TEMPLE & WEBSTER GROUP LTD

ABN 69 608 595 660

ASX ANNOUNCEMENT

25 February 2016

HY 16 FINANCIAL RESULTS AND GUIDANCE UPDATE

Key Points

- **TPW remains largest player in the Australian online homewares and furniture market**
- **1HFY16 Revenue was $32.1m with Gross Margin at 38.4% and EBITDA ($7.5m)**
- **Strong growth in Revenue per Active Customer**
- **Marketing investment has not performed as expected which has led the Board to put a prudent downside risk estimate of up to 10% on the prospectus revenue guidance of $76.2m**
- **Redirected marketing mix to focus on online channels which has brought first time customer costs back towards historical trends**
- **Accelerating new growth initiatives and synergies**
- **Temple & Webster is well capitalised with $27m in cash and zero debt and is well positioned to achieve run-rate break-even in CY18**

Temple & Webster Group Limited (ASX: TPW, Temple & Webster or "the Company") today issued its first half-year financial results as an ASX listed company, reporting a pro forma 1H16 Revenue of $32.1m.

The Board and Management remain confident that TPW has made great progress towards its objective of becoming the first place that Australians turn to when shopping for their home.

TPW CEO, Brian Shanahan said: "Our offering is striking a chord with our customers and they are spending more than ever before. However the return on our investment in marketing is taking longer than expected."

"The initial campaign and sales outcome has taught us a lot and we will be fine tuning our marketing spend, customer acquisition channels and product mix during the second half to improve new customer and sales performance," Mr Shanahan said.

In addition to integration of the three businesses and conducting the IPO during the reporting period, TPW has accelerated a number of planned revenue and cost initiatives that are building a platform for growth in the short term and beyond:

- Launch of Temple & Webster permanent online store (~16,000 SKUs)
- Launch of ZIZO Pro program targeting trade and professional customers
- The opening of the first Milan Direct physical furniture showroom in Melbourne to drive customer inquiry, product familiarity and online sales conversion. The showroom is due to open in Melbourne's Richmond next week

- Consolidation of the operations, marketing, technology, creative & content and category management teams across the business
- Renegotiating logistics contracts to award new group wide contracts
- Moving 2 of the 3 businesses onto a common technology platform

Outlook

- Based on the current outlook, the Board has put a prudent downside risk estimate of up to 10% on the prospectus revenue guidance of $76.2m, and a downside risk estimate of up to ($5.5m) on the prospective EBITDA guidance of ($8.5m).
- The projected impact on cashflow will be lower due to capex savings and other cost initiatives not currently included in EBITDA projections (eg logistics efficiencies).

“We are pleased with the progress we have made in building the integrated business, and are now absolutely focused on building better customer acquisition, sales and retention performance.

“We remain the largest player in a high growth segment and are well capitalised with circa $27 million in cash and no debt. We are well positioned to capture the scale benefits and operating leverage that comes from being the leading player in our category, and are confident of being run-rate EBITDA positive in CY18” said Mr Shanahan.

ENDS

Further information:

Shareholders and Analysts:
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Media
Fleur Jouault, GRACosway; 02 8353 0419; or
John Frey, GRACosway; 02 8353 0406.

About the Temple & Webster Group:

The Temple & Webster Group is one of Australia's leading online retailers of furniture and homewares. The Group's vision is to be the first place Australian's turn to when shopping for the home, and currently operates the Temple & Webster, ZIZO and Milan Direct brands.

The Temple & Webster brand provides a curated offering of over 10,000 different products a month from over 400 suppliers. ZIZO is one of Australia's largest marketplaces for furniture and homewares with over 100,000 products on sale from over 700 suppliers. ZIZO runs an innovative drop-shipping model, whereby products are sent directly to customers by suppliers thereby enabling faster delivery times, reducing the need to hold inventory allowing a larger product range. Milan Direct is one of Australia's largest online retailers of furniture which has operations in Australia and the UK, with almost 10 years of experience in sourcing private label products under the Milan Direct brand.

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

1. Company details

Name of entity:	Temple & Webster Group Ltd
ABN:	69 608 595 660
Reporting period:	For the half-year ended 31 December 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

The information contained in this report relates to the Temple & Webster Group Ltd as a continuation of an existing business, with the acquisition of Temple & Webster Pty Limited ('the legal subsidiary') on 4 December 2015 by Temple & Webster Group Ltd treated as a group re-organisation. The financial statements for Temple & Webster Group Ltd for the half-year ended 31 December 2015 include financial information for:

- Temple & Webster Pty Limited from 1 July 2015;
- Wayfair Australia Pty Ltd from 31 July 2015; and
- Milan Direct Group Investments Pty Ltd and Milan Direct UK Pty Ltd from 4 December 2015.

