6 for further details.

Note 3. Operating segments

Identification of reportable operating segments
The Group operates in one segment being the sale of furniture, homewares, and other lifestyle products through its online platform. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the consolidated financial statements and therefore not duplicated. The information reported to the CODM is on at least a monthly basis.

Note 4. Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Consolidated	
	2021	2020
	$'000	$'000
Sale of goods	325,065	175,565
Purchase protection	1,279	777
	326,344	176,342

Accounting policy for revenue

Revenue recognition
AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under the standard, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

Contracts with customers and performance obligations
The Group sells furniture and homewares online to both end consumers and commercial customers. Each sale represents a separate identified contract with a customer for which generally two performance obligations are expected: sales of goods and purchase protection revenue. For sales of goods, the revenue is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods, whilst purchase protection is recognised over time.

Transaction price and variable consideration
In accordance with the standard, when a performance obligation is satisfied, the Group recognises revenue to the extent of the transaction price allocated to that performance obligation taking into account the impact of constraints arising from variable consideration. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right of return and/or trade discounts. Such provisions might give rise to variable consideration.

Right of return
When a contract with a customer provides a right to return the good within a specified period, a provision for the amount of revenue related to the expected returns is recognised in the consolidated statement of financial position and an asset for the right to recover products from customers on settling the refund liability.

Advances received from customers – gift cards / store credits
When a customer purchases a gift card, it is pre-paying for goods or services to be delivered in the future. The Group has an obligation to transfer, or stand ready to transfer, the goods or services in the future – creating a performance obligation. The Group recognises a contract liability for the prepayment and derecognises the liability (and recognises revenue) when it fulfils the performance obligation. As a result, revenue from the sale of a gift card is recognised when the Group supplied the goods upon exercise of the gift card. Store credits are treated in a similar way with the difference that no cash was received from customers when they are issued. Breakage (i.e. the customer's unexercised right) to be estimated and recognised as revenue in proportion to the pattern of rights exercised by the customer.

Advances received from customers – other
Generally, the Group receives only short-term advances from its customers. The Group does not receive material long term advances. The Group has decided to use the practical expedient provided under the standard to not adjust the promised amount of consideration for the effects of a significant financing component in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Group concludes this does not have a material impact on the Group's consolidated financial statements.

Presentation and disclosure requirements
As required for the consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict the nature and amount. Refer above for the disclosure on disaggregated revenue.

Note 5. Expenses

	Consolidated 2021 $'000	2020 $'000
Profit/ (loss) before income tax includes the following specific expenses:		
Depreciation		
Right-of-use assets – buildings	1,083	395
Right-of-use assets – motor vehicles	2	9
Plant and equipment	260	80
Leasehold improvements	118	77
Total depreciation	1,463	561
Amortisation		
Software and websites	166	39
Customer relationships	-	37
Total amortisation	166	76
Total depreciation and amortisation	1,629	637
Finance costs		
Interest on lease liabilities	153	56
Other interest and finance charges	-	3
Total finance costs	153	59
Other expenses		
Hosting and other IT	3,023	1,546
Consulting	1,672	1,126
Rent, occupancy and property insurance	501	200
Rent for short-term leases	-	54
Business and other insurance	1,160	551
Travelling expenses	37	112
Other	698	216
Total other expenses	7,091	3,805
Employee benefits expense		
Employee benefits expense excluding superannuation	23,565	15,538
Equity-settled share-based payment expense (refer to note 18)	1,238	909
Cash-settled share-based payment expense (refer to note 18)	461	284
Superannuation contribution expense	1,429	1,115
Employee benefits paid on termination	-	75
Total employee benefits expense	26,693	17,921

Note 5. Expenses (continued)

Accounting policy for leases

Set out below are the accounting policies of the Group in relation to AASB 16 'Leases'.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment, consistent with the Group's property, plant and equipment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under all but one of its leases, to lease the assets for additional terms of one to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). For the majority of the building leases, the Group has not included the renewal period as part of the lease term due to negotiations currently taking place around securing an alternative building lease which will better accommodate the Group's future requirements. The Group has included a 12 month renewal period as part of the lease term for one building lease which has an imminent expiry date.

Note 5. Expenses (continued)

Presentation and disclosure requirements
As required for the consolidated financial statements, the Group has recognised the relevant Right-of-use asset and Lease liabilities in relation to the leases the Group currently holds.

The changes in lease liabilities from financing activities are set out below:

Consolidated	$'000 Current	$'000 Non-current	$'000 Total
Balance at 1 July 2019	392	96	488
Cash flows	(379)	-	(379)
New leases	-	1,280	1,280
Reclassification of non-current portion of lease liabilities	491	(491)	-
Balance at 30 June 2020	504	885	1,389
Balance at 1 July 2020	504	885	1,389
Cash flows	(966)	-	(966)
New leases	-	6,688	6,688
Disposal	(48)	-	(48)
Reclassification of non-current portion of lease liabilities	2,475	(2,475)	-
Balance at 30 June 2021	1,965	5,098	7,063

The Group classifies interest paid as cash flows from operating activities. The undiscounted potential future rental payments pertaining to lease extension options not reflected in the lease liabilities total to $1,903,000.

