

TEMPLE &
WEBSTER
GROUP

PROSPECTUS

Initial public offering of ordinary shares

Temple & Webster Group Ltd ACN 608 595 660



Lead Manager
& Underwriter

BELL POTTER

IMPORTANT INFORMATION

This Prospectus is issued by Temple & Webster Group Ltd (ACN 608 595 660) (**Temple & Webster Group or the Company**).

The Offer contained in this Prospectus is an invitation to acquire fully paid ordinary shares (**Shares**) in Temple & Webster Group.

LODGEMENT AND LISTING

This Prospectus is dated 12 November 2015 (**Prospectus Date**) and it was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. This is a replacement prospectus which replaces the prospectus dated 6 November 2015 and which was lodged with ASIC on that date (**Original Prospectus**).

This replacement prospectus has been issued by the Company to add additional disclosure for investors regarding the fact that despite the Group generating revenue, the Group has a history of making a loss which is forecast to continue in the near-term as the Company increases investment in the Group's businesses.

Temple & Webster Group has applied within seven days after the date of the Original Prospectus to ASX Limited (**ASX**) for admission of the Company to the official list of ASX and for quotation of its Shares on ASX. None of ASIC, ASX or their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

EXPIRY DATE

No Shares will be issued or sold on the basis of this Prospectus after its expiry date, being the date 13 months after the date of the Original Prospectus.

NOTE TO APPLICANTS

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation and particular needs (including financial and tax issues) of any prospective investor. Cooling-off rights do not apply to an investment in Shares offered under the Prospectus. This means that, in most circumstances, you cannot withdraw your application once it has been accepted.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of Temple & Webster Group, you should consider the best estimate assumptions underlying the Forecast Financial Information (as defined in Section 4 and the sensitivities associated with that information also set out in Section 4), together with the risk factors that could affect the Group's business, financial condition and results of operations. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues). There may be risk factors in addition to these that should be considered in light of your personal circumstances. If you have any queries in connection with this Prospectus or in relation to an investment in the Company you should seek advice from your stockbroker, solicitor, accountant, financial advisor, or other independent professional advisor before deciding whether to invest in the Shares.

DISCLOSING ENTITY

If admitted to the Official List, Temple & Webster Group will be a disclosing entity for the purposes of the Corporations Act and as such will be subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

DISCLAIMER AND FORWARD-LOOKING STATEMENTS

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the directors of the Company (**Directors**) or any other person involved in the preparation of the Prospectus or the making of the Offer. You should rely only on information contained in this Prospectus. Except as required by law, and only to the extent so required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward-looking statements which are statements that may be identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. Certain statements, beliefs and opinions contained in this Prospectus, particularly those regarding the possible or assumed future financial or other performance of the Company, industry growth or other trend projections are or may be forward-looking statements. In addition, consistent with customary market practice in securities offerings in Australia, Forecast Financial Information has been prepared and included in this Prospectus in Section 4. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the key assumptions set out in Section 4).

The Forecast Financial Information and the forward-looking statements should therefore be read in conjunction with, and are qualified by reference to, the statements in Section 4 and other information in this Prospectus. The Directors and the Lead Manager cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company has obtained significant portions of this information from market research and commentary prepared by third parties. There is no assurance that any of the forecasts or forward information contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the key risk factors in Section 5.

STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding the past performance of companies in, or to be in the Group. Investors should be aware that past performance should not be relied upon as being indicative of future performance of the Group.

FINANCIAL INFORMATION PRESENTATION

All references to FY13, FY14, FY15 and FY16 appearing in this Prospectus are to the financial years ended or ending on 30 June 2013, 30 June 2014,

30 June 2015 and 30 June 2016 respectively, unless otherwise indicated.

All financial amounts contained in this Prospectus are expressed in Australian currency unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of that Financial Information is set out in Section 4.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards (**AAS**) and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

This Prospectus includes Forecast Financial Information that has been prepared by the Directors based on a number of best estimate assumptions concerning future events, as set out in Section 4. The Forecast Financial Information has been presented on both a statutory and pro forma basis and is unaudited.

The Statutory Forecast Financial Information included in Section 4 has been prepared in accordance with the recognition and measurement principles of the AAS (including the Australian Accounting Interpretations), issued by the Australian Accounting Standards Board (**AASB**) which are consistent with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (**IASB**).

The Pro Forma Financial Information included in Section 4 has been prepared in accordance with the recognition and measurement requirements of AAS other than it includes adjustments which have been prepared in a manner consistent with AAS, as described in Section 4. The basis of preparation and presentation of the Pro Forma Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation and presentation of the Pro Forma Historical Financial Information.

The Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the information contained in Section 4.

Unless otherwise stated or implied, all pro forma data in this Prospectus gives effect to the pro forma adjustments referred to in Section 4.

Readers should be aware that certain financial data included in this Prospectus is 'non-IFRS financial information' under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC. The Company believes this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Group. The non-IFRS financial information does not have standardised meanings prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternate to other financial information determined in accordance with Australian Accounting Standards. Readers are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or ratios included in this Prospectus.

Financial data is as at 30 June 2015, unless otherwise stated or implied.

Operational data and metrics is as at the Prospectus Date, unless otherwise stated or implied.

Information in this Prospectus on the Australian, UK and US market is from independent market research carried out by Euromonitor International Limited but should not be relied upon in making, or refraining from making, any investment decision.

REPORT ON DIRECTORS' FORECASTS AND FINANCIAL SERVICES GUIDE

The provider of the Independent Limited Assurance Report on the Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The Independent Limited Assurance Report and accompanying financial services guide are provided in Section 8.

FOREIGN JURISDICTIONS

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register the Shares or otherwise permit an offering of Shares in any jurisdiction outside of Australia. The taxation treatment of Australian securities may not be the same as those for securities in foreign jurisdictions. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The distribution of this Prospectus outside Australia may be restricted by law. If you come into possession of this Prospectus, you should observe any such restrictions and seek your own advice on such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. This Prospectus may not be released or distributed in the United States. The Shares described in this Prospectus have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the securities law of any state of the United States, and may not be offered or sold directly or indirectly, in the United States, other than under an applicable exemption under federal or state law.

PROSPECTUS AVAILABILITY

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Temple & Webster Offer Information Line on 1300 666 437 (within Australia) or +61 1300 666 437 (outside Australia) from 8.30am until 5.30pm Sydney, Australia time Monday to Friday during the Offer Period.

This Prospectus is also available to Australian resident investors in electronic form at the Offer website, www.templeandwebstergroup.com.au. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. Hard copy and electronic versions of this Prospectus are generally not available to persons in other jurisdictions.

APPLICATIONS

An Application for Shares under this Prospectus (**Application**) may only be made during the Offer Period on the Application form included in, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from www.templeandwebstergroup.com.au, together with an electronic copy of this Prospectus (**Application Form**). By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is included in, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

As set out in Section 7, it is expected that the Shares will be quoted on ASX on a normal settlement basis. To the extent permitted by law, each of the Company, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Temple & Webster Offer Information Line, by a Broker or otherwise.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications in the seven day period after lodgment of the Original Prospectus with ASIC (**Exposure Period**). This Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any Application may need to be dealt with in accordance with section 724 of the Corporations Act. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

During the Exposure Period, this Prospectus will be made available to Australian residents, without the Application Forms, at the Company's website, www.templeandwebstergroup.com.au.

PRIVACY

By completing an Application Form, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company and the Share Registry on their behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included in the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included in the Share register if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Lead Manager in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal

information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry. The Company will aim to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets or products shown in them are or, on Completion of the Offer will be, owned, sold or supplied by the Group. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

ACQUISITION OF MILAN DIRECT

The Company has entered into a share purchase agreement to acquire Milan Direct conditional on Completion of the Offer. To assist with the presentation of information under the Prospectus, certain information is presented as if the acquisition has occurred and Milan Direct is already part of the Group. Investors should note that the acquisition of Milan Direct has not yet occurred and it remains subject to Completion of the Offer.

COMPANY WEBSITE

Any references to documents included on the Company's website at www.templeandwebstergroup.com.au are provided for convenience only, and none of the documents or other information available on the Company's website, or any other website referred to in the sources contained in this Prospectus, is incorporated in this Prospectus by reference.

DEFINED TERMS, ABBREVIATIONS AND TIME REFERENCES

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the Glossary in Section 12. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Sydney, Australia.

Unless otherwise stated or implied, references to dates or years are calendar year references.

QUESTIONS

If you have any questions about this Prospectus or how to apply for Shares, you should seek advice from your stockbroker, solicitor, accountant, financial advisor or other independent professional advisor. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of each Application Form.

Alternatively, please contact the Temple & Webster Offer Information Line on 1300 666 437 (within Australia) or +61 1300 666 437 (outside Australia) from 8.30am until 5.30pm Sydney, Australia time, Monday to Friday.

This document is important and should be read in its entirety.

KEY OFFER STATISTICS

Total number of New Shares to be issued under the Offer ¹	55.9 million
Total number of Shares on issue following Completion of the Offer and completion of the Milan Direct acquisition	105.7 million
Total number of Shares to be held by Existing Shareholders following Completion of the Offer ²	49.8 million
Offer Price	\$1.10 per Share
Market Capitalisation at the Offer Price ³	\$116.3 million
Enterprise Value at the Offer Price ⁴	\$83.9 million
Enterprise Value/pro forma consolidated FY2016 forecast revenue ^{5,6}	1.1x

1. The total number of Shares to be offered under the Offer excludes the Shares to be offered under the Employee Gift Offer. The offer of Shares to Eligible Employees under the Employee Gift Offer is also made under this Prospectus. It is expected that up to 150,000 Shares may be issued under the Employee Gift Offer.
2. The Shares held by certain Existing Shareholders at Completion of the Offer will be subject to voluntary escrow arrangements as described further in Section 7.1.4.
3. Calculated as the total number of Shares on issue at Completion of the Offer multiplied by the Offer Price.
4. Calculated as the Market Capitalisation plus the pro forma current and non-current borrowings less pro forma cash and cash equivalents set out in the pro forma historical consolidated balance sheet in Section 4.5.
5. The Enterprise Value / revenue multiple is calculated as the expected Enterprise Value of the Company at the Offer Price divided by pro forma forecast FY16 revenue of \$76.2 million.
6. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Section 10, and is subject to the key risks set out in Section 5. There is no guarantee that forecasts will be achieved. Certain financial information included in this Prospectus is described as pro forma for the reasons described in Section 4.4.
7. The total number of Shares on issue following Completion of the Offer includes Shares to be issued as part of the Group capital restructure immediately following Completion of the Offer. Refer to Section 7.1.5 for further information.

IMPORTANT DATES

Original Prospectus lodgement date	Friday, 6 November 2015
Broker Firm Offer opens	Monday, 16 November 2015
Broker Firm Offer closes 5.00pm	Monday, 30 November 2015
Settlement of the Offer	Thursday, 3 December 2015
Issue of Shares (Completion of the Offer)	Friday, 4 December 2015
Expected completion of dispatch of holding statements	Monday, 7 December 2015
Expected commencement of trading on the ASX (on a normal settlement basis)	Thursday, 10 December 2015

The timetable above is indicative only. Unless indicated otherwise, all times are stated in Sydney, Australia time. Temple & Webster Group, in consultation with the Lead Manager, reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including closing the Offer early, extending the Offer, deferring Completion of the Offer or accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to withdrawing the Offer, all without prior notice. The quotation and commencement of trading of the Shares on ASX remains subject to confirmation from ASX.

HOW TO INVEST

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.

CONTENTS

Important Information	IFC
Key Offer Statistics and Important Dates	2
Chairperson's Letter	4
1. Investment Overview	6
2. Industry Overview	19
3. Company Overview	25
4. Financial Information	42
5. Risks	61
6. Key People, Interests and Benefits	70
7. Details of the Offer	85
8. Investigating Accountant's Report	97
9. Additional Information	107
10. Key Accounting Policies	121
11. Euromonitor International Definitions	125
12. Glossary	130
Application Form	135
Corporate Directory	IBC



CHAIRPERSON'S LETTER

Dear Investor,

On behalf of the Directors, I am delighted to offer you the opportunity to become a shareholder of Temple & Webster Group.

Temple & Webster was founded in 2011 by Brian Shanahan, Adam McWhinney, Conrad Yiu and Mark Coulter, a group of Australian entrepreneurs formerly with eBay Australia and NewsCorp Australia's digital division who were passionate about bringing together magazine quality content to online retail in the furniture and homewares segment. The founders had a vision to create Australia's most beautiful shopping experience for the home and the first place Australians turn to when shopping for their home.

Since its launch, Temple & Webster's online platform has grown to become the leading Australian, members-only shopping club for the home based on FY15 website visits¹ and now has over 1.2 million registered members. Temple & Webster prides itself on its beautiful 'discovery' shopping experience including its curation and visual merchandising of its product offering. The Group also includes ZIZO, a leading Australian online marketplace platform that carries over 100,000 furniture and homewares products. ZIZO was previously the Australian operation of leading US listed online furniture retailer, Wayfair Inc. and was acquired by Temple & Webster earlier in the year.

The Group operates in the Australian online market for furniture and homewares. Sales in the Australian furniture and homewares segment were estimated by Euromonitor to be approximately \$12.1 billion in CY14². Euromonitor estimated Online Penetration³ in the segment at only 3.8% in the same period which compares to other retail segments in Australia such as apparel and footwear, which Euromonitor estimated had 9.7% Online Penetration in CY14. Online Penetration in the Australian furniture and homewares segment also lagged international markets such as the US, which Euromonitor estimated to be 9.5% in CY14 and the UK, which they estimated at 12.8%.

Temple & Webster Group has entered into an agreement to acquire Milan Direct conditional upon the Completion of the Offer. Milan Direct is one of Australia's leading online-only furniture retailers and has been operating for over nine years. Milan Direct's competitive advantage is its expertise in utilising data to source and merchandise its own catalogue of private label products. Dean Ramler, the founder of Milan Direct comes from a family that has over 60 years of furniture manufacturing and retailing experience in Australia and we look forward to welcoming Dean and his team to the Group.

The Directors believe that the acquisition of Milan Direct is highly complementary and that operating a number of online platforms with varying business models will allow the Group to service a wide range of different customer types and needs, and be an attractive distribution partner for a wide range of suppliers. The Group will also benefit from insights and efficiencies across the buying, marketing and supply chain functions. On a pro forma basis including Milan Direct, the Group's websites had more visits than any other Australian online-only furniture and homewares retailer in FY15⁴ and the Group is forecasting FY16 revenue of \$76.2 million. The Group's growth to date has been primarily driven by the execution of its strategy and the underlying growth of online retail and the shift of offline spend to online spend within the furniture and homewares segment.

The Board and leadership team remain focused on the opportunity to establish a profitable business of scale through investment in marketing, people and innovation, and to benefit from the ongoing shift from offline to online. The Group continues to benefit from the experience and energy of the founders who remain active in the business and the team that they have surrounded themselves with.

The funds raised under the Offer provide Temple & Webster Group with the opportunity to complete the acquisition of Milan Direct, fund working capital to grow the Group's platforms and allow early stage investors to realise part of their investment. The existing investors, founders and other members of the senior management team will retain significant ownership interests in Temple & Webster Group following the Offer.

Our aim is to inspire you to create beautiful spaces in your home with the best of Australian and international design, beautifully priced.

1. Experian Hitwise (Shopping & Classifieds – House and Garden – Visits share of Top 150 for the period July 2014 to June 2015).
2. The Group considers that the furniture and homewares segment is equivalent to Euromonitor's definition of home furnishings and homewares, as set out in Section 12.
3. Online Penetration measures the value of retail ecommerce sales as a proportion of total retail sales.
4. Experian Hitwise (Shopping & Classifieds – House and Garden – Visits share of Top 150 for the period July 2014 to June 2015).

This Prospectus contains detailed information about the Offer, the industry in which the Group operates and Temple & Webster Group's operating and financial performance and outlook. As with any company, an investment in Temple & Webster Group and its operating subsidiaries is subject to a range of risks that include the performance and reliability of the Group's websites, databases and systems; continuing growth in retail ecommerce and the online market for furniture and homewares; the impact of competition; the integration of acquisitions; maintaining and enhancing the Group's product and customer offering; future demands on the Group's management and infrastructure; and the Group's reliance on third party suppliers. It is important to note that despite generating revenue, the Group has a history of making a loss which is forecast to continue in the near-term as the Company increases investment in the Group's businesses. For more information about the key risks associated with an investment in Temple & Webster Group see Section 5 of the Prospectus. You should also note that there can be no guarantee that the Group will achieve its stated objectives or that any forward-looking statements or forecasts in the Prospectus will be realised or will otherwise eventuate. It is important to read this Prospectus carefully and in its entirety before making your investment decision.

The Directors and senior management team look forward to welcoming you as a shareholder.

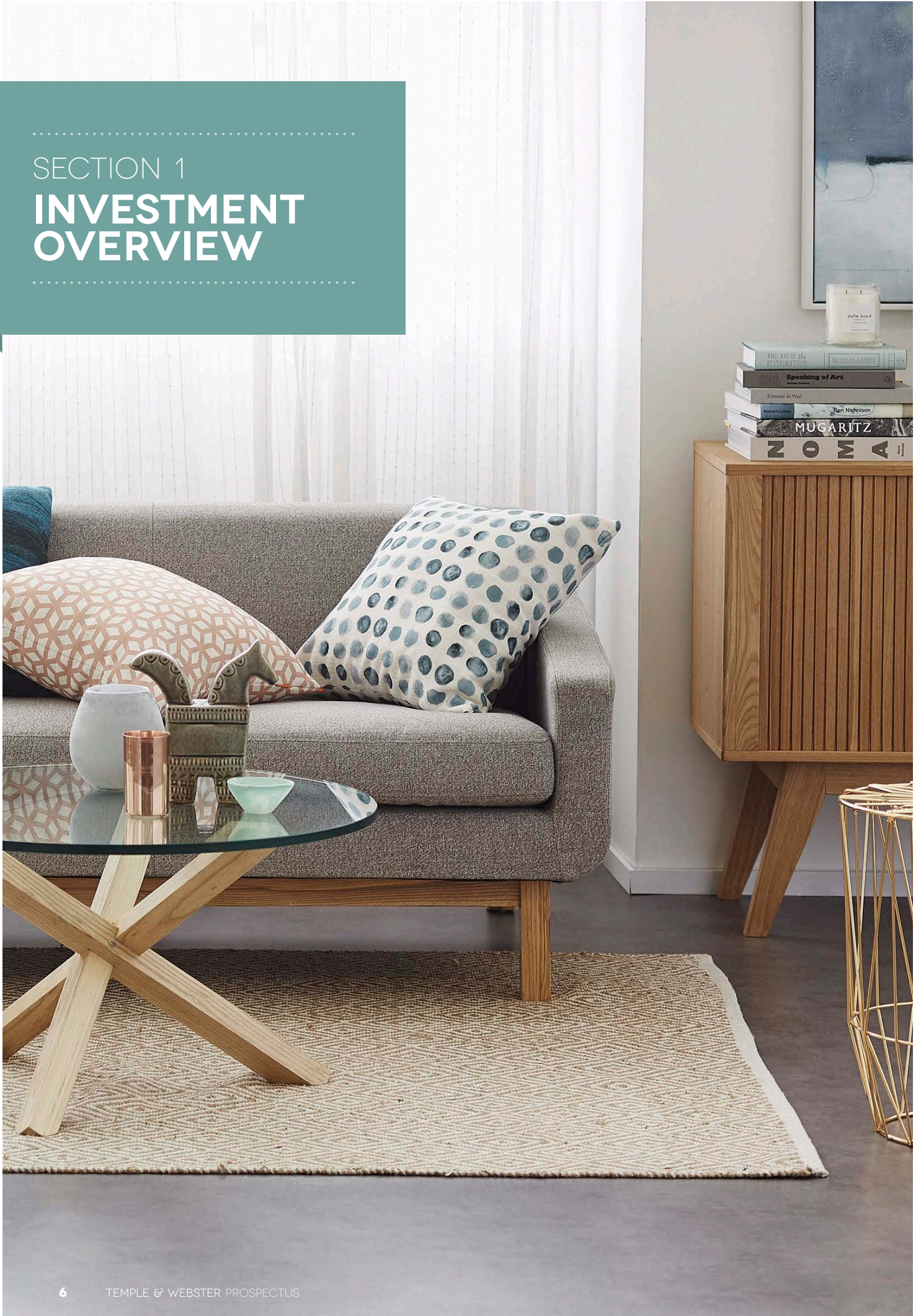
Yours faithfully



Carol Schwartz AM
Chairperson



SECTION 1
**INVESTMENT
OVERVIEW**



1.1 INTRODUCTION

Topic	Summary
<p>What is Temple & Webster Group?</p>	<p>Temple & Webster Group is the ultimate holding company of a number of operating companies. Following Completion of the Offer and the completion of the Acquisition the Group will comprise companies including (in addition to Temple & Webster Group):</p> <ul style="list-style-type: none"> • Temple & Webster Pty Limited, which owns and operates the online furniture and homewares business that trades through www.templeandwebster.com.au; • ZIZO Home Pty Limited, which owns and operates the online furniture and homewares business that trades through www.zizo.com.au; and • Milan Direct Pty Limited, which operates the online furniture and homewares business that trades through www.milandirect.com.au <p>For more information see Section 3.1</p>
<p>What are Temple & Webster Group's current online platforms?</p>	<p>Temple & Webster (templeandwebster.com.au) is one of the leading online retailers for the home in Australia. It operates a members-only shopping club for the home, offering limited time, limited inventory sales events and has over 1.2 million members. It was one of the most visited online-only furniture and homewares retailers in Australia in FY15¹. Temple & Webster provides a curated offering of over 10,000 different products per month from over 400 suppliers.</p> <p>Temple & Webster has been consistently recognised as one of Australia's leading online retailers, including receiving Best Start Up 2015 from Startup Smart Awards, being a Deloitte Fast50 Rising Star in 2013, being the highest ranked retailer and number 2 overall in Deloitte Technology Fast50 2014, being rated the number 1 homewares online retailer by Power Retail in 2015, being a finalist for Best Pure-play Online Retailer in the 2014 Online Retail Industry Awards and being the winner of the 'Growth Company to Watch' award in the Australian Growth Company Awards 2014, as well as being the number 1 retailer and in the top 10 overall in the BRW Fast Starters 2015.</p> <p>The Group also operates ZIZO (www.zizo.com.au), one of Australia's largest online marketplaces for furniture and homewares which currently has over 100,000 products on sale from over 700 suppliers.</p> <p>Both Temple & Webster and ZIZO carry minimal inventory risk, as orders are placed with suppliers after the customer order.</p> <p>For more information see Sections 3.3 and 3.6</p>
<p>What is the Milan Direct Acquisition?</p>	<p>On 9 October 2015, Temple & Webster Group entered into a binding share sale and purchase agreement with each of the shareholders of Milan Direct.</p> <p>Milan Direct is one of Australia's largest online-only retailers of furniture and has operations in Australia and the UK. Milan Direct began trading in 2006, and has almost 10 years of experience in sourcing furniture from China sold under the Milan Direct brand.</p> <p>The Directors believe that Milan Direct represents a highly attractive and complementary opportunity, which will provide further scale and depth to the Group's existing business.</p> <p>The Acquisition is conditional on Completion of the Offer occurring, and is expected to complete immediately thereafter. The material terms of the Acquisition are summarised in Section 9.5.4.</p> <p>For more information see Sections 3.1 and 9.5.4</p>
<p>What is the Offer?</p>	<p>The Offer comprises an offer by Temple & Webster Group to issue 55.9 million Shares.</p> <p>For more information see Section 7.1</p>

1. Experian Hitwise (Shopping & Classifieds – House and Garden – Visits share of Top 150 for the period July 2014 to June 2015).

Topic	Summary
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • raise proceeds to allow for completion of the Acquisition; • provide working capital; • provide financial flexibility to the Group to enable growth opportunities both organically and through selective acquisitions via access to capital markets; • attract and retain high quality management by building on the Group's profile via a listing; • align the leadership team with Shareholders through equity based remuneration schemes that are measurable; • allow early stage investors to realise part of their investment; and • provide a liquid market for the Shares. <p>For more information see Section 7.1.2</p>

1.2 KEY FEATURES OF TEMPLE & WEBSTER GROUP'S BUSINESS MODEL

Topic	Summary
How does Temple & Webster Group generate revenue?	<p>Temple & Webster Group generates revenue by the sale of third party produced furniture and homewares products through the Group's online platforms to residential and commercial customers.</p> <p>The Group has a broad and deep product range. Key product categories include indoor furniture, home textiles, window coverings, outdoor living, lighting and homewares.</p> <p>For more information see Section 3.3</p>
Which industry does Temple & Webster Group operate in and what is its size?	<p>Temple & Webster Group operates in the Australian online market for furniture and homewares. The furniture and homewares segment is broad and consists of a range of sub-categories including indoor furniture, home textiles, window coverings, outdoor living, lighting and homewares. Within these sub-categories is a wide range of products.</p> <p>Market research firm, Euromonitor, estimates that CY14 sales in the Australian furniture and homewares segment were approximately \$12.1 billion². The Online Penetration rate³ in the Australian furniture and homewares segment was estimated at 3.8% in the same period (\$458 million)⁴. This is estimated to have grown from 1.5% in CY09 but remains below the total estimated Australian Online Penetration rate of 6.0% across all retail segments of the market in CY14⁵.</p> <p>For more information see Section 2</p>

2. Euromonitor International Limited, Home and Garden system 2015 edition. Retail sales value (inc. sales tax), local currency, current terms.

3. Online Penetration measures the value of retail ecommerce sales as a proportion of total retail sales.

4. Euromonitor International Limited; Home and Garden system 2015 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US, current terms.

5. Euromonitor International Limited, Retailing system 2015 edition. Percentage of internet sales in retail sales value (inc sales tax), current terms.

Topic	Summary
<p>Who are Temple & Webster Group's competitors?</p>	<p>Temple & Webster Group competes against a large number of other Australian furniture and homewares retailers. It considers its key direct competitors to be specialist furniture and homewares retailers with transactional websites that offer nationwide delivery. However, a large number of retailers participate in the furniture and homewares segment and the Group's broader competitors include those in the following categories:</p> <ul style="list-style-type: none"> • online-only retailers, which sell solely through online transactional websites and include such operators as Zanui, TheHome and Kitchenware Direct; • multi-channel retailers which sell from bricks and mortar stores as well as online platforms and include such operators as Harvey Norman, IKEA, Fantastic Furniture, Super Amart, Spotlight, Freedom, Adairs, Domayne and Bed, Bath n Table; and • other operators such as multi-category retailers like department stores and large hardware chains and offshore based online retailers. <p>For more information see Section 2.3</p>
<p>How does Temple & Webster Group differentiate itself from its competitors?</p>	<p>Temple & Webster Group can target more customer segments by operating multiple online platforms than those retailers operating single platforms.</p> <p>Temple & Webster Group can have a broader and deeper product offering than bricks and mortar retailers that may be constrained in their product offering by physical space.</p> <p>Temple & Webster Group's singular focus on furniture and homewares differentiates it from multi-category retailers.</p> <p>For more information see Section 3.3</p>
<p>Who are the Group's suppliers?</p>	<p>The Group currently sources products from a diverse set of supplier relationships with over 1,000 furniture and homewares brand owners and distributors. Following the Acquisition, the Group's supplier numbers will grow to in excess of 1,200.</p> <p>For more information see Section 3.4.4</p>
<p>What is Temple & Webster Group's growth strategy?</p>	<p>Temple & Webster Group has a range of strategic initiatives to support its future growth that include:</p> <ul style="list-style-type: none"> • taking advantage of its market position in the Australian online market for furniture and homewares to continue to grow organically; • selectively integrating the operations of its online platforms to drive operating synergies; • opening bricks and mortar retail showrooms that leverage its supply chain relationships; • leveraging Milan Direct's UK operations and know-how to consider offshore expansion; and • potentially undertaking select acquisitions. <p>For more information see Section 3.7</p>
<p>How does Temple & Webster Group expect to fund its operations?</p>	<p>Temple & Webster Group expects to fund its operations from the revenues generated from the Group's business activities as well as the cash on the balance sheet following Completion of the Offer and completion of the Acquisition.</p> <p>For more information see Section 4.7</p>

Topic	Summary					
What is Temple & Webster Group's historical and forecast financial performance?		Pro Forma Historical Results¹			Pro Forma Forecast Results	Statutory Forecast Results²
	A\$ millions	FY13	FY14	FY15	FY16	FY16
	Revenue	29.9	46.1	59.9	76.2	64.6
	EBITDA	(6.9)	(7.0)	(9.4)	(8.5)	(13.5)
	EBIT	(7.1)	(7.4)	(11.0)	(9.5)	(14.3)
	NPAT	(7.0)	(7.7)	(11.4)	(9.5)	(18.5)
	<p>1. The Pro Forma Historical Results are presented as described in Section 4.2.2 and a reconciliation between the pro forma consolidated revenue, EBITDA and NPAT and the statutory information for Temple & Webster Pty Ltd is provided in Section 4.4.4.</p> <p>2. The Statutory Forecast Results reflects the results expected to be reported for the Temple & Webster Group for the financial year ending 30 June 2016, and as such consolidates the acquisition of ZIZO from 31 July 2015 and Milan Direct from the date of Completion of the Offer.</p>					
			Statutory Financial Results¹			Statutory Forecast Results²
	A\$ millions	FY13	FY14	FY15	FY16	FY16
	Revenue	9.3	18.4	26.1	64.6	
NPAT	(3.9)	(4.5)	(6.5)	(18.5)		
<p>1. As described in Section 4.2.2, the above financial information is sourced from the audited financial statements of Temple & Webster Pty Ltd for the respective periods.</p> <p>2. The Statutory Forecast Results reflects the results expected to be reported for the Temple & Webster Group for the financial year ending 30 June 2016, and as such consolidates the acquisition of ZIZO from 31 July 2015 and Milan Direct from the date of Completion of the Offer.</p>						
For more information see Section 4						

1.3 KEY STRENGTHS AND INVESTMENT HIGHLIGHTS

Strengths/Highlight	Summary
<p>Attractive and growing Australian online market for furniture and homewares</p>	<p>The Australian furniture and homewares segment is large, being valued at an estimated \$12.1 billion in CY14. Online Penetration in the segment has grown from an estimated 1.5% of total sales in CY09 to 3.8% in CY14. Online Penetration of the segment remains low compared to certain other developed markets offshore, with Online Penetration in the US furniture and homewares segment estimated at 9.5% in CY14 and Online Penetration in the UK market estimated at 12.8% in CY14⁶.</p> <p>Furniture and homewares products are considered by Temple & Webster Group to be an attractive category for online retail as:</p> <ul style="list-style-type: none"> • the large number of categories in the segment and consumers’ desire for uniqueness means that retailers require a large product range which online retailers can provide in one location; • there is reduced inventory risk due to lower risk of products going out of fashion and reduced requirements for end of season discounting; • customers may have longer shipping expectations which allows for smarter inventory models; • many products are unique and consumers are often unaware of brands, meaning they are less likely to compare prices across websites; • the lower importance of brand provides a high private label opportunity; • there are lower product return rates compared to fashion segments as there are reduced issues such as sizing; • there is a highly fragmented supply side with suppliers typically having weak online presence and online capabilities; and • there are relatively high shipping costs which are a natural barrier to overseas based competitors. <p>For more information see Section 2</p>
<p>Leading position in the market</p>	<p>Including Milan Direct, it is estimated that the Group’s online platforms had more website visits than any other Australian online-only specialist furniture and homewares site in FY15 and, in total, would have ranked fifth in the ‘Home and Garden Retail’ category behind Bunnings, Harvey Norman, IKEA and Masters Home Improvement⁷.</p> <p>The Group’s leading market presence provides a strong growth platform and makes it an attractive partner for suppliers.</p> <p>For more information see Section 3.5</p>
<p>Multiple customer engagement and business models allows the Group to address a greater proportion of the market</p>	<p>Following the Acquisition the Group will operate three customer engagement models, allowing it to target multiple customers including those that vary based on:</p> <ul style="list-style-type: none"> • customer behaviours e.g. ‘impulse’ (being those that make unplanned decisions to buy a product which may be the result of marketing from a retailer) and ‘intent’ shoppers (being those that are actively seeking a product); • customer demographics; and • residential or commercial requirements. <p>This broad customer offering positions the Group to maximise the proportion of the market it can address.</p> <p>For more information see Section 3.3</p>

6. Euromonitor International Limited; Home and Garden system 2015 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms.

7. Experian Hitwise (Shopping & Classifieds – House and Garden – Visits share of Top 150 for the period July 2014 to June 2015).

Strengths/Highlight	Summary
Scalable business with ‘inventory-light’ business model	<p>The Group has a highly scalable business, with the ability to penetrate new online customer segments, new geographies and new product categories without substantial additional capital expenditure.</p> <p>The Group runs low inventory models, with both Temple & Webster and ZIZO only ordering products from suppliers after a customer has completed their transaction. Milan Direct carries inventory but uses its extensive data to make smart sourcing decisions and also runs a third party drop shipping⁸ network which carries no inventory risk.</p> <p>For more information see Section 3.3</p>
Unique set of core competencies	<p>The Group believes that it has a unique set of competencies as an online retailer that include:</p> <ul style="list-style-type: none"> • multiple sourcing capabilities including data driven buying and private label products; • strong merchandising capabilities including product selection, curation, styling, creative execution and editorial; • creating a customer centric experience; • brand and tactical marketing supported by analytics; • smart supply chains including no and low inventory models; and • scalable enterprise technology and digital expertise. <p>For more information see Section 3.4</p>
Wide breadth of product	<p>The Group has a broad product range consisting of approximately 145,000 products across multiple lines within furniture and homewares. Following the Acquisition, the Group’s product offering will be enhanced with Milan Direct’s direct sourcing supplier relationships. The Company believes that increased breadth and diversity of product will drive customer traffic and conversion.</p> <p>For more information see Section 3.4</p>
Strong track record of growth	<p>On a pro forma basis between FY13 and FY15, the Group (inclusive of Milan Direct) grew:</p> <ul style="list-style-type: none"> • Pro forma revenue from \$29.9 million to \$59.9 million (CAGR of 41.5%); and • Active Customers from 92,809 to 190,313 (CAGR of 43.2%). <p>The Group is forecasting FY16 pro forma revenue of \$76.2 million.</p> <p>For more information see Sections 3.5 and 4.4</p>
Entrepreneurial and experienced management team with a material vested interest and a high calibre Board	<p>The Group has been built up by Brian Shanahan (Group CEO), who held senior leadership positions at eBay Australia and Adam McWhinney (Group CXO and Executive GM, Temple & Webster), Conrad Yiu and Mark Coulter who all held senior positions at NewsCorp Australia’s digital division. The founding team has extensive experience in ecommerce, digital media, strategy and corporate development.</p> <p>The senior management team also includes Mike Henriques (GM ZIZO), with 15 years of ecommerce experience and, following the acquisition of Milan Direct, will include Dean Ramler who founded Milan Direct in 2006 and whose family has been involved in furniture manufacturing and retailing for over 60 years.</p> <p>Temple & Webster Group has also assembled a high calibre Board with a strong mix of complementary skills to execute and lead Temple & Webster Group as a listed company into the future.</p> <p>Temple & Webster Group will have a high level of Director and management ownership post the initial public offering, providing strong investor alignment.</p> <p>For more information see Sections 6.1 and 6.2</p>

8. Drop shipping involves goods being delivered direct from the supplier

1.4 KEY RISKS

Risks	Summary
<p>Performance and reliability of the Group's websites, databases and its operating systems</p>	<p>The Group's websites, databases and systems, including those to be acquired as part of the Acquisition, are critically important to the Group's success in attracting and retaining customers, and maximising sales conversion from those customers.</p> <p>Temple & Webster Group's financial and operational performance could be adversely affected by a system failure that causes prolonged 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 affected website and directly influence sales to customers.</p> <p>The Group's websites, databases and systems are all hosted on platforms provided by third party providers. The Group is subject to the disaster planning contingencies of those third party providers to deal with events that are beyond the control of those parties such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses and other similar events. A catastrophic 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. While Temple & Webster Group mitigates such risk through insurance, this may not be sufficient to avoid customer disenchantment or reputational damage which in turn may adversely affect Temple & Webster Group's financial performance.</p> <p>For more information see Section 5.2.1</p>
<p>Continued growth of retail ecommerce in general and growth in demand for furniture and homewares may be affected by general economic factors</p>	<p>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 or as currently forecast. Temple & Webster 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. As a result, Temple & Webster Group may not be able to meet its business objectives which would adversely affect Temple & Webster Group's financial and operational performance.</p> <p>For more information see Section 5.2.2</p>
<p>New and existing competitors could adversely affect prices and demand for furniture and homewares and decrease Temple & Webster Group's market share</p>	<p>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 and lower margins due to pricing pressure. The Group's market share in the furniture and homewares segment may decline if competitors increase their focus on growing online sales through investment in the retail ecommerce market.</p> <p>For more information see Section 5.2.3</p>
<p>Integration of current and future acquisitions may not be successful</p>	<p>Temple & Webster recently acquired ZIZO business and Temple & Webster Group will, subject to Completion of the Acquisition, acquire Milan Direct. Temple & Webster Group will consider future acquisitions where the Company believes that those acquisitions are complementary to the future growth strategy of the Group. There are a number of difficulties associated with acquisitions such as the integration of financial, operational and managerial resources.</p> <p>Temple & Webster Group is currently integrating its acquisition of ZIZO and will integrate Milan Direct after completion of the Acquisition. If these companies are not successfully integrated, this may have a material adverse effect on Temple & Webster Group's financial and operational performance.</p> <p>For more information see Section 5.2.4</p>