Temple & Webster Pty Limited acquired 100% of Wayfair Australia Pty Ltd on 31 July 2015. On 4 December 2015 Temple & Webster Group Ltd acquired 100% of Temple & Webster Pty Limited. On that date Temple & Webster Group Ltd also acquired 100% of Milan Direct Group Investments Pty Ltd and 100% Milan Direct UK Pty Ltd.

The comparative financial statements for the half-year ended 31 December 2014 of Temple & Webster Group Ltd include the historical financial information of Temple & Webster Pty Limited only.

				$'000
Revenues from ordinary activities	up	47.2%	to	21,254
Loss from ordinary activities after tax attributable to the owners of Temple & Webster Group Ltd	up	488.9%	to	(17,720)
Loss for the half-year attributable to the owners of Temple & Webster Group Ltd	up	488.9%	to	(17,720)

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

Comments
The loss for the Group after providing for income tax amounted to $17,720,000 (31 December 2014: $3,009,000).

As these results are not reflective of a full six-months' trading for each of the brands, investors and users of the financial statements are directed to the proforma financial information for the Group contained in the ASX earnings announcements issued by the Group on the same date as this report.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	14.79	(10.88)

The net tangible assets per ordinary share amount is calculated based on 105,780,680 ordinary shares on issue as at 31 December 2015 and 40,689,262 ordinary shares that would have been in existence had the corporate/group reorganisation occurred as at 31 December 2014.

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4. Control gained over entities

Refer to Note 18 'Business Combinations' to the financial statements for details of entities over which control has been gained during the financial period.

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5. Loss of control over entities

Not applicable.

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6. Dividends

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

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

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of Temple & Webster Group Ltd for the half-year ended 31 December 2015 is attached.

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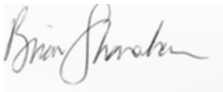
12. Signed



Signed ________________________________ Date: 25 February 2016

Brian Shanahan
Group CEO and Managing Director

Temple & Webster Group Ltd

ABN 69 608 595 660

Interim Report – half-year ended 31 December 2015

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The directors present their report, together with the 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 half-year ended 31 December 2015.

Directors
The following persons were directors of Temple & Webster Group Ltd from the Company's incorporation date (6 October 2015) to the date of this report, unless otherwise stated:

Carol Schwartz - Chairman
Conrad Yiu
Matthew Campbell
Brian Shanahan - Group CEO and Managing Director (founder)
Susan Thomas (appointed on 23 February 2016)

Principal activities
During the financial half-year the principal continuing activities of the Group consisted of the sale of furniture, homeware, and other lifestyle products.

The Group is one of Australia's largest online retailers of furniture and homewares generating revenue through the sale of third-party produced furniture and homewares to residential and commercial customers through the Group's three brands:
(i) The **Temple & Webster** brand provides a curated offering of over 10,000 different products a month from over 400 suppliers;
(ii) **ZIZO** is one of Australia's largest marketplaces for furniture and homewares with over 100,000 products on sale from over 700 suppliers. ZIZO runs a drop-shipping model, whereby products are sent directly to customers by suppliers thereby enabling faster delivery times, reducing the need to hold inventory and allowing a larger product range; and
(iii) **Milan Direct** is one of Australia's largest online retailers of furniture which has operations in Australia and the UK. The Milan Direct business has been sourcing private label products under the Milan Direct brand for approximately 10 years.

Review of operations
The loss for the Group after providing for income tax amounted to $17,720,000 (31 December 2014: $3,009,000).

Revenue for the financial half-year was $21,254,000 (31 December 2014: $14,437,000) includes results of:
- Temple & Webster Pty Limited from 1 July 2015;
- Wayfair Australia Pty Ltd (subsequently rebranded to ZIZO) from 31 July 2015; and
- Milan Direct Group Investments Pty Ltd and Milan Direct UK Pty Ltd from 4 December 2015.

Temple & Webster Group Ltd was incorporated on 6 October 2015 for the purposes of acquiring the Temple & Webster Pty Limited and its subsidiaries, and undertaking an Initial Public Offering ('IPO') on the Australian Securities Exchange ('ASX'), which completed on 10 December 2015.