Note 6. Income tax expense/(benefit)

The major components of income tax expense/(benefit) in the consolidated statement of profit or loss are:

	Consolidated	
	2021 $'000	2020 $'000
Current income tax expense	3,196	-
Deferred income tax expense/(benefit)	2,011	(5,892)
	5,207	(5,892)

Reconciliation of tax expense/(benefit) and the accounting profit multiplied by the Group's statutory tax rate for the current and the previous financial year:

	Consolidated	
	2021 $'000	2020 $'000
Accounting profit before income tax expense/(benefit)	**19,160**	**8,017**
Income tax expense at the statutory tax rate of 30%	5,748	2,405
Adjustments in respect of current income tax of previous years	(77)	(30)
Net non-deductible expenses for tax purposes	378	271
Tax losses utilised, not previously recognised	-	(3,362)
Carry-forward tax losses not previously recognised	(842)	(5,176)
Income tax expense/(benefit) reported in the consolidated statement of profit or loss	**5,207**	**(5,892)**

Deferred tax

Deferred tax asset recognised comprises temporary differences attributable to:

	Consolidated	
	2021 $'000	2020 $'000
Deductible capital raising costs	401	-
Provisions for returns, refunds, inventory and bad debtors	1,372	751
Employee benefits	564	393
Deferred revenue	2,542	1,456
Accrued expenses	(1,299)	(554)
Right-of-use assets	(2,089)	(385)
Lease liabilities	2,119	403
Intangibles	(703)	(680)
Foreign exchange	(95)	(97)
Prepayments	(5)	(18)
Fair value adjustment	-	14
Carry-forward tax losses	5,038	8,073
	7,845	9,356

Deferred tax assets have been recognised to the extent the Group has estimated it will be probable that future taxable amounts will be available to utilise those temporary differences. The deferred tax asset on unrecognised tax losses amounting to $5,038,000 was recognised for the year ended 30 June 2021. The carry-forward tax losses have been recognised to the extent that it is probable that future taxable amounts with be able to be utilised in the foreseeable future.

Note 6. Income tax expense/(benefit) (continued)

The below potential tax benefit resulting from accumulated tax losses has not been recognised in the consolidated statement of financial position as the recovery of this benefit is uncertain. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated 2021 $'000	Consolidated 2020 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	4,202	10,111
Potential tax benefit @ 30%	1,261	3,033

Accounting for tax
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 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:

(i) 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

(ii) 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.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current 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.

Tax consolidated group
Temple & Webster Group Ltd (the 'head entity') and its wholly-owned Australian subsidiaries formed an income tax consolidated group ('tax group') under the tax consolidation regime with effect from 4 December 2015. Each entity in the tax group continues to account for their own current and deferred tax amounts. The tax group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to group members. In addition to its own tax amounts, the head entity also recognises the tax arising from unused tax losses and tax credits assumed from each subsidiary in the tax group.

Assets or liabilities arising under tax funding agreements are recognised as amounts receivable from or payable to other entities in the tax group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 7. Current assets - cash and cash equivalents

	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash at bank	28,778	10,821
Cash on deposit	68,726	27,261
	97,504	38,082

Accounting policy for 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. For cash flow purposes, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Note 8. Current assets - inventories

	Consolidated 2021 $'000	2020 $'000
Stock in transit	5,903	4,195
Stock on hand	16,198	2,610
Less: Provision for impairment	(760)	(186)
	15,438	2,424
	21,341	6,619

Inventory that was recognised as an expense in profit or loss amounted to $178,348,000 (2020: $97,721,000) for the year ended 30 June 2021.

Accounting policy for inventories
Stock in transit and stock on hand are stated at the lower of cost and net realisable value. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Both stock in transit and stock on hand are finished goods for which net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs necessary to make the sale.

In June 2021, IFRIC published an agenda decision in relation to the accounting treatment when determining the net realisable value of inventories, in particular what costs are necessary to sell inventories under IAS 2 'Inventories'. The Group is currently assessing the impact the agenda decision will have on its current accounting policy and carrying amount of inventory. Accordingly, the potential impact of the IFRIC agenda decision on the Group cannot be reliably estimated at the date of this report however do not expect this to be material based on preliminary results. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

Note 9. Current assets - other

	Consolidated 2021 $'000	2020 $'000
Prepayments	3,750	3,178
Right of return assets	106	219
Security deposits	116	95
Foreign exchange forward contracts	357	-
	4,329	3,492

Note 10. Non-current assets – right-of-use assets

	Consolidated 2021 $'000	2020 $'000
Buildings - at cost	8,528	1,791
Less: Accumulated depreciation	(1,530)	(447)
	6,998	1,344
Motor vehicle - at cost	-	66
Less: Accumulated depreciation	-	(17)
	-	49
	6,998	1,393

Note 10. Non-current assets – right-of-use assets (continued)

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

Consolidated	Buildings $'000	Motor vehicle $'000	Total $'000
Balance at 1 July 2019	408	58	466
Additions	1,331	-	1,331
Depreciation expense	(395)	(9)	(404)
Balance at 30 June 2020	1,344	49	1,393
Balance at 1 July 2020	1,344	49	1,393
Additions	6,737	-	6,737
Disposals	-	(47)	(47)
Depreciation expense	(1,083)	(2)	(1,085)
Balance at 30 June 2021	6,998	-	6,998

Refer to note 5 for the accounting policies on right-of-use assets.