Risks	Summary
<p>The Group's brands and its product offerings rely on maintaining and enhancing existing brands and requires the avoidance of negative publicity and unfavourable customer complaints</p>	<p>The Group currently offers two distinct brands to its customers and this will increase to three distinct brands on completion of the Acquisition. Maintaining and enhancing these brands is critical to expanding the Group's customer base and suppliers. However, a significant portion of the brand experience depends on third parties outside of the Group's control, including suppliers and logistics providers. If these third parties do not meet the Group's customer's expectations, one or more brands may suffer irreparable damage. If Temple & Webster Group fails to promote and maintain the Group's brands, or if it incurs excessive expenses in this effort, the business, operating results and financial performance may be materially adversely affected.</p> <p>Customer complaints or negative publicity about any of the Group's websites, products, product delivery times, customer data handling and security practices or customer support, especially on blogs, social media websites and the Group's own websites, could rapidly and severely diminish consumer use of the Group's websites and supplier confidence in Temple & Webster Group and result in harm to any of the brands.</p> <p>For more information see Section 5.2.5</p>
<p>Temple & Webster Group's future growth may place significant demands on management and its infrastructure</p>	<p>Temple & Webster Group aims to continue its revenue growth with some form of consolidation of the Group's online platforms, consideration of future acquisitions, potential offshore expansion and a consideration of a traditional offline offering such as retail showrooms. The Company anticipates that this will result in an increased level of responsibility for key management, and require the integration of teams and recruitment of staff to support this expected growth. If Temple & Webster Group is unable to manage the demands placed on key management, it may have a material adverse effect on its financial and operational performance in the future.</p> <p>As Temple & Webster Group enters an expansionary phase of the Group's development, it will need to continue to upgrade and enhance the Group's infrastructure and online platforms to ensure the Group has sufficient capacity for the forecast growth in its customer base and its product offering. If Temple & Webster Group is unable to manage the forecast growth and demand, it may have a material adverse effect on its financial and operational performance in the future.</p> <p>For more information see Section 5.2.6</p>
<p>The Group relies on third party suppliers for its products</p>	<p>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 or inability of these suppliers to renew informal or contractual agreements may have a material adverse effect on Temple & Webster Group's financial and operational performance in the future.</p> <p>Third party suppliers may also have a "stock out" with insufficient quantities of products available in a timely manner, or encounter financial or material difficulties, labour shortages or unilaterally amend their terms of agreement with Temple & Webster Group's competitors. These factors may impact the Company and may have an indirect adverse effect on the customer or a customer order, which in turn may also have a material adverse effect on Temple & Webster Group's financial and operational performance.</p> <p>For more information see Section 5.2.7</p>
<p>The Group has a history of losses which are expected to continue in the near-term as the business expands</p>	<p>The Group and its platforms have a history of losses. The Group expects operating losses and negative cash flow to continue in the near-term as the Company increases investment in the Group's businesses. The Company may experience unexpected operating and other expenses without an offsetting increase in revenue. Unforeseen increases may be due to advertising costs, distribution expenses as a result of third-party delivery services, third party suppliers, exchange rate pressures from foreign manufacturers, deteriorating third party supplier relationships, taxation, other statutory charges, and the general rate of inflation.</p> <p>For more information see Section 5.2.8</p>

Risks	Summary
Other key risks	<p>The above risks are a summary of some of the key risks but they are not an exhaustive list of all of the key risks that may affect the Group's business or that may be associated with an investment in the Shares. A number of other key risks are included in Section 5 and investors are recommended to review all of those key risks carefully before making an investment decision. Other risks include the possibility that growth rates are not sustainable, changes in technology, seasonal trading patterns that may change, employee recruitment and retention risk and customer email fatigue.</p> <p>For more information see Section 5</p>

1.5 DIRECTORS AND KEY MANAGEMENT

Topic	Summary
Who are the Directors of Temple & Webster Group?	<p>Carol Schwartz AM – Independent, Non-Executive Director and Chairperson Brian Shanahan – Group Chief Executive Officer and Managing Director Matthew Campbell – Independent, Non-Executive Director Conrad Yiu – Non-Executive Director</p> <p>For more information see Section 6.1</p>
Who are the key management of the Group?	<p>Brian Shanahan – Group Chief Executive Officer and Managing Director Adam McWhinney – Group Customer Experience Officer and General Manager, Temple & Webster Deborah Kelly – Group Chief Financial Officer Dean Ramler – Executive General Manager, Milan Direct Michael Henriques – General Manager, ZIZO</p> <p>For more information see Section 6.2</p>

1.6 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

Topic	Summary																																							
Who are the Existing Shareholders and what will their interest in Temple & Webster Group be at Completion of the Offer?	<table border="1"> <thead> <tr> <th rowspan="2">Shareholder</th> <th colspan="2">Pre Completion interest¹</th> <th colspan="2">On Completion of the Offer and the Acquisition</th> </tr> <tr> <th>Shares (million)</th> <th>(%)</th> <th>Shares (million)</th> <th>(%)</th> </tr> </thead> <tbody> <tr> <td>Macquarie Capital Group</td> <td>21.7</td> <td>35.0%</td> <td>15.2</td> <td>14.4%</td> </tr> <tr> <td>Management Shareholders²</td> <td>7.8</td> <td>12.6%</td> <td>12.8</td> <td>12.1%</td> </tr> <tr> <td>ArdenPoint Ecommerce</td> <td>7.1</td> <td>11.5%</td> <td>4.3</td> <td>4.0%</td> </tr> <tr> <td>Other Existing Shareholders³</td> <td>25.3</td> <td>40.8%</td> <td>17.5</td> <td>16.6%</td> </tr> <tr> <td>New Shareholders</td> <td>0.0</td> <td>0.0%</td> <td>55.9</td> <td>52.9%</td> </tr> <tr> <td>Total</td> <td>62.0</td> <td>100.0%</td> <td>105.7</td> <td>100.0%</td> </tr> </tbody> </table> <p>1. Includes Shares to be issued before Listing on conversion of existing convertible notes and on the Group capital restructure. 2. Management Shareholders includes Dean Ramler who will be issued Shares on completion of the Acquisition. 3. Other Existing Shareholders includes Shares held by two funds managed by a related party of ArdenPoint Ecommerce of which Conrad Yiu is an executive principal. Mr Yiu is a co-trustee of, and is an investor in, those funds, along with a number of other investors.</p> <p>For more information see Section 7.1.3 and 7.1.5</p>	Shareholder	Pre Completion interest ¹		On Completion of the Offer and the Acquisition		Shares (million)	(%)	Shares (million)	(%)	Macquarie Capital Group	21.7	35.0%	15.2	14.4%	Management Shareholders ²	7.8	12.6%	12.8	12.1%	ArdenPoint Ecommerce	7.1	11.5%	4.3	4.0%	Other Existing Shareholders ³	25.3	40.8%	17.5	16.6%	New Shareholders	0.0	0.0%	55.9	52.9%	Total	62.0	100.0%	105.7	100.0%
Shareholder	Pre Completion interest ¹		On Completion of the Offer and the Acquisition																																					
	Shares (million)	(%)	Shares (million)	(%)																																				
Macquarie Capital Group	21.7	35.0%	15.2	14.4%																																				
Management Shareholders ²	7.8	12.6%	12.8	12.1%																																				
ArdenPoint Ecommerce	7.1	11.5%	4.3	4.0%																																				
Other Existing Shareholders ³	25.3	40.8%	17.5	16.6%																																				
New Shareholders	0.0	0.0%	55.9	52.9%																																				
Total	62.0	100.0%	105.7	100.0%																																				

Topic	Summary
<p>What significant benefits and interests are payable to Directors and other persons connected with Temple & Webster Group or the Offer and what significant interests do they hold?</p>	<p>On Completion of the Offer the number of Shares held by the Directors, or in which the Directors have an interest, is expected to be as follows:</p> <ul style="list-style-type: none"> • Carol Schwartz, AM – 1,643,235 Shares • Brian Shanahan – 3,205,323 Shares • Conrad Yiu – 5,130,285 Shares • Matthew Campbell – 223,478 Shares <p>Brian Shanahan has entered into an employment agreement with Temple & Webster as set out in Section 6.3.</p> <p>Conrad Yiu has an indirect interest in Shares through ArdenPoint Ecommerce Trust and related entities of which Mr Yiu is an executive principal. Mr Yiu is a co-trustee of three separate funds and is an investor in those funds, along with a number of other investors.</p> <p>As Existing Shareholders, Mr Shanahan and Mr Yiu will have the opportunity to realise part of their investment through the proceeds of the Offer.</p> <p>ArdenPoint Pty Ltd, of which Conrad Yiu is a director, has a consultancy services agreement with Temple & Webster.</p> <p>Other Directors are entitled to remuneration and fees on ordinary commercial terms.</p> <p>Advisers and other service providers are entitled to fees for services.</p> <p>For more information see Sections 6.3, 6.5 and 7.1.5</p>
<p>Will any shares be subject to restrictions on disposal following Completion of the Offer?</p>	<p>All of the Shares held on Completion of the Offer and the Acquisition by Macquarie Capital Group, Carol Schwartz, Brian Shanahan, Adam McWhinney, Dean Ramler, Matthew Campbell and ArdenPoint Ecommerce (or entities that they control or that are associated with them) will be subject to voluntary escrow arrangements, which will prevent them from disposing of their escrowed Shares for specified periods.</p> <p>For more information see Section 7.1.4</p>

1.7 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
<p>Who is the issuer of this Prospectus?</p>	<p>Temple & Webster Group Ltd (ACN 608 595 660) is the issuer of this Prospectus.</p>
<p>What is the Offer?</p>	<p>This Prospectus relates to an initial public offer of up to 55.9 million Shares in Temple & Webster Group. The Shares being offered will represent approximately 52.9% of the total Shares on issue following the Listing.</p> <p>For more information see Section 7.1</p>
<p>What is the proposed use of funds raised pursuant to the Offer?</p>	<p>The proposed use of funds is to:</p> <ul style="list-style-type: none"> • raise proceeds to allow for the completion of the Milan Direct acquisition • provide financial flexibility for the Company to pursue growth opportunities and improve access to capital markets; and • allow early stage investors to realise part of their investment. <p>The Offer is expected to raise approximately \$61.5 million.</p> <p>For more information see Section 7.1</p>

Topic	Summary
Will the Shares be quoted on the ASX?	<p>Temple & Webster Group has applied within seven days after the date of the Original Prospectus to ASX for admission to the official list of ASX and quotation of Shares on ASX under the code ASX:TPW.</p> <p>Completion of the Offer is conditional on ASX approving this application. If ASX approval is not given within three months after such an application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>For more information see Section 7.9</p>
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • the Broker Firm Offer; and • the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors. <p>There is also an Employee Gift Offer being made under this Prospectus.</p> <p>For more information see Section 7.1</p>
What is the Employee Gift Offer?	<p>The Employee Gift Offer is open to Eligible Employees who have received an offer from Temple & Webster Group to acquire, at no cost, the nearest number of whole Shares (rounded down based on the Offer Price) up to the value of \$1,000 each.</p> <p>For more information see Section 7.4</p>
Is the Offer underwritten?	<p>Yes. The Offer (except the Employee Gift Offer) is fully underwritten by the Lead Manager. The Underwriting Agreement remains subject to certain conditions and termination events. Further information on the terms of the Underwriting Agreement is in Section 9.5.1</p> <p>For more information see Section 9.5.1</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer is determined by the Lead Manager in consultation with the Company.</p> <p>In relation to the Broker Firm Offer, Brokers will decide how they allocate firm stock among their eligible retail clients.</p> <p>The allocation of Shares among bids in the Institutional Offer is determined by the Lead Manager in consultation with the Company.</p> <p>For more information see Sections 7.3.5 and 7.5.2</p>
Is there any brokerage, commission or stamp duty payable by Applicants?	<p>No brokerage, commission or stamp duty is payable by Applicants on an acquisition of Shares under the Offer.</p> <p>For more information see Section 7.2</p>
What are the tax implications of investing in the Shares?	<p>Given that the taxation consequences of an investment in the Shares will depend upon the investor's particular circumstances, it is the obligation of each investor to make their own enquiries concerning the taxation consequences of an investment in Temple & Webster Group.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p> <p>An overview of the tax treatment for Australian resident investors is included in Section 9.9.</p> <p>For more information see Section 9.9</p>
When will I receive confirmation that my Application has been successful?	<p>Confirmations of successful Applications in the form of holding statements are expected to be mailed by standard post on or around 7 December 2015.</p> <p>For more information see Section 7.2</p>

Topic	Summary
<p>What is Temple & Webster Group's dividend policy?</p>	<p>The Directors have no current intention to declare and pay a dividend. It is the Directors' current intention to reinvest future available cash flows in the future development of the Group's businesses.</p> <p>For more information see Section 4.10</p>
<p>How can I apply for Shares?</p>	<p>You may apply for Shares under the Offer by completing a valid Application Form attached to or accompanying this Prospectus or attached to the Prospectus available online for Applicants in Australia at www.templeandwebstergroup.com.au.</p> <p>Applicants under the Broker Firm Offer should complete a Broker Firm Offer Application Form and follow the instructions of their Broker.</p> <p>The Lead Manager has separately advised Institutional Investors of the application procedure under the Institutional Offer.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p> <p>For more information see Sections 7.3 and 7.4</p>
<p>Can the Offer be withdrawn?</p>	<p>Yes. The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.</p> <p>If the Offer does not proceed, Application Monies will be refunded.</p> <p>No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.</p> <p>For more information see Section 7.8</p>
<p>Where can I find more information about this Prospectus or the Offer?</p>	<p>Call the Temple & Webster Group Offer Information Line on 1300 666 437 (within Australia) and +61 1300 666 437 (outside Australia) from 8.30am until 5.00pm (Sydney, Australia time), Monday to Friday (excluding public holidays).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Temple & Webster Group is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>

SECTION 2
**INDUSTRY
OVERVIEW**



The Temple & Webster Group is an online retailer operating in the furniture and homewares segment. Its growth will therefore be influenced by:

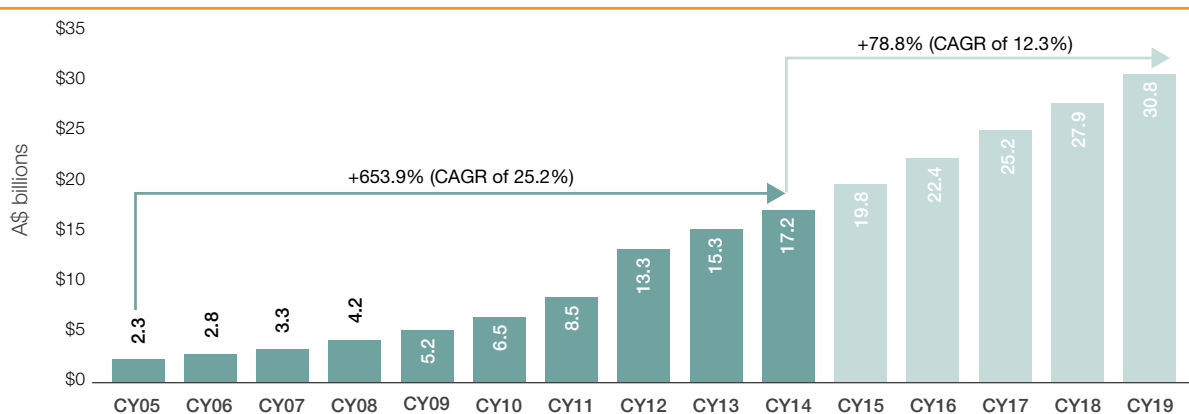
- growth in the general ecommerce market, as customers continue to increase the proportion of shopping they undertake online; and
- a continued shift in offline to online spending habits within the furniture and homewares segment.

2.1 AUSTRALIAN RETAIL ECOMMERCE MARKET (B2C)

Ecommerce includes the buying or selling of goods and services or the transmitting of funds or data over the internet. These transactions can be conducted as business to business (B2B), business to consumer (B2C), or consumer to consumer (C2C). Temple & Webster Group principally undertakes B2C retail ecommerce transactions. Companies that undertake such transactions are often referred to as online retailers.

Euromonitor estimates that the Australian retail ecommerce market totalled approximately \$17.2 billion in CY14 and forecasts that the market will increase by approximately 78.8% to \$30.8 billion in CY19, representing a CAGR of 12.3%.

CHART 1: AUSTRALIAN RETAIL ECOMMERCE SALES CY05 TO CY19F

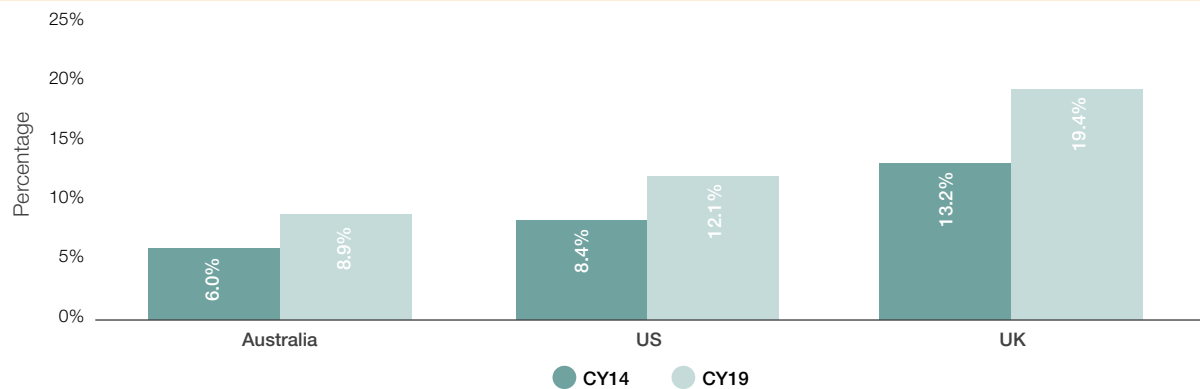


Source: Euromonitor International Limited: Retailing system 2015 edition. Compound annual growth rate calculated using sales in retail value (inc. sales tax), local currency, current terms.

Euromonitor research shows that the Online Penetration rate in the Australian retail market was 6.0% in CY14 and it is forecast to increase to 8.9% by CY19. Online Penetration measures the value of retail ecommerce sales as a proportion of total retail sales.

Online Penetration rates in Australia lag the United States (US) and the United Kingdom (UK). Euromonitor estimates that US retail ecommerce sales totalled US\$244.7 billion in CY14, representing an Online Penetration rate of 8.4%. They forecast that the Online Penetration rate in the US will increase to 12.1% in CY19. In respect of the UK, Euromonitor estimates that UK retail ecommerce sales totalled £52.3 billion in CY14, representing an Online Penetration rate of 13.2%. They forecast that the Online Penetration rate in the UK will increase to 19.4% in CY19.

CHART 2: RETAIL ONLINE PENETRATION RATES IN CY14 AND CY19F



Source: Euromonitor International Limited, Retailing system 2015 edition. Percentage of internet sales in retail sales value (inc sales tax), current terms.

2.1.1 Key drivers of ecommerce growth

The Company believes that key drivers of growth in the Australian retail ecommerce market include those set out below.

2.1.1.1 Increased broadband and the rise of mobile

The growth in ecommerce is, in part, driven by increased speed, connectivity and reliability of network providers (broadband and mobile). The improved speeds and quality of service allows a consumer to browse a broad range of products at a fast rate. These improvements assist with the shopping experience as well as attracting consumers to online retailers for convenience.

Mobile is becoming an increasingly important piece of the digital retail landscape, with the total share of Australian mcommerce (being ecommerce transactions undertaken on a mobile device) transactions by value as a proportion of ecommerce forecast by Euromonitor to increase from 35% in CY14 to 57% in CY19.

2.1.1.2 Consumer convenience and willingness to transact online

Consumers' willingness to shop online continues to increase, driven by convenience and potential cost savings. Ecommerce retailers often tailor their websites and mobile applications to increase the convenience of the shopping experience, for example by using smart searching technology, filters, title bars and drop-down lists to allow for efficient access to the complete breadth and depth of their product offering. Issues with deliveries are being addressed through solutions such as click and collect and more flexible returns options.

2.1.1.3 Maturity of the supporting infrastructure

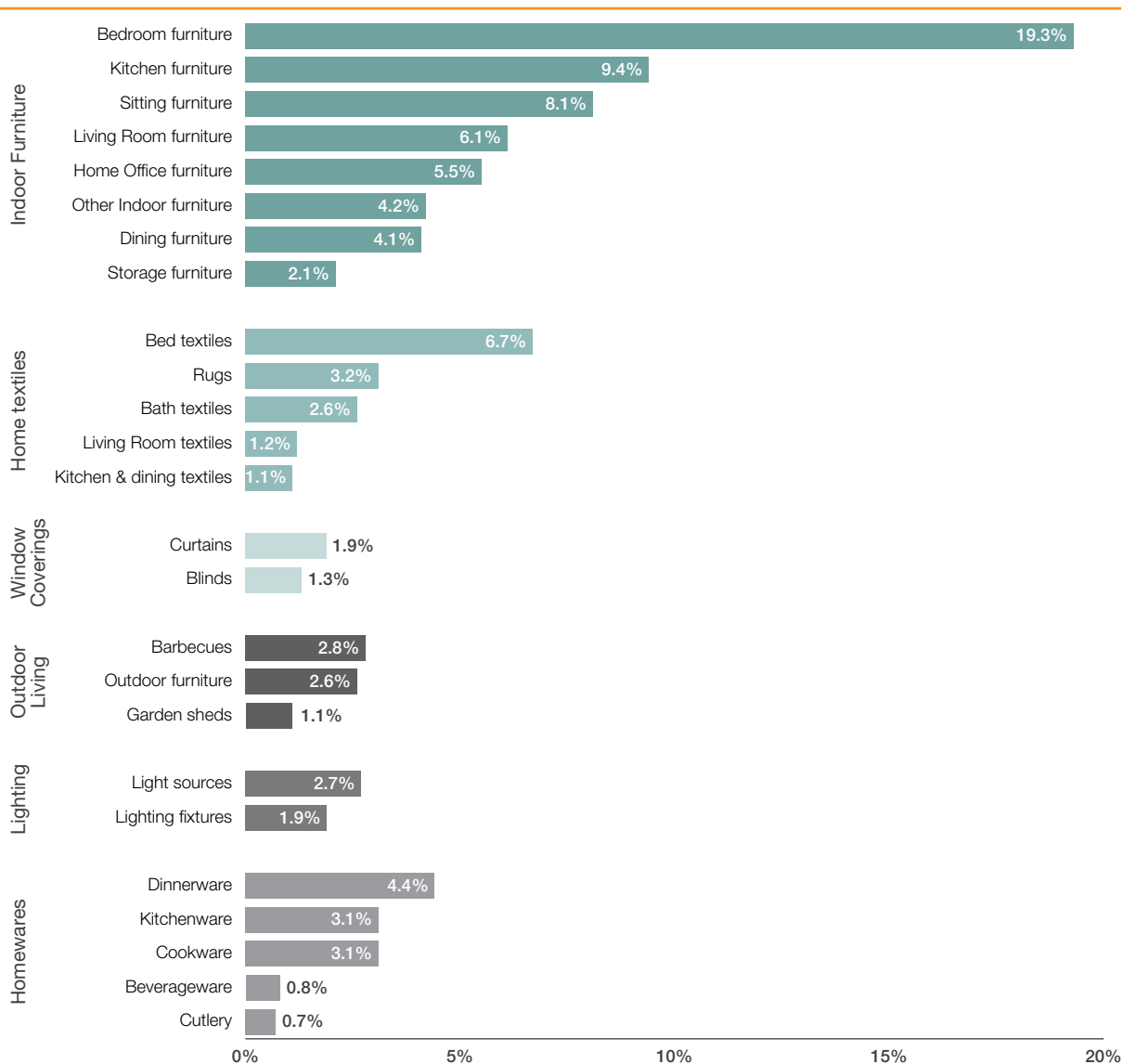
As the ecommerce market matures, the supporting infrastructure is becoming cheaper, more substantial, more reliable, faster and more secure. Supporting infrastructure includes logistics, payments, web platforms, server technology, warehousing and marketing platforms (for example, social networks and search engines).

2.2 THE AUSTRALIAN ONLINE MARKET FOR FURNITURE AND HOMEWARES

Euromonitor estimates that Australian home furnishings and homewares sales (both online and offline) were approximately \$12.1 billion in CY14. As a proportion of this, online sales were estimated at approximately \$458 million. The Group considers that the furniture and homewares segment is equivalent to Euromonitor’s definition of “home furnishings and homewares”, as set out in Section 11.

The furniture and homewares segment is broad and consists of a range of sub-categories including indoor furniture, home textiles, window coverings, outdoor living, lighting and homewares. Within these sub-categories is a wide range of products, as set out in Chart 3.

CHART 3: FURNITURE AND HOMEWARES SEGMENT BY SUB-CATEGORY (AS % OF TOTAL) IN CY14

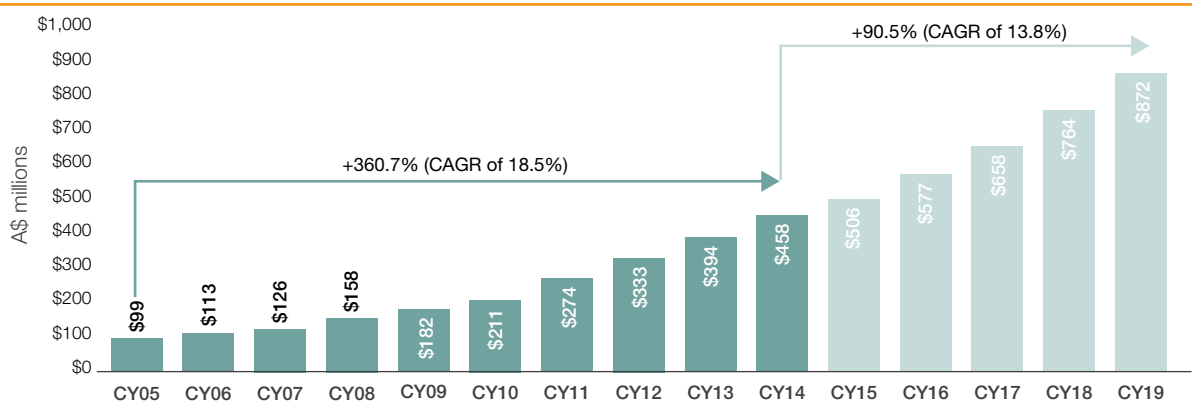


Source: Euromonitor International Limited; Home and Garden system 2015 edition. Percentage is calculated from the retail sale value for each category from the total home furnishings and homeware market in retail sales value (inc. sales tax), local currency, current terms.

Of the \$12.1 billion of sales in CY14, the major product lines within the furniture and homewares segment were estimated by Euromonitor to be indoor furniture (approximately \$7.1 billion), home textiles (approximately \$1.8 billion) and dinner and kitchenware (approximately \$1.5 billion).

Euromonitor estimates that Australian online sales in the furniture and homewares segment will grow at a CAGR of approximately 13.8% between CY14 and CY19.

CHART 4: AUSTRALIAN FURNITURE AND HOMEWARES ONLINE SALES

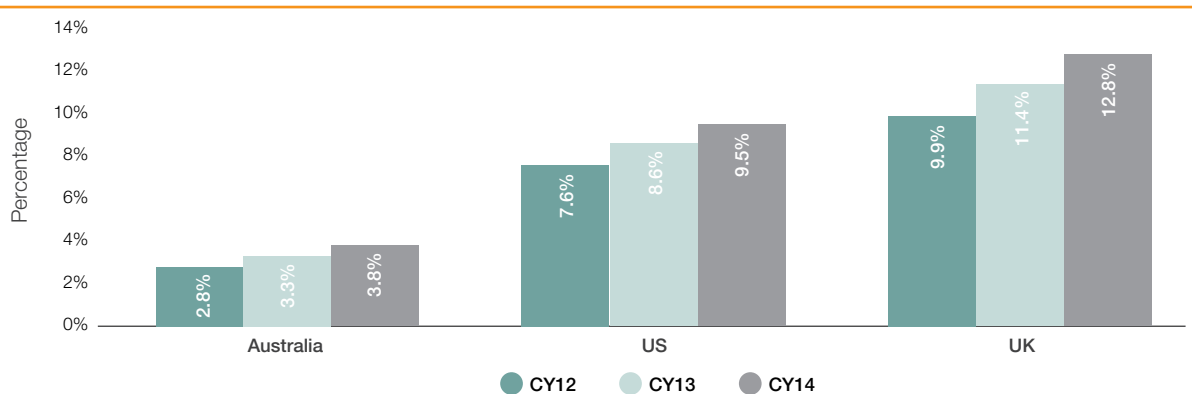


Source: Euromonitor International Limited; Retailing system 2015 edition. Sales in retail value (inc. sales tax), local currency, current terms.

The Online Penetration rate in the Australian furniture and homewares segment was estimated at 3.8% in CY14. In comparison, Euromonitor research shows that other segments such as apparel and footwear had an Online Penetration rate of 9.7% in CY14.

The Australian market is trailing the Online Penetration rates of other developed markets offshore including the US and the UK. The US Online Penetration rate in the furniture and homewares segment was estimated by Euromonitor at 9.5% in CY14, while for the UK it was approximately 12.8%.

CHART 5: FURNITURE AND HOMEWARES ONLINE PENETRATION RATES BY COUNTRY FROM CY12 TO CY14



Source: Limited; Home and Garden system 2015 edition. Internet sales as a percentage of the total retail sales value (inc. sales tax) for home furnishings and homewares in Australia, UK and US. Current terms.

2.2.1 Key features of the online furniture and homewares segment

The Company considers the furniture and homewares segment to be unique in many ways, including the following ways:

2.2.1.1 'Emotional' purchase decision

Shopping for furniture and homewares is considered a more 'emotional' purchase decision than many other goods. Many homeowners express their tastes and identities through their interiors. Often, consumers won't know what they are looking for until they see it.

2.2.1.2 Product range

The large number of categories in the furniture and homewares segment and a consumer's desire for uniqueness means that retailers require a large product range which online retailers can provide in one location. In contrast, offline retailers are constrained by the size of their physical locations in providing sufficient breadth and depth of inventory.

2.2.1.3 Lower inventory risk

Furniture and homewares are less "seasonal" and are not as subject to fashion trends as other categories such as apparel and footwear. This results in lower wastage and less end of season discounting. Consumers may also have longer shipping expectations, which allow for smarter inventory models such as drop shipping orders directly from suppliers to eliminate inventory costs.

2.2.1.4 Lower level of price comparison

Consumers often may not readily know the names of product brands or suppliers. This lends itself to an online environment as there is less comparability between retailers than in segments such as consumer electronics or apparel and footwear.

2.2.1.5 Opportunity for private label

Given the lower importance of brand in the furniture and homewares segment, there is also an opportunity for private label goods that are sold under a house brand, usually sourced directly from the manufacturer. Private label provides retailers with the ability to fill product and price mix gaps, and improve margins by avoiding distributors or wholesalers.

2.2.1.6 Lower returns

Furniture and homewares tend to have less sizing issues and therefore lower returns rates than other segments such as apparel.

2.2.1.7 Fragmented supply side

There is a highly fragmented supply side for furniture and homewares with many small suppliers that do not have the scale or capabilities to have their own online presence.

2.2.1.8 Shipping as a barrier to entry

Many furniture and homeware products are bulky and have an irregular shape which makes shipping products into Australia more difficult and expensive. This creates a potential barrier to market entry, particularly for offshore operators.

2.3 THE COMPETITIVE LANDSCAPE

Temple & Webster Group competes against a large number of other Australian furniture and homewares retailers. It considers its key direct competitors to be specialist furniture and homewares retailers with transactional websites that offer nationwide delivery. However, a large number of retailers participate in the furniture and homewares segment and the Group's broader competitors include those in the following categories:

- online-only retailers, which sell solely through online transactional websites and include such operators as Zanui, TheHome and Kitchenware Direct;
- multi-channel retailers which sell from bricks and mortar stores as well as online platforms and include such operators as Harvey Norman, IKEA, Fantastic Furniture, Super Amart, Spotlight, Freedom, Adairs, Domayne and Bed, Bath n Table; and
- other operators such as multi-category retailers like department stores and large hardware chains and offshore based online retailers.

SECTION 3

COMPANY
OVERVIEW



3.1 INTRODUCTION TO TEMPLE & WEBSTER GROUP

Temple & Webster Group is one of Australia's leading online retailers of furniture and homewares. The Company's vision is to be Australia's most beautiful shopping experience for the home and the first place Australians turn to when shopping for their home.

The Group currently operates the Temple & Webster and ZIZO online platforms and, following the Acquisition, will operate the Milan Direct online platform, each of which targets the furniture and homewares buyer. The information presented in this Section 3 assumes that the Acquisition has completed and that Milan Direct is a member of the Group. Investors should note that the Acquisition remains subject to completion of the Offer.

Temple & Webster Group will operate:

- Temple & Webster, Australia's leading members-only shopping club for the home by FY15 website visits¹ and with over 1.2 million members. Temple & Webster provides a curated offering of over 10,000 different products a month from over 400 suppliers;
- ZIZO, 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 the supplier reducing fulfillment costs and allowing a larger product range; and
- Milan Direct, one of Australia's largest online retailers of furniture which has operations in Australia and the UK. Milan Direct began trading in 2006, and has almost 10 years of experience in sourcing private label products under the Milan Direct brand.

Temple & Webster has been consistently recognised as one of Australia's leading online retailers, including receiving Best Start Up 2015 from Startup Smart Awards, being a Deloitte Fast50 Rising Star in 2013, being the highest ranked retailer and number 2 overall in Deloitte Technology Fast50 2014, being rated the number 1 homewares online retailer by Power Retail in 2015, being a finalist for Best Pure-play Online Retailer in the 2014 Online Retail Industry Awards and being the winner of the 'Growth Company to Watch' award in the Australian Growth Company Awards 2014, as well as being the number 1 retailer and in the top 10 overall in the BRW Fast Starters 2015.

The Group has grown rapidly through organic growth and the acquisition of ZIZO. The Group had over 140,000 Active Customers in FY15. Including Milan Direct, the Group had over 190,000 Active Customers in FY15 on a pro forma basis and, combined, its three websites received more visits than any other Australian online-only furniture retailer in FY15².

The Company has a range of future growth opportunities that it plans to execute following the Offer that include continuing its rapid organic growth through marketing, product and technology investments, leveraging operational synergies, launching retail showrooms, offshore expansion and, potentially, further acquisitions.

1. Experian Hitwise (Shopping & Classifieds – House and Garden – Visits share of Top 150 for the period July 2014 to June 2015).

2. Experian Hitwise (Shopping & Classifieds – House and Garden – Visits share of Top 150 for the period July 2014 to June 2015).

3.2 HISTORY

Temple & Webster was founded in 2011 by Group CEO Brian Shanahan, Group Customer Experience Officer and Executive GM, Temple & Webster Adam McWhinney, Conrad Yiu and Mark Coulter, former colleagues and senior executives at eBay Australia and NewsCorp Australia's digital division.

The Group was named after William Temple (a carpenter) and John Webster (a carver and gilder), two local artisans commissioned by Governor Lachlan Macquarie to make two large ornamental chairs in 1820. Perhaps without realising it at the time, Temple & Webster were among Australia's first fine furniture designers. They were craftsmen who collaborated to create something unique and enduring (the chairs have survived to this day) and are the earliest known examples of the "Colonial Gothic" style.

Temple & Webster's Australian heritage, their teamwork, attention to detail and desire to build something to last were attributes that inspired the co-founders, and is the motivation behind the Temple & Webster brand.

The Temple & Webster online platform launched in October 2011 and has established itself as one of the largest members-only shopping sites in Australia focused exclusively on furniture and homewares.

In June 2012, Macquarie Capital became a substantial investor and shareholder of Temple & Webster to accelerate growth.

In July 2015, Temple & Webster Group acquired the Australian operations and subsidiary of Wayfair Inc. (NYSE: W), one of the world's leading online-only furniture and homewares retailers. The Australian operation was re-launched under the ZIZO brand in September 2015. In October 2015, Temple & Webster Group entered into an agreement to acquire Milan Direct subject to Completion of the Offer.

A summary of key events in the Group's history is set out in Exhibit 1.

EXHIBIT 1: KEY EVENTS FOR THE GROUP

October 2011:	Temple & Webster's online platform is launched as a members-only shopping site focused exclusively on furniture and homewares by Brian Shanahan, Adam McWhinney, Conrad Yiu and Mark Coulter
June 2012:	Macquarie Capital became a substantial investor
September 2012:	Key Milestone of 100,000 members
March 2013:	Key Milestone of 250,000 members
October 2013:	Key Milestone of 500,000 members
November 2013:	Awarded a Rising Star Award in the Deloitte's Fast 50
November 2013:	Completed Temple & Webster's first TV integration with The Living Room
January 2015:	Key Milestone of 1,000,000 members
July 2015:	Acquired the Australian subsidiary of Wayfair Inc.
September 2015:	Launched ZIZO
October 2015:	Entered into agreements to acquire Milan Direct conditional on Completion of the Offer

3.3 THE BUSINESS

The Group will operate:











- **Temple & Webster (www.templeandwebster.com.au)**, a members-only model that aims to create a premium shopping experience by providing a large and continually refreshed range of furniture and homewares products to its customer base of approximately 1.2 million members as at 30 August 2015. The platform offers limited time sale events which transform the online shopping experience for members into a ‘discovery based’ experience similar to ‘window shopping’ in the offline channel. This differs to focusing on satisfying a specific need through a direct product search or an ‘intent’ shopping business model. Members can join at no cost and have access to 6–9 sales events that are run each week day. Orders are not placed with suppliers until the end of a sales event. Therefore, while Temple & Webster is responsible for order fulfilment, it does not carry inventory.
- **ZIZO (www.zizo.com.au)**, a direct ‘pull’ model for the intent shopper with the breadth and scope of over 100,000 products consistently available. A ‘pull’ model involves customers seeking out the website versus communication being initiated by the retailer. It is a marketplace model, whereby suppliers use the market operated by ZIZO to sell their products. ZIZO does not handle products, and orders are directly serviced by suppliers, a system known as ‘drop-shipping’. Pricing is controlled by ZIZO giving it greater margin flexibility than traditional marketplaces like eBay. ZIZO was previously operated by Wayfair Inc., a US publicly listed company that is one of the world’s largest online furniture and homewares retailers with a multi-billion dollar market capitalisation.
- **Milan Direct (www.milandirect.com.au)**, a category specialist in furniture that also addresses the ‘intent’ shopper searching for product. The platform is amongst the longest established in the Australian marketplace, having been launched in 2006 by Dean Ramler whose family started manufacturing and retailing furniture in Australia in the 1950s. Milan Direct has an offering in home, office and outdoor furniture, as well as lighting, appliance and homewares. The business combines traditional sourcing from manufacturers, predominantly out of China, and a 3rd party drop-shipped market place similar to ZIZO. The long history of the Milan Direct online platform means that it receives strong organic search results for traffic to its platform, critical for operators of a ‘pull’ model to drive traffic to their website.