The Group has a scalable business and operates a capital light model. It has the ability to penetrate new online customer segments and new product categories without substantial additional capital expenditure. The Group runs low inventory models, with both Temple & Webster and ZIZO only ordering products from suppliers after the customer has completed their transaction. Milan Direct carries inventory but uses data to make informed inventory sourcing and management decisions, and also operates a third-party drop-shipping network which carries no inventory risk.

The Group’s marketing strategy is focused on customer acquisition through both online (e.g. email, search engine marketing, search engine optimisation and social media) and offline marketing channels (e.g. print, TV outdoor and special events).

Significant changes in the state of affairs
On 21 July 2015, the Group raised $12,000,000 in convertibles notes to fund the acquisition of Wayfair Australia Pty Limited ('Wayfair') and provide future working capital.

On 31 July 2015, the Group acquired a 100% shareholding in Wayfair from Wayfair LLC (subsequently rebranded ZIZO Home Pty Ltd in September 2015), for a purchase price of $6,000,000. $4,000,000 was paid on 31 July 2015 and the remaining balance is payable 31 July 2016.

On 10 December 2015, Temple & Webster Group Ltd was admitted to the Official List of ASX Limited with the ASX code TPW. Ahead of being admitted to the ASX, the Company raised $61,500,000 in an initial public offering ('IPO') of its shares. Of this amount approximately $21,500,000 was paid to exiting pre-IPO shareholders. The residual proceeds were then applied to the acquisition of Milan Direct Pty Ltd and Milan Direct UK Ltd from Milan Direct Holdings Ltd, and to provide for future working capital for the Group.

The purchase price for the acquisition of the Milan Direct companies was settled by the payment of $9,538,000 in cash and the issue of 7,306,394 shares in the Group on 4 December 2015.

Corporate/group reorganisation - acquisition of Temple & Webster Pty Limited
On 4 December 2015, the Company acquired Temple & Webster Pty Limited and its subsidiaries pursuant to a scheme whereby the Company acquired 100% of the capital of Temple & Webster Pty Limited in exchange for approximately 48,513,793 shares in the Company. For accounting purposes, the acquisition was treated as a group reorganisation.

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Carol Schwartz
Chairman

Brian Shanahan
Group CEO and Managing Director

25 February 2016
Sydney

Building a better
working world

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

As lead auditor for the review of Temple & Webster Group Ltd for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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

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

Ernst & Young

Christopher George
25 February 2016

	Note	Consolidated 31/12/2015 $'000	Consolidated 31/12/2014 $'000
Revenue			
Sales revenue		21,254	14,437
Cost of goods sold		(13,649)	(8,444)
Gross margin		7,605	5,993
Net foreign exchange gain/(loss)		32	(12)
Interest		40	16
Expenses			
Distribution		(4,125)	(3,190)
Marketing		(5,137)	(1,510)
Employee benefits		(7,179)	(2,607)
Depreciation and amortisation		(157)	(244)
Impairment of assets		-	(929)
Finance costs		(4,570)	(74)
Other		(1,122)	(452)
IPO and transactions costs		(3,107)	-
Loss before income tax expense		(17,720)	(3,009)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Temple & Webster Group Ltd		(17,720)	(3,009)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		2	-
Other comprehensive income for the half-year, net of tax		2	-
Total comprehensive income for the half-year attributable to the owners of Temple & Webster Group Ltd		(17,718)	(3,009)
		Cents	Cents
Basic earnings per share	20	(35.77)	(7.40)
Diluted earnings per share	20	(35.77)	(7.40)

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

	Note	Consolidated 31/12/2015 $'000	30/06/2015 $'000
Assets			
Current assets			
Cash and cash equivalents	5	27,727	1,926
Trade and other receivables		-	9
Inventories	6	3,739	1,313
Other	7	348	122
Total current assets		31,814	3,370
Non-current assets			
Related party receivables		-	710
Property, plant and equipment		188	87
Intangibles	8	27,359	38
Total non-current assets		27,547	835
Total assets		59,361	4,205
Liabilities			
Current liabilities			
Trade and other payables	9	10,950	5,205
Borrowings	10	-	4,588
Employee benefits		456	190
Provisions		112	169
Deferred consideration	11	2,000	-
Deferred revenue		2,126	1,792
Total current liabilities		15,644	11,944
Non-current liabilities			
Deferred tax		709	-
Total non-current liabilities		709	-
Total liabilities		16,353	11,944
Net assets/(liabilities)		43,008	(7,739)
Equity			
Issued capital	12	76,666	8,222
Reserves	13	23	-
Accumulated losses		(33,681)	(15,961)
Total equity/(deficiency)		43,008	(7,739)