Note 11. Non-current assets - intangibles

	Consolidated 2021 $'000	2020 $'000
Goodwill - at cost	22,434	22,434
Less: Accumulated Impairment	(17,902)	(17,902)
	4,532	4,532
Brands - at cost	2,781	2,781
Software and websites - at cost	2,535	2,000
Less: Accumulated amortisation	(632)	(466)
Less: Accumulated Impairment	(1,474)	(1,474)
	429	60
Development costs	349	486
Customer relationships - at cost	338	338
Less: Accumulated amortisation	(338)	(338)
	-	-
	8,091	7,859

Note 11. Non-current assets – intangibles (continued)

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

Consolidated	Goodwill $'000	Brands $'000	Software and websites $'000	Development costs $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2019	4,532	2,781	64	182	37	7,596
Additions	-	-	35	304	-	339
Amortisation expense	-	-	(39)	-	(37)	(76)
Balance at 30 June 2020	4,532	2,781	60	486	-	7,859
Additions	-	-	49	349	-	398
Transfer of software upon completion	-	-	486	(486)	-	-
Amortisation expense	-	-	(166)	-	-	(166)
Balance at 30 June 2021	4,532	2,781	429	349	-	8,091

Impairment testing
For impairment testing, goodwill and brands acquired through business combinations are allocated to the Temple and Webster CGU ('TPW') and amounted to $7,313,000 in the current and previous financial year. The Group performed its annual impairment test in June 2021 and 2020. The recoverable amount of the TPW CGU has been determined based on a value-in-use calculation, using a discounted cash flow model, based on a five-year projection period including the budget approved by the Board for the financial year ended 30 June 2021. The key assumptions used to determine the value-in-use of the TPW CGU are based on the Directors' current expectations. They are considered to be reasonably achievable, however, significant changes in any of these key estimates, assumptions or regulatory environments may result in the TPW CGU carrying value exceeding its recoverable value, requiring an impairment charge to be recognised. Any reasonably possible change in any of the assumptions used does not result in an impairment charge at 30 June 2021. The key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive.

The following key assumptions were used in the value-in-use calculation for the TPW CGU:

a) 9.6% pre-tax discount rate (15.4% in the previous financial year),
b) revenue growth in year 1 as per the next financial year budget approved by the Board (consistent approach with the previous financial year),
c) revenue growth in years 2 to 5 calculated based on the combination of the historical growth rates over the past 4 years as well as external industry data (consistent approach with the previous financial year),
d) 4% terminal growth rate in the current and the previous financial year.

In accordance with AASB 136 'Impairment of assets', forecasts do not include estimated future cash inflows or outflows that are expected to arise from improving or enhancing the CGU's performance.

Based on the above assumptions, the calculated recoverable amount was higher than the carrying value of the TPW CGU and therefore no impairment charge was expensed to profit or loss for the year ended 30 June 2021.

No changes to the CGU structure have been made in the current financial year.

Accounting policy for impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 with a cash-generating unit.

Note 11. Non-current assets – intangibles (continued)

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately 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.

Brands
Brand costs acquired are capitalised as an asset. These costs are not subsequently amortised as they have an indefinite useful life, instead they are tested annually for impairment.

Software and websites
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between two to seven years.

In April 2021, IFRIC published an agenda decision in relation to the accounting treatment of configuration and customisation costs related to ‘Software as a Service’ (‘SaaS’) arrangements. The Group is currently assessing the impact the agenda decision will have on its current accounting policy and the carrying amount of previously capitalised costs. Accordingly, the potential impact of the IFRIC agenda decision on the Group cannot be reliably estimated at the date of this report. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 reporting.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility, the Group is able to use or sell the asset, the Group has sufficient resources and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of three years.

Customer relationships
Customer contracts 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 four years.

Note 12. Current liabilities - trade and other payables

	Consolidated	
	2021 $'000	2020 $'000
Trade payables	18,864	11,524
Accrued payables	10,787	7,907
Employee related payables	1,063	959
Cash-settled share-based payments (refer to note 18)	461	284
On-costs on share-based payments (refer to note 18)	96	88
Other payables	1,902	1,368
	33,173	22,130

Accounting policy for trade and other payables
These amounts represent liabilities for wages, salaries and goods and services provided to the Group prior to the end of the reporting period and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 13. Current liabilities - employee benefits

	Consolidated 2021 $'000	2020 $'000
Long service leave	218	-
Annual leave	1,083	752
	1,301	752

Accounting policy for employee benefits

Employee benefits

Annual leave
Liabilities for annual leave are calculated based on remuneration rates the Group expects to pay when the liability is expected to be settled. Annual leave is a long-term benefit and is measured using the projected credit unit method.