By operating different business models and a house of brands, the Group’s strategy is to address a broad range of target customers:

- **Customer behaviours:** Temple & Webster targets the ‘impulse’ buyer looking for a discovery experience. In contrast, ZIZO and Milan Direct, with their extensive permanent catalogues and search and filtering functionality, each target the ‘intent’ buyer seeking a planned purchase.
- **Customer demographics:** The Group is able to target different customer demographics by tailoring marketing messages and product selections. For example, Temple & Webster targets the top 50% of households by household income with a more premium look and feel, while ZIZO and Milan Direct target the mainstream consumer.
- **Customer types:** The different business models allow the Group to target both residential and office/commercial customers. For example, both ZIZO and Milan Direct offer commercial products and services, where businesses can receive advice and discounts for bulk orders.

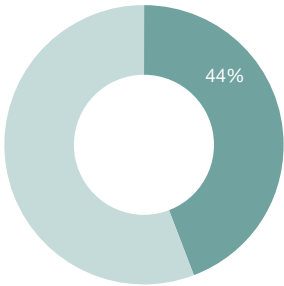
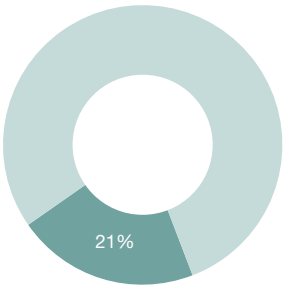
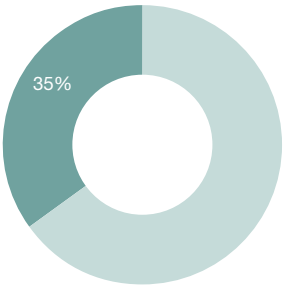
A summary of the Group’s platforms and their target customers can be found in Exhibit 2.

EXHIBIT 2: CUSTOMERS ADDRESSED BY GROUP BUSINESSES

	Target behaviour		Target demographic				Target customer type	
	Impulse buyer	Intent shopper – planned purchase	Female	Male	High Household Income	Main-stream	Residential	Office/commercial
								
TEMPLE & WEBSTER	✓		✓		✓		✓	
		✓	✓			✓	✓	✓
		✓	✓	✓		✓	✓	✓

A summary of the Group's online platforms and business models is provided in Exhibit 3.

CHART 3: SUMMARY OF TEMPLE & WEBSTER'S ONLINE PLATFORMS AND BUSINESS MODELS

	Temple & Webster	ZIZO	Milan Direct
Proportion of Group FY15 pro forma revenue ³			
	Curated event shopping	Curated marketplace	Full inventory
Category focus	Category specialist / Consumer	Typically multi-category / Consumer	Multi-category / Category specialist / Commercial and consumer
Target customer	Female / High household income	Mainstream	Mainstream
Number of Active Customers ⁴ (FY15)	~90,000	~54,000	~49,000
Primary business model	Member-only (time based sales) 3rd party logistics	Open platform (permanent SKUs) Drop shipping	Open platform (permanent SKUs) Sourced inventory
Curation focus	Yes	No	No
Physical inventory	Low, capital light	None, capital light	Yes
Competitive advantage	Beautiful curation and editorial	Breadth and depth of products	Private label and product sourcing
Typical pricing model	Fixed price	Fixed price	Fixed price
Sales cycle and merchandise	Short cycle (up to 7 days) of curated goods which are on trend or less impacted by seasonality	Often longer cycle of seasonal goods	Often longer cycle of seasonal goods
Approximate product mix (FY15)	81% homewares / 19% furniture	52% homewares / 48% furniture	19% homewares / 81% furniture
Time to dispatch	2 to 4 weeks	2 to 3 days	3 to 12 days
Consumer intent	Browse and discover window shopping, "push" model ⁵	Direct product search / "pull" model ⁵	Direct product search / "pull" model ⁵
Target customer	Impulse shopper	Intent shopper	Intent shopper
Engagement	Habitual, often daily	Periodic	Periodic

3. Including Milan Direct.

4. An Active Customer is one who has made a purchase within the last 12 months. Rounded to nearest '000.

5. A "push" model involves the retailer presenting products to the customer, whereas a "pull" model involves the customer seeking out products and being "pulled" to the retailer.

	Temple & Webster	ZIZO	Milan Direct
Average order value ⁶ (FY15) Group average was approximately \$226	~ \$178	~ \$225	~ \$384
Revenue per Active Customer ⁷ (FY15) Group average was approximately \$315	~ \$289	~ \$239	~ \$430
Geographies serviced	Australia	Australia	Australia and United Kingdom

The Group currently has approximately 100 employees based in Sydney, Australia. Following the completion of the Acquisition, the Group's employees will increase to approximately 130 with approximately 30 of these in Melbourne, Australia. Each business runs similar functions of product sourcing, creative/editorial, supplier management, logistics, marketing, technology and customer service. The similar structure of each business allows the Group to share insights and promote efficiencies across the various functions.

3.4 KEY OPERATING AREAS

In order to execute its vision to be the first place Australians turn to when shopping for their home, the Group is seeking to be 'best-in-class' in the following areas:

- Product sourcing;
- Merchandising and customer experience;
- Marketing and analytics;
- Supply chain and fulfilment; and
- Technology.

3.4.1 Product sourcing

The Group has a diverse set of relationships with over 1,200 furniture and homewares suppliers and has a broad and deep product range that caters for a wide range of customers. Key product categories include bed, dining, décor, furniture, lighting, outdoor, flooring, soft furnishings, consumables, tabletop, bath and wall art.

The Group's supplier base is highly diverse, with the largest supplier accounting for approximately 7% of FY15 pro forma product revenue (being revenue excluding shipping revenue) in FY15 and the top 10 accounting for approximately 25% of pro forma product revenue. Many of the suppliers are small, family-run operations without well-known product brands and without easy retail access to a large customer base.

Through its online platforms, the Group offers suppliers a cost-effective channel to a large customer base, with the ability to leverage the Group's technology, data insights and a real-time view of product demand and logistics capabilities to help on-sell products to customers. These capabilities, together with the scale of the Group versus other online retailers, means the Group is an attractive partner for its suppliers to help them access the growth of ecommerce.

The Group is also a supporter of innovation and local design and showcases existing and emerging designers, including running emerging designer awards focused on up and coming talent within the Australian industrial design industry.

6. Average order value excludes GST and is before refunds and deferrals. As at 28 September 2015.

7. Revenue per Active Customer excludes GST, refunds and deferrals. As at 28 September 2015.

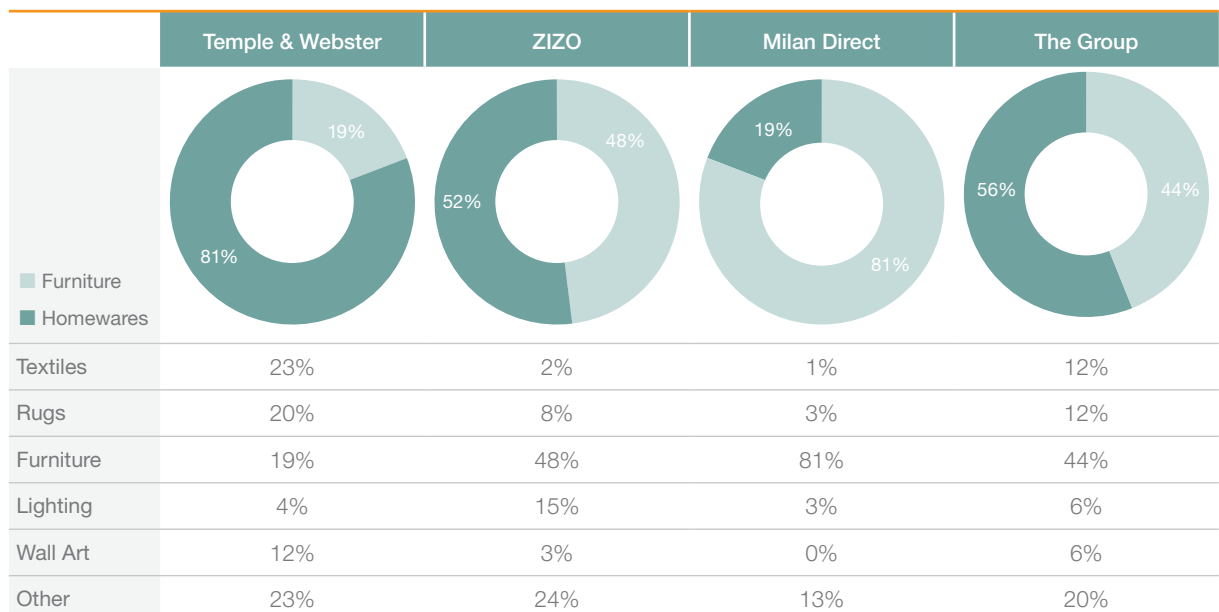
EXHIBIT 4: EMERGING DESIGN AWARDS



The sourcing capabilities of the different online platforms within the Group can be summarised as follows:

- **Temple & Webster** sources quality products from over 400 brand owners, major wholesalers and retailers. These are presented to its members with curated collections of new products across a range of categories and price points with a focus on selecting products that are trending in Australia and internationally. On average, Temple & Webster offers approximately 11,000 new products each month through approximately 190 sales event campaigns. Given Temple & Webster's targeted customer is the impulse buyer, its product mix is primarily homewares products.
- **ZIZO** sources products from over 700 brand owners, major wholesalers and retailers. At any given time ZIZO has over 100,000 products across multiple categories and sub-categories from the home and associated lifestyle categories.
- **Milan Direct** sources products directly from approximately 170 manufacturers, predominantly in China, along with running a 3rd party supplier market place with over 200 brand owners, major wholesalers and retailers. Milan Direct has over 12,000 products in its catalogue across home and office and associated lifestyle categories. The majority of Milan Direct's sales come from private label products sourced directly from China and sold under the Milan Direct brand. The business has almost 10 years of experience in dealing with Chinese manufacturers and has a network of quality assured suppliers.

CHART 6: FY15 SALES REVENUE BY PRODUCT CATEGORY



3.4.2 Merchandising and customer experience

Buying furniture and homewares can often be an emotion-driven decision and is an expression of a customer's tastes and identity. To help customers make that emotional journey without touching and feeling a product, Temple & Webster merges high production quality content with retail, transforming online shopping into a magazine-like experience. The Group aims to use its own styling, creative, editorial and photography team to produce a visually differentiated and engaging shopping experience.

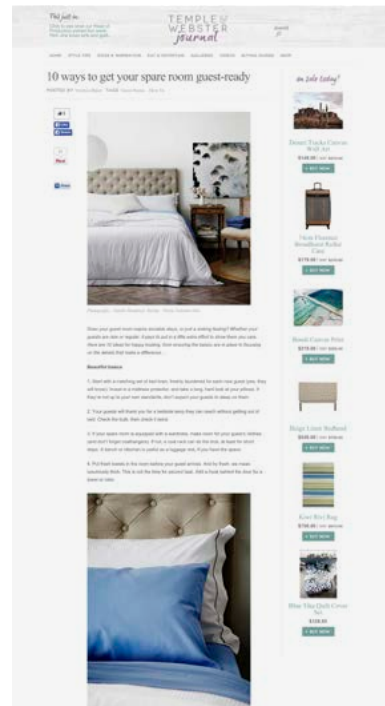
Temple & Webster maintains a pipeline of forward sales events that balance categories, price points and seasons. Temple & Webster's buying, styling, creative and editorial teams work together to curate products into themed sale events to inspire, educate and engage members. Specially curated Temple & Webster sale events have included "Australian Art Series", "Objects of Desire", "The Styling Series", "The Travel Series", "Collections" and "We Love", each with their own unique product, visual and editorial execution.

Editorial content is integrated across blogs, the transactional websites and social media channels. Content includes styling and decorating tips, tricks, how-to's, buying guides, recipes and profiles of interesting people. Editorial is used to build relationships with suppliers, introduce new suppliers to the Group and help customers across their purchasing journeys. The quality of Temple & Webster's blog was recognised by Smart Company, which named it as the 'Best Blog' in 2013 and 2014.

ZIZO and Milan Direct complement the size of their catalogues with merchandising techniques that allow users to find the right products quickly. Algorithms and merchandisers rank categories by top sellers, by margin, by trend and by purchase behaviour to optimise conversion.

Temple & Webster provides a branded unboxing experience and engaging in-box collateral styling hints and tips. All three online platforms maintain a dedicated customer care team with a focus on customer service.

EXHIBIT 5: EXAMPLES OF MERCHANDISING AND CUSTOMER EXPERIENCE



3.4.3 Marketing and analytics

The Group's marketing strategy is focused on winning the attention of its target audience through both online and offline channels. Pro forma FY15 Group marketing spend including Milan Direct was approximately 81% online and 19% offline.

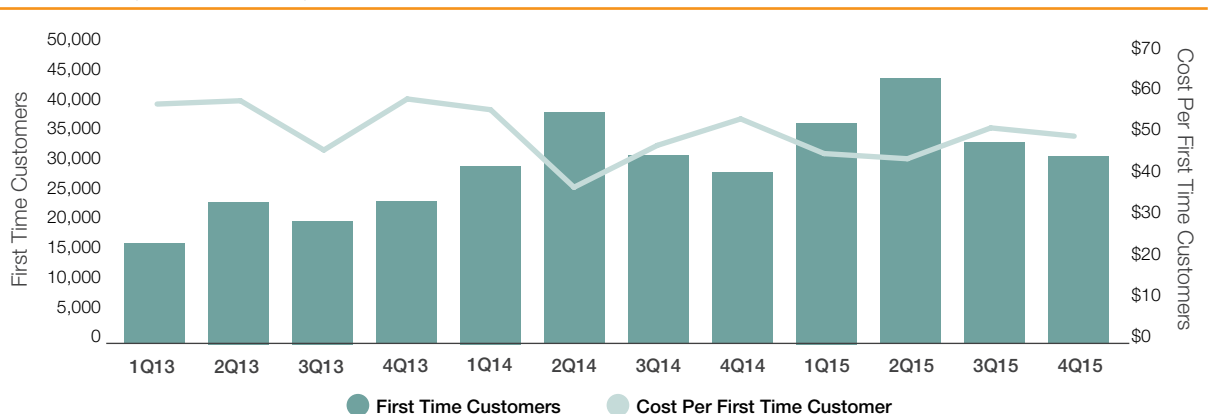
EXHIBIT 6: MARKETING AND ANALYTICS

	Marketing Channel	Description
Online	Email	Temple & Webster members receive daily emails if they have subscribed. Customers of ZIZO and Milan Direct receive selective emails alerting them to sales and other events.
	Search engine marketing	Search engine marketing involves the Group paying search engines such as Google and Bing to increase the visibility of its online platforms on search engine results pages.
	Search engine optimisation	Search engine optimisation involves the Group undertaking activities to improve the visibility of its online platforms on search engine results pages that do not involve payments to the search engines.
	Display	The Group uses display advertising, typically to re-target previous visitors and members.
	Social marketing	The Group uses social media channels such as Facebook, Pinterest, Twitter and Instagram for direct response and brand awareness campaigns.
Offline	Print	Temple & Webster appear regularly in the major category specialist magazines such as <i>Home Beautiful</i> , <i>Inside Out</i> , <i>Real Living</i> , <i>Country Style</i> and <i>Vogue Living</i> . Temple & Webster has also achieved a significant response through nationally inserted magazines such as <i>Sunday Style</i> , <i>Sunday Life</i> , <i>West Weekend</i> and <i>QWeekend</i> .
	TV	Temple & Webster has undertaken broad marketing activities to increase brand awareness through integrated programmes such as <i>The Living Room</i> on Channel 10 and brand awareness advertising campaigns on both free-to-air and cable channels.
	Out-of-home	The Group has tested bus-back and targeted electronic billboard advertising in locations such as Sydney and Melbourne airports.
	Special events	Temple & Webster has participated in live events such as tv shows <i>Better Homes & Gardens Live</i> and <i>Grand Designs Live</i> . Temple & Webster has also initiated its own events including <i>Take a Seat</i> (a fundraising initiative for the charity Legacy) and <i>Emerging Designer Awards</i> (an annual awards event aimed at lifting the profile of emerging Australian furniture and homewares designers).

3.4.3.1 Customer numbers and costs of acquisition

Total marketing spend on each online platform has increased over time, but the average acquisition cost per customer across the Group's three online platforms has ranged between approximately \$40 and \$60 since the beginning of CY13.

CHART 7: FIRST TIME CUSTOMER NUMBERS VS CUSTOMER ACQUISITION COST OVER TIME (FY13 TO FY15)



3.4.3.2 Data and analytics

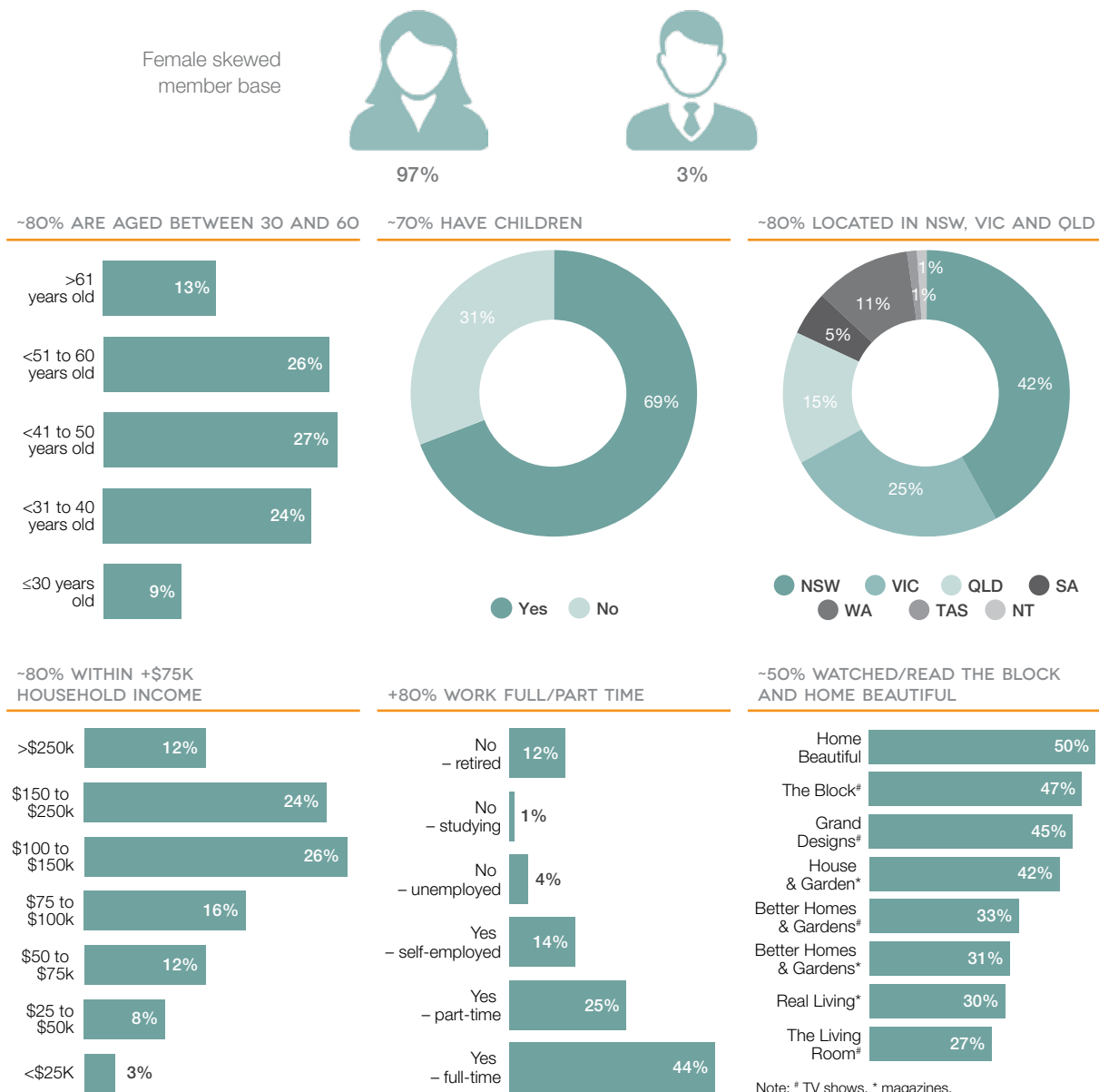
Data and analytics are used to inform decision-making across all functions to improve customer experience and conversion.

The Group has access to a large amount of data across its online platforms and back-end systems. Along with customer sales data, website usage and customer search intentions are monitored and reported on using various analytics tools. Customers on Temple & Webster are also able to set specific preferences and across the Group customers are regularly surveyed about their experience and levels of satisfaction.

For example, based on these survey results the Group estimates that more than 95% of Temple & Webster's members are female as they are generally considered to be the primary decision makers regarding household furniture and homewares expenditure. Similarly, the surveys suggest that the median age of the Temple & Webster customer is approximately 46, and the largest group are between 40 and 50 years old which is an age group that typically includes consumers with well-established careers, high average discretionary income and limited time available for shopping at physical stores due to work and family commitments. This information allows demographic targeting through online and offline channels.

An example of the results of a customer survey undertaken by Temple & Webster in February 2015 is shown in Exhibit 7.

EXHIBIT 7: SURVEY RESULTS OF TEMPLE & WEBSTER'S FEBRUARY 2015





























3.4.4 Supply chain and order fulfilment

The Group operates a number of no/low/smart inventory models. Each of the Group's platforms has a different supply chain and distribution model to address its target customer base, as set out below:

- **Temple & Webster** operates a low inventory model, with products delivered to Temple & Webster or its approved 3rd party logistics providers following the end of a sale event. Temple & Webster runs 6–9 sales events each week day, presents up to approximately 2,500 new products per week, dispatches approximately 500 and 1,000 orders per day and dispatches within approximately two to four weeks from the launch of a sale event.
- **ZIZO** operates an inventory free model, with products delivered to customers directly from its suppliers post order completion. ZIZO places an order with the supplier immediately upon receiving the order from a customer and returns are sent directly back to the supplier who bears returns risk. As such, ZIZO currently carries no inventory and therefore has no direct exposure to inventory risk. Backend tools track the status of all orders, and proactively notify the supplier and ZIZO if orders are not dispatched on time. ZIZO arranges for the dispatch of between approximately 200 to 320 orders per day by its suppliers that they dispatch within approximately two to three days from an order.
- **Milan Direct** operates both a private label business where products are predominantly sourced directly out of China under the Milan Direct label and a marketplace model similar to ZIZO. Milan Direct has 12,000 products from a network of approximately 400 suppliers. Milan Direct dispatches approximately 160 to 320 orders per day and dispatches within approximately 3 to 12 days from an order. Milan Direct also operates a 3rd party drop-shipping model similar to ZIZO. Milan Direct uses past sales data and site visit data to forecast inventory levels to ensure a high stock turnover ratio. The business also leverages its marketplace data to inform buying decisions for its private label ranges.

In FY15, the Group dispatched approximately 290,000 orders. Exhibit 8 summarises the key steps in each platform's supply chain.

EXHIBIT 8: KEY STEPS IN EACH ONLINE PLATFORM'S SUPPLY CHAIN

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
TEMPLE & WEBSTER										
	Agreement with supplier on sales event (date, quantity, agreed terms)	Temple & Webster produces campaign	Announce sale event details to members by email	Sales realised during campaign and customer pays Temple & Webster	Aggregated order sent to supplier at the end of the sales campaign	Invoice received and Temple & Webster pays supplier	Products received from supplier for fulfilment	Goods packaged, personalised and delivered to customer	Customer support	Returns sent directly back to Temple & Webster by customer
Typical timing	Ongoing		5 to 7 days		2 to 4 weeks					
ZIZO HOME										
	Agreement with supplier on catalogue and wholesale price	Product data uploaded (ie image, description, retail price etc)	Customer places order	ZIZO places order with supplier	Supplier picks, packs and ships order directly to customer	Invoice received and ZIZO pays supplier	Customer support	Returns sent directly back to supplier by customer		
Typical timing	Ongoing		2 to 3 days							
MD milandirect										
	Products predominantly sourced directly from China	Product data uploaded (ie image, description, retail price etc)	Products stored in 3rd party warehouses	Customer places order	Order is fulfilled from 3PL	Suppliers paid per agreed terms	Customer support	Returns sent directly back to Milan Direct by customer		
Typical timing	3 to 6 months			3 to 12 days						

3.4.5 Technology

Temple & Webster is built on a customised implementation of Magento Enterprise Edition. The platform has been customised by Temple & Webster's own engineering team to provide a unique members-only shopping experience and time-limited sale events. The front-end is integrated with email communication, customer care and order fulfilment systems. Each sale is linked to Temple & Webster's email marketing platform, which is used to announce sales. Additionally, reminder emails are automatically sent to shoppers who abandon their shopping cart prior to checkout. Other technology enhancements allow products to be merchandised variously as individual items, groups, packages, bundles of related items and the platform allows customers to purchase from multiple sale events in a single checkout process. The platform also features sophisticated caching and optimisation to ensure pages load quickly for a seamless shopping experience.

ZIZO is built using the proprietary technology platform of Wayfair Inc, one of the world's leading online retailers for the home. It is operated under perpetual licence from Wayfair Inc. The platform is specifically built for selling products for the home and has the ability for consumers to shop by fast search or browse by room, by look/style, by colour, by price point, by dimension, by material, by special features, by special offers, by customer rating and by brand. The front-end interface is backed by a back-end administration and supplier portal with suppliers directly managing their own inventory levels to ensure continuous supply. The platform is fully mobile optimised.

Milan Direct is also built on a customised implementation of Magento Enterprise Edition. It is a fully functional open ecommerce store targeting the intent shopper. The platform has been built for optimal discoverability by search engines and products from Milan Direct often feature prominently in relevant searches on Google. The platform is fully mobile optimised with responsive design support for mobile and tablet devices. The platform supports multiple stores from a single management interface. Enterprise resource planning functionality is provided through integration with the SAP Business One suite of tools.

Magento is a mature ecommerce product with a significant installed base globally and is owned by eBay Inc.

3.5 SITE TRAFFIC, CUSTOMER NUMBERS AND CUSTOMER SPEND

3.5.1 Site traffic

In the year to 30 June 2015:

- the Temple & Webster website had approximately 5.1 million visitors;
- the ZIZO website had approximately 4.3 million visitors; and
- the Milan Direct website had approximately 3.2 million visitors.

Each of the Group's platforms was amongst the most visited furniture and homeware retailer websites in FY15, as set out in Exhibit 9.

EXHIBIT 9: AUSTRALIAN SHARE OF VISITS - HOUSE AND GARDEN CATEGORY TOP 20 AND SELECTED COMPANY COMPARABLES FY15¹

Rank	Websites	Visits share	Rank	Websites	Visits share
1	Bunnings Warehouse	17.1%	21	Godfreys Australia	0.7%
2	Harvey Norman – Australia	13.5%	22	Adairs	0.7%
3	IKEA	8.8%	25	Forty Winks – Australia	0.7%
4	Etsy	7.0%	27	Pillow Talk	0.6%
5	Masters Home Improvement	5.3%	28	House	0.6%
→	Visits to Temple & Webster Group	5.1%	31	Matt Blatt	0.5%
6	Super A-Mart	2.7%	33	Beds Online	0.5%
7	Fantastic Furniture	2.7%	35	Bed Bath n Table	0.4%
8	Temple & Webster	2.6%	36	Sheridan Factory Outlet	0.4%
9	Freedom Furniture	2.0%	49	Nick Scali	0.3%
10	SpotLight Stores	1.8%	56	Pottery Barn	0.3%
11	Wayfair Australia (now ZIZO)	1.6%	61	Victoria's Basement	0.2%
12	The Home	1.6%	67	Plush	0.2%
13	Spotlight Australia	1.3%	68	Bed Bath & Beyond	0.2%
14	Domayne Online Store	1.0%	69	West Elm	0.2%
15	Kitchenware Direct	1.0%	70	Linen House	0.2%
16	Milan Direct	1.0%	74	Oz Design Furniture	0.2%
17	Houzz	0.9%	76	Coco Republic	0.2%
18	Zanui	0.9%	89	Furniture Online	0.1%
19	Barbeques Galore	0.7%	91	Focus on Furniture	0.1%
20	Snooze	0.7%	92	Store.focusonfurniture.com.au	0.1%

Source: Experian Hitwise (Shopping & Classifieds – House and Garden – Visits share of Top 150 for the period July 2014 to June 2015).

Note:

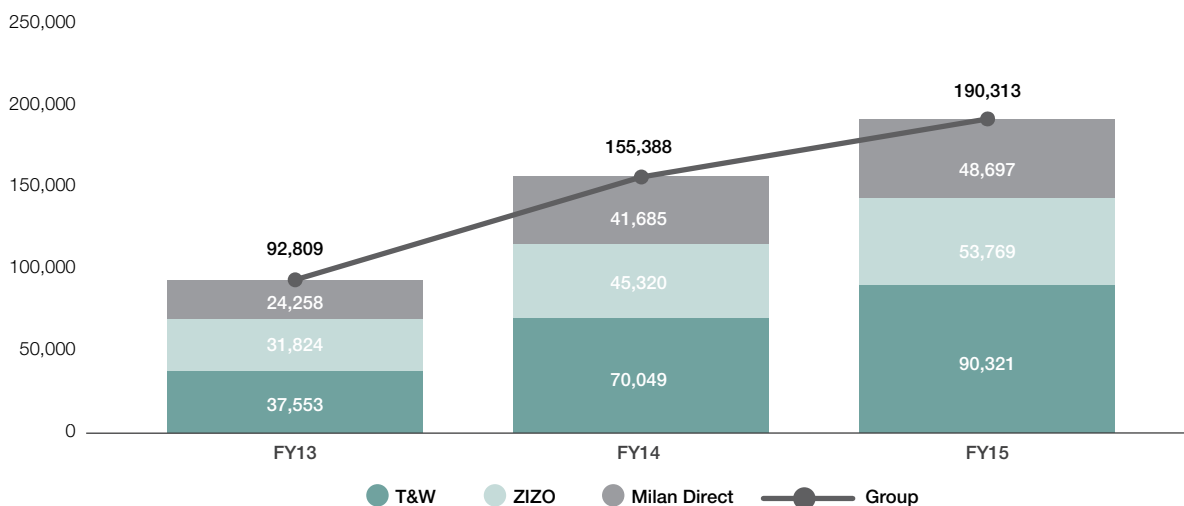
1. Companies outside the top 20 are Temple & Webster Group's view of selected comparable companies from the furniture and homewares segment from within Experian's list of the Top 150 visited House and Garden sites. The list is not intended to be complete.

3.5.2 Active Customers

Each of the Group's platforms has grown its Active Customer numbers strongly over time. In aggregate, the Group's three online platforms have experienced 30% to 55% CAGR (43% as a group on a pro forma basis) in Active Customer numbers between FY13 and FY15. The Group currently has approximately 190,000 Active Customers inclusive of Milan Direct, as set out in Chart 8.

As a members-only website, a further measure of the Temple & Webster online platform's growth is its growth in member numbers. Since its establishment in 2011, Temple & Webster has grown its member numbers to approximately 1.2 million.

CHART 8: ACTIVE CUSTOMER GROWTH (PRO FORMA)



3.5.3 Customer spend

Average net revenue per active customer, which is average spend by Active Customers less GST, refunds and deferrals, varies across the Group's three online platforms and reflects the bias towards higher value furniture for ZIZO and Milan Direct and the bias towards lower value housewares for Temple & Webster.

FY15 pro forma average net revenue per Active Customer across the Group was approximately \$315.

The Group also experiences strong repeat-buying behaviour. A rich data capture from members enables analytics to target on-trend campaigns and to leverage customers into new products. For FY15, customer repeat rates (being the percentage of customers active in FY14 and also active in FY15) were 41.1% for Temple & Webster, 11.4% for ZIZO, 16.8% for Milan Direct and 27.7% across the Group on a pro forma basis.

Repeat rates tend to be higher for homeware items (Temple & Webster) than furniture items (ZIZO and Milan Direct) which are purchased less frequently.

3.6 AWARDS AND ACHIEVEMENTS

Temple & Webster has been recognised as a leading Australian online-only retailer and as a high growth business. Awards and achievements have included:

- Receiving a Deloitte Technology Australian Fast 50 Rising Star Award in 2013
- Winner of the Smart Company Web Awards for Best Blog in 2013 and 2014
- #1 internet retailer, and #2 overall, in the 2014 Deloitte Technology Australian Fast 50 Awards
- Ranked #18 in the 2014 Deloitte Technology Asia Pacific Fast 500 Awards
- Winner of the 2014 Australian Growth Company Awards "Growth Company to Watch" Award
- Finalist in the 2014 StarTrack Online Retailer Industry Awards for "Best Pure-play Online Retailer"
- Ranked #1 retailer, and #16 overall, in the 2014 BRW FastStarters Awards
- Ranked #1 retailer, and #9 overall, in the 2015 BRW FastStarters Awards
- Ranked #1 homewares retailer, and #29 overall, in the 2015 PowerRetail Top 100
- Winner of the 2015 Best Start Up Award from StartupSmart Awards

- Ranked as one of the Top 20 Online Retailers in 2015 by SmartCompany
- Ranked #22 by Inside Retail in the 2015 Top 25 e-Commerce rankings

Brian Shanahan, Adam McWhinney and Dean Ramler were also named in InsideRetail's Top 50 People in eCommerce for 2015.

EXHIBIT 10: AWARDS AND ACHIEVEMENTS

 <p>Best Startup 2015</p>	 <p>#4 in Australia #18 overall</p>	 <p>2014 Winner Sparke Helmore Growth Company to Watch</p>	 <p>Top 50 in Australian e-Commerce 2015 Brian Shanahan and Adam McWhinney</p>
 <p>Top 50 in Australian e-Commerce 2015 Dean Ramler</p>	 <p>#1 in Homewares #29 Overall</p>	 <p>Overall Rank: #2 Fast 50 Retailer: #1</p>	 <p>WINNER Best Blog 2013, 2014</p>
 <p>#1 Retailer #16 Overall</p>	 <p>The Top 20 Online Retailers 2015</p>	 <p>Top 25 Australian e-Commerce sites 2015</p>	 <p>#1 Retailer #9 Overall</p>

3.7 GROWTH STRATEGY

The Group's ongoing growth strategy involves five key future initiatives.

3.7.1 Continue organic growth to strengthen market leading position

Temple & Webster Group believes there is an opportunity to grow its share of the total furniture and homewares segment as well as benefiting from the natural growth and shift from offline to online retail.

The initiatives listed below are the natural progression of the Group's existing strategies that have delivered revenue growth in recent years. These include, but are not limited to:

- investing in marketing and brand awareness across the three online platforms to increase members and Active Customers;
- building new channels and partnerships with adjacent media personalities and lifestyle properties;
- meeting the needs of the different target customer segments (intent and impulse shopper, different demographics and different customer types including extending further into commercial sales);
- increasing investment in data analytics to drive data-driven product sourcing, buying and merchandising decisions;
- extending digital retail capabilities by investing in people and technology;
- extending the Group's product range including adding more private label product;
- continuous improvement in optimising customer paths and personalised experiences;
- executing and improving mobile and tablet experience; and
- extending into adjacent product categories and commercial services.

3.7.2 Driving synergies across the Group's platforms

In addition to significantly broadening the Group's addressable customer base, the addition of ZIZO and the acquisition of Milan Direct provide the opportunity for the Group to leverage significant operational synergies and further strengthen the Group's position as a leader in the online market for Australian furniture and homewares. These synergies include:

- accelerating top line growth through access to a wider and deeper product range and permanent lines;
- leveraging digital marketing, creative and editorial skillsets across the Group's catalogue to drive customer conversion;
- the ability to execute on creative customer experiences e.g. complete rooms;
- cross-selling product ranges between the three platforms;
- improving margins through product sourcing and private label capabilities;
- faster shipping times to customers;
- sharing best practices and insights across the three platforms;
- leveraging scale benefits e.g. marketing, suppliers, customer service, logistics, warehousing and data; and
- leveraging and consolidating technology platforms (e.g. email marketing platforms, payment gateways).

3.7.3 Retail showrooms

Online Penetration in the furniture and homewares segment has grown strongly, however the majority of furniture and homewares are still sold offline. The Group plans to open showrooms to target these transactions and further broaden its customer base. The Group believes that a showroom will increase the likelihood of customer purchases (particularly with respect to high value products) by providing customers with:

- the ability to 'touch and feel' samples before buying;
- a 'click and collect' and returns location which allows customers to save on shipping costs and easy returns;
- the opportunity for Group staff to inform, inspire and upsell customers, particularly with guidance from a Temple & Webster stylist; and
- an opportunity to act as another channel to attract members and customers.

3.7.4 Selected offshore expansion

Through the Acquisition, the Group will enter the UK market which Milan Direct currently services. This will provide the Group with further experience and expertise in evaluating potential overseas markets. Management also believes that the Temple & Webster brand will resonate with the aspirational and emerging middle class in South East Asia and China.

3.7.5 Acquisition opportunities

The Group believes that there may be further opportunities to grow the business through select acquisitions. The criteria for acquisitions may include:

- broadening the addressable customer base and therefore attractiveness to suppliers;
- geographical expansion;
- accessing adjacent product lines (e.g. DIY for home improvements) or providing adjacent services (e.g. styling);
- strengthening infrastructure or expertise; and
- accelerating specific strategic initiatives, e.g. retail showroom rollout.

SECTION 4
**FINANCIAL
INFORMATION**



4.1 INTRODUCTION

In this Section 4, Temple & Webster Group represents the operations of Temple & Webster Pty Ltd, ZIZO Home Pty Ltd (formerly Wayfair Australia Pty Ltd) and Milan Direct Pty Ltd. The financial information contained in this Section 4 comprises:

- Pro forma historical financial information of Temple & Webster Group, being the:
 - Pro forma historical consolidated income statements for each of the years ended 30 June 2013 (“FY13”), 30 June 2014 (“FY14”) and 30 June 2015 (“FY15”) (“Pro Forma Historical Results”);
 - Pro forma historical consolidated balance sheet as at 30 June 2015 (“Pro Forma Historical Balance Sheet”); and
 - Pro forma historical consolidated cash flows for FY13, FY14 and FY15 (“Pro Forma Historical Cash Flows”);(together, the “Pro Forma Historical Financial Information”).
 - Forecast financial information for Temple & Webster Group, being the:
 - Pro forma forecast consolidated income statements for the year ending 30 June 2016 (“FY16”) (“Pro Forma Forecast Results”); and
 - Pro forma forecast consolidated cash flows for FY16 (“Pro Forma Forecast Cash Flows”);(together, the “Pro Forma Forecast Financial Information”);
 - Statutory forecast consolidated income statement for FY16 (“Statutory Forecast Results”); and
 - Statutory forecast consolidated cash flows for FY16 (“Statutory Forecast Cash Flows”);
- (together, the “Statutory Forecast Financial Information”).