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

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total deficiency $'000
Balance at 1 July 2014	8,222	-	(9,448)	(1,226)
Loss after income tax expense for the half-year	-	-	(3,009)	(3,009)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,009)	(3,009)
Balance at 31 December 2014	8,222	-	(12,457)	(4,235)

Consolidated	Issued capital $'000	Reserves $'000	Accumulated losses $'000	Total Equity/ (deficiency) $'000
Balance at 1 July 2015	8,222	-	(15,961)	(7,739)
Loss after income tax expense for the half-year	-	-	(17,720)	(17,720)
Other comprehensive income for the half-year, net of tax	-	2	-	2
Total comprehensive income for the half-year	-	2	(17,720)	(17,718)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 12)	68,444	-	-	68,444
Share-based payments	-	21	-	21
Balance at 31 December 2015	76,666	23	(33,681)	43,008

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

	Note	Consolidated 31/12/2015 $'000	Consolidated 31/12/2014 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		23,887	15,840
Payments to suppliers and employees (inclusive of GST)		(31,569)	(16,936)
		(7,682)	(1,096)
Interest received		40	16
Interest and other finance costs paid		(12)	-
Net cash used in operating activities		(7,654)	(1,080)
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	18	(13,641)	-
Payments for intangibles	8	(316)	-
Payments for security deposits		(41)	-
Proceeds from disposal of property, plant and equipment		-	9
Net cash (used in)/from investing activities		(13,998)	9
Cash flows from financing activities			
Proceeds from issue of shares	12	61,915	-
Proceeds from convertible notes		12,000	58
Payments to shareholders		(21,621)	-
Share issue transaction costs		(4,841)	-
Net cash from financing activities		47,453	58
Net increase/(decrease) in cash and cash equivalents		25,801	(1,013)
Cash and cash equivalents at the beginning of the financial half-year		1,926	2,072
Cash and cash equivalents at the end of the financial half-year		27,727	1,059

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

Note 1. General information

The financial statements cover Temple & Webster Group Ltd as a Group consisting of Temple & Webster Group Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Temple & Webster Group Ltd's functional and presentation currency.

Temple & Webster Group Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

8DD Hiles Street
Alexandria, NSW 2015

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2016.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 31 December 2015 and are not expected to have any significant impact for the full financial year ending 30 June 2016.

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

Basis of preparation

During the period, an internal restructure took place in preparation of the listing of the group on the Australian Securities Exchange (‘ASX’). This resulted in a newly incorporated company, Temple & Webster Group Ltd, becoming the legal parent of the group. The internal restructure was not conditional on the listing of the group on the ASX.

Temple & Webster Group Ltd has determined that this internal restructure, that resulted in the company acquiring Temple & Webster Pty Ltd (‘T&W’) (former parent entity), represented a common control transaction rather than a business combination. The appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Therefore, the financial information has been prepared using the principles of a reverse acquisition by the existing group of Temple & Webster Group Ltd.

As a result the consolidated financial statements have been prepared as a continuation of the financial statements of the existing T&W group.

Note 2. Significant accounting policies (continued)

For presentation purposes, the comparative balances presented in these consolidated financial statements represent those of T&W entity only for the six month period to 31 December 2014. The balances for the current financial half-year are T&W from 1 July 2015 and its subsidiary WayFair Australia Pty Limited from the date of acquisition on 31 July 2015, and Temple & Webster Group Ltd from the date of its incorporation on 6 October 2015. On completion of the listing of the group on the ASX the group acquired Milan Direct Group Investments Pty Ltd and Milan Direct UK Pty Ltd. The acquisitions of the Milan Direct and Wayfair businesses have been accounted for as business combinations. The consideration paid has been allocated to the identifiable assets and liabilities at the respective acquisition dates.

Historical cost convention
The 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 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 financial statements, are disclosed in note 3.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Temple & Webster Group Ltd ('Company' or 'parent entity') as at 31 December 2015 and the results of all subsidiaries for the half-year then ended. Temple & Webster Group Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

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.

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

Foreign currency translation

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

Note 2. Significant accounting policies (continued)

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.