Long service leave
The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using rates attached to bonds with sufficiently long maturities at the balance sheet date, which have maturity dates approximating to the terms of the Group's obligations.

Note 14. Current liabilities - provisions

	Consolidated 2021 $'000	2020 $'000
Refunds and replacements	3,684	2,386
	3,684	2,386

Movements in provisions
Movements in each class of provision during the current financial year are set out below:

Consolidated	Lease make good $'000	Refunds and replacements $'000
Carrying amount at 30 June 2019	24	923
Additional provisions recognised	-	13,398
Amounts used	(24)	(11,115)
Unused amounts reversed	-	(820)
Carrying amount at 30 June 2020	-	2,386
Additional provisions recognised	-	27,379
Amounts used	-	(23,216)
Unused amounts reversed	-	(2,865)
Carrying amount at 30 June 2021	-	3,684

Note 14. Current liabilities – provisions (continued)

Accounting policy for provisions

Lease make good
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.

Refunds and replacements
The refunds provision represents the value of goods expected to be returned by customers as a result of 'change of mind' or defective goods receipted by customers. The replacement provision represents the value of goods expected to be replaced by the Group as a result of defective goods receipted by customers. The provisions are estimated based on historical data using the percentage of actual refunds and replacements against sales revenue and cost of goods sold.

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 in profit or loss.

Note 15. Current liabilities – deferred revenue

	Consolidated	
	2021 $'000	2020 $'000
Deferred revenue	15,290	10,025

Movements in deferred revenue during the current financial year are set out below:

	Deferred revenue $'000
Carrying amount at 1 July 2019	4,331
Additional revenue deferred	182,036
Revenue recognised	(176,342)
Carrying amount at 30 June 2020	10,025
Additional revenue deferred	331,609
Revenue recognised	(326,344)
Carrying amount at 30 June 2021	15,290

Refer to note 4 for the accounting policies on deferred revenue.

Note 16. Equity - contributed capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	120,452,928	113,422,884	115,397	76,566

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	112,556,694		76,566
Shares issued to employees under STVR scheme	29 August 2019	190,810	$0.00	-
Shares issued to employees under STVR scheme	18 September 2019	42,048	$0.00	-
Shares issued to employees under LTVR scheme	30 September 2019	633,332	$0.00	-
Balance	1 July 2020	113,422,884		76,566
Shares issued as part of capital raise	7 July 2020	7,005,144	$5.70	39,929
Shares issued as part of capital raise	9 July 2020	12,400	$5.70	71
Transaction cost on shares issued as part of capital raise (net of tax)				(1,169)
Shares issued to employees under profit share scheme	18 August 2020	12,500	$0.00	-
Balance	30 June 2021	120,452,928		115,397

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. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

On 2 July 2020, the Group successfully completed a fully underwritten $40,000,000 institutional placement resulting in the issue of 7,017,544 new fully paid ordinary shares at an offer price of $5.70. Proceeds of the placement have and will continue to be used to provide the Group with the financial flexibility to pursue strategic growth initiatives including initiatives to enhance technology, product and service offering.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the consolidated statement of financial position, plus net debt. Net debt is calculated as total borrowings, trade and other payables, 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 or issue new shares.

The Group would look to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current Company's share price at the time of the investment. The Group has pursued investments to integrate and grow its existing businesses in order to maximise synergies, refer to note 34 for further details.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2021 and 30 June 2020.

The group used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives in the financial year ended 30 June 2021 and 30 June 2020.

Note 16. Equity - contributed capital (continued)

Accounting policy for contributed 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 17. Equity - reserves

	Consolidated 2021 $'000	2020 $'000
Share-based payments reserve	4,749	3,513
	4,749	3,513

Accounting policy for reserves

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 to other parties as part of their compensation for services.

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

Consolidated	Share-based payments $'000
Balance at 1 July 2019	2,615
Transaction Cost	(11)
Share-based payments	909
Balance at 30 June 2020	3,513
Transaction Cost	(2)
Share-based payments	1,238
Balance at 30 June 2021	4,749

Note 18. Share-based payments

LTVR plans were established by the Group and approved by the Board, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights or options over ordinary shares in the Company to employees and directors of the Group. The LTVR performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. The LTVR options are issued at a pre-determined consideration amount and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. The LTVR performance targets are based on share price hurdles or total shareholder return, which are set at the beginning of the performance period and are aligned to business level strategic priorities. Each participant is required to meet a service condition for performance rights to vest.

Note 18. Share-based payments (continued)

Set out below are summaries of performance rights granted under the LTVR plans as at 30 June 2021:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
1/07/2018	31/08/2021	$0.00	402,909	-	-	(12,331)	390,578
15/02/2019	31/08/2021	$0.00	50,000	-	-	-	50,000
1/07/2018	31/08/2022	$0.00	500,000	-	-	-	500,000
1/07/2018	31/08/2022	$0.00	1,300,000	-	-	-	1,300,000
1/07/2019	31/08/2022	$0.00	114,898	-	-	(39,726)	75,172
28/06/2021	30/06/2023	$0.00	-	110,541	-	-	110,541
			2,367,807	110,541	-	(52,057)	2,426,291

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.03 years.