Collectively the Pro Forma Forecast Financial Information and Statutory Forecast Financial Information is the “Forecast Financial Information”.

The Pro Forma Historical Financial Information and Forecast Financial Information is collectively the “Financial Information”.

Temple & Webster Group operates on a financial year ending 30 June. All amounts disclosed in Section 4 are presented in Australian dollars unless otherwise noted and are rounded to the nearest \$0.1 million. Rounding in the Financial Information may result in some discrepancies between the sum of components and the totals outlined within the tables and percentage calculations.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information in this Prospectus is intended to present potential investors with information to assist them in understanding the pro forma historical financial performance, cash flows and financial position of Temple & Webster Group together with the statutory and pro forma forecast financial performance and cash flows.

Certain significant accounting policies relevant to the Financial Information are disclosed in Section 10. The Financial Information is presented in an abbreviated form and does not contain all of the presentation and disclosures, statements or comparative information as required by Australian Accounting Standards (AAS) applicable to annual financial reports prepared in accordance with the Corporations Act.

The Financial Information has been reviewed by Ernst & Young Transaction Advisory Services Limited (EYAS), whose Independent Limited Assurance Report is provided in Section 8 of this Prospectus. Investors should note the scope and limitations of the Independent Limited Assurance Report.

The information in this Section should also be read in conjunction with the management discussion and analysis in Section 4.7 and the general and specific assumptions and commentary underlying the Forecast Financial Information in Section 4.8, in addition to the risk factors set out in Section 5 and the other information contained in this Prospectus.

At 30 June 2015, Temple & Webster Pty Ltd had both a statutory net asset deficiency of \$7.7 million and a statutory net current asset deficiency of \$8.5 million. The statutory net current asset deficiency position arose predominately as the convertible notes issued by Temple & Webster Pty Ltd were recorded as a current liability in accordance with AAS. Although there is a net asset deficiency, the Directors believe that Temple & Webster Pty Ltd has sufficient operating cash flows to finance its ongoing operations following the drawdown of \$12 million of additional capital following a further subscription of convertible notes on 21 July 2015. The convertible notes will be converted to ordinary shares on the Completion of Offer. Following the Completion of the Offer and the Acquisition, the Directors expect a pro forma 30 June 2015 net asset surplus of \$49.8 million therefore the Financial Information has been prepared on a going concern basis.

4.2.2 Preparation of Pro Forma Historical Financial Information

The Pro Forma Historical Financial Information has been prepared solely for inclusion in this Prospectus. The Pro Forma Historical Financial Information represents the consolidation of the historical financial information of the operating entities (being Temple & Webster Pty Ltd, ZIZO Home Pty Ltd (formerly Wayfair Australia Pty Ltd) and Milan Direct Pty Ltd) that will form part of the Temple & Webster Group following a group restructure and the acquisition of Milan Direct, that will both occur on Completion of the Offer.

The Pro Forma Historical Results, Pro Forma Historical Balance Sheet and Pro Forma Historical Cash Flows have been prepared to provide potential investors with information to help them assess what the financial performance, financial position and cash flows of the Group would have been had Temple & Webster Group operated as a consolidated entity from 1 July 2012.

Temple & Webster Group Ltd was incorporated on 6 October 2015. Following Completion of the Offer, Temple & Webster Group Ltd will acquire Temple & Webster Pty Ltd, which is the operating entity. This will be accounted for as a capital re-organisation with Temple & Webster Pty Ltd being the accounting acquirer. As a consequence Temple & Webster Group Ltd will be accounted for as a continuance of Temple & Webster Pty Ltd.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Temple & Webster Pty Ltd, ZIZO Home Pty Ltd and Milan Direct Pty Limited for FY13, FY14 and FY15, and adjusted for the effects of pro forma adjustments described in Sections 4.4.4, 4.5.1 and 4.6.2.

The historical financial information of Temple & Webster has been derived from its respective general purpose financial report for FY15 and the special purpose financial reports for FY14 and FY13, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial reports. These financial statements are available at www.templeandwebstergroup.com.au.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in AAS, which are consistent to International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred on or before 30 June 2015.

The Pro Forma Historical Financial Information assumes the following acquisitions to have occurred on 1 July 2012, being:

- the acquisition of the business and operations of ZIZO Home Pty Ltd (formerly Wayfair Australia Pty Ltd) by Temple & Webster Pty Ltd, which was completed on 31 July 2015; and
- the acquisition of the business and operations of Milan Direct Pty Ltd by Temple & Webster Group Ltd which is to be completed on Completion of the Offer.

The historical financial information of ZIZO Home Pty Ltd for FY15 has been derived from the special purpose financial statements of Wayfair Australia Pty Limited for FY15, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued a qualified audit opinion with respect to the fact that it was not practicable for Ernst & Young to carry out normal audit procedures relating to the statement of comprehensive income for the year ended 30 June 2014, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Wayfair Australia Pty Limited was not audited in prior periods.

The historical financial information of ZIZO Home Pty Ltd for FY14 and FY13 has been derived from the special purpose financial report of Wayfair Australia Pty Limited for FY14, which was reviewed by Ernst & Young and on which a qualified limited assurance conclusion was issued with respect to the fact that it was not practicable for Ernst & Young to carry out normal audit or review procedures relating to the statement of comprehensive income for the year ended 30 June 2013, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Wayfair Australia Pty Limited was not audited in prior periods.

The historical financial information of Milan Direct Pty Limited for FY15 has been derived from its special purpose financial statements for FY15, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued a qualified audit opinion on these financial statements due to a limitation on the scope of their work with respect to the fact that due to their appointment only being made in FY16 it was not practicable for Ernst & Young to carry out normal audit procedures relating to the confirmation of certain assets and liabilities as at 30 June 2014 or to the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended 30 June 2014, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Milan Direct Pty Limited was not audited in prior periods.

The historical financial information of Milan Direct Pty Limited for FY14 and FY13 has been derived from its special purpose financial report for FY14, which was reviewed by Ernst & Young and on which a qualified limited assurance conclusion was issued with respect to the fact that it was not practicable for Ernst & Young to carry out normal review procedures relating to the existence of inventory as at 30 June 2014 and 30 June 2013 or on the statement of comprehensive income for the year ended 30 June 2013, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Milan Direct Pty Limited was not audited in prior periods.

Statutory historical financial information for Temple & Webster Group has not been presented as Temple & Webster Group Ltd was incorporated on 6 October 2015, and has not owned all of the entities that will form part of the Temple & Webster Group following Completion of the Offer. The statutory historical financial performance, cash flows and financial position of Temple & Webster Group Ltd are therefore not representative of Temple & Webster Group as it will exist following Completion of the Offer. As a result the Directors have not presented statutory historical financial information for FY13, FY14 and FY15 but have presented statutory historical income statements for Temple & Webster Pty Ltd in Table 5 of Section 4.4.6 and reconciled these back to the Pro Forma Historical Results in Table 3 of Section 4.4.4.

The Pro Forma Historical Financial Information includes an adjustment to include Temple & Webster Group's estimate of the incremental annual costs that it will incur as a public company. This has been presented to aid comparability across the Pro Forma Historical Results and Pro Forma Forecast Results.

Pro Forma Historical Cash Flows are presented showing operating cash flow, interest, tax payments and shareholder distributions. Investors should note that past results are not an indication of future performance.

4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus on the basis that the Offer and the Acquisition are completed. The Forecast Financial Information has been prepared by the Directors based on an assessment of current economic and operating conditions, and assumptions regarding future events and actions as set out in Section 4.8. The Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider the assumptions to be reasonable at the time of preparing this Prospectus.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that any deviation in the assumptions on which the Forecast Financial Information is based may have a material positive or negative effect on Temple & Webster Group's actual financial performance, cash flows or financial position. Investors are advised to review the assumptions in conjunction with the sensitivity analysis set out in Section 4.9, the risk factors outlined in Section 5 and the other information provided in this Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is in accordance with recognition and measurement principles contained in AAS, which are consistent to International Financial Reporting Standards.

The Pro Forma Forecast Financial Information has been prepared in accordance with recognition and measurement principles contained in AAS, which are consistent to International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred on or after 1 July 2015.

The Statutory Forecast Financial Information is based on the Directors' best estimate assumptions. The Statutory Forecast Financial Information is representative of the financial performance and cash flows that the Directors expect to report in relation to the FY16 period.

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Sections 4.4.4 and 4.6.2 of the Prospectus.

The exclusion of certain transactions noted above comprises the transaction costs incurred in relation to the Offer and integration costs related to the acquisitions of ZIZO and Milan Direct.

Refer to Section 4.4.4 for a reconciliation between the Pro Forma Revenue, EBITDA and net profit after tax (**NPAT**) for FY13, FY14, FY15 and FY16 and the Statutory Revenue, EBITDA and NPAT for the corresponding periods, and to Section 4.6.2 for a reconciliation between the statutory and pro forma operating cash flows for FY13, FY14, FY15 and FY16.

The Directors believe the best estimate assumptions, taken as a whole, to be reasonable at the time of preparing the Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

4.3 NON-IFRS MEASURES

Certain financial measures included in this Prospectus are not recognised under AAS. These measures are collectively referred to as “non-IFRS financial measures”. The principal non-IFRS financial measures that are referred to in this Prospectus are discussed below.

“EBITDA” is a term used by Temple & Webster Group to evaluate the operating performance of the business without the non-cash impact of depreciation and amortisation, impairments, fair value gains or losses and before interest and tax charges, which are affected by the historical capital structure and tax position of the Group.

“EBIT” is earnings before interest and tax.

Although the Directors believe these measures provide useful information about the financial performance of Temple & Webster Group, they should be considered as supplements to the income statements that have been presented in Section 4.4.2 and not as a replacement for them. These non-IFRS financial measures are not based on AAS, they do not have standard definitions and the way that Temple & Webster Group calculates these measures may differ from similarly titled measures by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

4.4 PRO FORMA HISTORICAL RESULTS, PRO FORMA FORECAST RESULTS AND STATUTORY FORECAST RESULTS

4.4.1 Description of key income statement items

Revenue

Revenue is presented net of applicable sales tax (principally GST) and after returns, and takes into account deferred revenue. Revenue also includes shipping charges to customers.

Gross Profit

Gross Profit represents revenue less cost of sales, being cost of goods sold and inbound freight costs.

Distribution expenses, including outbound freight costs and pick & pack logistics costs, form part of the marketing, selling and administration expenses and are therefore not included in the gross profit line.

4.4.2 Consolidated pro forma historical and statutory and pro forma forecast income statements

Table 1 sets out Temple & Webster Group’s Pro Forma Historical Results, Pro Forma Forecast Results and Statutory Forecast Results. Refer to Section 4.4.4 for a description of the pro forma adjustments relating to the impact of the Offer and the acquisitions of ZIZO and Milan Direct.

TABLE 1: PRO FORMA HISTORICAL RESULTS, PRO FORMA FORECAST RESULTS AND STATUTORY FORECAST RESULTS

A\$ millions	Pro Forma Historical Results ¹			Pro Forma Forecast Results	Statutory Forecast Results ²
	FY13	FY14	FY15	FY16	FY16
Revenue	29.9	46.1	59.9	76.2	64.6
Cost of Sales	(17.5)	(26.8)	(35.2)	(43.9)	(37.6)
Gross profit	12.4	19.3	24.7	32.3	27.0
Other income ³	0.7	0.5	0.0	–	–
Wages ⁴	(7.0)	(8.3)	(11.0)	(11.8)	(12.7)
Marketing, selling and administration ⁵	(13.1)	(18.4)	(23.1)	(29.0)	(27.8)
EBITDA / (loss)	(6.9)	(7.0)	(9.4)	(8.5)	(13.5)
Depreciation and amortisation ⁶	(0.2)	(0.4)	(1.6)	(1.0)	(0.8)
EBIT/(loss)	(7.1)	(7.4)	(11.0)	(9.5)	(14.3)
Interest ⁷	0.1	(0.1)	(0.4)	0.0	(4.2)
Profit/(loss) before tax	(7.0)	(7.5)	(11.4)	(9.5)	(18.5)
Income tax expense	(0.1)	(0.1)	–	–	–
Profit/(loss) after tax (NPAT)	(7.0)	(7.7)	(11.4)	(9.5)	(18.5)

Notes:

1. The Pro Forma Historical Results are presented as described in Section 4.2.2 and a reconciliation between the pro forma consolidated revenue, EBITDA and NPAT and the statutory information for Temple & Webster Pty Ltd is provided in Section 4.4.4.
2. The Statutory Forecast Results reflects the results expected to be reported for Temple & Webster Group for the financial year ending 30 June 2016, and as such consolidates the acquisition of ZIZO from 31 July 2015 and Milan Direct from the date of Completion of the Offer.
3. Other income comprises research & development grants received by Temple & Webster Pty Ltd.
4. The FY16 Statutory Forecast Results includes estimated transaction costs related to the Offer, integration costs related to the acquisitions of ZIZO and Milan Direct and costs associated with the restructure of employee share schemes as outlined in Section 4.4.5.
5. The FY16 Statutory Forecast Results includes estimated transaction costs related to the Offer and integration costs related to the acquisitions of ZIZO and Milan Direct as outlined in Section 4.4.5.
6. The depreciation and amortisation charge relates to the amortisation of capitalised software development costs in FY13–FY15, and from FY16 the amortisation of customer lists and proprietary software acquired through the acquisitions of ZIZO and Milan Direct.
7. The FY16 statutory forecasts includes an option revaluation charge on convertible notes of \$3.8 million as outlined in Section 4.4.5.

4.4.3 Key financial metrics

Table 2 sets out a summary of the key operating and financial metrics, historical and forecast, for Temple & Webster Group for FY13, FY14, FY15 and FY16 prepared on a pro forma basis.

TABLE 2: PRO FORMA HISTORICAL AND FORECAST KEY FINANCIAL METRICS

	Pro Forma Historical			Pro Forma Forecast
	FY13	FY14	FY15	FY16
Revenue growth on pcp	n/a	54%	30%	27%
Gross margin	42%	42%	41%	42%
EBITDA margin	(23%)	(15%)	(16%)	(11%)
EBIT margin	(24%)	(16%)	(18%)	(12%)
NPAT margin	(24%)	(17%)	(19%)	(12%)

4.4.4 Reconciliation of Pro Forma and Statutory Revenue, EBITDA and NPAT

Table 3 sets out a reconciliation of the pro forma consolidated revenue, EBITDA and NPAT of Temple & Webster Group to the statutory revenue, EBITDA and NPAT of Temple & Webster Pty Ltd for FY13, FY14 and FY15 and of Temple & Webster Group for FY16.

TABLE 3: RECONCILIATION OF PRO FORMA CONSOLIDATED REVENUE, EBITDA AND NPAT/(LOSS) TO FY16 STATUTORY INFORMATION FOR FY13, FY14, FY15 AND FY16

A\$ millions	Note	FY13			FY14			FY15			FY16		
		Revenue	EBITDA	NPAT / (Loss)	Revenue	EBITDA	NPAT / (Loss)	Revenue	EBITDA	NPAT / (Loss)	Revenue	EBITDA	NPAT / (Loss)
Pro forma		29.9	(6.9)	(7.0)	46.1	(7.0)	(7.7)	59.9	(9.4)	(11.4)	76.2	(8.5)	(9.5)
Acquisition of ZIZO	1	(9.0)	1.5	1.5	(10.8)	1.6	1.6	(12.8)	2.8	2.8	(0.9)	0.1	(0.1)
Acquisition of Milan Direct	2	(11.7)	(0.1)	(0.0)	(16.9)	(0.4)	(0.1)	(20.9)	0.3	0.4	(10.7)	(0.1)	(0.1)
Group Pro forma adjustments	3	–	1.7	1.7	–	1.7	1.7	–	1.7	1.7	–	(0.3)	0.2
Existing share plan restructure	4	–	–	–	–	–	–	–	–	–	–	(0.7)	(0.7)
Integration costs	5	–	–	–	–	–	–	–	–	–	–	(2.0)	(2.0)
Transaction costs	6	–	–	–	–	–	–	–	–	–	–	(1.9)	(1.9)
Share based payments	7	–	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Interest	8	–	–	–	–	–	–	–	–	–	–	–	(4.2)
Statutory	9	9.3	(3.9)	(3.9)	18.4	(4.1)	(4.5)	26.1	(4.7)	(6.5)	64.6	(13.5)	(18.5)

Notes:

1. Acquisition of ZIZO: The pro forma consolidated income statements include the results of ZIZO as if the business had been acquired on 1 July 2012, whereas the statutory consolidated income statements include the results of ZIZO from 31 July 2015, being the date on which Temple & Webster Pty Ltd acquired Wayfair Australia Pty Ltd.
2. Acquisition of Milan Direct: The pro forma consolidated income statements include the results of Milan Direct as if the business had been acquired on 1 July 2012, whereas the statutory consolidated income statements include the results of Milan Direct from Completion of the Offer, being the date on which Temple & Webster Group expects to complete the acquisition.

3. Group pro forma adjustments: Temple & Webster Group will incur incremental annual costs associated with being a public company. These additional costs include Director and executive remuneration, audit and tax costs, share registry fees, D&O insurance premiums, annual general meeting costs and annual report costs. An amount of \$2.1 million has been included in the FY16 Pro Forma Forecast representing actual expected costs in FY16 and includes \$0.4 million of amortisation of intangibles. An amount of \$1.7 million has been included in the historical pro forma financials. The FY16 pro forma adjustment represents the impact of employee start dates.
4. Existing share plan restructure: costs related to the wind-up of an existing employee share plan on Completion of the Offer.
5. Integration Costs: An adjustment has been made to exclude one-off integration costs expected in relation to the acquisitions of ZIZO and Milan Direct. These costs are expected to include relocation costs, infrastructure and IT costs and restructure costs.
6. Transaction costs: An adjustment has been made to exclude one-off costs related to the transaction. These non-recurring items relate to costs of capital raising, legal advisors, accounting advisors, listing bonuses and the grant of restricted shares to certain employees on listing.
7. Share based payments: One-off tax effective grant of \$1,000 of shares to eligible employees of the Group on Completion of the Offer.
8. Interest: The Statutory Forecast interest cost includes a \$3.8 million fair value remeasurement charge on the option in the convertible notes as well as the interest expense on the convertible notes and interest income on cash balances as outlined in Table 4 in Section 4.4.5. No adjustment has been made to the historic interest expense in relation to the convertible notes up to the conversion of the notes on Completion of the Offer.
9. Statutory: The term Statutory relates to the historical financial information extracted from the audited financial statements for Temple & Webster Pty Ltd for FY13, FY14 and FY15 as described in Section 4.2.2. For FY16, Statutory figures represent the Statutory Forecast Results.

4.4.5 Costs associated with the Offer and the acquisitions of ZIZO and Milan Direct

Table 4 sets out the details of costs associated with the Offer and the acquisitions of ZIZO and Milan Direct which are presented in Temple & Webster Group's Statutory Forecast Results for FY16.

TABLE 4: COSTS ASSOCIATED WITH THE OFFER AND THE ACQUISITIONS OF ZIZO AND MILAN DIRECT

A\$ millions	Notes	Pro forma historical			Statutory forecast
		FY13	FY14	FY15	FY16
Existing share plan restructure	1	–	–	–	(0.7)
Integration costs	2	–	–	–	(2.0)
Transaction costs	3	–	–	–	(1.9)
Share based payments	5	–	–	–	(0.1)
Convertible notes interest expense	6	–	–	–	(0.8)
Interest income on cash balance	7	–	–	–	0.4
Option revaluation charge	4	–	–	–	(3.8)
Interest		–	–	–	(4.2)

Notes:

1. Existing share plan restructure: costs related to the wind-up of an existing employee share plan on completion of the Offer which are included in Wages in the Statutory Forecast as outlined in Table 1 in Section 4.4.2.
2. Integration costs: One-off integration costs expected in relation to the acquisitions of ZIZO and Milan Direct restructure costs, including relocation costs, infrastructure and IT costs, and costs associated with the rationalisation of duplicate support functions. In relation to relocation costs, the Directors expect to incur one-off relocation costs involved in combining Temple & Webster Group's Sydney operations and offices during FY16 which have been included in Wages and Marketing, Selling and Administration costs in the Statutory Forecast as outlined in Table 1 in Section 4.4.2.
3. Transaction costs: One-off costs related to the Offer. These non-recurring costs include legal, accounting, listing bonuses and the grant of restricted shares to certain employees as part of a listing bonus. These costs have been included in Wages and Marketing, Selling and Administration costs in the Statutory Forecast as outlined in Table 1 in Section 4.4.2.
4. Option revaluation charge: The convertible notes were issued by Temple & Webster Pty Ltd in three tranches. The convertible notes issued under Tranches 1 and 2 include an option which has been valued separately from the convertible notes and recorded at fair value. The option has been remeasured to fair value before the Completion of the Offer and as a result a \$3.8 million re-measurement charge has been recorded in the Statutory Forecast Results.
5. Share based payments: One-off tax effective grant of \$1,000 of shares to eligible employees of the Group on Completion of the Offer which have been included in Wages in the Statutory Forecast as outlined in Table 1 in Section 4.4.2.
6. Convertible notes interest expense: Interest charge on the convertible notes up to the conversion of the notes on Completion of the Offer.
7. Interest income on cash balance: Interest income is forecast at 0.21% per month (2.5% p.a.) on the cash balance, with cash proceeds driving the cash balance in the forecast period.

4.4.6 Income statements of Temple & Webster Pty Ltd

Table 5 is derived from the statutory historical income statements of Temple & Webster Pty Ltd, being the core operations of the business prior to the acquisition of ZIZO and Milan Direct.

TABLE 5: INCOME STATEMENTS OF TEMPLE & WEBSTER PTY LTD

A\$ millions	Statutory ¹		
	FY13	FY14	FY15
Revenue	9.3	18.4	26.1
Cost of Sales	(5.8)	(11.5)	(15.7)
Gross profit	3.4	6.9	10.4
Other income (expense)	0.7	0.5	0.0
Wages	(2.7)	(3.6)	(5.1)
Marketing, selling and administration	(5.4)	(7.9)	(10.0)
EBITDA/(loss)	(3.9)	(4.1)	(4.7)
Depreciation and amortisation	(0.1)	(0.3)	(1.6)
EBIT/(loss)	(4.0)	(4.5)	(6.3)
Interest	0.1	(0.0)	(0.2)
Profit/(loss) before tax	(3.9)	(4.5)	(6.5)
Income tax expense	–	–	–
NPAT/(loss) after tax	(3.9)	(4.5)	(6.5)

Note:

1. As described in Section 4.2.2, the above financial information is sourced from the audited financial statements of Temple & Webster Pty Ltd for the respective periods.

4.5 PRO FORMA HISTORICAL BALANCE SHEET

4.5.1 Pro Forma Balance Sheet

The Pro Forma Historical Balance Sheet for Temple & Webster Group as at 30 June 2015 is set out in Table 6. As previously noted Temple & Webster Group Ltd was not incorporated at 30 June 2015. As such the Pro Forma Historical Balance Sheet is based on the statutory historical balance sheet as at 30 June 2015 for Temple & Webster Pty Ltd, adjusted for:

- the impact of the acquisitions of ZIZO and Milan Direct;
- the conversion of the Convertible Notes;
- the issue of \$40.0 million of equity, before equity raising costs of \$2.5 million; and
- transaction costs of \$1.9 million as described in the notes to the table below.

These pro forma adjustments reflect the impact of the operating and capital structure that will be in place following Completion of the Offer and completion of the acquisitions of ZIZO and Milan Direct as if those changes had been in place at 30 June 2015.

TABLE 6: PRO FORMA HISTORICAL BALANCE SHEET

A\$ millions	Temple & Webster ¹ 30 June 2015	Impact of ZIZO Acquisition ²	Impact of Milan Direct Acquisition ³	Conversion of convertible notes ⁴	Impact of the Offer ⁵	Transaction and integrations costs ⁶	Other adjustments ⁷	Pro forma 30 June 2015
Assets								
Cash and cash equivalents	1.9	(3.2)	(9.3)	12.0	40.0	(6.4)	–	35.1
Trade and other receivables	0.0	–	0.0	–	–	–	–	0.0
Inventories	1.3	–	2.7	–	–	–	–	4.0
Other current assets	0.1	0.1	0.1	–	–	–	–	0.3
Total current assets	3.4	(3.1)	(6.5)	12.0	40.0	(6.4)	–	39.4
Non-current assets								
Property, plant and equipment	0.1	0.0	0.1	–	–	–	–	0.2
Intangibles	0.0	1.6	3.7	–	–	–	(0.0)	5.3
Related party receivable	0.7	–	0.3	–	–	–	(0.7)	0.3
Goodwill	–	4.8	13.9	–	–	–	–	18.8
Total non-current assets	0.8	6.4	18.0	–	–	–	(0.7)	24.4
Liabilities								
Current liabilities								
Interest-bearing liabilities	(4.6)	–	(0.7)	4.6	–	–	–	(0.7)
Trade and other payables	(5.0)	(0.8)	(1.9)	–	–	–	–	(7.7)
Employee accruals and provisions	(0.4)	(0.2)	(0.1)	–	–	–	–	(0.6)
Return/refund provision	(0.2)	(0.1)	(0.1)	–	–	–	–	(0.3)
Deferred revenue	(1.8)	(0.2)	(0.7)	–	–	–	–	(2.7)
Total current liabilities	(11.9)	(1.2)	(3.5)	4.6	–	–	–	(12.0)

TABLE 6: PRO FORMA HISTORICAL BALANCE SHEET CONTINUED

A\$ millions	Temple & Webster ¹ 30 June 2015	Impact of ZIZO Acquisition ²	Impact of Milan Direct Acquisition ³	Conversion of convertible notes ⁴	Impact of the Offer ⁵	Transaction and integrations costs ⁶	Other adjustments ⁷	Pro forma 30 June 2015
Non-current liabilities								
Deferred payment consideration	–	(2.0)	–	–	–	–	–	(2.0)
Total non-current liabilities	–	(2.0)	(0.0)	–	–	–	–	(2.0)
Total liabilities	(11.9)	(3.3)	(3.5)	4.6	–	–	–	(14.1)
Net assets	(7.7)	–	8.0	16.6	40.0	(6.4)	(0.7)	49.8
Equity								
Share capital	8.2	–	8.0	21.1	40.0	(2.5)	0.1	75.1
Retained earnings	(16.0)	0.0	–	(4.6)	–	(3.9)	(0.9)	(25.3)
Total equity	(7.7)	0.0	8.0	16.6	40.0	(6.4)	(0.7)	49.8

Notes:

- Temple & Webster Pty Ltd's balance sheet is derived from its general purpose financial statements for the year ended 30 June 2015.
- The adjustment to show the impact of the pre-IPO acquisition of ZIZO has been calculated on a preliminary basis, allocating the purchase price to the fair values of the various assets and liabilities acquired. The consideration comprised only cash, including a deferred consideration amount of \$2.0 million payable on 31 July 2016 as presented in Section 9.5.3
- The adjustment to show the impact of the acquisition of Milan Direct has been calculated on a preliminary basis, allocating the purchase price to the fair values of the various assets and liabilities acquired. The consideration comprised a combination of cash and the issue of equity in Temple & Webster Group Ltd as presented in Section 9.5.4
- All Convertible Note holders are converting their notes into equity with the conversion price depending on the terms of the relevant Convertible Note.
- The impact of the Offer has been calculated as cash proceeds of approximately \$61.5 million from the issue of shares by Temple & Webster Group less the payment of \$21.5 million to Existing Shareholders for purchase of the existing shares in Temple & Webster Pty Ltd.
- Integration Costs are one-off costs related to the acquisitions of ZIZO and Milan Direct and the Offer. Transaction costs include legal, accounting, listing bonuses and the grant of restricted shares to certain employees as part of a listing bonus.
- Other adjustments include \$0.1 million of equity issued as part of the one-off grants to staff described in Section 9.4.4, and the costs associated with the wind-up of an existing employee share plan of \$0.7 million.

4.6 PRO FORMA HISTORICAL AND FORECAST CASH FLOWS AND STATUTORY FORECAST CASH FLOWS

4.6.1 Pro Forma Historical Cash Flows, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows

Table 7 sets out the pro forma historical consolidated cash flows for FY13, FY14, FY15 and the pro forma and statutory forecast consolidated cash flows for FY16. The pro forma cash flows have been reconciled to statutory cash flows in Section 4.6.2.

TABLE 7: PRO FORMA HISTORICAL AND FORECAST CASH FLOWS AND STATUTORY FORECAST CASH FLOWS

A\$ millions	Notes	Pro forma Historical			Pro Forma forecast	Statutory forecast
		FY13	FY14	FY15	FY16	FY16
EBITDA / (loss)	1	(6.9)	(7.0)	(9.4)	(8.5)	(13.5)
Deferred revenue	2	0.6	1.0	0.5	0.5	0.7
Change in Net working capital		(0.3)	1.8	1.5	0.1	0.2
Non-cash movements	3	(0.5)	0.6	1.1	0.1	1.2
Operating cash flow before capital expenditure		(7.2)	(3.6)	(6.4)	(7.8)	(11.4)
Capital expenditure	4	(1.0)	(1.2)	(0.8)	(3.7)	(3.5)
Cash flow before financing and taxation		(8.2)	(4.9)	(7.2)	(11.5)	(14.9)
Investing cash flow		3.4	3.0	2.5	0.1	17.5
Financing cash flow		0.0	1.2	3.1	0.3	(5.1)
Acquisition of ZIZO (cash)	5	–	–	–	–	(4.0)
IPO transaction costs		–	–	–	–	(2.5)
Proceeds from issue of Shares	6	–	–	–	–	40.0
Acquisition of Milan Direct (cash)	7	–	–	–	–	(9.5)
Income tax paid		(0.1)	(0.1)	–	–	–
Net cash flow		(4.8)	(0.7)	(1.6)	(11.1)	21.4

Notes:

- Pro forma adjustments have been made on the same basis as disclosed in Section 4.4.4.
- Deferred revenue relates to the movement in the deferred revenue accrual where cash has been received in advance.
- Non-cash items in EBITDA relate to costs associated with the Employee Share Scheme.
- Capital expenditure relates primarily to Temple & Webster Group's spending on IT, and costs associated with the launch of Temple & Webster Group's showroom strategy in FY16.
- \$4.0 million in cash was paid on the acquisition of Wayfair Australia Pty Ltd with the balance of \$2.0 million payable on 31 July 2016 as presented in Section 9.5.3.
- Cash proceeds of \$40.0 million from the issue of Shares by Temple & Webster Group after the payment of \$21.5 million to Existing Shareholders.
- \$9.5 million will be paid in cash on the acquisition of Milan Direct Holdings Pty Ltd on completion of the Offer, and the balance of the purchase price will be settled with the issue of approximately 7.3 million shares in Temple & Webster Group.

4.6.2 Pro Forma Historical Cash Flows

Table 8 sets out a reconciliation of the historical cash flows of Temple & Webster Pty Ltd to the Pro Forma Historical Cash Flows of Temple & Webster Group following the acquisitions of ZIZO and Milan Direct as if these had occurred as of 1 July 2012 and the Offer as if it had occurred as of 30 June 2015.

TABLE 8: RECONCILIATION OF PRO FORMA HISTORICAL AND FORECAST CASH FLOWS FROM FY13 TO FY16 TO STATUTORY CASH FLOWS

A\$ millions	Notes	Historical			Forecast
		FY13	FY14	FY15	FY16
Pro forma cash flow		(4.8)	(0.7)	(1.6)	(11.1)
Convertible notes issue	1	–	–	–	12.0
Acquisition of ZIZO (cash)	2	–	–	–	(4.0)
ZIZO trading	3	0.2	(0.0)	0.3	0.7
Integration costs	4	–	–	–	(2.0)
IPO transaction costs	5	–	–	–	(4.4)
Cash inflow from issue of Shares	6	–	–	–	40.0
Acquisition of Milan Direct (cash)	7	–	–	–	(9.5)
Milan Direct trading	8	(0.1)	(0.0)	(0.4)	0.0
Cash impact of pro forma adjustments	9	–	–	–	(0.7)
Interest income on cash balance	10	–	–	–	0.4
Statutory cash flow		(4.7)	(0.8)	(1.7)	21.4

Pro forma adjustments have been made on the same basis as disclosed in Section 4.4.4.

Notes:

1. The raising of convertible notes to fund the acquisition of ZIZO Home Pty Ltd.
2. Cash outflow on acquisition of ZIZO Home Pty Ltd.
3. Represents the trading results for ZIZO Home Pty Ltd including an adjustment for the timing of the acquisition and operating cashflow therein.
4. Integration costs associated with merging the IT platforms, software and staffing of the three businesses.
5. IPO transaction costs expensed directly to the income statement and offset against equity.
6. Cash proceeds of \$40.0 million from the issue of Shares by Temple & Webster Group after the payment of approximately \$21.5 million to Existing Shareholders.
7. Cash consideration of the Milan Direct acquisition described in Section 4.6.1.
8. Represents the trading results for Milan Direct, including an adjustment for the timing of Milan Direct acquisition and operating cash flow therein.
9. Cash impact of pro forma adjustments: costs related to the wind-up of an existing employee share plan on completion of the Offer.
10. Interest income on cash balance: Interest income is forecast at 0.21% per month (2.5% p.a.) on the cash balance, with cash proceeds driving the cash balance in the forecast period.

4.6.3 Working capital and capital expenditure

Following Completion of the Offer, Temple & Webster Group will use cash raised together with revenue it generates to fund working capital requirements for FY16. The Directors of Temple & Webster Group believe that there will be sufficient cash assets to fund Temple & Webster Group's working capital and capital expenditure requirements to meet its stated objectives during FY16 as outlined in this Prospectus.

4.7 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

The following section provides an overview of the general factors which affected operations and financial performance in FY13, FY14 and FY15 and which the Directors expect may continue to affect Temple & Webster Group in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all of the factors that affected Temple & Webster Group's historical operating and financial performance, nor everything which may affect Temple & Webster Group's operating and financial performance in the future.

Management discussion and analysis presented below is on the basis of the pro forma results for Temple & Webster Group.

4.7.1 Overview of Operating Platforms

While post Completion of the Offer, Temple & Webster Group will be run as a single business and report as such so that maximum revenue and cost synergies can be extracted across the Group, the historical financial performance is presented for each of the three online platforms in the table below.

TABLE 9: PRO FORMA SUMMARY RESULTS BY PLATFORM

A\$ millions	Pro Forma Historical			Growth	
	FY13	FY14	FY15	FY14/FY13	FY15/FY14
Revenue				%	%
Temple & Webster	9.3	18.4	26.1	98.6%	41.7%
ZIZO	9.0	10.8	12.8	20.7%	18.7%
Milan Direct	11.7	16.9	20.9	44.5%	24.1%
Total revenue	29.9	46.1	59.9	54.2%	29.9%
EBITDA				A\$ m	A\$ m
Temple & Webster	(3.9)	(4.1)	(4.7)	(0.2)	(0.6)
ZIZO	(1.5)	(1.6)	(2.8)	(0.1)	(1.2)
Milan Direct	0.1	0.4	(0.3)	0.3	(0.7)
Total EBITDA/(loss)	(5.2)	(5.3)	(7.7)	(0.1)	(2.4)

4.7.2 Year-on-year management discussion and analysis

4.7.2.1 Pro forma Historical Results for FY14 compared with Pro Forma Historical Results for FY13

TABLE 10: SELECTED PRO FORMA HISTORICAL RESULTS AND CASH FLOW ITEMS: FY13 AND FY14

A\$ millions	Pro forma historical		
	FY13	FY14	Change
Revenue	29.9	46.1	16.2
Cost of Sales	(17.5)	(26.8)	(9.4)
Gross profit	12.4	19.3	6.9
Other income	0.7	0.5	(0.3)
Wages	(7.0)	(8.3)	(1.4)
Marketing, selling and administration	(13.1)	(18.4)	(5.3)
EBITDA/(loss)	(6.9)	(7.0)	(0.1)
Depreciation and amortisation	(0.2)	(0.4)	(0.2)
EBIT/(loss)	(7.1)	(7.4)	(0.3)
Interest	0.1	(0.1)	(0.2)
Profit before tax/(loss)	(7.0)	(7.5)	(0.5)
Income tax expense	(0.1)	(0.1)	(0.1)
NPAT/(loss after tax)	(7.0)	(7.7)	(0.6)
Revenue growth on pcp	n/a	54.2%	
Gross margin	41.6%	41.8%	0.3%
EBITDA margin	(23.1%)	(15.2%)	8.0%
EBIT margin	(23.7%)	(16.0%)	7.6%
NPAT margin	(23.5%)	(16.6%)	6.9%
Pro forma EBITDA/(loss)	(6.9)	(7.0)	(0.1)
Deferred revenue	0.6	1.0	0.4
Change in Net working capital	(0.3)	1.8	2.1
Non-cash movements	(0.5)	0.6	1.1
Operating cash flow before capital expenditure	(7.2)	(3.6)	3.6
Capital expenditure	(1.0)	(1.2)	(0.3)
Cash flow before financing and taxation	(8.2)	(4.9)	3.3

Revenue

Total revenue increased by \$16.2 million from \$29.9 million to \$46.1 million (up 54.2%). This was primarily due to the growth in the number of visitors across the Group's three online platforms, particularly the growth on the Temple & Webster platform. Visitor growth was in part due to increase in marketing spend; however, advertising as a percentage of revenue fell from 15.9% to 13.7%.

Temple & Webster's revenue increased by 98.6%, ZIZO increased by 20.7% and Milan Direct increased by 44.5% in FY14.

Gross Profit

Gross Profit margin improved from 41.6% to 41.8%. Gross Profit is mainly driven by cost of goods sold, and in turn is driven by supplier pricing and product mix.

Marketing, selling and administration expenses

Marketing, selling and administration costs include outbound freight costs, pick & pack logistics costs and advertising. Advertising costs in FY14 were \$6.3 million compared to \$4.8 million in FY13 and relate to digital-channel marketing spend. Outbound shipping costs of \$6.1 million in FY14 (\$4.2 million in FY13) and logistics costs of \$2.5 million in FY14 (\$1.5 million in FY13) increase in line with revenue.