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

Derivatives are classified as current or non-current depending on the expected period of realisation.

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

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. This transfer of risks and rewards of ownership is occur on shipment of the goods. Revenue from the sale of good is measured at the fair value of the consideration received or receivable, net of returns, allowances, discounts and deferred revenue.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

Current and non-current classification

Assets and liabilities are presented in the 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 entity'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 entity'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.

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 equivalent consist of cash and cash equivalent as defined above, net of outstanding bank overdrafts,

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

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

Inventories

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

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

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

Note 2. Significant accounting policies (continued)

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.

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

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment

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

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

Leasehold improvements	over the term of the lease
Plant and equipment	3 years
Motor vehicles	3 years

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

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

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

Leases

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

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Note 2. Significant accounting policies (continued)

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
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 four to seven years.

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 five 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 life of five years.

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 to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial half-year 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.

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

Note 2. Significant accounting policies (continued)

Convertible notes
The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised. The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied to instruments of comparable credit status and providing substantially the same cash flows on the same terms, but without the conversion option. The liability is subsequently measured at amortised cost until conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a reserve, net of transaction costs.

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

Include the fair value re-measurement charge on the option in the convertible notes as well as the capitalised interest expense on the notes.

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

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial 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 that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Note 2. Significant accounting policies (continued)

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

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

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

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

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

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

Fair value measurement

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

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

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

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

Issued capital

Ordinary shares are classified as equity.

Note 2. Significant accounting policies (continued)

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.

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

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

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

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

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

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

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

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of 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 half-year, adjusted for bonus elements in ordinary shares issued during the financial half-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.

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.

Note 2. Significant accounting policies (continued)

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 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 Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 31 December 2015. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

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

Accounting for the internal restructure at Initial Public Offering ('IPO')
During the financial half-year, an internal restructure took place in preparation of the listing of the group on the Australian Securities Exchange. This resulted in a newly incorporated company, Temple & Webster Group Ltd, becoming the legal parent of the group, conditional on the IPO completing.

The directors elected to account for the restructure as a capital reorganisation rather than a business combination. In the directors' judgement, the continuation of the existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been in a structure suitable to IPO and most appropriately reflects the substance of the internal restructure. As such, the consolidated financial statements of the new Group have been presented as a continuation of the pre-existing accounting values of assets and liabilities in Temple & Webster Pty Limited financial statements.

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 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 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 provision, the Group has made judgements in respect of the expected return of the product, number of customers who will actually return the product 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.

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

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 accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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

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

Business combinations
As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Development costs
The Group capitalises development costs for a project in accordance with its accounting policy. Initial capitalisation of cots is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2015, the carrying amount of capitalised development costs was $141,000 (30 June 2015: $38,000).

Note 4. Operating segments

Identification of reportable operating segments
The Group operates in one segment being the sale of furniture, homeware, 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 financial statements and therefore not duplicated.

The information reported to the CODM is on at least a monthly basis.

Note 5. Current assets - cash and cash equivalents

	Consolidated	
	31/12/2015 $'000	30/06/2015 $'000
Cash at bank	12,727	1,926
Cash on deposit	15,000	-
	27,727	1,926

Note 6. Current assets - inventories

	Consolidated 31/12/2015 $'000	Consolidated 30/06/2015 $'000
Stock in transit	1,572	1,050
Stock on hand	2,167	263
	3,739	1,313

Note 7. Current assets - other

	Consolidated 31/12/2015 $'000	Consolidated 30/06/2015 $'000
Prepayments	241	56
Security deposits	107	66
	348	122

Note 8. Non-current assets - intangibles

	Consolidated 31/12/2015 $'000	Consolidated 30/06/2015 $'000
Goodwill - at cost	21,984	-
Brands - at cost	2,781	-
Software and websites - at cost	2,225	-
Less: Accumulated amortisation	(104)	-
	2,121	-
Research and Development - at cost	2,031	1,916
Less: Accumulated amortisation	(961)	(949)
Less: Accumulated Impairment	(929)	(929)
	141	38
Customer relationships - at cost	338	-
Less: Accumulated amortisation	(6)	-
	332	-
	27,359	38

Note 8. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Brands $'000	Software and websites $'000	Research and development $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2015	-	-	-	38	-	38
Additions	-	-	201	115	-	316
Additions through business combinations (note 18)	21,984	2,781	2,024	-	338	27,127
Amortisation expense	-	-	(104)	(12)	(6)	(122)
Balance at 31 December 2015	21,984	2,781	2,121	141	332	27,359