Set out below are summaries of performance rights granted under the LTVR plans as at 30 June 2020:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
01/11/2016	30/09/2019	$0.00	633,334	-	(633,334)	-	-
1/07/2018	31/08/2021	$0.00	402,909	-	-	-	402,909
15/02/2019	31/08/2021	$0.00	50,000	-	-	-	50,000
1/07/2018	31/08/2022	$0.00	500,000	-	-	-	500,000
1/07/2018	31/08/2022	$0.00	1,300,000	-	-	-	1,300,000
1/07/2018	31/08/2022	$0.00	-	114,898	-	-	114,898
			2,886,243	114,898	(633,334)	-	2,367,807

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.98 years.

For the LTVR performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
28/06/2021	30/06/2023	$11.52	$0.00	66.16%	-	-0.02%	$8.71

For the LTVR performance rights granted during the previous financial years, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
9/12/2015	31/08/2020	$0.90	$0.00	50.00%	-	2.12%	$0.432
9/12/2015	31/08/2018	$0.90	$0.00	34.75%	-	2.12%	$0.900
1/11/2016	30/09/2019	$0.16	$0.00	65.00%	-	1.68%	$0.075
1/07/2018	31/08/2021	$0.76	$0.00	60.00%	-	2.20%	$0.372
1/07/2018	31/08/2022	$0.76	$0.00	58.00%	-	2.19%	$0.760
1/07/2018	31/08/2022	$0.76	$0.00	58.00%	-	2.19%	$0.396
1/07/2019	31/08/2022	$1.38	$0.00	60.00%	-	0.95%	$0.600

Note 18. Share-based payments (continued)

Set out below are summaries of options granted under the LTVR and salary sacrifice plans as at 30 June 2021:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested but not exercised	Expired/ forfeited/ lapsed	Balance at the end of the year
1/07/2018	31/08/2022	$0.74	5,000,000	-	-	-	5,000,000
27/11/2018	30/06/2021	$0.99	543,078	-	543,078	-	543,078
			5,543,078	-	543,078	-	5,543,078

For the LTVR and salary sacrifice options granted during the previous financial year to the CEO and non-executive directors ('NED'), the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1/07/2018	31/08/2022	$0.76	$0.74	58.00%	-	2.19%	$0.352
27/11/2018	30/06/2021	$0.76	$0.99	60.00%	-	2.20%	$0.594

Nil dividend yield was used in the valuation of the share-based payments granted in the current financial year.

Cash-settled share-based payments of $461,000 were granted under the STVR Plan on 1 July 2020 and vested on 30 June 2021 ($284,000 in the previous financial year). The STVR is dependent on meeting Group, individual and business unit (if applicable) performance objectives. Each participant is also required to meet a service condition. Refer to the remuneration report for further details.

Accounting policy for share-based payments

Equity-settled transactions
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 is measured at fair value on grant date. For the LTVR performance rights or options, fair value is independently determined using either the Trinomial, Monte Carlo or 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 and hurdles that do not determine whether the Group receives the services that entitle the employees to receive payment. For the STVR performance rights the valuation model used to determine the fair value at the issue date is based on the market value of Temple & Webster Group Ltd shares less dividend yield at the date each performance right was accepted by the participant, or a fixed percentage of remuneration as determined by the Performance Rights Plan.

The cost of equity-settled transactions is 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.

Note 18. Share-based payments (continued)

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 are treated as if they were a modification.

Cash-settled transactions
A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (refer to note 5). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability and is determined as a percentage of the fixed remuneration.

Note 19. Equity - dividends

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

Note 20. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group uses foreign exchange forward contracts to manage some of its transaction exposures resulting from purchases in USD. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 6 months. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates. The foreign exchange forward contracts are measured at fair value through profit or loss.

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

	Assets		Liabilities	
Consolidated	2021 $'000	2020 $'000	2021 $'000	2020 $'000
US dollars	-	-	1,257	901
	-	-	1,257	901

Based on this position, the Group is not exposed to any significant foreign currency sensitivity from its existing liabilities.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not materially exposed to any significant interest rate risk.

Note 20. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is not materially exposed to any significant credit risk. All cash and cash equivalents are held by well-established banks, hence the expected default rate for these institutions is highly unlikely based on both financial and non-financial data available. All receivables are neither past due nor impaired.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

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

Remaining contractual maturities
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 consolidated statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	18,864	-	-	-	18,864
Other payables	-	1,902	-	-	-	1,902
Lease liabilities	3.6	2,253	1,714	3,666	-	7,633
Total non-derivatives		23,019	1,714	3,666	-	28,399
Derivatives						
Foreign exchange forward contracts	-	-	-	-	-	-
Total derivatives	-	-	-	-	-	-

The above tables detailing the Group’s remaining contractual maturity for its financial instrument liabilities do not include committed leases not yet commenced as at the reporting date (refer to note 34).