EBITDA, EBIT and NPAT

The main drivers of Temple & Webster Group's cost base are wages, marketing, freight/logistics and selling expenses. Marketing, freight and selling expenses are aligned with revenue whereas other costs are more fixed in nature. Fixed costs are primarily wages which increased by \$1.4 million, while as a percentage of revenue fixed wages improved from 19.2% to 15.4%.

On a pro forma basis, EBITDA was flat (\$6.9 million) to (\$7.0 million), representing an improvement of EBITDA margin from (23.1%) to (15.2%). Temple & Webster Group continued to invest to grow its Active Customer base and capture market share. On a pro forma basis, NPAT decreased from a net loss after tax of \$7.0 million in FY13 to a net loss after tax of \$7.7 million in FY14. This was primarily a result of interest expense associated to the convertible notes which were drawn-down in Temple & Webster in FY14.

Change in net working capital

The change in net working capital of \$1.8 million in FY14 was primarily the result of Temple & Webster's revenue growth, which has positive working capital benefits as receipts are received from customers before orders are placed with suppliers.

Capital Expenditure

Capital expenditure across the Group relates mainly to IT spend and was relatively consistent across the periods.

4.7.2.2 Pro forma Historical Results for FY15 compared with Pro Forma Historical Results for FY14

TABLE 11: SELECTED PRO FORMA HISTORICAL RESULTS AND CASH FLOW ITEMS: FY14 AND FY15

A\$ millions	Pro Forma Historical		
	FY14	FY15	Change
Revenue	46.1	59.9	13.8
Cost of Sales	(26.8)	(35.2)	(8.4)
Gross profit	19.3	24.7	5.4
Other income	0.5	0.0	(0.4)
Wages	(8.3)	(11.0)	(2.7)
Marketing, selling and administration	(18.4)	(23.1)	(4.7)
EBITDA/(loss)	(7.0)	(9.4)	(2.4)
Depreciation and amortisation	(0.4)	(1.6)	(1.2)
EBIT/(loss)	(7.4)	(11.0)	(3.6)
Interest	(0.1)	(0.4)	(0.2)
Profit before tax/(loss)	(7.5)	(11.4)	(3.9)
Income tax expense	(0.1)	–	0.1
NPAT/(loss after tax)	(7.7)	(11.4)	(3.7)
Revenue growth on pcp	n/a	29.9 %	
Gross margin	41.8 %	41.2 %	(0.6%)
EBITDA margin	(15.2%)	(15.7%)	(0.5%)
EBIT margin	(16.0%)	(18.4%)	(2.4%)
NPAT margin	(16.6%)	(19.0%)	(2.4%)
Pro forma EBITDA/(loss)	(7.0)	(9.4)	(2.4)
Deferred revenue	1.0	0.5	(0.5)
Change in Net working capital	1.8	1.5	(0.3)
Non-cash movements	0.6	1.1	0.5
Operating cash flow before capital expenditure	(3.6)	(6.4)	(2.7)
Capital expenditure	(1.2)	(0.8)	0.4
Cash flow before financing and taxation	(4.9)	(7.2)	(2.3)

Revenue

Total revenue increased by \$13.8 million from \$46.1 million to \$59.9 million (up 29.9%). Visitor growth was in part due to increase in marketing spend; however, advertising as a percentage of revenue fell from 13.7% to 11.9%.

Temple & Webster's revenue increased by 41.7%, ZIZO increased by 18.7% and Milan Direct increased by 24.1% from FY14 to FY15.

Gross Profit

Gross Profit margin declined from 41.8% to 41.2%. This was due, in part, to the deterioration of the Australian Dollar to United States Dollar exchange rate for Milan Direct, and an increase in promotion activity across Temple & Webster Group to address the lower levels of consumer sentiment experienced for much of FY15, relative to the prior year.

Marketing, selling and administration expenses

Marketing, selling and administration costs include including outbound freight costs, pick & pack logistics costs and advertising. Advertising costs in FY15 were \$7.1 million compared to \$6.3 million in FY14. Outbound shipping costs of \$8.2 million in FY15 (\$6.1 million in FY14) and logistics costs of \$3.4 million in FY15 (\$2.5 million in FY14) increase in line with revenue.

EBITDA, EBIT and NPAT

Wages increased by \$2.7 million, and as a percentage of revenue were relatively flat at 18.4%. New head count was added across Temple & Webster Group to support the continued growth. On a pro forma basis, EBITDA moved from (\$7.0 million) to (\$9.4 million), as Temple & Webster Group continued to invest in people, marketing and infrastructure to support the future growth. On a pro forma basis, NPAT decreased from a net loss after tax of \$7.7 million in FY14 to a net loss after tax of \$11.4 million in FY15. This was primarily a result of an impairment charge of \$0.9 million of Temple & Webster's software development platform and an increased interest expense associated with the additional convertible notes which were drawn-down in FY15.

Change in net working capital

Net working capital was relatively consistent between FY14 and FY15.

Capital Expenditure

Capital expenditure across Temple & Webster Group relates mainly to IT spend and was \$0.4 million lower in FY15.

4.8 MANAGEMENT DISCUSSION AND ANALYSIS OF THE FORECAST FINANCIAL INFORMATION AND BEST ESTIMATE ASSUMPTIONS UNDERLYING THE FORECAST FINANCIAL INFORMATION

The Forecast Financial Information is based on best estimate assumptions concerning future events. In preparing the Forecast Financial Information, Temple & Webster Group has analysed historical performance and cash flows and applied assumptions to estimate the future performance and cash flows for FY16.

The Directors believe all the assumptions, when taken as a whole, are reasonable at the time of preparing the Prospectus and has prepared the Forecast Financial Information with due care and attention. However, actual results are likely to vary from those forecast, and such variation may be materially positive or negative. Many of the assumptions on which the Forecast Financial Information is based are beyond the control of the Directors and management of Temple & Webster Group, and are subject to significant uncertainty.

As such none of Temple & Webster Group, its Directors, management or any other person can provide any assurance that the Financial Forecast Information or any prospective statement contained in this Prospectus will be achieved.

The assumptions set out below should be read in conjunction with the risks set out in Section 5, the sensitivity analysis set out in Section 4.9 and the Independent Limited Assurance Report set out in Section 8. A reconciliation of the Pro Forma Forecast Results to the Statutory Forecast Results is set out in Section 4.4.4.

4.8.1 General assumptions underlying the Forecast Financial Information

The following general assumptions have been made in preparing the Forecast Financial Information:

- no significant change in the macroeconomic conditions that could have a material impact on Temple & Webster Group's customer demand;
- no material change in the competitive and operating environments of the Australian online market for furniture and homewares;
- no material changes in government legislation, regulatory requirements or other government policy in any country in which Temple & Webster Group operates that may have a negative impact on the financial performance, cash flows, reporting or disclosure of the Group;

- no changes in current Australian tax legislation;
- no material change in key personnel, including senior management;
- no material industry strikes or other disruptions to Temple & Webster Group's supply chain, or business operations;
- no material fine, penalty, dispute, litigation or other contingent liabilities to arise or be settled to the detriment of Temple & Webster Group;
- no material acquisitions, disposals, restructuring or investments (excluding the Offer and the acquisitions of ZIZO and Milan Direct described in Section 4.4.5);
- no material change in Temple & Webster Group's corporate or capital structure other than as contemplated by the IPO;
- no change in AAS or the Corporations Act that will have a material effect on Temple & Webster Group's accounting policies;
- none of the risks listed in Section 5 have a material impact on Temple & Webster Group; and
- the Offer is successful and the Acquisition completes in the timeframe anticipated.

4.8.2 Specific assumptions underlying the Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors based on an assessment of each of its three online platforms and corporate head office functions. In preparing the Forecast Financial Information, the Directors have taken into account the year to date trading performance and cash flows of the entities that will form part of the Group upon Completion of the Offer, and the current market conditions as applicable to the Group.

The specific, best estimate assumptions applied by the Directors in preparing the Forecast Financial Information for the Forecast Period are described below.

4.8.2.1 Revenue assumptions

Revenue is forecast based on the number of website visits or members, the conversion to customer transactions and the average order value. Website visits and members have been forecast in conjunction with the forecast marketing strategy and associated advertising and marketing cost base.

Customer conversion and average order values have taken into account historical trends, combined with the forecast impact of management's plans in relation to the product range available for sale, leveraging products and links across Temple & Webster Group, and key product and technology improvements such as category browsing and search for Temple & Webster.

4.8.2.2 Gross Profit assumptions

Temple & Webster Group's gross profit margins are based on historical margin achievements, and factor in supplier terms. Management expects gross profit margins to improve as foreign exchange costs are passed onto customers, and common suppliers are leveraged into key account management strategies.

4.8.2.3 Wages assumptions

Temple & Webster Group has forecast wages to increase due to the additional requirements of the new group structure and public company requirements. Wage increases also reflect an estimate of the costs associated with executive remuneration and employee share scheme arrangements set out in Section 6.3.

4.8.2.4 Distribution assumptions

Distribution costs, including outbound freight costs and pick & pack logistics costs have been forecast in line with historical averages.

4.8.2.5 Marketing assumptions

Temple & Webster Group has forecast an increase in marketing spend based on historical averages of marketing spend return on investment, and a continued focus on growth.

4.8.2.6 Other Expenses

Other expenses include: selling expenses which are forecast to be in line with Temple & Webster Group's historical selling expenses; IT expenses which are forecast to be in line with historical expenses; other than new capital projects to improve Temple & Webster Group's websites and infrastructure; and other fixed costs which have been added to reflect the nature of a public company.

4.8.2.7 Amortisation

Amortisation of customer listings and software arising from the purchase price accounting adjustments in relation to the acquisitions of ZIZO and Milan Direct.

4.8.2.8 Foreign exchange rates

The FY16 forecast has been prepared on the assumption of £1:\$2.16, and US\$1:\$1.35.

4.8.2.9 Working capital

Working capital assumptions have been based on historical trends in debtor and creditor days.

4.8.2.10 Capital expenditure

These costs include forecast expenditure on systems and website development, and launch of a showroom strategy.

4.8.3 Pro Forma Forecast Results for FY16 compared with Pro Forma Historical Results for FY15

TABLE 12: SELECTED PRO FORMA FORECAST RESULTS AND CASH FLOW ITEMS: FY15 AND FY16

A\$ millions	Pro forma historical	Pro forma forecast	Change
	FY15	FY16	
Revenue	59.9	76.2	16.3
Cost of Sales	(35.2)	(43.9)	(8.7)
Gross profit	24.7	32.3	7.7
Other income	0.0	–	(0.0)
Wages	(11.0)	(11.8)	(0.8)
Marketing, selling and administration	(23.1)	(29.0)	(6.0)
EBITDA/(loss)	(9.4)	(8.5)	0.9
Depreciation and amortisation	(1.6)	(1.0)	0.6
EBIT/(loss)	(11.0)	(9.5)	1.5
Interest	(0.4)	0.0	0.4
Profit before tax/(loss)	(11.4)	(9.5)	1.9
Income tax expense	–	–	–
NPAT/(loss after tax)	(11.4)	(9.5)	1.9
Revenue growth on pcp	n/a	27.3%	
Gross margin	41.2%	42.4%	1.2%
EBITDA margin	(15.7%)	(11.2%)	4.5%
EBIT margin	(18.4%)	(12.5%)	5.9%
NPAT margin	(19.0%)	(12.5%)	6.5%
Pro forma EBITDA/(loss)	(9.4)	(8.5)	0.9
Deferred revenue	0.5	0.5	0.0
Change in Net working capital	1.5	0.1	(1.4)
Non-cash movements	1.1	0.1	(1.0)
Operating cash flow before capital expenditure	(6.4)	(7.8)	(1.5)
Capital expenditure	(0.8)	(3.7)	(2.9)
Cash flow before financing and taxation	(7.2)	(11.5)	(4.3)

Revenue

Total revenue is forecast to increase by \$16.3 million from \$59.9 million to \$76.2 million (up 27.3%). This growth is partially due to an improvement in product offering, an increase in the number of members and visits due to an increase in marketing initiatives, and enhancements to the customer experience such as search and category browsing.

Gross Profit

Gross profit margin is forecast to improve from 41.2% to 42.4%. Management is forecasting the negative impact of foreign exchange to be passed onto customers during this period, and some suppliers common to all three platforms to move to a key account management model to improve gross profit margins.

Wages

Wages in the operating businesses are forecast to increase by \$0.8 million due to some increases in head count and some additional investment into the business.

Marketing, selling and administration

Temple & Webster Group will continue to invest in marketing, and Management believes that this is an important time to win customer loyalty as the shift from offline to online continues. Advertising spend is forecast to increase from \$7.1 million to \$11.2 million. Other fixed costs necessary to operate a public company have been added, including \$0.3 million for ASX compliance costs. Outbound shipping costs of \$9.6 million in FY16 (\$8.2 million in FY15) and logistics costs of \$4.1 million in FY16 (\$3.4 million in FY15) increase in line with revenue.

EBITDA, EBIT and NPAT

EBITDA is forecast to improve from (\$9.4 million) to (\$8.5 million) on a pro forma basis. This improvement is still with an increased investment in marketing with no assumed cost savings in FY16 in relation to potential cost synergies that may arise following integration. This represents an improvement of EBITDA as a percentage of revenue from (15.7%) to (11.2%). EBIT is forecast to improve from (\$11.0 million) to (\$9.5 million). The Group is not profitable and will have no debt, but is expected to earn interest income on investment of the cash proceeds from the Offer.

Change in net working capital

Working capital is forecast to be relatively flat and is driven by the growth of the Milan Direct business and the increase in inventory offset by a lower revenue growth profile for Temple & Webster.

Capital expenditure

Capital expenditure across the group relates mainly to IT spend and is forecast to increase by \$2.9 million to \$3.7 million as Temple & Webster Group makes significant investments in mobile, website, back-end and supporting infrastructure.

4.9 SENSITIVITY ANALYSIS OF THE PRO FORMA FINANCIAL INFORMATION

The Forecast Financial Information is based on a number of key estimates and assumptions that are subject to a number of risks and uncertainties which are beyond the control of Temple & Webster Group, its Directors and management. These estimates are also based on assumptions with respect to future business opportunities, which are subject to change.

Investors should be aware that the future is uncertain and variations, both positive and negative, are expected from the figures forecast in this Prospectus. A non-exhaustive sensitivity analysis using some of the key assumptions in the forecast is set out below and presents the sensitivity of the assumptions to FY16 Pro Forma Forecast EBITDA and NPAT. This analysis is to be used as a guide only and actual variations may be beyond the modeled ranges. Care should also be taken in interpreting these sensitivities which have been modeled in isolation of changes in other variables which in practice may be additive.

TABLE 13: SENSITIVITY ANALYSIS ON PRO FORMA FORECAST EBITDA AND NPAT FOR FY16

A\$ millions	Increase/ decrease	EBITDA		NPAT	
		+	-	+	-
Number of orders	+/- 5%	0.8	(0.8)	0.8	(0.8)
Average order value (gross)	+/- 5%	1.2	(1.2)	1.2	(1.2)
Return rate	+/- 1 ppt	(0.7)	0.7	(0.7)	0.7
Product margin	+/- 1 ppt	0.7	(0.7)	0.7	(0.7)
Exchange rate:					
USD	+/- 5%	(0.5)	0.5	(0.5)	0.5
GBP	+/- 5%	0.1	(0.1)	0.1	(0.1)

4.10 DIVIDEND POLICY

It is the Directors' intention to reinvest future cash flows in further growing the business and there is no current intention to pay a dividend.

SECTION 5
RISKS



5.1 INTRODUCTION

Temple & Webster Group and the companies within the Group are subject to various risk factors. Some of these are specific to the Group's business activities. Others are of a more general nature. Individually, or in combination, these risk factors may affect the future operating and financial performance of Temple & Webster Group, its investment returns and the value of an investment in the Shares. Each of the risks set out in this Section 5, if they eventuate, could have a material adverse impact on the Group's business, financial condition and results of operations.

Investors should be aware that this Section 5 does not purport to list every risk that may be associated with an investment in the Shares, the B2C retail ecommerce market, or the furniture and homewares segment in which the Group operates now or in the future. The occurrence of, or consequences of, some of the risks described in this Section 5 are partially or completely outside of the control of Temple & Webster Group, its Directors and its management team. This Section 5 should be read in conjunction with other information disclosed in this Prospectus. There can be no guarantee that Temple & Webster Group will achieve its stated objectives or that any forward looking statements or forecasts will be realised or otherwise eventuate.

The selection of risks has been based on the assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and the impact of the risk if it did occur. That assessment is based on the knowledge of the Directors as at the date of this Prospectus, but there is no guarantee or assurance that the importance of different risks will not change or that other risks will not emerge.

Before applying for Shares, investors should satisfy themselves that they have a sufficient understanding of the risks in this Section 5 and should consider whether Shares are a suitable investment for them, having regard to their own investment objectives, financial circumstances and taxation position. If investors are unclear in relation to any of the risks outlined in this Section 5 or are uncertain as to whether Temple & Webster Group is a suitable investment for them, they should seek professional guidance from their solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN TEMPLE & WEBSTER GROUP

5.2.1 Performance and reliability of Temple & Webster Group's websites, databases and its operating systems

The Group's websites, databases and systems, including those to be acquired as part of the Acquisition, are critically important to the Group's success in attracting and retaining customers, and maximising sales conversion from those customers.

Temple & Webster Group's financial and operational performance could be adversely affected by a system failure that causes prolonged disruption to its websites, or to third party suppliers of its products. This could directly damage the reputation and brand of the relevant platform and could reduce visitors to the affected website and directly influence sales to customers.

The Group's websites, databases and systems are all hosted on platforms provided by third party providers.

The Group is subject to the disaster planning contingencies of those third party providers to deal with events that are beyond the control of those parties such as earthquakes, floods, fires, power grid issues, telecommunication and network failures, terrorist attacks, computer viruses and other similar events. A catastrophic failure in the systems of a third party provider is likely to have a material impact on the systems and operations of the Group. While Temple & Webster Group mitigates such risk through insurance, this may not be sufficient to avoid customer disenchantment or reputational damage, which in turn may adversely affect Temple & Webster Group's financial performance.

The database of customers, third party suppliers, and data analytics are a valuable asset for the continued success of Temple & Webster Group. The risks associated with this are computer viruses, electronic theft, physical terminal theft, physical damage resulting in a loss of data, employee language programming errors, operating system failures, third party provider failures and similar disruptions. If an irrecoverable loss occurs this would incur a financial cost to Temple & Webster Group to remedy adversely affecting financial and operational performance. There could also be damage to the reputation of the business.

5.2.2 Continued growth of retail ecommerce in general and growth in demand for furniture and homewares may be affected by general economic factors

While the B2C retail ecommerce market and the furniture and homewares segment have been growing there is no guarantee this will continue into the future or as currently forecast. Temple & Webster Group is subject to factors outside its current control including Australia's outlook for economic growth, cash rate, instability in real estate and housing market taxation, unemployment rate, consumer sentiment, global economic outlook, foreign economic shocks, adverse exchange rate instability and building activity. One or more of these factors could cause a slowing or contraction in the forecasted growth in the market and industry. As a result, Temple & Webster Group may not be able to meet its business objectives which would adversely affect Temple & Webster Group's financial and operational performance.

5.2.3 New and existing competitors could adversely affect prices and demand for furniture and homewares and decrease Temple & Webster Group's market share

The furniture and homewares segment is highly fragmented. Competition can arise from a number of sources including traditional offline retailers, 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 customer network. As a result, this may increase the costs of customer acquisition and lower margins due to pricing pressure. The Group's market share in the furniture and homewares segment may decline if competitors increase their focus on growing online sales through investment in the retail ecommerce market.

An increase in competitive pressures means Temple & Webster Group must quickly and effectively adapt pricing and margins to changes in the competitive landscape and this may have an adverse effect on Temple & Webster Group's financial and operational performance.

5.2.4 Integration of current and future acquisitions may not be successful

Temple & Webster has recently acquired the ZIZO business and Temple & Webster Group will, subject to completion of the Acquisition, acquire Milan Direct. Temple & Webster Group will consider future acquisitions where the Company believes that those acquisitions are complementary to the future growth strategy of the Group. There are a number of difficulties associated with acquisitions such as the integration of financial, operational and managerial resources.

Temple & Webster Group is currently integrating its acquisition of ZIZO and will integrate Milan Direct after completion of the Acquisition. If these companies are not successfully integrated this may have a material adverse effect on Temple & Webster Group's financial and operational performance.

In addition, while Temple & Webster has and will conduct due diligence on proposed acquisitions, there is no assurance that an acquisition will perform as forecast once fully integrated, or successfully achieve the desired objectives and synergies.

5.2.5 The Group's brands and its product offerings rely on maintaining and enhancing existing brands and requires the avoidance of negative publicity and unfavourable customer complaints

The Group currently offers two distinct brands to its customers and this will increase to three distinct brands on completion of the Acquisition. Maintaining and enhancing these brands is critical to expanding the Group's customer base and suppliers. However a significant portion of the brand experience depends on third parties outside of the Group's control, including suppliers and logistics providers. If these third parties do not meet the Group's customer's expectations, one or more brands may suffer irreparable damage. If Temple & Webster Group fails to promote and maintain the Group's brands, or if it incurs excessive expenses in this effort, the business, operating results and financial performance may be materially adversely affected. It is anticipated that, as the market becomes increasingly competitive, maintaining and enhancing the brands may become increasingly difficult and expensive. Maintaining and enhancing the brands will depend largely on the Group's ability to provide high quality products to its customers and a reliable, trustworthy and profitable sales channel to its suppliers, which it may not do successfully.

Customer complaints or negative publicity about any of Temple & Webster Group's websites, products, product delivery times, customer data handling and security practices or customer support, especially on blogs, social media websites and Temple & Webster Group's own websites, could rapidly and severely diminish consumer use of the websites and consumer and supplier confidence in Temple & Webster and result in harm to any of the brands.

5.2.6 Temple & Webster Group's future growth may place significant demands on management and its infrastructure

Temple & Webster Group aims to continue its revenue growth with some form of consolidation of the Group's online platforms, consideration of future acquisitions, potential offshore expansion and a consideration of a traditional offline offering such as retail showrooms. The Company anticipates that this will result in an increased level of responsibility for key management, and require the integration of teams and recruitment of staff to support this expected growth. If Temple & Webster Group is unable to manage the demands placed on key management, it may have a material adverse effect on its financial and operational performance in the future.

As Temple & Webster Group enters an expansionary phase of the Group's development, it will need to continue to upgrade and enhance the Group's infrastructure and online platforms to ensure the Group has sufficient capacity for the forecast growth in the Group's customer base and its product offering. If Temple & Webster Group is unable to manage the forecast growth and demand, it may have a material adverse effect on its financial and operational performance in the future.

5.2.7 Temple & Webster Group relies on third-party suppliers for its products

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 Temple & Webster Group's relationships with these suppliers or inability of these suppliers to renew informal or contractual agreements may have a material adverse effect on Temple & Webster Group's financial and operational performance in the future.

Third party suppliers may also have a "stock out" with insufficient quantities of products available in a timely manner, or encounter financial or material difficulties, labour shortages or unilaterally amend their terms of agreement with Temple & Webster Group's competitors. The Group's suppliers may incur unforeseen cost, or seek changes in credit terms as a result. These factors may impact the Company and may have an indirect adverse effect on the customer or a customer order, which in turn may also have a material adverse effect on Temple & Webster's financial and operational performance.

5.2.8 The Group has a history of losses which are expected to continue in the near-term as the business expands

The Group and its platforms have a history of losses. The Group expects operating losses and negative cash flow to continue in the near-term as the Company increases investment in the Group's businesses. The Company may experience unexpected operating and other expenses without an offsetting increase in revenue. Unforeseen increases may be due to advertising costs, distribution expenses as a result of third-party delivery services, third party suppliers, exchange rate pressures from foreign manufacturers, deteriorating third party supplier relationships, taxation, other statutory charges, and the general rate of inflation.

Further, if Temple & Webster Group's future growth and operating performance fail to meet investor or analyst expectations, or if the Company has future negative cash flow or losses resulting from its investment in acquiring new customers, Temple & Webster Group's financial condition and Share price could be materially adversely affected.

5.2.9 Temple & Webster Group's recent growth rates may not be sustainable or indicative of our future growth

Based on Temple & Webster's historical growth rates and the additional growth anticipated from the acquisition of ZIZO and Milan Direct, Temple & Webster Group has assumed future growth rates for the business. The success of the business depends on the Group's ability to acquire customers in a cost-effective manner. However, there is a risk that Temple & Webster Group may need to spend more than it anticipates to acquire and retain customers or may generate less net revenue per Active Customer than anticipated, any of which could have a negative impact on the business and the results of operations. In addition, Temple & Webster Group's historical growth rates may not be sustainable or indicative of future growth.

The Group believes that its continued revenue growth will depend upon, among other factors, its ability to:

- build brands and launch new brands;
- acquire more customers;
- develop new features to enhance the consumer experience on its websites, mobile-optimised websites and mobile applications, which are collectively referred to as the Group's sites;
- increase the frequency with which new and repeat customers purchase products on its sites through merchandising, data analytics and technology;
- add new suppliers and deepen its relationships with its existing suppliers;
- enhance the systems consumers use to interact with its sites and invest in its infrastructure platform;

- expand through a multi-channel offering such as introducing showrooms; and
- pursue strategic acquisitions.

Achievement of any of the foregoing cannot be assured. Failure to continue revenue growth rates could have a material adverse effect on the Group's financial condition and results of operations. Investors should not rely on the historical rate of revenue growth as an indication of future performance.

5.2.10 The growth in Online Penetration and rate of migration to online platforms

Growth in ecommerce is being driven partly by the migration of customers from a traditional offline retailing experience to online retailing platforms across a number of segments. This factor is outside Temple & Webster Group's control and there is no guarantee that the migration of customers will continue to grow in the future despite the historical and forecast growth patterns in many countries. If the rate of penetration and migration to ecommerce does not increase in line with Temple & Webster Group's assumptions, this will have a material adverse effect on its financial and operational performance in the future.

5.2.11 Temple & Webster Group's possible expansion into new markets may not be successful

Any future acquisitions or expansions into new markets may expose Temple & Webster Group to unforeseen risks. A number of these risks could include regulatory requirements, complications or inefficiencies in staff, managerial and operational performance, enforcing contractual obligations and intellectual property rights, differing consumer sentiments, exchange rate fluctuations, political or economic instabilities, and taxation. Temple & Webster Group has experience within the Australian market of these issues, but little experience outside Australia.

Prior to entering into any market outside Australia, Temple & Webster Group will assess matters such as the furniture and homewares segment in the relevant jurisdiction, the regulatory environment and the economic climate. The Company will make informed decisions on the attractiveness and effectiveness of entry into these markets, based on information available to the Company at that time. If such information turns out to be inaccurate, or circumstances arise outside of Temple & Webster Group's control while entering these new markets, there may be a material adverse effect on the financial and operational performance of the Company.

5.2.12 Changes in technology and technology updates

The retail ecommerce market is influenced by changing technologies and adapting industry standards for the future. Temple & Webster Group may be impacted by its ability to maintain and update its technology platforms. Maintaining and updating its technology could involve a significant cost and no assurance can be given that Temple & Webster Group will have the capital required to develop new technologies in the future required to maintain competitive advantage or market share.

Milan Direct is currently updating its enterprise resources planning functionality to SAP business one. This is a major technology update and any failure to properly integrate or implement the new system may cause operational issues for Milan Direct and Temple & Webster Group.

5.2.13 The Group relies on services provided by third party payment and logistics providers

The Group relies on the services provided by third party banking and payment providers such as credit card companies. It also relies on the services of third party logistic providers to deliver ordered products to customers. The Group has limited influence over these third parties and the contracts with these providers are generally short term in nature. Any system or service failure that causes an interruption to Temple & Webster Group's ability to effect payment transactions or receive payments could adversely affect its business. A system or service failure that affects the delivery of ordered products to customers could adversely affect the customer experience and reduce the attractiveness of the relevant website to customers and limit future sales. Any of these system or service failures could have an adverse impact on the reputation and brand of the business which could materially adversely affect Temple & Webster Group's business, financial performance and operations.

5.2.14 Inventory management

As part of Temple & Webster Group's multi-business model, the Milan Direct business will continue to hold inventory for the Milan Direct platform. Temple & Webster Group will rely on Milan Direct's data analytics and inventory management system to manage its stock levels relative to forecast stock purchases. If Milan Direct's inventory management system or data analytics fail or provide inaccurate information, Milan Direct may experience a disproportion in demand and supply for specific products or "stock-out" issues. This may result in an increase in holding costs, less than forecast margins, damage to reputation, brand and may have a material adverse effect on Temple & Webster Group's financial and operational performance.

5.2.15 Changes in customer preferences

Temple & Webster Group derives its revenue from the furniture and homewares segment which is subject to on-trend, and style specific customer preferences. Customer spending is primarily discretionary in nature, as is generally the case with the retail ecommerce market, and customers may allocate this discretionary spend across different product categories or other services from time to time. Failure by Temple & Webster Group to accurately predict or respond to customer preferences could result in lower sales or margins and could have a material adverse effect on its financial and operational performance.

5.2.16 Seasonal trading patterns may change

Temple & Webster Group tailors a portion of its marketing towards seasonal trading patterns. Its offerings, while remaining style-specific, are reflective of the forthcoming season, or holiday period. As a result, a portion of Temple & Webster Group's financial and operational systems are strategically geared towards accurately reflecting the customer's needs in the forthcoming season. Any misjudgement in predicting the customer's needs or any significant decreases in customer demand patterns during peak seasons, could have a material adverse effect on a portion of Temple & Webster Group's financial and operational performance.

5.2.17 Temple & Webster Group may experience email fatigue

Temple & Webster Group may experience email fatigue with a growing customer base. The frequency of sending marketing emails may be underestimated or overestimated and have the direct result of reducing sales conversion rates. If Temple & Webster Group does not efficiently utilise its data analytics, update its segment listings and decide accurately when to deploy re-engagement campaigns to improve performance metrics this could have a material adverse effect on its financial and operational performance.

5.2.18 Employee recruitment and retention

The Group's future success is dependent on its ability to attract individuals that will complement its culture and retain experienced key management personnel. Competition within the retail ecommerce market could increase the demand and cost for quality employees. Temple & Webster Group's financial and operational performance could be materially adversely affected if it cannot attract and/or retain employees or key management personnel to implement its growth strategy and maintain market position.

5.2.19 Internet and data security breaches

There is a risk that, despite Temple & Webster Group's best efforts to combat such risks (including firewalls, encryption of client data, a privacy policy and policies to restrict unauthorised access to data), an interest or a data breach may occur, or a third party may gain access to the confidential information of the Group's customers or its internal systems. This could result in a breach of law by Temple & Webster Group, or a breach of client agreements, and may damage the Group's reputation and brand name. Any breach of this nature may have a material adverse effect on Temple & Webster Group's financial and operational performance in the future.

5.2.20 The Group's websites may be excluded from or ranked lower in organic search results due to changes to search engines' algorithms or terms of services

Organic search results are not dependent on payments or marketing costs, but are the result of a search engine's "organic" listing. Customers sourced through organic listings generate higher gross margins for Temple & Webster Group as there are less marketing costs associated with the transactions. Search engines will typically modify their algorithms to prevent manipulation of the rankings. Historically, search engines have not accepted payments to manipulate these rankings. These algorithms may be confidential or proprietary information and Temple & Webster Group may not have access to the methods used. If Temple & Webster Group is unable to adapt quickly to algorithm changes, Temple & Webster Group's effectiveness may be adversely affected and it could suffer financially from a significant decrease in customer traffic and subsequent conversion rates. If Temple & Webster Group acted deceptively in trying to improve its ranking, it may be in violation of a search engine's terms of service. As a result Temple & Webster Group could be excluded from a search engine's organic listing. Such exclusion could significantly affect Temple & Webster Group's ability to achieve higher gross margins which could have a material adverse effect on its financial and operational performance in the future.

5.2.21 Temple & Webster Group may experience a significant increase in the cost of, or become more reliant on, search engine marketing

A proportion of Temple & Webster Group's revenues were attributable to customers who accessed the Group's websites by clicking on links that Temple & Webster or ZIZO paid to list on search engine's results pages. Temple & Webster and ZIZO frequently place a very large number of bids on key words at a certain cost per click, which is paid to the search engine, in order to place these listings with a search engine. Under the bidding system, the order in which websites appear in a search engine's paid search results is determined by a combination of the price bid by the website and the historical and expected rate at which consumers click through to the website. Bids on generic search terms (such as "rugs") are typically higher cost, whereas bids on branded search terms (such as "Temple & Webster") are typically lower cost. The click-through rate is, in turn, influenced by the strength of the website's brand and the popularity of the website.

The cost of search engine marketing generally increases as the importance of online advertising increases and competition to be ranked higher in paid listings increases. Furthermore, business unit might have to submit higher bids in order to purchase certain key words to offset a reduction in its click-through rate. This may occur if the Group were to suffer negative publicity or if its market share were to decline, or if any other factor impacted on its brand or reputation. In addition, the Group's websites were to experience a reduction in natural search visibility in search engines (i.e. a fall in its websites' organic search ranking), it may increase the Group's reliance on search engine marketing. If this was to occur there is no guarantee that the Group's websites natural search visibility will improve in a timely manner or at all. Temple & Webster Group's business, financial performance and operations may be materially adversely affected by any increase in the cost of, or in reliance on, search engine marketing, or any decrease in the effectiveness of its search engine marketing.

5.2.22 Domain names

Currently Temple & Webster is the registrant of the internet domain name for the websites templeandwebster.com.au and ZIZO.com.au, and following completion of the Acquisition it will be the registrant of the internet domain name for the website milandirect.com.au, as well as various related domain names. These are all regulated and trademarked by law. If Temple & Webster Group fails to re-register these names when required to do so or is unsuccessful in obtaining similar domain names, trademarks or reasonable terms of use in a particular country it may be forced to incur costs associated with the creation, rebranding and development of new materials and packaging to enter the foreign market. As a result this may have a material adverse effect on the financial and operational performance in the future.

5.2.23 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 bases are seen as proprietary information. Unauthorised parties may obtain or copy 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, Temple & Webster 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 Temple & Webster Group's financial and operational performance in the future.

5.2.24 Risk of litigation, claims, disputes and regulatory investigations

Temple & Webster Group and its business units may be subject to litigation, claims, disputes and regulatory investigations both in Australia and overseas. Temple & Webster Group and its business units may be subject to fines, sanctions, claims settlements, indemnity and operational impacts if unsuccessful. This may have a material adverse effect on Temple & Webster Group financial and operation performance.

5.2.25 Inadvertent sale of infringing goods

Temple & Webster Group can offer no assurances that third party suppliers will not attempt to infringe rights associated with other furniture and homewares products. There is a risk a portion of products offered and supplied for sale through the Group's online platforms may infringe the intellectual property rights of other furniture and homeware products. The inadvertent sale of such products could result in damage to reputation or brand and may have a material adverse effect on financial and operational performance of Temple & Webster Group.

5.2.26 Foreign currency risk

Temple & Webster Group's financial and operational performance may be influenced by fluctuations in foreign exchange rates in which income is generated or accrued expenses incurred. Fluctuations in foreign exchange rates may also have an adverse effect on the purchasing power of the Group from third party suppliers. In addition, the Milan Direct business has overseas revenue and overseas third party costs that must be financially reported in Australian dollar terms.

5.2.27 Reliance on Wayfair IT functions

Temple & Webster has a perpetual licence arrangement with Wayfair LLC Inc. to allow the continued use of certain IT functions and support for ZIZO's online platform and operational systems. The licence agreement is terminable only in certain limited circumstances. The licence may only be terminated by Wayfair LLC Inc. within 18 months of the completion of the acquisition of ZIZO if Temple & Webster resells, leases, loans or sub-licences the licence to any person without the prior consent of Wayfair LLC Inc., or breaches the prohibition on assigning its rights under the terms of the licence. While Temple & Webster has no intention of being in breach of these provisions of the licence agreement, there is a risk that if there is an inadvertent breach, Wayfair LLC Inc. may choose to terminate the licence agreement and Temple & Webster Group would lose the right to use the relevant IT functions. Such action by Wayfair LLC Inc. would have a material adverse effect on the financial and operational performance of Temple & Webster Group.

5.3 GENERAL RISKS OF AN INVESTMENT IN TEMPLE & WEBSTER GROUP

5.3.1 Price of shares and general investment risks

The price at which Shares are quoted on the ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the price at which the Shares are being offered under this Prospectus. There is no assurance that the price of the Shares will increase following the quotation of the Company on the ASX, even if Temple & Webster Group's operations and financial performance improves. Some of the factors which may affect the price of the Shares include:

- fluctuations in the domestic and international market for listed stocks;
- general economic conditions, including interest rates, inflation rates, exchange rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation;
- inclusion in or removal from market indices;
- the nature of the markets in which Temple & Webster Group operates; and
- general operational and business risks.

Other factors which may negatively affect investor sentiment and influence Temple & Webster Group, specifically or the stock market more generally include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other man-made or natural events. Temple & Webster Group has a limited ability to insure against some of the risks mentioned above.

5.3.2 Trading in Shares may not be liquid

Once the Shares are quoted on the ASX, there can be no guarantee that an active trading market for the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

5.3.3 Existing Shareholders retain a significant stake in the Company post-Listing

Following Completion, the Existing Shareholders will hold 47.3% of the issued capital of Temple & Webster Group.

34.1 million Shares, representing 32.2% of the issued capital of Temple & Webster Group, will be subject to escrow restrictions ranging up until the date on which the Company releases its financial results for the period ending 30 June 2017 (subject to certain exceptions, see Section 7.1.4 for more details). There will be no restrictions on the sale of any escrowed Shares on and from the date on which those escrow restrictions are released in accordance with the terms of the relevant restriction, or sooner, in the event an exception to the restriction is available.

Following the end of the escrow period, a significant sale of Shares by some or all of the Escrowed Shareholders, or the perception that such sales have occurred or might occur, may adversely affect the price of Shares.

Alternatively, the absence of any sale of Shares by the Existing Shareholders may cause or contribute to a diminution in the liquidity of the market for the Shares.

5.3.4 Exposure to changes in tax rules or their interpretation

Tax rules or their interpretation in relation to equity investments, divestments and other transactions entered into in the ordinary course of Temple & Webster Group's business may change. In particular, both the level and basis of taxation may change.

In addition, from time to time the Australian Taxation Office also reviews the tax treatment of transactions entered into by Temple & Webster Group. Any actual or alleged failure to comply with, or any change in the application or interpretation of tax rules applied by Temple & Webster Group in respect of such transactions, could increase its tax liabilities or expose it to legal, regulatory or other actions.