Note 9. Current liabilities - trade and other payables

	Consolidated 31/12/2015 $'000	Consolidated 30/06/2015 $'000
Trade payables	3,080	2,372
Accrued payables	7,002	2,523
Employee related payables	762	200
Other payables	106	110
	10,950	5,205

Note 10. Current liabilities - borrowings

	Consolidated 31/12/2015 $'000	Consolidated 30/06/2015 $'000
Convertible notes payable	-	4,588

At 30 June 2015, there were 4,333,250 convertible notes on issue (Tranche 1 and 2). Each convertible note had a face value of $1. The holders of Tranche 1 and 2 had optionality to convert into equity on trade sale or IPO, or be redeemed, which for Tranche 1 noteholders, being a a fixed price of $10.41 per share and for Tranche 2, being at a 15% discount to equity price on IPO/trade sale.

The option to convert was accounted for as an embedded derivative held at fair value though profit or loss. The re-measurement of the embedded derivative during the period was accounted for in finance costs. The liability and embedded derivative were converted to equity on 4 December 2015. Refer for further details to note 12.

Note 11. Current liabilities - deferred consideration

	Consolidated 31/12/2015 $'000	Consolidated 30/06/2015 $'000
Deferred consideration	2,000	-

Deferred consideration relates to the acquisition of Wayfair Australia Pty Limited. The purchase price for this acquisition was $6,000,000 of which $4,000,000 was paid on 31 July 2015 and the remaining balance is payable on 31 July 2016. Refer for further details to note 18.

Note 12. Equity - issued capital

Group reorganisation
During the period, an internal restructure took place in preparation of the listing of the group on the Australian Securities Exchange (‘ASX’). This resulted in a newly incorporated company, Temple & Webster Group Ltd, becoming the legal parent of the group. The internal restructure was conditional on the listing of the group on the ASX.

Temple & Webster Group Ltd has determined that this internal restructure, that resulted in the company acquiring Temple & Webster Pty Ltd (‘T&W’) (former parent entity), represented a common control transaction rather than a business combination. The appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Therefore, the financial information has been prepared using the principles of a reverse acquisition by the existing group of Temple & Webster Group Ltd.

As a result, the consolidated financial statements of Temple & Webster Group Ltd have been prepared as a continuation of the financial statements of the accounting acquirer, T&W. Refer to basis of preparation in note 2.

The number of shares on issue shown reflects those of Temple & Webster Group Ltd after the reconstruction. The total number of shares on issue at the completion of the offer will be 105,780,680. Certain shareholdings held by existing shareholders amounting to 34,079,321 are subject to voluntary escrow agreements.

	Consolidated			
	31/12/2015 Shares	30/06/2015 Shares	31/12/2015 $'000	30/06/2015 $'000
Ordinary shares - fully paid	105,780,680	1,969,121	76,666	8,222

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2015	1,969,121		8,222
Conversion of convertible notes tranches 1 and 2	4 December 2015	378,666	$22.73	8,607
Share split in the capital reorganisation	4 December 2015	46,166,092	$0.00	-
Conversion of convertible note tranche 3	4 December 2015	13,405,266	$0.93	12,534
Shares issued as part of the Milan Direct purchase consideration	4 December 2015	7,306,394	$1.10	8,037
Equity generated on closure of the TW East Share Plan	7 December 2015	-	$0.00	1,541
Shares issued at IPO	10 December 2015	36,363,635	$1.10	40,000
Shares issued to employees under bonus schemes	10 December 2015	106,955	$0.93	100
Shares issued to employees under new incentive plan	10 December 2015	84,551	$1.10	93
Transaction costs arising on IPO able to be offset against share capital	10 December 2015	-	$0.00	(2,468)
Balance	31 December 2015	105,780,680		76,666

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.

Share buy-back
There is no current on-market share buy-back.

Note 12. Equity - issued capital (continued)

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.

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

The Group would look to raise capital when an opportunity to invest in a business or company was 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.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 13. Equity - reserves

	Consolidated	
	31/12/2015 $'000	30/06/2015 $'000
Foreign currency reserve	2	-
Share-based payments reserve	21	-
	23	-

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

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

Note 14. Equity - dividends

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

Note 15. Fair value measurement

The carrying amounts of trade and other receivables, trade and other payables and other financial assets and liabilities are assumed to approximate their fair values due to their short-term nature.