Consolidated - 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	11,524	-	-	-	11,524
Other payables	-	1,368	-	-	-	1,368
Lease liabilities	6.5	578	606	287	-	1,472
Total non-derivatives		13,470	606	287	-	14,364
Derivatives						
Foreign exchange forward contracts	-	46	-	-	-	46
Total derivatives	-	46	-	-	-	46

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

Note 20. Financial instruments (continued)

Financial asset at fair value through profit or loss
On 3 July 2020, the Group made a small investment into a start-up developing artificial intelligence (“AI”) interior design tools as part of the core strategy to innovate its digital offering through AI generated room idea collections, helping customers navigate the vast range of furniture & homewares and complete looks. This investment entailed cash consideration of $943,000 in exchange for the right to certain shares in the start-up in the future. Under AASB 9 ‘Financial Instruments’, the simple agreement of future equity is classified as a financial asset at fair value through profit or loss. The financial asset was originally measured at fair value, whilst all transaction costs were expensed in the period. As at the reporting date, the fair value measurement for the current financial asset has been based on unobservable inputs (Level 3), including the value of the underlying investment. The fair value of the current financial asset is approximately equal to that of its carrying value as at 30 June 2021. As such, no gain or loss has been recognised for the year ended 30 June 2021. Additionally, as disclosed in note 34, the asset has been realised and converted to equity, therefore there is no uncertainty in the fair value after the reporting date.

Accounting policy for financial instruments

AASB 9 Financial Instruments
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 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').

With regard to the measurement of financial liabilities designated as at fair value through profit or loss (where relevant), in accordance with AASB 9, the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is 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.

Financial assets - classification and measurement
The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through OCI, or profit or loss) and those to be held at amortised cost. Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures its current financial assets at amortised cost at its fair value plus transaction costs unless otherwise stated. These financial assets are subsequent measured using the effective interest (EIR) method and are subject to impairment.

For Trade and other receivables, the Group has applied the standard’s simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Other current financial assets are initially and subsequently measured at fair value through profit or loss, whilst all transaction costs are expensed in the period. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

Financial liabilities
Financial liabilities are classified, at initial recognition, as payables at amortised cost or as derivatives at fair value through profit or loss. The Group’s financial liabilities include trade and other payables and derivative financial instruments.

The Trade and other payables are recognised initially at fair value plus transaction costs. These financial liabilities are subsequently measured at amortised cost using the EIR method.

Derivatives
The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations arising from operating activities. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Note 21. Fair value measurement

The carrying amounts of trade and other receivables, trade and other payables and other financial liabilities approximate their fair values due to their short-term nature. The carrying amounts of current financial assets and derivatives are initially recognised at fair value on the date on which the transaction occurs or contract is entered into and subsequently remeasured at fair value.

Note 21. Fair value measurement (continued)

Accounting policy for 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.

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. Derivatives held by the Group are considered to be level 2, apart from the current financial asset which is considered to be level 3. 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.

Note 22. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of KMP of the Group is set out below:

		Consolidated
	2021	2020
	$	$
Short-term employee benefits	1,408,122	1,275,712
Post-employment benefits	101,516	89,036
Share-based payment	808,209	740,669
	2,317,847	2,105,417

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young Australia, the auditor of the Group:

		Consolidated
	2021	2020
	$	$
Audit services - Ernst & Young Australia		
Audit or review of the financial report	212,459	206,681
Other services - Ernst & Young Australia		
Tax compliance	36,426	41,715
Other services	9,360	9,360
	258,245	257,756

Note 24. Contingent liabilities

The Group had no contingent liabilities at 30 June 2021 and 30 June 2020.

Note 25. Commitments

The Group had no capital commitments at 30 June 2021 and 30 June 2020.

Note 26. Related party transactions

Parent entity
Temple & Webster Group Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

Transactions with related parties
No transactions with related parties other than key management personnel occurred in the current and previous financial year.

Receivable from and payable to related parties
There were no outstanding balances in relation to transactions with related parties at the current and previous reporting date.

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

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Consolidated statement of profit or loss and other comprehensive income

	2021 $'000	2020 $'000
Loss after income tax	(3,119)	(1,972)
Total comprehensive income	(3,119)	(1,972)

Consolidated statement of financial position

	2021 $'000	2020 $'000
Total current assets	66,501	27,672
Total assets	72,540	33,712
Total current liabilities	7,442	5,561
Total liabilities	7,442	5,561
Net assets	65,098	28,151
Equity		
Contributed capital	133,706	94,878
Reserves	4,780	3,542
Accumulated losses	(73,388)	(70,269)
Total equity	65,098	28,151

Note 27. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 32, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Deed of cross guarantee
The parent entity is a party to a deed of cross guarantee (refer to note 29).

Note 28. Interests in subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Temple & Webster Pty Ltd	Australia	100.00%	100.00%
Temple & Webster Services Pty Ltd	Australia	100.00%	100.00%
TPW Group Services Pty Ltd	Australia	100.00%	100.00%
Milan Direct Group Investments Pty Ltd	Australia	100.00%	100.00%
Milan Direct Pty Ltd	Australia	100.00%	100.00%
Milan Direct UK Pty Ltd	Australia	100.00%	100.00%
Temple & Webster NZ Ltd	New Zealand	100.00%	100.00%

The principal continuing activities of the Group consisted of the sale of furniture, homeware, and other lifestyle products.