In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each investor considering an investment in Temple & Webster Group is encouraged to seek professional tax advice in connection with any investment in Temple & Webster Group.

5.3.5 Australian Accounting Standards may change

Australian Accounting Standards are set by the AASB and are outside the control of either Temple & Webster Group or its Directors and management. The AASB is due to introduce new or refined Australian Accounting Standards during the period from 2014 to 2018, which may affect future measurement and recognition of key statement of profit and loss and balance sheet items, including revenue and receivables. There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statement of profit and loss and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to the commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in Temple & Webster Group's consolidated financial statements.

5.3.6 Future capital needs

Temple & Webster Group may be required in the future to raise capital through public or private financing or other arrangements. Such financing may not be available on acceptable terms, or at all, and a failure to raise capital when needed could harm Temple & Webster Group's business. If Temple & Webster Group cannot raise funds on acceptable terms, it may not be able to grow its business or respond to competitive pressures.

5.3.7 Risk of Shareholder dilution

In the future, Temple & Webster Group may elect to issue Shares in connection with fundraisings, including raising proceeds for acquisitions Temple & Webster Group may decide to make. While Temple & Webster Group will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.





5.3.8 No guarantee of future dividend payments

The Company currently has no plans to pay a dividend in the foreseeable future. Beyond this, there is no guarantee that the Group will generate sufficient cash flow from its operations in the future to pay dividends. The Group's dividend policy is set out in Section 4.10.







SECTION 6
**KEY PEOPLE,
INTERESTS
AND BENEFITS**

6.1 BOARD OF DIRECTORS

Name	Expertise, experience and qualifications
 <p>Carol Schwartz, AM <i>Independent non-executive Chairperson</i></p>	<ul style="list-style-type: none"> • Carol was appointed to the board of Temple & Webster in November 2013 as a non-executive Director, and became non-executive Chairperson of Temple & Webster Group in October 2015. • With a background in law and property, Carol has worked in both executive and non-executive roles across a diverse range of industries in both listed and private companies. • Carol is the founding Chair of Australia's leading social enterprise, Our Community and is currently a non-executive director on the boards of Stockland and the Bank of Melbourne. Carol is also a founding director of Qualitas Property Partners and the Trawalla Group. • Carol holds a Bachelor of Arts, a Bachelor of Laws and a Master of Business Administration from Monash University. She is a fellow of the Australian Institute of Company Directors.
 <p>Brian Shanahan <i>Group Chief Executive Officer and Managing Director</i></p>	<ul style="list-style-type: none"> • Brian is a co-founder of Temple & Webster, and has been its CEO since formation in July 2011. • Brian is responsible for the management of the Group and its strategic development. • Brian brings more than 20 years of corporate experience to the Group. Prior to co-founding Temple & Webster, Brian was the Managing Director eBay Local Classifieds (APAC), where he was responsible for growing the Gumtree brands outside of Great Britain. Brian was the Finance Director of eBay Australia for 3 years. • Brian holds a Bachelor of Commerce from the University of Canberra and is a qualified Chartered Accountant.
 <p>Conrad Yiu <i>Non-executive Director</i></p>	<ul style="list-style-type: none"> • Conrad is a co-founder of Temple & Webster and joined the board of Temple & Webster upon the company's formation in July 2011. Conrad was Chairman of Temple & Webster until immediately prior to the Offer. • Conrad has over 20 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 currently a principal of ArdenPoint, an investment firm which he co-founded with Mark Coulter in 2011. • Conrad holds a Bachelor of Commerce from the University of New South Wales and an MBA from the University of Cambridge. • Conrad is a Member of the Institute of Chartered Accountants of Australia and New Zealand and a Member of the Australian Institute of Company Directors.
 <p>Matthew Campbell <i>Independent non-executive Director</i></p>	<ul style="list-style-type: none"> • Matthew was appointed to the board of Temple & Webster Group as a non-executive Director in October 2015. • Matthew has over 30 years of experience in senior leadership positions in the retail sector in Australia and New Zealand, with extensive experience in retail and wholesale strategic planning, international product sourcing and supply chain. • Matthew is currently the CEO of Torpedo 7. Prior to joining the Temple & Webster Group board Matthew held executive positions with retailers including Rebel Sport, Sony Music, Brashs Holdings, Vox Retail Group and The Warehouse Ltd New Zealand. • Matthew has previously served as a non-executive director of ASX-listed Hills Limited and has served on numerous Industry and Community Boards.

6.2 KEY MANAGEMENT

Name	Expertise, experience and qualifications
<p>Brian Shanahan <i>Group Chief Executive Officer and Managing Director</i></p>	<p>See Section 6.1</p>
 <p>Adam McWhinney <i>Group Customer Experience Officer and Executive General Manager, Temple & Webster</i></p>	<ul style="list-style-type: none"> • Adam is a co-founder of Temple & Webster and has been with Temple & Webster since its formation in July 2011. • As Group Customer Experience Officer and Executive GM Temple & Webster Adam is responsible for leading the brand-driven customer experience across the Group and the day to day operations of Temple & Webster. • Adam has over 15 years of experience in senior digital product development roles. Prior to co-founding Temple & Webster Adam was a Product Director at News Limited. Adam was the creator of Taste.com.au, one of Australia's most successful lifestyle websites. • Adam holds a Bachelor of Arts (Communications) from the University of Newcastle.
 <p>Deborah Kelly <i>Group Chief Financial Officer</i></p>	<ul style="list-style-type: none"> • Deborah joined Temple & Webster Group in September 2015 and is responsible for the finance, investor relations, risk and compliance functions. • Deborah has commercial and operational management and private equity experience across a number of industries in both Australia and in international markets. • Prior to joining Temple & Webster Group she held senior executive positions at Mirvac Group and was the CFO and CEO at the Stonebridge Group. She also held a number of roles at Babcock & Brown (ASX:BNB) including Head of Investor Relations, COO Corporate & Structured Finance Group and CFO Babcock & Brown Communities (ASX: BBC). • Deborah is a Fellow of the Institute of Chartered Accountants of Australia and New Zealand and holds a B.Com from the University of the Witwatersrand, Johannesburg, South Africa.
 <p>Dean Ramler <i>Executive General Manager, Milan Direct</i></p>	<ul style="list-style-type: none"> • Dean will join the Temple & Webster Group as Executive General Manager of Milan Direct on completion of the Acquisition. • Dean is responsible for the day to day running of Milan Direct and growth initiatives. • Dean founded Milan Direct in 2006 at the age of 24. He has deep experience in the Australian furniture and retail industries. • Dean holds a Bachelor of Business Marketing and a Bachelor of Business Management from Monash University.
 <p>Michael Henriques <i>General Manager, ZIZO</i></p>	<ul style="list-style-type: none"> • Michael joined the Group in July 2015 on the acquisition of ZIZO by Temple & Webster. • Michael is General Manager of ZIZO. • Prior to joining the Group Michael held the roles of Vice President, Managing Director and Technology & Operations Manager of Wayfair Australia, and prior to that he held several roles at Wotif Group. • Michael oversees the day-to-day operations of ZIZO, while driving the brand's strategic growth. • Michael holds a Bachelor of Information Systems and an Masters of Information Systems from the University of New South Wales.

6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
 - person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
 - promoter of the Company; or
 - underwriter to the Offer or a financial services licensee named in this Prospectus as a financial services licensee,
- holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

6.3.1 Interests of advisers

The nature and extent of the interests and fees of professional advisers engaged by the Company is set out below. Temple & Webster Group has engaged the following professional advisers in connection with the Offer:

- Bell Potter has acted as Lead Manager to the Offer. Temple & Webster Group has paid, or agreed to pay, the Lead Manager the fees described in Section 9.5.1.1 for these services;
- Norton Rose Fulbright Australia has acted as Australian legal adviser to Temple & Webster Group in relation to the Offer. Temple & Webster Group has paid, or agreed to pay, approximately \$200,000 (excluding disbursements and GST) for these services. Further amounts may be paid to Norton Rose Fulbright Australia in accordance with its normal time-based charges;
- Ernst & Young has performed audit and review services in relation to the financial statements described in Section 4.2.2. Ernst & Young will be paid approximately \$164,200 (excluding GST and disbursements) for the audit and review services specifically performed in connection with the Offer up to the date of the Prospectus. Further amounts may be paid to Ernst & Young in accordance with its time-based charge-out rates.
- Ernst & Young has also acted as the Financial Due Diligence Advisor and Tax Advisor and has provided financial modelling assistance in connection with the Offer. Ernst & Young will be paid approximately \$423,900 (excluding GST and disbursements) for these services up to the date of the Prospectus. Further amounts may be paid to Ernst & Young in accordance with its time-based charge-out rates.
- Ernst & Young Transaction Advisory Services Limited (**EYTAS**) has acted as the Investigating Accountant and has prepared the Independent Limited Assurance Report included in this Offer Document in Section 8. EYTAS will be paid approximately \$41,900 (excluding GST and disbursements) for these services up to the date of the Prospectus. Further amounts may be paid to EYTAS in accordance with its time-based charge-out rates.

These amounts, and other expenses of the Offer, will be paid by Temple & Webster Group out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.1.2.

6.3.2 Non-Executive Director remuneration and director interests

6.3.2.1 Non-Executive Directors' remuneration

Under the Constitution, the Directors decide the amount paid to each Director as remuneration for their services to Temple & Webster Group. Under the ASX Listing Rules, the total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by Temple & Webster Group's shareholders in general meeting. On its establishment the total aggregate remuneration for Directors fixed under the Constitution is \$400,000, of which only \$260,000 is currently utilised. In accordance with the terms of the Constitution the aggregate amount fixed by the Company excludes any amount to be paid to the managing director or any other executive director.

Annual non-executive Directors' fees currently agreed to be paid by Temple & Webster Group are \$80,000 to the Chairperson Carol Schwartz, and \$50,000 to each of Conrad Yiu and Matthew Campbell. In addition, it is currently agreed that Conrad Yiu and Carol Schwartz will each receive a \$30,000 fee for their role as chairs of the Audit and Risk Management Committee and the Nomination and Remuneration Committee, respectively, and Matthew Campbell will receive an additional \$20,000 for his role as a member of both committees. All Non-Executive Directors' fees include any required superannuation payment.

6.3.2.2 Deeds of access, insurance and indemnity for directors

Temple & Webster Group has entered into deeds of access, indemnity and insurance with each Director that contains the rights of access to certain books and records of Temple & Webster Group on certain conditions for a period of seven years after the Director ceases to hold office. This seven year period can be extended where a claim arises within the seven year period.

Pursuant to the Constitution, Temple & Webster Group may indemnify Directors and officers, past and present, against liabilities that arise from their position as a Director or officer allowed under law. Under each deed of access, indemnity and insurance, Temple & Webster Group indemnifies the Directors to the maximum extent permitted by law against any liability incurred, including liability arising from negligence, breach of statutory duty or for any other reason, and reasonable legal costs on a solicitor/client basis in connection with any claim (on an after tax basis) that is due and payable by the Director, in connection with any alleged or actual act, omission or other conduct (including any misleading statement, misstatement, mistake, neglect or breach of duty) by the Director as a director of Temple & Webster Group.

This indemnity is subject to certain limitations:

- it only applies to the extent Temple & Webster Group is not precluded by law from indemnifying the Director;
- it does not apply to any liability connected with fraudulent, criminal or dishonest conduct, or a reckless or intentional breach of the Directors' duties as a director of Temple & Webster Group; and
- it will only apply to the extent approval of the members of Temple & Webster Group is not needed under any applicable legislation unless that approval has been obtained.

If the Director incurs legal costs in circumstances where, depending on the outcome of a claim the Company may be obliged to indemnify the Director for those legal costs, the Company must on request of the Director providing documentary evidence of those legal costs, lend to the Director an amount equal to those legal costs. The loan is ultimately repayable by the Director on conclusion of the claim, and may be set-off against any indemnity payment due by the Company to the Director.

Pursuant to the Constitution, Temple & Webster Group may arrange and maintain directors' and officers' insurance for its Directors to the extent permitted by law. Under the deed of access, indemnity and insurance, Temple & Webster Group must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.2.3 Other information

Directors may also be reimbursed for expenses reasonably incurred in attending to Temple & Webster Group's affairs. Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a director of Temple & Webster Group or a subsidiary. There is no contractual redundancy benefit for Directors, other than statutory superannuation contributions. The interests of Directors are set out in this section.

6.3.2.4 Directors' shareholdings

Directors are not required under the Constitution to hold any Shares. Details of the number of Shares held by Directors, or in which the Directors have an interest, both before and after the Offer are expected to be as follows:

Director	Shares at Prospectus Date ²	Shares held on Completion of the Offer	Shares held on Completion of the Offer (% of issued capital)
Carol Schwartz	1,643,235	1,643,235	1.6%
Brian Shanahan	4,579,042	3,205,323	3.0%
Conrad Yiu ¹	8,478,126	5,130,285	4.9%
Matthew Campbell	223,478	223,478	0.2%

1. Conrad Yiu has an indirect interest in Shares through ArdenPoint Ecommerce Unit Trust, ArdenPoint Fund 1 Unit Trust and APF2 Unit Trust. Mr Yiu is a co-trustee of these funds, and is an investor in each of the funds, along with a number of other investors.

2. Includes Shares to be issued before Listing on conversion of existing convertible notes and on the Group Capital restructure (refer to Section 7.1.5).

6.3.3 Key Executive remuneration

6.3.3.1 Brian Shanahan – Group Chief Executive Officer and Managing Director

Brian Shanahan is employed by Temple & Webster in the role of Group Chief Executive Officer and Managing Director. Under Mr Shanahan's employment agreement, Mr Shanahan's total remuneration will comprise:

- a cash salary component of \$295,000 per annum;
- superannuation contributions at the minimum level required to avoid the imposition of a superannuation guarantee charge under superannuation legislation;
- a one-time IPO cash bonus of \$150,000;
- an annual short-term cash incentive being an amount equivalent to 35% of the cash salary component, subject to satisfaction of performance conditions set by the Board (pro rated from the date of Listing for FY16);
- an annual long-term incentive being performance rights granted under the Performance Rights Plan equivalent to 35% of the cash salary component (93,864 performance rights) subject to total shareholder return (**TSR**) hurdles as set out in Section 6.3.3.3 below; and
- a one-time grant of 1,000,000 performance rights under the Performance Rights Plan which will vest over four years as set out in Section 6.3.3.3 below.

Mr Shanahan will not receive any additional payments for performance of his role as an Executive Director on the Board.

Either Temple & Webster or Mr Shanahan may terminate the employment by providing six months' written notice. Temple & Webster may terminate Mr Shanahan's employment immediately for serious misconduct. Mr Shanahan is subject to a post-employment restraint for a period of up to 12 months in Australia.

In addition to his remuneration and sale of Existing Shares, Mr Shanahan will receive approximately \$230,000 as a beneficiary under the existing Temple & Webster employee share plan, which is being wound up as a result of the Listing.

6.3.3.2 Adam McWhinney – Group Customer Experience Officer and Executive General Manager, Temple & Webster

Adam McWhinney is employed by Temple & Webster in the role of Group Customer Experience Officer and Executive General Manager. Mr McWhinney's total remuneration will comprise:

- a cash salary component of \$245,000 per annum;
- superannuation contributions at the minimum level required to avoid the imposition of a superannuation guarantee charge under superannuation legislation;
- a one-time IPO cash bonus of \$150,000;
- an annual short-term cash incentive being an amount equivalent to 35% of the cash salary component, subject to satisfaction of performance conditions set by the Board (pro rated from the date of Listing for FY16);
- an annual long-term incentive being performance rights granted under the Performance Rights Plan equivalent to 35% of the cash salary component (77,955 performance rights) subject to TSR hurdles as set out in Section 6.3.3.3 below; and
- a one-time grant of 818,182 performance rights under the Performance Rights Plan which will vest over four years, as set out in Section 6.3.3.3 below.

Either Temple & Webster or Mr McWhinney may terminate the employment by providing three months' written notice. Temple & Webster may terminate Mr McWhinney's employment immediately for serious misconduct. Mr McWhinney is subject to a post-employment restraint for a period of up to 12 months in Australia.

6.3.3.3 Terms of grant of Performance Rights

The long-term incentive grant of performance rights under the Performance Rights Plan for Mr Shanahan and Mr McWhinney is on the following terms:

Grant Date	On Listing	
Consideration	Nil	
Vesting Date	Subject to the broad conditions of the Performance Rights Plan described in Section 9.4.1 and further described below, one-third of performance rights will vest on the Company's results announcement date for each of the 3 years following the grant of the performance rights (each a Performance Period).	
Performance Conditions	On a vesting date, Rights will vest as follows:	
	TSR of the Company relative to the TSR of entities in the Reference Group	Proportion of Rights to Vest
	Less than 51st percentile	0%
	Equal to the 51st percentile	50%
	Greater than the 51st percentile and less than the 75th percentile	Increases on a straight line basis from 50% to 100%
	Equal to or greater than the 75th percentile	100%
	<p>Reference Group means the bodies corporate comprised in the S&P/ASX Emerging Companies Index (excluding the Company, all entities in the property trust sector of that Index and such other entity or entities as the Board may from time to time determine) at the commencement of the Performance Period.</p> <p>TSR means in respect of an entity, the total return achieved by a shareholder calculated in a manner determined by the Board, plus dividends reinvested in shares.</p> <p>If on the vesting date less than 100% of the Rights have vested, the Performance Period for that tranche will be extended by an additional one year.</p>	
Expiry Date	The Rights will lapse on the earlier of 5 years or the occurring of any earlier lapsing event.	
Disposal restrictions	Any Shares issued or transferred to the Participant upon vesting of any performance rights must not be disposed of if doing so would breach insider trading provisions in the Corporations Act or trading restrictions in the Company's share trading policy.	

The one-time grant of performance rights to Mr Shanahan and Mr McWhinney under the Performance Rights Plan is on the following terms:

Grant Date	On Listing		
Consideration	Nil		
No. of Rights Awarded	Brian Shanahan	1,000,000	
	Adam McWhinney	818,182	
Vesting Schedule	Subject to the Performance Conditions being satisfied at each relevant Vesting Date, the performance rights will vest in accordance with the following vesting schedule:		
	Tranche	Vesting Date – means the results announcement date for the financial years ending:	Maximum % of total Rights which can vest
	Tranche 1	June 2017	30
	Tranche 2	June 2018	30
	Tranche 3	June 2019	40
Performance Conditions	<p>The Performance Conditions required to be met before performance rights vest will be based on the Company's 30 Day VWAP*, calculated as at each relevant Vesting Date, being at least 200% of the Offer Price.</p> <p>*30 Day VWAP means the daily volume weighted average price of Shares trading on the ASX for a period of 30 consecutive trading days.</p>		

Performance Conditions continued	If, on the Vesting Date (for a particular tranche of performance rights which are capable of vesting) the performance rights do not vest due to Performance Conditions not being met, the Plan Committee will extend the vesting date for that Tranche until the next Vesting Date, with a new vesting date being created with each 12 month extension. The Tranche 3 performance rights will only be entitled to one extension of 12 months until June 2020. If the performance rights that have not previously vested do not vest due to the Performance Conditions not being met within this period then those unvested performance rights will lapse immediately.
Expiry Date	The performance rights will lapse at the earlier of the June 2020 vesting date or the occurring of any earlier lapsing event referred to in the terms or the Rules.
Disposal Restrictions	Any Shares issued or transferred to the Participant upon vesting of any performance rights must not be disposed of if doing so would breach insider trading provisions of the Corporations Act or trading restrictions in the Company's trading policy.

6.3.3.4 Other key management remuneration

Each of the other members of Temple & Webster Group's key management team is employed under individual employment agreements. These establish:

- total compensation including a base salary (and participation in applicable incentive schemes at the Board's discretion);
- variable notice and termination provisions of between 1 month and 3 months;
- confidentiality provisions;
- leave entitlements; and
- a restraint provision of up to 12 months in Australia.

Members of Temple & Webster Group's key management team (including Brian Shanahan and Adam McWhinney) are entitled to receive a total of \$400,000 as bonuses related to the IPO.

Separate to his remuneration, Mr Ramler will be issued Shares on completion of the Acquisition. Refer to Section 9.5.4 for further information.

6.4 CORPORATE GOVERNANCE

This Section 6.4 explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall corporate governance of the Company. The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of Temple & Webster Group.

Temple & Webster has in place corporate governance practices which are formally embodied in corporate governance policies and codes adopted by the Board (**Policies**). The aim of the Policies is to ensure that Temple & Webster is effectively directed and managed, risks identified, monitored and assessed, and appropriate disclosures made.

The ASX Corporate Governance Council has developed and released corporate governance recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations (**ASX Recommendations**). The ASX Recommendations are not prescriptions, but guidelines. In preparing the Policies, the Directors considered the ASX Recommendations. The Directors incorporated the ASX Recommendations into the Policies to the extent the Directors considered the ASX Recommendations were appropriate taking into account Temple & Webster's size, board structure, resources and activities.

Under the ASX Listing Rules, the Company will be required to provide a Corporate Governance Statement on its website or in its annual report disclosing the extent to which it has followed the ASX Recommendations in the reporting period. Where the Company does not follow an ASX Recommendation, it must identify the ASX Recommendation that has not been followed and give reasons for not following it. Except as set out in Section 6.4.1 below, the Board does not anticipate that the Company will depart from the ASX Recommendations, however, it may do so in the future if it considers that such a departure would be reasonable.

Details of the Policies will be available from Listing at www.templeandwebstergroup.com.au, and are summarised below.

6.4.1 Board of Directors

Carol Schwartz, Matt Campbell and Conrad Yiu are Non-Executive Directors who are not a part of the Company's management. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time. The Board Charter sets out guidelines of materiality for the purpose of determining independence of Directors in accordance with the ASX Recommendations and includes a definition of independence that is largely based on that set out in the ASX Recommendations.

The Board considers qualitative principles of materiality for the purpose of determining “independence” on a case-by-case basis. The Board will consider whether there are any factors or considerations which may mean that the Director’s interest, business or relationship could, or could be reasonably perceived to, materially interfere with the Director’s ability to act in the best interests of the Company.

The Board considers that each of Carol Schwartz and Matt Campbell is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of her or his judgement and each of them is able to fulfil the role of independent Non-Executive Director for the purpose of the ASX Recommendations.

Given the guidelines adopted by the Company regarding the independence of Directors, Brian Shanahan, as Group Chief Executive Officer and Managing Director of Temple & Webster Group and Conrad Yiu a director of ArdenPoint Pty Ltd that will retain a consultancy agreement with Temple & Webster Group following Listing, are not considered by the Board to be independent.

Accordingly, as at Listing, the Board will consist of a majority of Non-Executive Directors and two out of four Directors will be considered to be independent Directors.

6.4.2 Board Charter

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- providing leadership and approving the strategic objectives of the Company and establishing goals to promote their achievement;
- monitoring the operational and financial position and performance of the Company;
- establishing investment criteria including acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;
- determining dividend policy and the amount, nature and timing of dividends to be paid (if any);
- approving and monitoring the progress of major capital expenditure, capital management and major acquisitions and divestitures;
- providing oversight of the Company, including its control and accountability systems; overseeing management’s implementation of the Company’s strategic objectives and its performance generally;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, in conjunction with the Company’s Audit and Risk Management Committee, and ensuring they are operating effectively;
- appointing and removing the CEO (or equivalent) and monitoring their performance, and any other senior executives;
- approving the Company’s remuneration framework, including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO; and
- exercising due care and diligence and sound business judgment in the performance of those functions and responsibilities.

The charter provides for the Board to delegate specific matters to senior management, or to committees established by the Board. However ultimate responsibility for strategy and control rests with the directors.

The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.

6.4.3 Board Committees

In order to better manage its responsibilities, the Board has established an Audit and Risk Management Committee and a Nomination and Remuneration Committee. Each committee has adopted a charter approved by the Board, setting out its responsibilities. Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements and the skills and experience of individual Directors.

The committees will initially be comprised of:

- Audit and Risk Management Committee: Conrad Yiu (Chair), Carol Schwartz and Matthew Campbell; and
- Nomination and Remuneration Committee: Carol Schwartz (Chair) and Matthew Campbell.

6.4.4 Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to assist the Board in fulfilling its statutory, corporate governance and oversight responsibilities by monitoring and reviewing the integrity of financial statements, the effectiveness of internal financial controls, the independence, objectivity and performance of external auditors, and the policies on risk oversight and management.

The role and responsibilities, composition and membership requirements of the Audit and Risk Management Committee are documented in an Audit and Risk Management Committee Charter approved by the Board and include:

- making recommendations to the Board on the nomination and remuneration of external auditors;
- reviewing the performance and independence of the external audit;
- providing an independent, objective review of financial information provided by management to Shareholders and regulatory authorities;
- reviewing the adequacy and effectiveness of the Company policies and procedures which relate to risk management and compliance;
- maintaining an up-to-date understanding of areas where the Company is, or may be, exposed to risk and compliance issues and seek to ensure that management is effectively managing those issues; and
- assisting the Board in fulfilling its responsibilities relating to the risk management and compliance practices of Temple & Webster Group.

Formal systems will be introduced for regular reporting to the Board on financial risks and compliance matters.

The independent auditors will have a direct line of reporting to the Committee and have clear and open access to members of this Committee.

The Company does not currently have an internal audit function in place. The Audit and Risk Management Committee Charter puts in place processes to monitor the Company's financial and risk management procedures and the Board currently considers these processes appropriate for the size and level of operations of the Company. Temple & Webster Group will employ several safeguards to ensure that its risk management and internal control process is efficient and accurate.

These include:

- annual review of its risk management policy and processes;
- board approval required for all management approval limits; and
- board approval for key policies that impact the Company's financial and legal exposure.

The Audit and Risk Management Committee Charter provides that the committee should comprise, to the extent practicable given the size and composition of the Board from time to time, at least three members, each of whom are Non-Executive Directors, and a majority of whom are independent. To the extent practicable, the chair of the committee shall be an independent Non-executive Director who is not the Chairman. It is noted that this will not be achieved immediately on Listing due to the current board composition. See Section 6.4.11 for further information.

The Audit and Risk Management Committee will meet at least four times per year. The chair of the Audit and Risk Management Committee may invite other Directors, members of Management and representatives of the external auditor to be present at meetings of the committee and seek advice from external advisers. The Audit and Risk Management Committee will report to the Board about committee activities, issues and related recommendations at the first board meeting subsequent to each committee meeting.

6.4.5 Nomination and Remuneration Committee

The Nomination and Remuneration Committee has two key functions. The purpose of the nomination function is to review and make recommendations to the Board with respect to identifying nominees for directorships and key executive appointments, considering the composition of the Board, ensuring that effective induction and education procedures exist for new Board appointees and key executives, and ensuring that appropriate procedures exist to assess and review the performance of the Chairman, Non-executive Directors, senior executives (including senior and key officers of the Company) in Board committees and the Board as a whole.

The purpose of the remuneration function is to provide advice, recommendations and assistance to the Board in relation to the Company's remuneration policies and remuneration packages of senior management, Executive Directors and Non-executive Directors.

The role and responsibilities, composition, structure and membership requirements of the Committee are documented in a Nomination and Remuneration Committee Charter approved by the Board and includes:

- providing advice and recommendations to the Board with respect to the appointment and removal of Directors and senior executives;
- developing and maintaining a succession plan designed to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board and among senior executives;
- ensuring that the Board is of a size and composition that ensures a range of different skills and perspectives and allows for decisions to be made effectively and expediently;
- facilitating and supervising the election of Directors;
- evaluation and review of the performance of the Board;
- providing the Board with advice and recommendations regarding an executive and senior executive remuneration policy;
- reviewing and providing recommendations to the Board with respect to the remuneration packages of senior executives and Executive Directors;
- reviewing and providing recommendations to the Board with respect to incentive schemes;
- providing advice to the Board with respect to Non-executive Directors' remuneration; and
- reviewing and providing recommendations to the Board on the Company's remuneration, recruitment, retention and termination policies.

The Nomination and Remuneration Committee Charter provides that the committee should comprise, to the extent practicable given the size and composition of the Board from time to time, at least three members a majority of whom are independent. To the extent practicable, the chair of the committee shall be an independent Non-Executive Director. The Committee will meet at least twice each year.

6.4.6 Code of Conduct

The Board has approved a Code of Conduct to guide compliance with legal and other obligations to the Company's stakeholders and which sets ethical standards for the Group personnel and reflects the Directors' intention to ensure that their duties and responsibilities of all staff to the Company are performed with the utmost integrity. The Company considers its stakeholders to be employees, shareholders, creditors, customers, suppliers, contractors, consultants, governmental and non governmental organisations, the communities where the Company or its subsidiaries operate and other parties that have influence over or are influenced by the Company or its subsidiaries.

The Code of Conduct deals with the following principal areas:

- integrity and professionalism;
- compliance with the law;
- conflicts of interest;
- confidential information;
- inside information;
- benefits to senior executives;
- corporate opportunities;
- protection and proper use of company assets;
- responsibilities to Shareholders and the financial community;
- employment practices;
- fair trading and dealing;
- responsibilities to the community;
- responsibilities to the individual;
- how Temple & Webster Group complies with legislation, including international compliance, affecting its operations; and
- how Temple & Webster Group monitors compliance with the code.

6.4.7 Price Sensitive Information Policy

The Company's Price Sensitive Information Policy is designed to ensure compliance with the ASX Listing Rules disclosure requirements and imposes obligations and procedures on all Directors and employees of the Company to ensure the timely and balanced disclosure of all material matters concerning the Company. The Price Sensitive Information Policy includes vetting and authorisation processes designed to ensure that Temple & Webster Group's information:

- is disclosed in a timely manner;
- is factual;
- does not omit material information; and
- is expressed in a clear and objective manner that allows the input of the information when making investment decisions.

6.4.8 Shareholder Communication Policy

The Company's Shareholder Communication Policy is designed to facilitate full and open communication with its shareholders, observing the highest standards in corporate governance and shareholder communications. As a publicly listed company, the Company has obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of all information which may have or could be expected to have a material effect on the price or value of its securities. The Shareholder Communication Policy is designed for strict compliance with these requirements.

The Board aims to ensure that all Shareholders are kept informed of all material developments affecting Temple & Webster's business. Information will be communicated to Shareholders through announcements to ASX, Temple & Webster Group's annual report, annual general meetings, half yearly and full year results, and Temple & Webster Group's website, www.templeandwebstergroup.com.au. The Company Secretary has been appointed as the person primarily responsible for managing external communications with ASX.

6.4.9 Securities Dealing Policy

Temple & Webster Group has a Securities Dealing Policy for Directors and employees of the Group. The policy requires Directors and key management personnel to obtain approval prior to dealing in Temple & Webster Group securities. The policy sets a trading window of six weeks following the release of annual or half-yearly results, in which staff members covered by the policy may trade in Temple & Webster Group securities. In addition, the policy sets out blackout periods during which staff may not trade. The policy also requires that Directors and employees of the Company in possession of price sensitive information must not at any time deal in securities of the Company, or advise or suggest another person do so, or communicate the price sensitive information to a person who may deal in securities of the Company. The policy prohibits Directors and key management personnel from engaging in short-term dealing in securities of the Company.

Directors and employees may take out margin loans over their holdings in Temple & Webster Group securities. However they must not allow a margin call to be met by the sale of Temple & Webster Group securities at a time when they would not have been able to sell those securities themselves under the Securities Dealing Policy.

6.4.10 Diversity Policy

Temple & Webster Group has adopted a diversity policy which sets out Temple & Webster Group's commitment to diversity and inclusion in the workplace. The diversity policy provides a framework under which the Board, or an appropriate committee of the Board, will set measurable objectives for achieving gender diversity targets and will assess annually both those objectives and Temple & Webster Group's progress in achieving the objectives that the Company has set itself. The initial key focus of the Board on diversity relates to gender diversity at the Board and senior executive level, and gender and ethnic diversity among employees and consultants. Under the diversity policy Temple & Webster Group recognises other diversity grounds and commits to not discriminate against individuals on a number of grounds including race, impairment, parental status, religious beliefs and political beliefs. Under the policy the Company states that, as a principle, it will not tolerate discrimination, harassment, vilification or victimisation in the workplace. The Company will report annually against the measurable objectives that it sets regarding diversity.

6.4.11 Departures from the ASX Recommendations

ASX Principles and ASX Recommendations	Summary of position of Temple & Webster
<p>Recommendation 2.1:</p> <p>The board of a listed entity should:</p> <ol style="list-style-type: none">have a nomination committee which:<ol style="list-style-type: none">has at least three members, a majority of whom are independent directors; andis chaired by an independent director, <p>and disclose:</p> <ol style="list-style-type: none">the charter of the committee;the members of the committee; andas at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <ol style="list-style-type: none">if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.	<p>The Board considers that a board comprising of four members with the relevant skills of each member is sufficient for the time being for a company of the size and nature of Temple & Webster Group. However, the Board considered that given the interests of other directors, the Nomination and Remuneration Committee should only comprise of Carol Schwartz and Matt Campbell. Consequently the Nomination and Remuneration Committee does not comprise three members and Temple & Webster Group is unable to fully comply with Recommendation 2.1, However each member of the committee is an independent director. Temple & Webster Group is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 2.1 will not be detrimental to Temple & Webster Group.</p>

Recommendation 4.1:

The board of a listed entity should:

- a. have an audit committee which:
 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and
 2. is chaired by an independent director, who is not the chair of the board,
- and disclose:
3. the charter of the committee;
 4. the relevant qualifications and experience of the members of the committee; and
 5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b. if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board considers that a board comprising of four members with the relevant skills of each member is sufficient for the time being for a Company of the size and nature of Temple & Webster Group. However, due to the current structure and composition of the Board, the Audit and Risk Management Committee is not chaired by an independent director and consequently Temple & Webster Group is unable to fully comply with Recommendation 4.1. Given Mr Yiu's financial background the Board consider him to be the most suitable Board member to chair the committee. Temple & Webster Group is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 4.1 will not be detrimental to Temple & Webster Group.

Recommendation 7.1:

The board of a listed entity should:

- a. have a committee or committees to oversee risk, each of which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director,
- and disclose:
3. the charter of the committee;
 4. the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b. if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board considers that a board comprising of four members with the relevant skills of each member is sufficient for the time being for a Company of the size and nature of Temple & Webster Group. However, due to the current structure and composition of the Board, the Audit and Risk Management Committee is not chaired by an independent director and consequently Temple & Webster is unable to fully comply with Recommendation 7.1. Mr Yiu is considered by the Board to be the most suitable Board member to chair the committee. Temple & Webster is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 7.1 will not be detrimental to Temple & Webster.

Recommendation 2.4:

The majority of the board of a listed entity should be independent directors.

The Board considers that a board comprising of four members with the relevant skills of each member is sufficient for the time being for a Company of the size and nature of Temple & Webster Group. However, due to the current structure and composition of the Board, where only two directors out of a total of four directors are considered independent, Temple & Webster Group is unable to fully comply with Recommendation 2.4. Temple & Webster Group is satisfied that the current number of independent directors on the Board will not be detrimental to Temple & Webster Group.

Recommendation 8.1:

The board of a listed entity should:

- a. have a remuneration committee which:
 1. has at least three members, a majority of whom are independent directors; and
 2. is chaired by an independent director,
 and disclose:
 3. the charter of the committee;
 4. the relevant qualifications and experience of the members of the committee; and
 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b. if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board considers that a board comprising of four members with the relevant skills of each member is sufficient for the time being for a company of the size and nature of Temple & Webster Group. However, the Board considered that given the interests of other directors, the Nomination and Remuneration Committee should only comprise of Carol Schwartz and Matt Campbell. Consequently the Nomination and Remuneration Committee does not comprise three members and Temple & Webster Group is unable to fully comply with Recommendation 8.1, However each member of the committee is an independent director. Temple & Webster Group is satisfied that the current composition of committee members is adequate and that non-compliance with Recommendation 8.1 will not be detrimental to Temple & Webster Group.

6.5 RELATED PARTY INTERESTS

6.5.1 ArdenPoint Pty Ltd consulting services agreement

Conrad Yiu, a director of Temple & Webster Group, is also a director of ArdenPoint Pty Ltd (**ArdenPoint**), a company associated with ArdenPoint Ecommerce and funds managed by other ArdenPoint companies. Temple & Webster has an ongoing consulting services agreement with ArdenPoint. Under the consultancy agreement, ArdenPoint provides strategy and corporate advisory, business development and general consultancy services to Temple & Webster.

In consideration for the services rendered to Temple & Webster, ArdenPoint is entitled to render invoices in accordance with ArdenPoint's normal rates for the services performed. If ArdenPoint arranges for services to be provided by a third party, Temple & Webster must reimburse ArdenPoint for the actual cost of those services, plus a 5% management fee. Temple & Webster also reimburses ArdenPoint for any expenses reasonably incurred by ArdenPoint in providing the services. In connection with services performed on the Acquisition and the IPO of the Company, ArdenPoint will receive a fee of \$250,000.

On the anniversary of the consulting services agreement, the agreement automatically renews for a further 12 months, until terminated by either party with six months' written notice or with cause.

SECTION 7
**DETAILS OF
THE OFFER**



7.1 DESCRIPTION OF THE OFFER

This Prospectus relates to an offer of up to 55.9 million Shares. The total number of Shares on issue at the Completion of the Offer will be 105.7 million. 49.8 million of these Shares will be held by Existing Shareholders of which 34.2 million will be subject to voluntary escrow agreements described in Section 7.1.4. All Shares will rank equally with each other.

The Offer (except the Employee Gift Offer) has been fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.5.1.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is only open to Australian and New Zealand resident investors who are not Institutional Investors and who have received a firm allocation of Shares from a Broker; and
- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia, New Zealand and certain overseas jurisdictions.

No general public offer of Shares will be made under the Offer.

The Offer of Shares to eligible Employees under the Employee Gift Offer is also made under this Prospectus. The Employee Gift Offer is open to Eligible Employees who have received an offer from Temple & Webster Group to acquire, at no cost, the nearest number of whole Shares (rounded down based on the Offer Price) up to the value of \$1,000 each.

The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager in consultation with the Company, having regard to the allocation policy described in Section 7.3.5 and Section 7.5.2. Details of the Employee Gift Offer and the allocation policy under it are described in Section 7.4. All Shares will rank equally with each other.