Note 16. Contingent liabilities

The Group had no contingent liabilities at 31 December 2015 and 30 June 2015.

Note 17. Related party transactions

During the financial half-year the Group paid services to Ardenpoint a related entity for consulting, planning and business advisory to the amount of $410,000 (2014: $70,000).

Note 18. Business combinations

Temple & Webster Pty Limited acquired 100% of Wayfair Australia Pty Ltd on 31 July 2015 for a purchase price of $6,000,000. On 4 December 2015, Temple & Webster Group Ltd acquired 100% of Temple & Webster Pty Limited. On that date Temple & Webster Group Ltd also acquired 100% of Milan Direct Group Investments Pty Ltd ('MDGI') and 100% Milan Direct UK Pty Ltd. ('MDUK') The purchase price for the acquisition of MDGI and MDUK was settled by the payment of $9,538,000 in cash and the issue of 7,306,394 shares in Temple & Webster Group Ltd.

The acquisition of Temple & Webster Pty Limited by Temple & Webster Group Ltd is accounted as a common control transaction rather than a business combination (refer to note 12).

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	112
Trade and other receivables	60
Plant and equipment	16
Software and websites	1,562
Trade and other payables	(455)
Deferred tax liability	(469)
Other provisions	(456)
Deferred revenue	(130)
Net assets acquired	240
Goodwill	5,760
Acquisition-date fair value of the total consideration transferred	6,000
Representing:	
Cash paid or payable to vendor	4,000
Deferred consideration	2,000
	6,000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,000
Less: cash and cash equivalents	(112)
Less: deferred payment consideration	(2,000)
Net cash used	3,888

Milan Direct Group Investments Pty Ltd and Milan Direct UK Pty Ltd
On 4 December 2015, Temple & Webster Group Ltd acquired 100% of the issued share capital of the Milan Direct Group Investments Pty Ltd and Milan Direct UK Pty Ltd. The purchase price for this acquisition was $17,575,000, which was settled by the issue of 7,306,394 shares in Temple & Webster Group Ltd and $9,538,150 in cash.

Note 18. Business combinations (continued)

Details of the purchase consideration, the fair value of the net liabilities acquired and goodwill are provisionally determined as:

	Fair value $'000
Cash and cash equivalents	(215)
Trade and other receivables	53
Inventories	2,712
Plant and equipment	121
Brands	2,781
Software and websites	462
Customer relationships	338
Trade and other payables	(3,851)
Deferred tax liability	(240)
Other provisions	(193)
Deferred revenue	(617)
Net assets acquired	1,351
Goodwill	16,224
Acquisition-date fair value of the total consideration transferred	17,575
Representing:	
Cash paid or payable to vendor	9,538
Temple & Webster Group Ltd shares issued to vendor	8,037
	17,575
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	17,575
Less: cash and cash equivalents	215
Less: shares issued by company as part of consideration	(8,037)
Net cash used	9,753

These acquisitions are highly consistent with the Group's stated growth strategy and will accelerate its rapid organic growth through marketing, product and technology investments, leveraging operational synergies, launching retail showrooms, offshore expansion and, potentially, further acquisitions.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 20. Earnings per share

	Consolidated	
	31/12/2015 $'000	31/12/2014 $'000
Loss after income tax attributable to the owners of Temple & Webster Group Ltd	(17,720)	(3,009)

Note 20. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	49,540,076	40,689,262
Weighted average number of ordinary shares used in calculating diluted earnings per share	49,540,076	40,689,262

	Cents	Cents
Basic earnings per share	(35.77)	(7.40)
Diluted earnings per share	(35.77)	(7.40)

The basic and diluted earnings per share above is calculated based on the number of ordinary shares that would have been in existence had the share split (20.66 additional shares for each existing 1 share) had occurred at 1 July 2014.

The performance rights granted are not included in the calculation of diluted earnings per share because they are antidilutive for the half-year ended 31 December 2015. These options could potentially dilute basic earnings per share in the future.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the financial half-year ended on that date; and

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

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

Carol Schwartz
Chairman

Brian Shanahan
Group CEO and Managing Director

25 February 2016
Sydney

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To the members of Temple & Webster Group Ltd

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Temple & Webster Group Ltd, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Temple & Webster Group Ltd and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Temple & Webster Group Ltd is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Christopher George
Partner
Sydney
25 February 2016