Note 29. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Temple & Webster Group Ltd (Holding Entity)
Temple & Webster Pty Ltd
Temple & Webster Services Pty Ltd
TPW Group Services Pty Ltd
Milan Direct Group Investments Pty Ltd
Milan Direct Pty Ltd
Milan Direct UK Pty Ltd

By entering into the deed, the wholly-owned Australian entities have been relieved from the requirement to prepare financial statements and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the ASIC Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Temple & Webster Group Ltd, they also represent the 'Extended Closed Group'.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Note 30. Reconciliation of profit after tax to net cash used in operating activities

	Consolidated 2021 $'000	2020 $'000
Profit after tax for the year	13,953	13,909
Adjustments for:		
Share based payment expense	1,238	909
Depreciation and amortisation	1,629	637
Movements in make good provision	(50)	(50)
Income tax expense/(benefit)	5,207	(5,892)
Transaction cost on purchase of current financial asset	27	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(49)	48
(Increase)/decrease in inventories	(14,722)	(2,379)
(Increase)/decrease in other assets	(876)	(1,861)
Increase/(decrease) in trade and other payables	10,999	12,613
Increase/(decrease) in employee benefits	537	386
(Decrease)/increase in other provisions	1,348	1,489
Increase/(decrease) in deferred revenue	5,265	5,694
Net cash from operating activities	24,506	25,503

Note 31. Earnings per share

	Consolidated 2021 $'000	2020 $'000
Profit after income tax attributable to the owners of Temple & Webster Group Ltd	13,953	13,909
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	120,335,860	113,225,581
Effects of dilution from share based payments and share placement discount	9,475,194	5,931,478
Weighted average number of ordinary shares used in calculating diluted earnings per share	129,811,054	119,157,059
	Cents	**Cents**
Basic earnings per share(1)	11.60	12.28
Diluted earnings per share(1)	10.75	11.67

(1) Decrease between reporting periods due to the impact of recognition of deferred tax on losses in the current and the previous financial years

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Temple & Webster Group Ltd, 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.

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.

Note 32. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out either in the respective notes or 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 accounting policies adopted in the preparation of the Group's annual consolidated financial statements are consistent with those following in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2020. Several amendments and interpretations apply for the first time in the current financial year, but do not have an impact on the annual consolidated financial statements of the Group. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements provide comparative information in respect of the previous period with the exception of new accounting standards adopted in the period.

Historical cost convention

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

Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these consolidated financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Temple & Webster Group Ltd as at 30 June 2021 and the results of all subsidiaries for the year then ended.

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 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.

Note 32. Significant accounting policies (continued)

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.

Current and non-current classification
Assets and liabilities are presented in the consolidated statement of financial position 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 classified as current when: it is either 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 12 months after the reporting period. All other liabilities are classified as non-current.

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

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the 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 GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The 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 GST recoverable from, or payable to, the tax authority.

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

Note 33. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards 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 2021. These standards and interpretations are not expected to have a significant impact on the Group’s financial statements in the year of initial application.

Note 34. Events after the reporting period

On 22 July 2021, the Group increased its investment into a start-up developing artificial intelligence (“AI”) interior design tools to accelerate the company’s growth after a successful pilot. The Group’s investment is in alignment with its strategy to innovate its digital offering through 3D and AI generated tools to help customers navigate the vast range of furniture & homewares to aid engagement and conversion.

The additional investment entailed a first tranche cash consideration of USD $1,000,000 in exchange for shares in the company, enabling the Group to exercise significant influence over the investee from the investment date onwards. The second tranche of USD $500,000 will be paid on the completion of product deliverables. The initial investment was also converted to equity upon completion of this transaction.

On 12 August 2021, the Group signed a new 10-year lease for office space in St Peters Sydney. The lease will be recognised under AASB 16 Leases and the liability of $17,839,000 will be recognised in the next financial year.

No other matter or circumstance has arisen since 30 June 2021 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.

Directors' Declaration

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 32 to the consolidated financial statements;

- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date;

- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29 to the consolidated financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Stephen Heath
Chairperson

30 August 2021
Sydney

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Independent Auditor's Report to the Members of Temple & Webster Group Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Temple & Webster Group Ltd (the Company) and its subsidiaries (collectively "the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Revenue Recognition

Why significant	How our audit addressed the key audit matter
As disclosed in note 4 to the financial report, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The majority of the Group's sales transactions are completed through the "drop-ship" model whereby suppliers deliver goods directly to the Group's customers. The group is the principal in these transactions and therefore revenue is recognised as the gross selling price net of rebates and discounts. Revenue is only recognised when delivery is made to the customer which requires an assessment at the end of the accounting period for all orders shipped but not yet processed as delivered. Due to the judgement involved in this assessment, the volume of online retail transactions processed on a daily basis, and the arrangements in place with suppliers, the timing of when revenue is recognised is considered to be a key audit matter.	Our audit procedures included the following: - Testing the operating effectiveness of controls over the capture and measurement of revenue transactions; - For a sample of revenue transactions during the year, near year-end and subsequent to year-end, testing whether the revenue was recorded in the appropriate period including testing whether the sale transactions not delivered to the customer were appropriately included as deferred revenue at balance date; - Considering whether customer returns, and credit notes issued post balance date that related to sales recognised in the 2021 financial year were recorded in the proper period; - Assessing whether the revenue recognition policy applied to the terms and conditions of sale was in accordance with Australian Accounting Standards; and - Considering the adequacy of the revenue recognition policy disclosure contained in note 4.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's 2021 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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 in this regard.