7.1.2 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- raise proceeds to allow for completion of the Acquisition;
- provide working capital;
- provide financial flexibility to the Group to enable growth opportunities both organically and through selective acquisitions via access to capital markets;
- attract and retain high quality management by building on the Group's profile via a listing;
- align the leadership team with Shareholders through equity based remuneration schemes that are measurable;
- allow early stage investors to realise part of their investment; and
- provide a liquid market for the Shares.

The Offer is expected to raise approximately \$61.5 million.

The table below sets out in detail the use of the proceeds raised from the Offer:

Sources of Funds	\$m	%	Uses of Funds	\$m	%
Cash proceeds received for issue of Shares by Temple & Webster Group	61.5	100%	Increase in pro forma cash and cash equivalents	26.1	42.3%
			Payment of cash consideration for the Acquisition	9.5	15.4%
			Payment to Existing Shareholders	21.5	35.2%
			Costs of the Offer	4.4	7.1%
Total sources	61.5	100%	Total uses	61.5	100%

7.1.3 Shareholder structure

The details of the ownership of Temple & Webster shares as at the Prospectus Date and of the expected ownership of the Shares immediately following the Completion of the Offer is shown in the table below:

Shareholder	Pre Completion Interest ¹		Following Completion of the Offer and the Acquisition	
	Shares (million)	(%)	Shares (million)	(%)
Macquarie Capital Group	21.7	35.0%	15.2	14.4%
Management Shareholders ²	7.8	12.6%	12.8	12.1%
ArdenPoint Ecommerce	7.1	11.5%	4.3	4.0%
Other Existing Shareholders ³	25.3	40.8%	17.5	16.6%
New Shareholders	0.0	0.0%	55.9	52.9%
Total	62.0	100.0%	105.7	100.0%

Note:

1. Includes Shares to be issued before Listing on conversion of existing convertible notes and on the Group capital restructure (refer Section 7.1.5). All existing convertible notes (which were issued in different tranches) will convert automatically into either ordinary shares of Temple & Webster or Shares on the Settlement Date in accordance with their terms of issue (as varied or amended).
2. Management Shareholders includes Dean Ramler who will be issued Shares on completion of the Acquisition.
3. Other Existing Shareholders includes Shares held by two funds managed by a related party of ArdenPoint Ecommerce. Conrad Yiu is a co-trustee of, and is an investor in, these funds and has a beneficial interest along with a number of other investors.
4. The total number of Shares on issue following Completion of the Offer excludes Shares that may be issued under the Employee Gift Offer. It is expected that up to 150,000 Shares may be issued under the Employee Gift Offer.

The Directors do not expect that any single Shareholder will control (as defined in section 50AA of the Corporations Act) the Company after Completion of the Offer and completion of the Acquisition.

7.1.4 Escrow arrangements

Certain Existing Shareholders have agreed to enter into voluntary escrow arrangements in relation to certain of the Shares they will hold on Completion of the Offer. An 'escrow' is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to certain exceptions set out in the escrow arrangement. The Existing Shareholders to be escrowed are as follows:

Shareholder	Number of Shares subject to escrow on Completion of the Offer	Escrowed Shares (as a % of Shares on issue on Completion of the Offer)
Macquarie Capital Group	15,217,673	14.4%
ArdenPoint Ecommerce	4,277,827	4.0%
Brian Shanahan	3,205,323	3.0%
Adam McWhinney	2,205,389	2.1%
Dean Ramler	7,306,394	6.9%
Carol Schwartz	1,643,235	1.6%
Matthew Campbell	223,478	0.2%
Total	34,079,319	32.2%

Note:

Actual registered holdings of Shares may be held in the name of an entity controlled by, or associated with, each of the persons to be escrowed. The registered holder of the Shares will be the party escrowed.

Shares held by the Escrowed Shareholders will be escrowed until the following dates ('**Relevant Date**')

- in relation to all of the Shares held by Macquarie Capital, ArdenPoint Ecommerce, Carol Schwartz and Matthew Campbell immediately following the Completion of the Offer, the date on which the Company releases its preliminary final report with respect to the full financial year ending 30 June 2016 to ASX;
- in relation to 50% of the Shares held by Brian Shanahan, Adam McWhinney and Dean Ramler immediately following the Completion of the Offer, the date on which the Company releases its preliminary final report with respect to the full financial year ending 30 June 2016 to ASX; and
- in relation to 50% of the Shares held by Brian Shanahan, Adam McWhinney and Dean Ramler immediately following the Completion of the Offer, the date on which the Company releases its preliminary final report with respect to the full financial year ending 30 June 2017 to ASX.

Each of these Escrowed Shareholders has entered into an escrow deed in respect of their escrowed Shares, which prevents them from disposing of their respective escrowed Shares until the Relevant Date (as applicable). The restriction on 'disposing' is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest in the Shares, encumbering or granting a security interest over the Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Shares or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations in certain circumstances including:

- to enable the Escrowed Shareholder to accept an offer under a takeover bid in relation to its Shares if at least half of the holders of the Shares which are the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid and the bid becomes unconditional;
- to enable the Shares held by the Escrowed Shareholder to be transferred or cancelled as part of a scheme of arrangement under Part 5.1 of the Corporations Act;
- in the case of a corporate holder, to allow a corporate restructure or reorganisation to occur, or to allow a transfer to a related entity, provided the transferee of the escrowed Shares executes a voluntary escrow deed in similar form for the remainder of the escrow period;
- in the case of an individual, to allow a transfer on the death, serious disability or incapacity of the Escrowed Shareholder; and
- to allow the Escrowed Shareholder to deal in the Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

7.1.5 Corporate, financial and other information about Temple & Webster Group

Temple & Webster Group was registered as a public company limited by shares in Victoria, Australia on 6 October 2015 and it will become the new holding company of Temple & Webster on Completion of the Offer. As at the Prospectus Date, Temple & Webster Group has not traded and has two shares on issue (fully paid at \$1.00) currently held by Brian Shanahan and ArdenPoint Ecommerce.

On Completion of the Offer, Temple & Webster Group will issue Shares to investors under the Offer. Immediately following Completion of the Offer, the Existing Shareholders will transfer their existing shares in Temple & Webster (including any Shares issued on the automatic conversion of existing convertible notes issued by Temple & Webster) to Temple & Webster Group. The Existing Shareholders will receive either Shares or cash as consideration in accordance with the elections made by them under their respective Securityholder Sale Deed. For further details of the terms of the Securityholder Sale Deed see Section 9.5.2.

The Company's pro forma balance sheet as at 30 June 2015, including details of the pro forma adjustments, is set out in Section 4.5.

The Directors believe that, on Completion of the Offer, the Company will have sufficient working capital available to carry out its stated business objectives.

7.2 TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Temple & Webster Group).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to these, is set out in Section 7.10 below.
What is the consideration payable for each security being offered?	The Offer Price is \$1.10 per Share.

Topic	Summary
What is the Broker Firm Offer period?	<p>The key dates, including details of the Offer period, are set out in the Key Offer Information at the front of this Prospectus.</p> <p>No Shares will be issued on the basis of this Prospectus later than the date which is 13 months after the Prospectus Date.</p>
What are the cash proceeds to be raised?	<p>Approximately \$61.5 million will be raised by Temple & Webster Group if the Offer proceeds.</p>
Is the Offer underwritten?	<p>The Lead Manager has fully underwritten the Offer (except the Employee Gift Offer). However, the Underwriting Agreement remains subject to certain termination events. Details on the Underwriting Agreement are provided in Section 9.5.1.</p>
What is the minimum and maximum Application size under the Broker Firm Offer and Employee Gift Offer?	<p>Applications under the Broker Firm Offer must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter.</p> <p>The Employee Gift Offer is open to Eligible Employees who have received an offer from Temple & Webster Group to acquire, at no cost, the nearest number of whole Shares (rounded down based on the Offer Price) up to the value of \$1,000 each.</p> <p>Temple & Webster Group and the Lead Manager reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for, in their absolute discretion.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Lead Manager in agreement with the Company, having regard to the allocation policy outlined in Sections 7.3.5 and 7.5.2.</p> <p>With respect to the Broker Firm Offer, it will be a matter for the Brokers to determine how they allocate Shares among their eligible retail clients, and they (and not Temple & Webster or the Lead Manager) will be responsible for ensuring that eligible retail clients who have received an allocation from them receive the relevant Shares.</p> <p>The Broker Firm Offer and Institutional Offer are not open to investors in the United States.</p> <p>For further information on the:</p> <ul style="list-style-type: none"> • Broker Firm Offer, see Section 7.3; • Institutional Offer, see Section 7.5.
When will I receive confirmation that my Application has been successful?	<p>It is expected that initial holding statements for Shares issued under the Offer will be dispatched by standard post on 7 December 2015.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of the Application Monies, will be made as soon as practicable after settlement of the Offer.</p>
Will the Shares be listed?	<p>The Company has applied within seven days of the date of the Original Prospectus for admission to the Official List and quotation of the Shares on ASX under the code "TPW".</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>On admission to official quotation on ASX, the Company will be required to comply with the Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates.</p> <p>The fact that ASX may admit the Shares to official quotation is not to be taken as an indication of the merits of Temple & Webster Group or the Shares offered for subscription.</p>

Topic	Summary
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on a normal settlement basis on or about 10 December 2015.</p> <p>It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants or bidders who sell Shares before they receive an initial holding statement do so at their own risk. Temple & Webster Group, the Lead Manager and the Existing Shareholders disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Temple & Webster Offer Information Line, by a Broker or otherwise.</p>
Are there any escrow arrangements?	Details are provided in Section 7.1.4.
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 9.7.
Are there any tax considerations?	Yes. Refer to Section 9.9.
Is there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer. See Section 9.5.1 for details of various fees payable by Temple & Webster Group to the Lead Manager.
What should I do with any enquiries?	<p>Please call the Temple & Webster Offer Information Line on 1300 666 437 (toll free within Australia) or +61 1300 666 437 (outside Australia) from 8.30am until 5.30pm (Sydney, Australia time) Monday to Friday.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Temple & Webster Group is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>

7.3 BROKER FIRM OFFER

7.3.1 Who may apply

The Broker Firm Offer is open to persons who have received a firm allocation of Shares from their Broker and who have a registered address in Australia. If you have been offered a firm allocation of Shares by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.3.2 How to apply

Applications for Shares may only be made on a Broker Firm Offer Application Form attached to or accompanying this Prospectus or in its electronic copy form which may be downloaded in its entirety from www.templeandwebstergroup.com.au. If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received an invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Broker Firm Offer Application Form.

By making an Application, you declare that you were given access to this Prospectus (or any replacement Prospectus), together with a Broker Firm Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is \$2,000 (equivalent to 1,819 Shares) worth of Shares and in multiples of \$500 (455 Shares) thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Broker Firm Offer Application Form and Application Monies with the relevant Broker in accordance with the relevant Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry.

The Broker Firm Offer is expected to open on 16 November 2015 and is expected to close on 30 November 2015. The Company and the Lead Manager may elect to extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

7.3.3 Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker. Application Monies will be held on trust for applicants until the issue of Shares to successful Applicants. Application Monies will be refunded if the Offer is withdrawn and/or cancelled, or ASX does not grant permission for Shares to be quoted within three months after the date of the Prospectus Date. No interest will be payable on refunded amounts.

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Amount by the Offer Price. Where the Offer Price does not divide evenly into the Application Amount, the number of Shares to be allocated will be determined by the Applicant's Broker. Your Application Monies should be for the entire Application Amount.

Cheque(s) or bank draft(s) must be in Australian Dollars and drawn on an Australian branch of an Australian bank, must be crossed 'Not Negotiable' and must be made payable in accordance with the directions of the Broker from whom the Applicant received a firm allocation.

Applicants should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s) or bank draft(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on your Broker Firm Offer Application Form, you may be taken to have applied for such lower dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Broker Firm Offer Application Form) or your Application may be rejected.

7.3.4 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to the Company to subscribe for Shares in the amount specified on the Broker Firm Offer Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Broker Firm Offer Application Form. To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Lead Manager in respect of the full number of Shares specified in the Broker Firm Offer Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

7.3.5 Broker Firm Offer allocation policy

The allocation of firm stock to Brokers will be determined by the Lead Manager, in consultation with the Company.

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company and the Lead Manager to reject or scale back Applications which are for more than \$250,000, or which are from persons whom they believe may be institutional investors). It will be a matter for those Brokers how they allocate Shares among their retail clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

7.3.6 Announcement of final allocation policy in the Broker Firm Offer

The Company expects to announce the final allocation policy under the Broker Firm Offer on or about 3 December 2015. Applicants in the Broker Firm Offer will be able to call the Temple & Webster Offer Information Line on 1300 666 437 (within Australia) or +61 1300 666 437 (outside Australia) from 8.30am until 5.30pm (Sydney, Australia time), Monday to Friday (excluding public holidays), from 3 December 2015 to confirm their allocations. Applicants under the Broker Firm Offer will also be able to confirm their firm allocation through the Broker from whom they received their allocation.

Holding statements are expected to be despatched on or around 7 December 2015. If you sell Shares before receiving a holding statement, you do so at your own risk, even if you obtained details of your holding from the Temple & Webster Offer Information Line or confirmed your allocation through a Broker.

7.4 EMPLOYEE GIFT OFFER

All Eligible Employees are entitled to participate in the Employee Gift Offer. Eligible Employees are all permanent full-time and permanent part-time employees and selected casual employees or selected contractors of any of the Group's operating companies, being Temple & Webster, ZIZO and, following the Acquisition, Milan Direct, who have completed their probationary period as at the Prospectus Date.

Under the Employee Gift Offer, Eligible Employees can acquire, at no cost, the nearest number of whole Shares (rounded down based on the Offer Price) up to the value of \$1,000 each.

The Employee Gift Offer is designed to take advantage of the income tax exemption for \$1,000 of discount available under Division 83A of the Income Tax Assessment Act 1997 (ITAA).

Employees who accept the offer and whose adjusted taxable income for the year ending 30 June 2016 is less than \$180,000 will be exempt from tax on the value of the Shares they receive. Those Shares should be treated as capital assets of the employee and will be subject to tax on their disposal under the capital gains tax regime of the ITAA.

The Shares will be restricted from sale to the earlier of three years from grant or cessation of the employment of the employee.

A separate offer letter, together with access to this Prospectus, will be provided to Eligible Employees, detailing the terms of the Employee Gift Offer. Eligible Employees should read the separate offer letter and this Prospectus, carefully and in their entirety, including the summary of Australian tax issues contained in the offer letter, before deciding whether to apply under the Employee Gift Offer. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, tax adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

7.5 INSTITUTIONAL OFFER

7.5.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager has separately advised Institutional Investors of the application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made under this Prospectus and are at the Offer Price per Share.

7.5.2 Institutional Offer allocation policy

The allocation of Shares among applicants in the Institutional Offer was determined by the Lead Manager in consultation with Temple & Webster Group. The Lead Manager, in consultation with Temple & Webster Group, has absolute discretion regarding the basis of allocation of Shares among other Institutional Investors and there is no assurance that any such Institutional Investor will be allocated any Shares, or the number of Shares for which it has bid.

The allocation policy for the invitations referred was influenced by a number of factors including:

- number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- the Company's desire for an informed and active trading market following listing on the ASX;
- the Company's desire to establish a wide spread of institutional shareholders;
- overall level of demand from Brokers under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term shareholders; and
- other factors that Temple & Webster Group and the Lead Manager considered appropriate.

7.6 UNDERWRITING ARRANGEMENTS

The Offer is fully underwritten (except for the Employee Gift Offer). The Lead Manager, Temple & Webster Group and Temple & Webster have entered into an underwriting agreement under which the Lead Manager has been appointed as manager and underwriter to the Offer. The Lead Manager agrees, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Institutional Offer and Broker Firm Offer. The underwriting agreement sets out a number of circumstances under which the Lead Manager may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.5.1.

7.7 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold, directly or indirectly, in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws.

Each Applicant in the Broker Firm Offer, and each person to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities law of any state of the United States and may not be offered, sold, or resold in the United States, except in a transaction exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not and will not send the Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

Each applicant under the Institutional Offer will be required to make certain additional representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

If you are an investor resident in the United States, Hong Kong, Singapore, United Kingdom or New Zealand, further information on the restriction to participate in the Offer is set out in Section 9.10.

7.8 DISCRETION REGARDING THE OFFER

Temple & Webster Group may withdraw the Offer at any time before the issue of Shares to Applicants under the Broker Firm Offer and Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Temple & Webster Group and the Lead Manager also reserve the right to extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant fewer Shares than the amount applied or bid for.

7.9 ASX LISTING, REGISTERS AND HOLDING STATEMENTS, AND TRADING

7.9.1 Application to the ASX for listing of Temple & Webster Group and quotation of Shares

Temple & Webster Group has applied within seven days of the date of the Original Prospectus for admission to the official list of ASX and quotation of the Shares on ASX. Temple & Webster Group's ASX code is expected to be TPW.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Temple & Webster Group to the Official List is not to be taken as an indication of the merits of Temple & Webster Group or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the date of this Prospectus (or any later date permitted by law), all Application Monies received by Temple & Webster Group will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

On admission to the official list of the ASX, Temple & Webster Group will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Temple & Webster Group from time to time.

7.9.2 CHESS and Issuer sponsored holdings

Temple & Webster Group will apply to participate in ASX's Clearing House Electronic Sub-register System (CHESS) and will comply with ASX Listing Rules and ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register.

For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Security holder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. Temple & Webster Group and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.9.3 Normal settlement trading and selling Shares on market

It is expected that trading of the Shares on ASX (on a normal settlement basis) will commence on or about 10 December 2015.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Temple & Webster Group, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Temple & Webster Offer Information Line or confirmed your firm allocation through a Broker.

7.10 SUMMARY OF RIGHTS AND LIABILITIES ATTACHING TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

7.10.1 Introduction

The business of the Company is to be managed by or under the direction of the Directors. The Directors may exercise all the powers of the Company except any powers that the Corporations Act, the ASX Listing Rules or the Constitution require the Company to exercise in general meeting.

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the official list of ASX.

7.10.2 Issue of Shares

Subject to the Corporations Act, the ASX Listing Rules and any special rights conferred on the holders of any shares or class of shares, the Directors may issue, allot or grant options for, or otherwise dispose of, shares in the Company, to persons and on such terms, as they see fit. This power allows the Directors to, among other things, grant options over unissued shares, and issue and allot shares with any preferential, deferred or special rights, privileges or conditions, with any restrictions in regard to dividend, voting, return of capital or otherwise, which are liable to be redeemed, which are bonus shares for whose issue no consideration is payable to the Company, or which have any combination of characteristics described above.

7.10.3 Variation of class rights

Rights attached to shares in a class of shares may, unless their terms of issue state otherwise, be varied or cancelled only by special resolution of the Company, and either by special resolution passed at a meeting of the members holding shares in the class, or with the written consent of members with at least 75% of the votes in the class.

7.10.4 Unmarketable parcels

Subject to the Listing Rules, the Company is entitled to sell securities of a minority member on the conditions set out in the Constitution.

7.10.5 Transfer of Shares

Except where required or permitted by law, the ASX Listing Rules, the ASX Settlement Operating Rules or the Constitution, there is no restriction on the transfer of shares. Where the securities are quoted on ASX, the Directors may in their absolute discretion refuse to register any transfer subject to a holding lock, in any circumstances permitted by the ASX Listing Rules, or where the transfer is in breach of the ASX Listing Rules or a restriction agreement.

7.10.6 Share buy backs

The Company may, in accordance with the Corporations Act, buy back its own shares.

7.10.7 Proportional takeovers

A proportional takeover offer for securities in the Company must be approved by a resolution of members in general meeting. This rule will cease to have effect on the third anniversary of its adoption, unless renewed.

7.10.8 Meeting of Shareholders

Except as permitted by law, a general meeting, to be called the annual general meeting, must be held at least once in every calendar year, and must be held in accordance with the Corporations Act and the ASX Listing Rules. Written notice of a meeting of the Company at least once in every calendar year, and must be held in accordance with the Act and the Listing Rules. Except as provided in the Act, no member or members may call a general meeting.

7.10.9 Voting at meetings of members

Subject to any rights or restrictions attached to any class of shares, at a meeting of members, on a show of hands, each member has one vote and on a poll each member has one vote for each fully paid share held.

7.10.10 Appointment of Directors

The number of the Directors (excluding alternate Directors) must be not less than three or more than seven, or such lesser number as the Directors determine (following approval by ordinary resolution of the shareholders in a general meeting). Directors are elected at annual general meetings of the Company. A Director may not hold office for a continuous period in excess of 3 years or past the 3rd annual general meeting following the Director's appointment, whichever is the longer, without submitting for re-election. At each annual general meeting of the company, 1/3 of the Directors for the time being or, if their number is not 3 or a multiple of 3, then the number nearest to but not exceeding 1/3, retire from office but no director may retain office for more than 3 years without submitting himself or herself for re-election even though the submission results in more than 1/3 of the directors retiring from the office.

The Directors may at any time appoint a person qualified to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but such additional Director holds office only until the termination of the next annual general meeting of the Company.

7.10.11 Remuneration of Directors

The Company will determine by resolution the total aggregate remuneration to be paid to the Directors, and the Directors will determine how the total remuneration is divided among them. The remuneration of the managing director and any other executive director is not included in the amount of total aggregate remuneration to be paid to the Directors. The total aggregate remuneration available to be paid to Directors under the Constitution as at the Prospectus Date is \$400,000, of which \$260,000 is currently utilised in paying the Non-executive Directors.

The Company may also pay the Director's travelling and other expenses that they properly and reasonably incur in attending Director's meetings or any meetings of committees of directors. The remuneration of a Director must not include a commission on, or a percentage of, profits or revenue. Any Director called upon to perform extra services or undertake any executive or other work for the Company beyond his or her general duties may be remunerated either by a fixed sum or a salary as determined by the Directors.

7.10.12 Alternate Directors

Any Director (except the Managing Director) may appoint any person approved by a majority of the other directors to act as an alternate Director in place of the appointing Director for a meeting or for a specified period. An alternate Director is not to be taken into account in determining the number of Directors under the Constitution.

7.10.13 Meetings of Directors

The Directors may meet together for the despatch of business and adjourn and otherwise regulate their meetings as they see fit. A resolution of the Directors must be passed by a majority of the votes cast by Directors entitled to vote on the resolution. The chair does not have a casting vote in addition to any vote he or she has as a Director.

The Directors must keep minute books in accordance with the Corporations Act and in which they record proceedings and resolutions of meetings of the Company's members; resolutions passed by members without a meeting; and resolutions passed by Directors without a meeting.

7.10.14 Dividends

The Directors may by resolution either, declare a dividend and may fix the amount, time and method for payment, or determine a dividend or interim dividend is payable and fix the amount and the time for and method of payment.

A general meeting of the Company or the Directors may establish a dividend reinvestment plan under which some or all members may elect that dividends determined in respect of some or all of the shares held by the members may be satisfied by the issue of Shares.

7.10.15 Indemnities

To the extent permitted by law, the Company may indemnify every person who is or has been an officer of the Company or a related body corporate of the Company. The Company may indemnify such persons against all losses, liabilities, costs, charges and expenses incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be) including, but not limited to, in connection with the IPO.

The Company has entered into deeds of access, indemnity and insurance with each Director which grant each Director rights to access Board papers and requires the Company to indemnify each Director for liability incurred as an officer of the Company or its related bodies corporate.

7.10.16 Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the members in kind all or any of the Company members in kind of the purpose, determine how he or she will carry out the division between the different classes of members but may not require a member to accept any Shares or other securities in respect of which there is any liability.



SECTION 8
**INVESTIGATING
ACCOUNTANT'S
REPORT**



Ernst & Young Transaction Advisory
Services Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

The Directors
Temple & Webster Pty Ltd
8DD Hiles Street
Alexandria, Sydney
NSW 2015

The Directors
Temple & Webster Group Ltd
8DD Hiles Street
Alexandria, Sydney
NSW 2015

12 November 2015

Dear Directors

PART 1 – INDEPENDENT LIMITED ASSURANCE REPORT ON PRO FORMA HISTORICAL FINANCIAL INFORMATION, STATUTORY FORECAST FINANCIAL INFORMATION AND PRO FORMA FORECAST FINANCIAL INFORMATION

1. Introduction

We have been engaged by Temple & Webster Pty Ltd (“Temple & Webster”) and Temple & Webster Group Ltd (“Temple & Webster Group”) to report on the pro forma historical financial information, statutory forecast financial information and pro forma forecast financial information of Temple & Webster Group for inclusion in the Prospectus (“Prospectus”) to be dated on or about 12 November 2015, and to be issued by Temple & Webster Group, in respect of the initial public offering of ordinary shares in Temple & Webster Group (the “Offer”).

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services Licence under the *Corporations Act 2001*. Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services”) holds an appropriate Australian Financial Services Licence (AFS Licence Number 240585). Milan Milosevic and Bryan Zekulich are Directors and Representatives of Ernst & Young Transaction Advisory Services. We have included our Financial Services Guide as Part 2 of this report.

2. Scope

Pro Forma Historical Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma historical financial information for Temple & Webster Group:

- ▶ pro forma historical consolidated income statements for the years ended 30 June 2013, (“FY13”), 30 June 2014 (“FY14”) and 30 June 2015 (“FY15”) as set out in Table 1 of Section 4.4.2 of the Prospectus;
- ▶ pro forma historical consolidated balance sheet as at 30 June 2015 as set out in Table 6 of Section 4.5.1 of the Prospectus; and
- ▶ pro forma historical consolidated cash flows for FY13, FY14 and FY15 as set out in Table 7 of Section 4.6.1 of the Prospectus.

(together the “Pro Forma Historical Financial Information”).

A member firm of Ernst & Young Global Limited
Ernst & Young Transaction Advisory Services Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585

The Pro Forma Historical Financial Information has been derived from the historical financial information of Temple & Webster Pty Ltd, ZIZO Home Pty Ltd (formerly Wayfair Australia Pty Limited) and Milan Direct Pty Limited for FY13, FY14 and FY15, and adjusted for the effects of pro forma adjustments described in Sections 4.4.4, 4.5.1 and 4.6.2 of the Prospectus.

The historical financial information of Temple & Webster has been derived from its respective general purpose financial report for FY15 and the special purpose financial reports for FY14 and FY13, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued unqualified audit opinions on these financial reports.

The historical financial information of ZIZO Home Pty Ltd for FY15 has been derived from the special purpose financial statements of Wayfair Australia Pty Limited for FY15, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued a qualified audit opinion with respect to the fact that it was not practicable for Ernst & Young to carry out normal audit procedures relating to the statement of comprehensive income for the year ended 30 June 2014, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Wayfair Australia Pty Limited was not audited in prior periods.

The historical financial information of ZIZO Home Pty Ltd for FY14 and FY13 has been derived from the special purpose financial report of Wayfair Australia Pty Limited for FY14, which was reviewed by Ernst & Young and on which a qualified limited assurance conclusion was issued with respect to the fact that it was not practicable for Ernst & Young to carry out normal audit or review procedures relating to the statement of comprehensive income for the year ended 30 June 2013, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Wayfair Australia Pty Limited was not audited in prior periods.

The historical financial information of Milan Direct Pty Limited for FY15 has been derived from its special purpose financial statements for FY15, which were audited by Ernst & Young in accordance with Australian Auditing Standards. Ernst & Young issued a qualified audit opinion on these financial statements due to a limitation on the scope of their work with respect to the fact that it was not practicable for Ernst & Young to carry out normal audit procedures relating to the confirmation of certain assets and liabilities as at 30 June 2014 or to the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended 30 June 2014, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Milan Direct Pty Limited was not audited in prior periods.

The historical financial information of Milan Direct Pty Limited for FY14 and FY13 has been derived from its special purpose financial report for FY14, which was reviewed by Ernst & Young and on which a qualified limited assurance conclusion was issued with respect to the fact that it was not practicable for Ernst & Young to carry out normal review procedures relating to the existence of inventory as at 30 June 2014 and 30 June 2013 or on the statement of comprehensive income for the year ended 30 June 2013, which was shown in the special purpose financial report for the purposes of comparison, as the financial report of Milan Direct Pty Limited was not audited in prior periods.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in Australian Accounting Standards (“AAS”), which are consistent to International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred on or before 30 June 2015.

Due to its nature, the Pro Forma Historical Financial Information does not represent Temple & Webster Group’s actual or prospective financial position, financial performance and cash flows.

Statutory Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following statutory forecast financial information of Temple & Webster Group:

- ▶ statutory forecast consolidated income statement for the year ending 30 June 2016 (“FY16”) as set out in Table 1 of Section 4.4.2 of the Prospectus; and
- ▶ statutory forecast consolidated cash flow for FY16 as set out in Table 7 of Section 4.6.1 of the Prospectus.

(together the “Statutory Forecast Financial Information”).

The directors’ best-estimate assumptions underlying the Statutory Forecast Financial Information are described in Sections 4.8.1 and 4.8.2 of the Prospectus.

The stated basis of preparation used in the preparation of the Statutory Forecast Financial Information is in accordance with recognition and measurement principles contained in AAS, which are consistent to International Financial Reporting Standards.

Pro Forma Forecast Financial Information

You have requested Ernst & Young Transaction Advisory Services to review the following pro forma forecast financial information of Temple & Webster Group:

- ▶ pro forma forecast consolidated income statement for FY16, as set out in Table 1 of Section 4.4.2 of the Prospectus; and
- ▶ pro forma forecast consolidated cash flow for FY16, as set out in Table 7 of Section 4.6.1 of the Prospectus.

(together the “Pro Forma Forecast Financial Information”).

(The Pro Forma Historical Financial Information, Statutory Forecast Financial Information and Pro Forma Forecast Financial Information are collectively referred to as the “Financial Information”).

The Pro Forma Forecast Financial Information has been derived from the Statutory Forecast Financial Information, after adjusting for the effects of the pro forma adjustments described in Sections 4.4.4 and 4.6.2 of the Prospectus.

A member firm of Ernst & Young Global Limited
Ernst & Young Transaction Advisory Services Limited, ABN 87 003 599 844
Australian Financial Services Licence No. 240585

The Pro Forma Forecast Financial Information has been prepared in accordance with recognition and measurement principles contained in AAS, which are consistent to International Financial Reporting Standards, other than that it includes adjustments which have been prepared in a manner consistent with AAS, that reflect (i) the recognition of certain items in periods different from the applicable period under AAS (ii) the exclusion of certain transactions that occurred in the relevant periods, and (iii) the impact of certain transactions as if they occurred on or after 1 July 2015.

Due to its nature, the Pro Forma Forecast Financial Information does not represent Temple & Webster Group's actual prospective financial performance and cash flows for FY16.

The Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

Pro Forma Historical Financial Information

The directors of Temple & Webster Group are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the basis of preparation, the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Statutory Forecast and Pro Forma Forecast Financial Information

The directors of Temple & Webster Group are responsible for the preparation and presentation of the Statutory Forecast Financial Information for the year ending 30 June 2016 including the basis of preparation and the best-estimate assumptions underlying the Statutory Forecast Financial Information. They are also responsible for the preparation and presentation of the Pro Forma Forecast Financial Information for the year ending 30 June 2016 including the basis of preparation, selection and determination of the pro forma adjustments made to the Statutory Forecast Financial Information and included in the Pro Forma Forecast Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Forecast Financial Information and Pro Forma Forecast Financial Information that is free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Pro Forma Historical Financial Information

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

Statutory Forecast and Pro Forma Forecast Financial Information

Our responsibility is to express limited assurance conclusions on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information, and the reasonableness of the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information themselves, based on our limited assurance engagement.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- ▶ pro forma historical consolidated income statements for FY13, FY14 and FY15 as set out in Table 1 of Section 4.4.2 of the Prospectus;
- ▶ the pro forma historical consolidated balance sheet as at 30 June 2015 as set out in Table 6 of Section 4.5.1 of the Prospectus; and
- ▶ pro forma historical consolidated cash flows for FY13, FY14 and FY15 as set out in Table 7 of Section 4.6.1 of the Prospectus;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4.2.2 of the Prospectus.

Statutory Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the directors' best-estimate assumptions used in the preparation of the Statutory Forecast Financial Information of Temple & Webster Group for FY16 do not provide reasonable grounds for the Statutory Forecast Financial Information; and
- ▶ in all material respects, the Statutory Forecast Financial Information:
 - ▶ is not prepared on the basis of the directors' best estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
 - ▶ is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.3 of the Prospectus; and
- ▶ the Statutory Forecast Financial Information itself is unreasonable.

Pro Forma Forecast Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- ▶ the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information of Temple & Webster Group for FY16 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- ▶ in all material respects, the Pro Forma Forecast Financial Information:
 - ▶ is not prepared on the basis of the directors' best estimate assumptions as described in Sections 4.8.1 and 4.8.2 of the Prospectus; and
 - ▶ is not presented fairly in accordance with the stated basis of preparation, as described in Section 4.2.3 of the Prospectus; and
- ▶ the Pro Forma Forecast Financial Information itself is unreasonable.

Statutory Forecast Financial Information and Pro Forma Forecast Financial Information

The Statutory Forecast Financial Information and Pro Forma Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance and cash flows of Temple & Webster Group for FY16. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of Temple & Webster Group. Evidence may be available to support the directors' best-estimate assumptions on which the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of

assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusions expressed in this report have been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in Temple & Webster Group, which are detailed in the Prospectus and the inherent uncertainty relating to the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in Section 5 of the Prospectus. The sensitivity analysis described in Section 4.9 of the Prospectus demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the statutory forecast or pro forma forecast will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Statutory Forecast Financial Information and Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of Temple & Webster Group, that all material information concerning the prospects and proposed operations of Temple & Webster Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2.1 of the Prospectus, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

7. Consent

Ernst & Young Transaction Advisory Services has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young Transaction Advisory Services does not have any interests in the outcome of the Offer other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully
Ernst & Young Transaction Advisory Services Limited



Milan Milosevic
Director and Representative



Bryan Zekulich
Director and Representative



Ernst & Young Transaction Advisory
Services Limited
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

12 November 2015

THIS FINANCIAL SERVICES GUIDE FORMS PART OF THE INDEPENDENT
LIMITED ASSURANCE REPORT

PART 2 – FINANCIAL SERVICES GUIDE

1. Ernst & Young Transaction Advisory Services

Ernst & Young Transaction Advisory Services Limited (“Ernst & Young Transaction Advisory Services” or “we,” or “us” or “our”) has been engaged to provide general financial product advice in the form of an Independent Limited Assurance Report (“Report”) in connection with a financial product of another person. The Report is to be included in documentation being sent to you by that person.

2. Financial Services Guide

This Financial Services Guide (“FSG”) provides important information to help retail clients make a decision as to their use of the general financial product advice in a Report, information about us, the financial services we offer, our dispute resolution process and how we are remunerated.

3. Financial services we offer

We hold an Australian Financial Services Licence which authorises us to provide the following services:

- financial product advice in relation to securities, derivatives, general insurance, life insurance, managed investments, superannuation, and government debentures, stocks and bonds; and
- arranging to deal in securities.

4. General financial product advice

In our Report we provide general financial product advice. The advice in a Report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of a Report having regard to your own objectives, financial situation and needs before you act on the advice in a Report. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain an offer document relating to the financial product and consider that document before making any decision about whether to acquire the financial product.

We have been engaged to issue a Report in connection with a financial product of another person. Our Report will include a description of the circumstances of our engagement and identify the person who has engaged us. Although you have not engaged us directly, a copy of the Report will be provided to you as a retail client because of your connection to the matters on which we have been engaged to report.



5. Remuneration for our services

We charge fees for providing Reports. These fees have been agreed with, and will be paid by, the person who engaged us to provide a Report. Our fees for Reports are based on a time cost or fixed fee basis. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority. The estimated fee for this Report is \$41,900 (excluding GST and disbursements).

Ernst & Young Transaction Advisory Services is ultimately owned by Ernst & Young, which is a professional advisory and accounting practice. Ernst & Young may provide professional services, including audit, tax and financial advisory services, to the person who engaged us and receive fees for those services.

Except for the fees and benefits disclosed in this Prospectus in section 6.3.1, Ernst & Young Transaction Advisory Services, including any of its directors, employees or associated entities should not receive any fees or other benefits, directly or indirectly, for or in connection with the provision of a Report.

6. Associations with product issuers

Ernst & Young Transaction Advisory Services and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.

7. Responsibility

The liability of Ernst & Young Transaction Advisory Services is limited to the contents of this Financial Services Guide and the Report.

8. Complaints process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial services. All complaints must be in writing and addressed to the AFS Compliance Manager or the Chief Complaints Officer and sent to the address below. We will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited.

9. Compensation Arrangements

The Company and its related entities hold Professional Indemnity insurance for the purpose of compensation should this become relevant. Representatives who have left the Company's employment are covered by our insurances in respect of events occurring during their employment. These arrangements and the level of cover held by the Company satisfy the requirements of section 912B of the Corporations Act 2001.

Contacting Ernst & Young Transaction Advisory Services AFS Compliance Manager Ernst & Young 680 George Street Sydney NSW 2000 Telephone: (02) 9248 5555	Contacting the Independent Dispute Resolution Scheme: Financial Ombudsman Service Limited PO Box 3 Melbourne VIC 3001 Telephone: 1300 78 08 08
---	---

This Financial Services Guide has been issued in accordance with ASIC Class Order CO 04/1572.



SECTION 9
**ADDITIONAL
INFORMATION**

9.1 REGISTRATION

Temple & Webster Group was registered in Victoria, Australia as a public company on 6 October 2015.

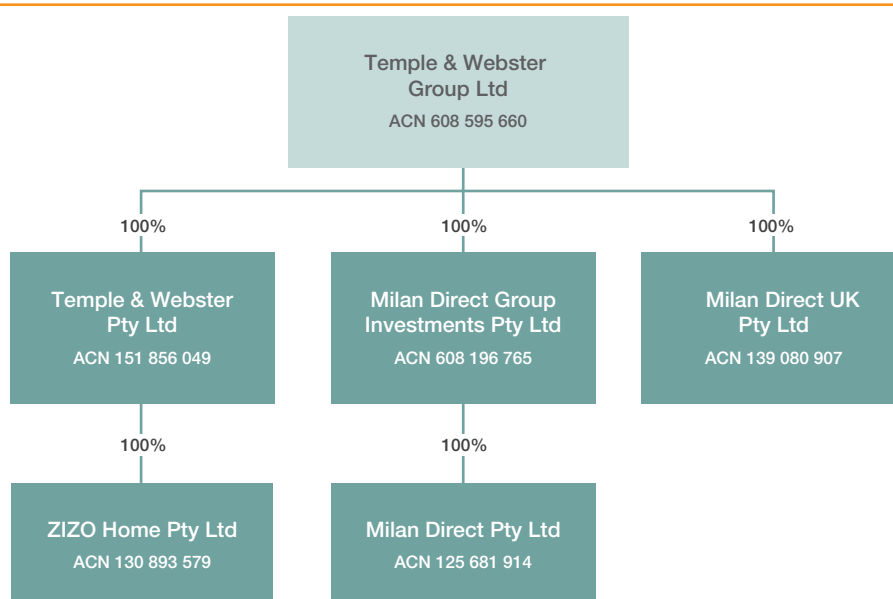
9.2 COMPANY TAX STATUS

Temple & Webster Group will be taxed as an Australian tax resident public company for the purpose of Australian income tax law. Temple & Webster Group's financial year ends on 30 June annually.