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Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 35 of the Annual Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Temple & Webster Group Ltd for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Graham Leonard
Partner
Sydney
30 August 2021

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Shareholder Information

The shareholder information set out below is applicable as at 30 July 2021.

Number of Equity Security Holders

The number of holders of Ordinary equity securities was 8,353.
The number of holders of unquoted performance rights was 8.
The number of holders of unquoted Options was 4.

Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares
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.

Performance rights
Holders of Performance Rights do not have any voting rights.

Options
Holders of Options do not have any voting rights.

Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

Range	Securities	%	No. of holders of ordinary shares	%
100,001 and Over	109,646,003	91.03	48	0.57
10,001 to 100,000	4,144,285	3.44	148	1.77
5,001 to 10,000	1,329,967	1.10	178	2.13
1,001 to 5,000	3,159,423	2.62	1,456	17.43
1 to 1,000	2,173,250	1.80	6,523	78.09
Total	120,452,928	100.00	8,353	100.00

Distribution of unquoted equity securities

Analysis of number of unquoted performance rights holders by size of holding:

Range	Securities	%	No. of holders of ordinary shares	%
100,001 and Over	1,943,419	83.92	2	25.00
10,001 to 100,000	372,331	16.08	6	75.00
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	2,315,750	100.00	8	100.00

Analysis of number of unquoted option holders by size of holding:

Range	Securities	%	No. of holders of ordinary shares	%
100,001 and Over	5,543,078	100.00	4	100.00
10,001 to 100,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	5,543,078	100.00	4	100.00

Substantial holders

Substantial holders as disclosed in substantial holding notices given to the Company are:

	Ordinary shares held	% of issued shares
Kinderhook 2 LP	14,237,159	11.8
Tackelly Pty Limited as Trustee for Tackelly Trust	5,988,884	5.7
Super Properties Pty Ltd as Trustee for Shayne Smyth Trust	5,880,810	5.4

Marketable parcel

The number of holders holding less than a marketable parcel of Ordinary securities was 159.

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as per the Group's share register are listed below:

Name	Ordinary Shares held	% of issued shares
Citicorp Nominees Pty Limited	33,219,187	27.58
J P Morgan Nominees Australia Pty Limited	22,068,729	18.32
HSBC Custody Nominees (Australia) Limited	10,721,067	8.90
HSBC Custody Nominees (Australia) Limited - A/C 2	8,978,265	7.45
Netwealth Investments Limited	8,357,492	6.94
AP Ecommerce Pty Ltd	2,427,828	2.02
Australian Foundation Investment Company Limited	2,366,716	1.96
BNP Paribas Nominees Pty Ltd - IB AU NOMS RETAILCLIENT DRP	1,751,205	1.45
National Nominees Limited	1,469,544	1.22
Brian Shanahan & Jaccqueline Shanahan	1,311,469	1.09
BNP Paribas Nominees Pty Ltd - AGENCY LENDING DRP A/C	1,147,973	0.95
Bariloche Investments Pty Limited	1,042,623	0.87
CS Third Nominees Pty Limited	990,703	0.82
HSBC Custody Nominees (Australia) Limited	962,000	0.80
Mirrabooka Investments Limited	946,617	0.79
Adam Richard McWhinney	945,389	0.78
Buttonwood Nominees Pty Ltd	918,385	0.76
Neweconomy Com Au Nominees Pty Limited	796,903	0.66
Mark Coulter	744,947	0.62
Brispot Nominees Pty Ltd	687,158	0.57
Total	101,854,200	84.55
Balance of register	18,598,728	15.45
Grand total	120,452,928	100.00

On-market buy-back

There is no current on-market buy-back.

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Corporate Directory

Directors	Stephen Heath, chairperson and independent non-executive director Susan Thomas, independent non-executive director Conrad Yiu, non-executive director Belinda Rowe, independent non-executive director Mark Coulter, chief executive officer and executive director
Company secretary	Michael Egan
Registered office / principal place of business	1A/1-7 Unwins Bridge Road St Peters, NSW 2044
Share register	Link Market Services Limited Level 12 680 George Street Sydney, NSW 2000 Share registry telephone: 1300 554 474
Auditor	Ernst & Young 200 George Street Sydney, NSW 2000
Stock exchange listing	Temple & Webster Group Ltd shares are listed on the Australian Securities Exchange (ASX code: TPW)
Website	www.templeandwebstergroup.com.au
Corporate Governance Statement	Refer to the Group's website for all corporate governance information www.templeandwebstergroup.com.au/Home/?page=corporate-governance