9.3 CORPORATE STRUCTURE

The following diagram shows a high level corporate structure of the Group on Listing.

CHART 9: CORPORATE STRUCTURE



Note:

Shortly after Listing, and subject to further tax advice, Temple & Webster Group Ltd intends to acquire all of the shares in ZIZO Home Pty Ltd from Temple & Webster Pty Ltd such that ZIZO Home Pty Ltd will become a wholly owned subsidiary of Temple & Webster Group Ltd.

9.4 EMPLOYEE AND EXECUTIVE INCENTIVE PLANS

9.4.1 Performance Rights Plan

The Company has established the Performance Rights Plan (**PRP**) in order to assist in the motivation, retention and reward of certain senior employees. The PRP is designed to align the interest of senior employees more closely with the interest of Shareholders by providing an opportunity for senior employees to receive an equity interest in the Company through the grant of performance rights (**Performance Rights**). The Performance Rights are subject to satisfaction of certain long term vesting conditions.

The key terms of the PRP are as follows:

Term	Meaning
Eligibility	Participants must be a permanent full-time or part-time employee or an executive director of a Group member (Participant).
Administration	The PRP will be administered by a committee selected by the Board (Plan Committee) or if no committee has been selected, by the Board.
Award	A Performance Right will vest and become exercisable to the extent that the applicable performance, service, or other vesting conditions specified at the time of the grant are satisfied.

Term	Meaning
Award <i>continued</i>	<p>The Plan Committee has the discretion to set the terms and conditions under which it will offer Performance Rights under the PRP, including the vesting conditions and waiver of the terms and conditions.</p> <p>The Plan Committee may determine that the Performance Rights will be subject to vesting conditions and, if so, will specify those vesting conditions in the offer. Vesting conditions may include conditions relating to continuous employment, performance of the Participant or the Group or the occurrence of specific events.</p>
Performance Rights	<p>Upon satisfaction of any vesting conditions, each Performance Right will convert to a Share on a one-for-one basis (subject to adjustment for reconstructables of the capital of the Company), or the Plan Committee may elect to give the Participant cash to the value of a Share.</p> <p>Performance Rights do not carry any voting rights or dividend entitlements.</p>
Shares	<p>Shares issued under the PRP will rank equally with the other issued Shares. Depending on the terms of issue, the Shares may be subject to disposal restrictions, which means that they may not be disposed or dealt with for a period of time.</p> <p>Shares allocated to Participants under the PRP may be issued by the Company or acquired on or off market by the Company or its nominees.</p> <p>Shares allocated on vesting or exercise of a Performance Right carry the same rights and entitlements as other issued Shares, including dividend and voting rights.</p>
Quotation	<p>Performance Rights will not be quoted on the ASX. If the Shares are officially quoted on the ASX at the time of issue of Shares under the PRP, the Company will apply for official quotation of any Shares issued under the PRP, in accordance with the ASX Listing Rules and having regard to any disposal restrictions in place under the PRP.</p>
Cessation of employment	<p>If a Participant ceases to be employed by a Group member, all unvested Performance Rights automatically lapse. However the Plan Committee may elect to accelerate the vesting of any Performance Rights if a Participant has died, suffered total and permanent disablement or been made redundant.</p>
Change of control	<p>The Plan Committee has the discretion to accelerate vesting of Performance Rights in the event of certain types of change of control transactions involving the Company. Unless the Board determines to exercise that discretion any unvested Performance Rights will lapse on a change of control of the Company.</p>
Restrictions	<p>Without the prior approval of the Plan Committee, or unless required by law, Performance Rights may not be sold, transferred, encumbered or otherwise dealt with.</p>
Amendments	<p>To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the PRP, provided that no amendment may reduce the accrued rights of Participants unless (1) consented to by Participants holding no less than 75% of the total number of Rights issued under the PRP, (2) required by law, (3) to correct any manifest error or mistake or (4) for certain tax reasons.</p>
Other terms	<p>The PRP also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the PRP.</p>

9.4.2 Grants of Performance Rights

Current grants

As part of their long term incentive arrangements Brian Shanahan has been granted 93,864 Performance Rights and Adam McWhinney has been granted 77,955 Performance Rights under the PRP. In addition Brian Shanahan has been granted a one-off grant of 1,000,000 Performance Rights and Adam McWhinney has been granted a one-off grant of 818,182 Performance Rights. The Performance Rights will be subject to the vesting conditions set out in Section 6.3.3.3. Such grants remain subject to the Company being admitted to the Official List.

No further grants under the PRP have been made at this stage.

Further grants

Further grants of Performance Rights under the PRP (or under an alternative long term incentive arrangement) can be made by the Company as part of the Group's ordinary remuneration practices.

Other information

Details of Performance Rights issued under the PRP to the Group Chief Executive Officer and other key management personnel will be published in each annual report of the Company in accordance with the accounting standards and other regulation applicable to the Company.

9.4.3 Employee Share Option Plan

The Company has approved an Employee Share Option Plan (**ESOP**) as a means of rewarding its employees and consultants. The Board will make offers to persons to participate in the ESOP based on their contribution to the Group. The Options will not be listed.

There are no grants under the ESOP at this time and future grants will be made by the Company as part of its remuneration practices.

The key terms of the ESOP are as follows:

Term	Meaning
Eligibility	Participants must be a permanent full-time, part-time employee, an executive director or a selected casual employee or selected contractor of a Group member (Participant).
Administration	The ESOP will be administered by a committee selected by the Board (Plan Committee), or if no committee has been selected, by the Board.
Option	Each Option will be issued for nil consideration and entitles the Participant to subscribe for one Share in the Company (subject to adjustments for reconstructables of the capital of the Company) at an exercise price to be determined by the Plan Committee.
Award	<p>The Board has the discretion to set the terms and condition so which it will offer Options under the ESOP, including the vesting conditions and waiver of the terms and conditions. The vesting conditions will be specified in the offer documentation to the relevant person.</p> <p>Vesting conditions may include conditions relating to continuous employment, performance of the Participant or the Group or the occurrence of specific events.</p>
Exercise	Options that have vested are generally able to be exercised during the 10 years after the date of grant (Exercise Period). On exercise, the Participant must pay the exercise price for those Options.
Shares	<p>Shares issued under the ESOP will rank equally with the other issued Shares. Depending on the terms of issue, the Shares may be subject to disposal restrictions, which means that they may not be disposed or dealt with for a period of time.</p> <p>Shares allocated to Participants under the ESOP may be issued by the Company or acquired on or off market by the Company or its nominees.</p> <p>Shares allocated on vesting or exercise of an Option carry the same rights and entitlements as other issued Shares, including dividend and voting rights.</p>
Quotation	Options will not be quoted on the ASX. If other shares are officially quoted on the ASX at the time of issue of Shares under the ESOP, the Company will apply for Official Quotation of any Shares issued under the ESOP, in accordance with the ASX Listing Rules.
Cessation of employment	If a Participant ceases to be employed by a Group member, the unvested Options will not vest. However the Plan Committee may elect to accelerate the vesting of any Options if a Participant has died, suffered total and permanent disablement or been made redundant.
Change of control	The Plan Committee has the discretion to accelerate vesting of Options in the event of certain types of change of control transactions involving the Company.

Term	Meaning
Restrictions	Without the prior approval of the Plan Committee, or unless required by law, Options may not be sold, transferred, encumbered or otherwise dealt with.
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the ESOP, provided that no amendment may reduce the accrued rights of Participants unless (1) consented to by Participants holding 75% of the Options issued under the ESOP, (2) required by law, (3) to correct any manifest error or mistake or (4) for certain tax reasons.
Other terms	The ESOP also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the ESOP.

9.4.4 Tax Exempt Plan

The Company has also established an Employee Share Plan (**ESP**) which is designed to provide an opportunity for employees to receive an equity interest in the Company through the granting of tax exempt Shares (**Plan Shares**). There are no grants under the ESP at this time and future grants will be made by the Company as part of its remuneration practices.

The key terms of the Employee Share Plan (**ESP**) are as follows:

Term	Meaning
Eligibility	Participants must be a permanent full-time or part-time employee, an executive director or a selected casual employee or selected contractor of a Group member (Participant).
Administration	The ESP will be administered by a committee selected by the Board (Plan Committee), or if no committee has been selected, by the Board.
Consideration	The Plan Shares will be offered at no cost to the Participant.
Maximum discount	The total discount on Plan Shares issued to a Participant must not exceed \$1,000.
Non-discriminatory basis	At least 75% of Australian resident permanent employees who have completed their probationary period as at the Prospectus Date will be offered Plan Shares.
Plan Shares	Plan Shares will rank equally with the other issued Shares. Depending on the terms of issue, the Shares may be subject to disposal restrictions, which means that they may not be disposed or dealt with for a period of time.
Quotation	If other shares are officially quoted on the ASX at the time of issue of Plan Shares, the Company will apply for Official Quotation of the Plan Shares.
Disposal restrictions	In addition to any disposal restrictions set out in a letter of offer, a Participant must not sell, transfer, encumber or otherwise deal with any Plan Shares until the earlier of three years after the date of issue or when the Participant ceases to be employed by a Group member.
Amendments	To the extent permitted by the ASX Listing Rules, the Board retains the discretion to vary the terms and conditions of the ESP, provided that no amendment may reduce the accrued rights of Participants unless (1) consented to by Participants holding 75% of Plan Shares issued under the ESP, (2) required by law, (3) to correct any manifest error or mistake or (4) for certain tax reasons.
Other terms	The ESP also contains customary and usual terms having regard to Australian law for dealing with administration, variation, suspension and termination of the ESP.

9.5 MATERIAL CONTRACTS

9.5.1 Underwriting agreement

The Offer (excluding the Employee gift Offer) has been underwritten by the Lead Manager pursuant to an underwriting agreement between Temple & Webster Group, Temple & Webster and the Lead Manager (**Underwriting Agreement**). Under the Underwriting Agreement, the Lead Manager has agreed to manage and underwrite the Offer.

9.5.1.1 Fees

Temple & Webster Group must pay the Lead Manager management, underwriting and selling fees totalling 4.5% of the total proceeds of the Offer. Temple & Webster Group has agreed to reimburse the Lead Manager for certain costs and expenses incurred in respect of the Offer, including legal costs up to a prescribed limit, travel and other out of pocket expenses.

9.5.1.2 Representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings by Temple & Webster Group to the Lead Manager. The representations and warranties given by Temple & Webster Group relate to matters such as the terms of issue of the Shares, restrictions on voting or transfer of the Shares, compliance with applicable laws and the ASX Listing Rules, content of the Offer Documents, the due diligence process for the Offer, the conduct of Temple & Webster Group in the due diligence process, no actual, pending or threatened litigation which is material to the outcome of the Offer, that Temple & Webster Group has not engaged in misleading or deceptive conduct in connection with the Offer, no material adverse change, power and authority, material contracts and solvency.

The undertakings given by Temple & Webster Group include that Temple & Webster Group will pay the Application Monies, that Temple & Webster Group will not, without the prior written consent of the Lead Manager, issue any further securities until 4 months after Shares have been issued under the Offer, subject to certain exceptions, not breach laws or representations and warranties in the Underwriting Agreement, and not vary the Constitution without the prior written consent of the Lead Manager.

The representations and warranties given by the Lead Manager to Temple & Webster Group relate to matters such as due incorporation, capacity and power, and that it has not engaged in conduct that is misleading or deceptive in relation to the Offer or the Underwriting Agreement.

9.5.1.3 Indemnity

Temple & Webster Group has undertaken to indemnify each of the Lead Manager and certain affiliated persons against all claims and liabilities incurred in connection with the Offer. This indemnity is subject to certain exceptions, including fraud, gross negligence, wilful misconduct, breach of an express term of the Underwriting Agreement and criminal penalties or fines.

9.5.1.4 Termination events

The Lead Manager may terminate the Underwriting Agreement at any time prior to the issue of Shares under the Offer, if certain events occur, including:

- Temple & Webster Group fails to lodge the Prospectus with ASIC in a form approved by the Lead Manager;
- a statement contained in the Prospectus or other Offer Documents is misleading or deceptive (including by omission) or likely to mislead or deceive or becomes misleading or deceptive or a material matter is omitted from the Offer Documents;
- the Prospectus or other Offer Documents do not comply with the Corporations Act (including sections 710, 711 and 716), the ASX Listing Rules or any other applicable law;
- any forecast or forward looking statement in the Prospectus or other Offer Document is in the reasonable opinion of the Lead Manager, having due regard to historical revenue trends and seasonal fluctuations in the business, unlikely to be met by 30 June 2016;
- unconditional approval (or conditional approval subject only to conditions as are acceptable to the Lead Manager, acting reasonably) is refused or not granted by ASX to Temple & Webster Group's Listing within a specified time, or if granted, the ASX approval is subsequently withdrawn, qualified (other than by conditions as are acceptable to the Lead Manager, acting reasonably) or withheld or ASX indicates to Temple & Webster Group or the Lead Manager that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld;
- Temple & Webster Group withdraw the Offer;
- the Lead Manager reasonably forms the view that a supplementary prospectus must be lodged with ASIC under section 719 of the Corporations Act and Temple & Webster Group does not lodge a supplementary prospectus with ASIC in the form and with the content, and within the time, reasonably required by the Lead Manager;
- ASIC or any other government agency commences or threatens to commence any hearing (including a hearing under section 730(2) of the Corporations Act), inquiry, investigation (including under Part 3 of the *Australian Securities and Investments Commission Act 2001*), proceedings or prosecution, or takes any regulatory action (including making any order under section 739 of the Corporations Act and seeking an order under Part 9.5 of the Corporations Act)

or seeks any remedy, in connection with Temple & Webster Group, the Offer, the Offer Documents, the acquisition of Milan Direct or convertible note conversions, and either such hearing, inquiry, investigation, proceeding or prosecution is not completed or withdrawn before settlement of the Offer, or if it is completed before settlement of the Offer, such hearing, inquiry, investigation, proceeding or prosecution has had or is reasonably likely to have a material adverse effect on the marketing, outcome or settlement of the Offer, the willingness of investors to subscribe for Offer Shares, or the subsequent market for the Offer Shares;

- any person (other than the Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in the Prospectus (or any replacement or supplementary prospectus) withdraws that consent;
- any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- the S&P/ASX 200 Index closes at a level that is 10% or more below the level of that index at 5:00 pm (Sydney, Australia time) on the trading day immediately prior to the date of the Underwriting Agreement for three consecutive trading days at any time after settlement of the Offer, or on the business day immediately prior to the date of settlement of the Offer;
- any event set out in the timetable in the Prospectus is delayed for more than four business days, unless the Lead Manager consents to a variation (which consent must not be unreasonably withheld or delayed)
- any circumstance arises after lodgement of the Prospectus that results in Temple & Webster Group either repaying the Application Monies received from applicants or offering applicants an opportunity to withdraw their applications for Offer Shares and be repaid their Application Monies;
- any of the following occurs:
 - any of the Securityholder Share Sale Deeds (refer Section 9.5.2), the Share Purchase Agreement for the acquisition of Wayfair Australia Pty Ltd (refer Section 9.5.3) or the Share Purchase Agreement for the acquisition of Milan Direct (refer Section 9.5.4), (together, the **Transaction Documents**) are validly terminated;
 - an event occurs which entitles a party to terminate any of the Transaction Documents and that party has not irrevocably waived that right by 10.00am (Sydney time) on settlement of the Offer;
 - there is a material breach of the Transaction Documents including a failure to satisfy a condition precedent to completion of any of the Transaction Documents;
 - a condition precedent to completion of any of the Transaction Documents, in the reasonable opinion of the Lead Manager, becomes incapable of being satisfied;
 - Temple & Webster Group waives any rights it may have under any of the Transaction Documents without the prior written consent of the Lead Manager; or
 - any of the Transaction Documents are amended without the Lead Manager's prior written consent;
- certain insolvency events occur with respect to Temple & Webster Group;
- Temple & Webster Group does not provide a certificate as and when required by this Agreement; or
- Temple & Webster Group is or becomes unable, for any reason, to issue the Shares on Completion of the Offer.

The Lead Manager may terminate the Underwriting Agreement at any time prior to the issue of Shares under the Offer, if certain events occur which the Lead Manager believes are reasonably likely to have a material adverse effect on the outcome of the Offer or the condition or financial position of Temple & Webster Group, including:

- the report produced by the due diligence committee in respect of the Listing or any other information supplied by or on behalf of Temple & Webster Group to the Lead Manager in relation to the due diligence process, Offer Shares, Temple & Webster Group, the Offer, or the Offer Documents is or becomes untrue, incorrect, misleading or deceptive (including by omission);
- any material adverse change occurs, or an event occurs which is in the reasonable opinion of the Lead Manager reasonably likely to give rise to a material adverse change in or affecting the general affairs, management, assets, financial position or performance, profits, losses, prospects or condition, financial or otherwise of Temple & Webster Group;
- a material contract referred to in the Prospectus is, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld), amended or varied, breached, terminated, ceases to have effect, or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights), or capable of being terminated, rescinded or avoided or of limited force and effect, or its performance is or becomes illegal;
- the introduction of legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia, New Zealand, the United Kingdom, the United States of America or the People's Republic of China, which does or is reasonably likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for Offer Shares;
- the public announcement of prospective legislation or policy by the Australian Federal Government or the Government of any Australian State or Territory which does or is likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for Offer Shares;

- the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy which does or is likely to prohibit, restrict or regulate the Offer or materially reduce the level or likely level of valid applications for Offer Shares;
- Temple & Webster Group contravenes the Corporations Act, its Constitution, any of the ASX Listing Rules, or any other applicable law or regulation;
- any of the warranties or representations by Temple & Webster Group in the Underwriting Agreement or the Lead Manager's mandate are or become materially untrue or incorrect;
- Temple & Webster Group is in default of any of the material terms and conditions of the Underwriting Agreement or breaches any undertaking or covenant given or made by it under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within 10 business days after being given notice to do so by the Lead Manager;
- without the prior written consent of the Lead Manager, Temple & Webster Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus, ceases or threatens to cease to carry on business, alters its capital structure (debt or equity), other than pursuant to convertible note conversions or as otherwise contemplated in the Prospectus, amends the Constitution or any other constituent document of Temple & Webster Group or amends the terms of issue of the Offer Shares;
- a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
- trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading;
- any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions;
- after the date of the Underwriting Agreement, a change or development (which was not publicly known prior to the date of the Underwriting Agreement) involving a prospective adverse change in taxation affecting Temple & Webster Group or the Offer occurs;
- there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving Australia, New Zealand, the United Kingdom, the United States of America, Japan, Singapore or the People's Republic of China;
- a change to the board of directors or senior management of Temple & Webster Group or in the CEO or CXO of Temple & Webster Group occurs;
- Temple & Webster Group charges or agrees to charge or creates any encumbrance over, the whole, or a substantial part of its business or property;
- a statement in any certificate is false, misleading, inaccurate or untrue or incorrect;
- any of the following occur: (i) a director of Temple & Webster Group or Brian Shanahan or Adam McWhinney is charged with an indictable offence relating to a financial or corporate matter; (ii) any governmental agency or regulatory body commences any public action against Temple & Webster Group, a member of management of Temple & Webster Group or any of its Directors or announces that it intends to take such action; (iii) any director of Temple & Webster Group is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or (iv) Brian Shanahan or Adam McWhinney or a Director of Temple & Webster Group engages in any fraudulent conduct or activity; or
- a new circumstance occurs in relation to Temple & Webster Group that has arisen since the Prospectus was lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged with ASIC.

9.5.2 Securityholder Share Sale Deeds

As part of the Group's pre-IPO capital restructure, each shareholder of Temple & Webster has entered into a deed with Temple & Webster and Temple & Webster Group, under which each shareholder (including any persons who become shareholders on conversion of the existing convertible notes issued by Temple & Webster prior to Listing) has agreed to irrevocably offer to sell, and Temple & Webster Group has agreed to acquire, all of the ordinary shares in Temple & Webster on the Completion of the Offer (**Securityholder Sale Deed**). The offer to sell shares under the Securityholder Sale Deed is conditional on certain matters happening with respect to the Offer including Temple & Webster Group being granted approval by ASX to admit Temple & Webster Group to the Official List and settlement of the Offer taking place.

In consideration for the transfer of all the ordinary shares in Temple & Webster to Temple & Webster Group, Temple & Webster Group will pay cash and/or issue ordinary shares in the capital of Temple & Webster Group, depending on an election made by each shareholder and convertible note holder at the time of entering into the Securityholder Sale Deed.

9.5.3 Share Purchase Agreement for acquisition of Wayfair Australia Pty Ltd (now ZIZO Home Pty Ltd)

Temple & Webster entered into a Share Purchase Agreement (**SPA**) on 31 July 2015 with Wayfair LLC, a company registered in the state of Delaware, United States of America (**Wayfair**). Under the SPA, Wayfair agreed to sell and Temple & Webster agreed to buy all the issued shares in Wayfair Australia Pty Ltd (ACN 130 893 579) (**shares**) (now ZIZO Home Pty Ltd).

The SPA is governed by the laws of New South Wales and the Commonwealth of Australia.

Consideration

The purchase price for the shares comprises an initial amount and a deferred consideration amount. The initial amount was paid at completion of the acquisition on 31 July 2015. The deferred consideration amount is \$2 million and is payable by Temple & Webster on 31 July 2016. The deferred consideration amount may be reduced if any claims are made under a separate, but related, information technology licence between Wayfair and Wayfair Australia Pty Ltd, by the amount of such settled claims.

Representations and warranties

Temple & Webster has provided standard purchaser warranties to Wayfair in respect of its incorporation, solvency, liquidity, and authority to enter the SPA. Wayfair has provided standard vendor warranties to Temple & Webster including in respect of its incorporation and corporate structure, the shares, its assets, material contracts, financing, tax, intellectual property, information technology, solvency, liquidity, and authority to enter the SPA.

Non-compete

Wayfair Inc. undertakes to Temple & Webster that it will not compete with ZIZO in Australia and New Zealand for the following periods:

- a. the period of three years after completion; or if that period is unenforceable;
- b. the period of two years after completion; or if that period is unenforceable;
- c. the period of one year after completion.

The above non-compete undertaking is subject to standard exceptions, including:

- d. holding or acquiring (either directly or indirectly) in aggregate not more than 10% of the issued ordinary shares in the capital of any body corporate listed on the ASX; and
- e. advertising employment vacancies in any newspaper, website or other publication or through a recruitment agency (except where the recruitment agency targets employees of ZIZO) and interviewing and negotiating with any person responding to that advertisement.

9.5.4 Share Purchase Agreement for acquisition of Milan Direct

Temple & Webster Group entered into a Share Purchase Agreement (**SPA**) on 8 October 2015 with the following parties:

- Dean Ramler as trustee of the Dean Ramler Trust (**Ramler Trust**);
- Dean Joshua Ramler (**Ramler**);
- Kogan Management Pty Ltd as trustee of the Ruslan Milan Trust (**Kogan Trust**);
- Ruslan Kogan (**Kogan**),
(together, the **Vendors**); and
- Kogan Management Pty Ltd (**Kogan Management**).

Under the SPA, the Vendors agreed to sell, and Temple & Webster Group agreed to buy, all the issued shares in Milan Direct Group Investments Pty Ltd (ACN 608 196 765) and Milan Direct UK Pty Ltd (ACN 139 080 907) (**Sale Companies**) (**Shares**).

The SPA is governed by the laws of Victoria, Australia and the Commonwealth of Australia.

Completion

Unless otherwise agreed to in writing by the Vendors and Temple & Webster Group, completion occurs on the date on which shares are issued under the Offer (**completion**). Title to and property in the Shares passes to Temple & Webster Group with effect from completion.

Completion under the SPA is conditional on settlement of the Offer. The vendors also agree to undertake a pre-sale restructure before completion.

Consideration

On completion, Temple & Webster Group must pay the initial purchase price of \$9,538,236 to the respective Vendors in the proportions agreed under the SPA and also issue Ramler the "Ramler Shares".

The initial purchase price may be adjusted for reasons associated with debt and working capital.

The Ramler Shares are the number of fully paid ordinary shares to be issued in the capital of Temple & Webster Group equal to the greater in value (based on the Offer Price) of:

- a. 12.57% of all Shares on issue immediately prior to settlement of the Offer (and on the basis that all existing convertible notes issued by Temple & Webster have been converted into equity prior); and
- b. a number of Shares on issue equal to a value of \$8,037,020, valued at the Offer Price.

Representations and warranties

Temple & Webster Group has provided standard purchaser warranties to the Vendors including in respect of its incorporation, solvency, liquidity, and authority to enter the SPA. The Vendors have provided standard vendor warranties to Temple & Webster Group including in respect of its incorporation and corporate structure, trustee capacity (where applicable), the Shares, assets, material contracts, tax, intellectual property, information technology, solvency, liquidity, and authority to enter the SPA. The Vendors indemnify Temple & Webster Group in connection with any of the Vendors warranties being inaccurate in any respect. In addition, the Vendors have agreed to indemnify Temple & Webster Group in connection with any tax liabilities relating to the Sale Companies occurring prior to completion.

Non-compete

The Vendors undertake to Temple & Webster Group that they will not compete with Milan Direct Group Investments Pty Ltd (ACN 608 196 765), Milan Direct UK Pty Ltd (ACN 139 080 907), and Milan Direct Pty Ltd (ACN 125 681 914) in Australia, New Zealand, the United Kingdom, New South Wales, Victoria, Queensland, Western Australia and South Australia for the following periods:

- a. the period of 30 months after completion; or if that period is unenforceable;
- b. the period of 20 months after completion; or if that period is unenforceable;
- c. the period of one year after completion.

The above non-compete undertaking is subject to certain exceptions, including:

- a. holding or acquiring (either directly or indirectly) in aggregate not more than 10% of the issued ordinary shares in the capital of any body corporate listed on the ASX; and
- b. advertising employment vacancies in any newspaper, website or other publication or through a recruitment agency (except where the recruitment agency targets employees of the Sale Companies) and interviewing and negotiating with and recruiting any person responding to that advertisement; and
- c. in the case of Kogan and the Kogan Trust, continuing to undertake or have any direct or indirect involvement in the operation, expansion or alteration of the business that is currently known as kogan.com or commencing any new business with similar ownership to the Kogan business, including any business that is an online retail furniture business that is in direct competition with Milan Direct.

9.5.5 End User License agreements with Magento

Temple & Webster has entered into an enterprise edition end user licence agreement (**User Agreement**) with X.commerce, Inc. through its Magento division (**Magento**). Under the User Agreement, Magento grants Temple & Webster a non-transferable, non-assignable, and non-sublicensable, global licence to copy and use its proprietary software solution known as the Magento Enterprise Edition, including associated technical documentation and any updates furnished under the terms of the User Agreement (**Software**) on a specified number of servers (physical or virtual entry points from which the Software may be accessed). The Software is a platform on which Temple & Webster's website is operated. Temple & Webster pays an annual subscription for the continued use of the Software. Either party may only terminate the User Agreement by written notice for default. The Agreement is governed by the laws of California in the United States of America.

Milan Direct has also entered into an enterprise edition end user license agreement with Magento on similar terms to the Temple & Webster licence.

9.6 LITIGATION AND CLAIMS

As at the Prospectus Date, so far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which Temple & Webster Group or any of Temple & Webster, ZIZO or Milan Direct is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of Temple & Webster Group.

9.7 ASX AND ASIC

9.7.1 ASX waivers and confirmations

The Company has applied to ASX for a waiver from Listing Rule 10.14 in connection with the proposed grant of performance rights under the PRP. It has also applied to ASX for other customary Listing Rule confirmations in connection with the Offer.

9.7.2 ASIC exemptions, modifications and relief

The Company has obtained relief from ASIC so that the takeovers provisions and the substantial shareholdings provisions of the Corporations Act will not apply to certain Relevant Interests that the Company would otherwise acquire in the Escrowed Shareholders escrowed Shares by reason of the voluntary escrow arrangements in relation to the Shares described in Section 7.1.4.

9.8 CONSENTS TO BE NAMED AND TO INCLUDE STATEMENTS AND DISCLAIMERS OF RESPONSIBILITY

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Shares), the directors of the Company, persons named in the Prospectus with their consent as proposed directors of the Company, any underwriters, persons named in the Prospectus with their consent as having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading or deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

In light of the above, each of the parties referred to below (each a **Consenting Party**), to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations with regard to, and takes no responsibility for, any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the Consenting Parties has given and has not, before the lodgement of the Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named. None of the Consenting Parties referred to below has made any statement that is included in this Prospectus or any statement on which a statement is made in this Prospectus is based, other than as specified below:

- Bell Potter Securities Limited;
- Norton Rose Fulbright Australia;
- Link Market Services Limited;
- Ernst & Young Transaction Advisory Services Limited;
- Ernst & Young; and
- Euromonitor.

Ernst & Young Transaction Advisory Services Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including its Independent Limited Assurance Report in Section 8 and the statements specifically attributed to it in the text of this Prospectus, in the form and context in which they are included (and all other references to that report and those statements) in this Prospectus.

Euromonitor has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of statements by it, including the statements specifically attributed to it in the text of, or by a footnote in, this Prospectus, in the form and context in which they are included (and all other references to those statements) in this Prospectus.

9.9 AUSTRALIAN TAX CONSIDERATIONS

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus.

The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies), trusts, partnerships and complying superannuation funds that hold their shares on capital account.

These comments do not consider the consequences for foreign resident Shareholders, insurance companies, banks, Shareholders that hold their Shares on revenue account or carry on a business of trading shares or Shareholders who are exempt from Australian tax. These Shareholders should seek independent professional advice.

These comments also do not consider the consequences for Shareholders who are subject to Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or "TOFA" regime). Shareholders who are subject to TOFA should obtain their own tax advice as to the implications under TOFA (if any).

This summary is based on the Income Tax Assessment Act 1936 (1936 Act), the Income Tax Assessment Act 1997 (1997 Act), the New Tax System (Goods and Services Tax) Act 1999 (GST Act), applicable case law and published Australian Taxation Office rulings, determinations and administrative practice in force at the Prospectus Date. This summary does not take into account the tax law of countries other than Australia.

Australian tax laws are complex. The summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The precise implications of ownership or disposal of the Shares by Shareholders will depend upon each Shareholder's specific circumstances. Shareholders should seek their own professional advice on the tax implications of holding or disposing of the Shares, taking into account their specific circumstances.

9.9.1 Dividends Paid on Shares

9.9.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend.

Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend, subject to being a “qualified person” (refer comments below). Where the tax offset exceeds the tax payable on the investor’s taxable income, such Shareholders should be entitled to a tax refund.

To the extent that the dividend paid by the Company is unfranked, the investor will generally be taxed at their prevailing marginal rate on the dividend received with no tax offset.

9.9.1.2 Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and the associated franking credit in their assessable income. A tax offset is then available up to the amount of the franking credit attached to the dividend.

An Australian tax resident Corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the dividend received. This allows the Corporate Shareholder to pass on the benefit of the franking credits to their own shareholders on the payment of dividends.

Excess franking credits received by Corporate Shareholders cannot give rise to a refund, however may be converted into carry forward tax losses.

9.9.1.3 Trusts and Partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and associated franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary or partner’s share of the franking credits included in the net income of the trust or partnership.

9.9.1.4 Shares Held at Risk

The benefit of franking credits can be denied where a Shareholder is not a ‘qualified person’, in which case the Shareholder will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. The holding period rule requires a Shareholder to hold the Shares ‘at risk’ for more than 45 days continuously, measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend. The dates the shares are acquired and disposed of are ignored for the purposes of determining the 45 day period. The holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the Shareholder to have held the Shares at risk for the continuous 45 day period as above but within the period commencing on the 45th day before, and ending on the 45th day after the day the Shares become ex-dividend. Investors should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

The Australian Government has recently enacted a specific integrity rule that prevents taxpayers from obtaining a tax benefit from additional franking credits where dividends are received as a result of ‘dividend washing’ arrangements. On 30 June 2014, the measure received royal assent and the new rule will apply to distributions made on or after 1 July 2013. Shareholders should consider the impact of this legislative change and any guidance issued by the Australian Taxation Office in this regard, given their own personal circumstances.

9.9.2 Disposal of Shares

The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds received on disposal exceeds the CGT cost base of the share (broadly the amount paid to acquire the share plus any transaction/incidental costs). In the case of an arm’s length on-market sale, the capital proceeds will generally be the cash proceeds received from the sale of Shares.

A CGT discount may be available on the capital gain for Shareholders that are individuals, trustees or complying superannuation entities provided the particular Shares are held for more than 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied.

The CGT discount for individuals and trusts is 50% and for complying superannuation entities is 33%. In relation to trusts, the rules are complex, but this discount may flow up to beneficiaries of the trust.

A company is not entitled to a CGT discount.

A capital loss will be realised where the capital proceeds on disposal are less than the CGT reduced cost base of the Shares. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied.

Capital losses cannot be offset against other assessable income.

9.9.3 Tax file numbers

A Shareholder is not required to provide their tax file number (TFN) to the Company. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by the Company from distributions at the top marginal tax rate plus the Medicare levy.

A Shareholder that holds Shares as part of an enterprise may quote its Australian Business Number rather than its TFN.

9.9.4 Australian Goods and Services Tax (GST)

Shareholders should not be liable for GST in respect of their acquisition of the Shares.

An Australian resident Shareholder that is registered for GST may not be entitled to claim full input tax credits in respect of GST on expenses they incur that related to the acquisition, redemption or disposal of the Shares (e.g. lawyers and accountants fees). Shareholders should seek their own advice on the impact of GST in their own particular circumstances.

9.9.5 Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.10 INTERNATIONAL OFFER RESTRICTIONS

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

9.10.1 Hong Kong

WARNING

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been registered by the Registrar of Companies in Hong Kong pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) of the Laws of Hong Kong ("CWMO").

Accordingly: (i) the Shares may not be offered or sold in Hong Kong by means of any document other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong ("SFO") and any rules made under the SFO, or in other circumstances which do not result in the document being a "prospectus" as defined in section 2(1) of the CWMO or which do not constitute an offer to the public within the meaning of the CWMO or an invitation to the public within the meaning of the SFO; and (ii) this document must not be issued, circulated or distributed in Hong Kong other than (1) to "professional investors" as defined in the SFO and any rules made under the SFO, (2) to persons and in circumstances which do not result in this document being a "prospectus" as defined in section 2(1) of the CWMO or which do not constitute an offer to the public within the meaning of the CWMO or an invitation to the public within the meaning of the SFO or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFO and CWMO.

9.10.2 Singapore

This document and any other materials relating to the Offer Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Offer Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than to an "institutional investor" under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a "relevant person" pursuant to Section 275(1), or to any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Offer Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.10.3 New Zealand

This Prospectus and the information contained in or accompanying this Prospectus are not, and are under no circumstances to be construed as, an offer of financial products for issue requiring disclosure to an investor under Part 3 of the Financial Markets Conduct Act 2013 (the “**FMCA**”). This Prospectus and the information contained in or accompanying this Prospectus have not been registered, filed with or approved by any New Zealand regulatory authority or under or in accordance with the FMCA. This Prospectus and the information contained in or accompanying this Prospectus are not a disclosure document under New Zealand law and do not contain all the information that a disclosure document is required to contain under New Zealand law. Any offer or sale of any Shares described in these materials in New Zealand will be made only in accordance with the FMCA:

- a. to a person who is an investment business as specified in the FMCA; or
- b. to a person who meets the investment activity criteria specified in the FMCA; or
- c. to a person who is large as defined in the FMCA; or
- d. to a person who is a government agency as defined in the FMCA; or
- e. to a person who is an eligible investor within the meaning of the FMCA; or
- f. to a person who is a close business associate within the meaning of the FMCA; or

in other circumstances where there is no contravention of the FMCA (or any statutory modification or re enactment of, or statutory substitution for, the FMCA).

9.10.4 United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“**FSMA**”)) has been published or is intended to be published in respect of the Offer Shares. This document is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of FSMA) in the United Kingdom, and the Offer Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the Offer Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons

(i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“**FPO**”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

9.10.5 United States

This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States.

Any securities described in this Prospectus have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

9.11 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

9.12 STATEMENT OF DIRECTORS

The issue of this Prospectus has been authorised by each Director of Temple & Webster Group. Each Director of Temple & Webster Group has consented to the lodgement of this Prospectus with ASIC and the issue of this Prospectus and has not withdrawn that consent.



SECTION 10
**KEY
ACCOUNTING
POLICIES**

i. Cash and cash equivalent

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

ii. Trade and other receivables

Trade receivables are recognised at fair value less an allowance for impairment. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable.

iii. Inventories

Inventories are made up of finished goods which are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

iv. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

v. Property, Plant & Equipment – 3 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income. An item of property, plant or equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

vi. Intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset. Intangibles are amortised as follows:

Software – 4 to 7 years

Customer database – 5 years

Research and development costs – 5 years

vii. Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset; and
- The ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit.

viii. Goodwill

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

ix. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

x. Trade and other payables

Trade and other payables are carried at cost and due to their short term nature are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

xi. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

xii. Refunds provision

In determining the level of provision, the Company 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.

xiii. Wages, salaries, and sick leave provisions

Liabilities for wages and salaries, including non-monetary benefits, and accumulating sick leave which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable. The Group does not expect its long service leave or annual leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave and annual leave 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 national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

xiv. Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

xv. Convertible notes

Convertible notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

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.

xvi. Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

xvii. Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

- i. Sale of goods – revenue from the sale of goods 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 usually on expected delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances, discounts and deferred revenue.
- ii. Interest income revenue is recognised as interest accrues using the effective interest method.

xviii. Cost of sales

Cost of sales includes the costs associated with product and fulfilment of items for sale.

xix. 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.

xx. Leases

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

SECTION 11

**EUROMONITOR
INTERNATIONAL
DEFINITIONS**



Retailing

Sales of new and used goods to the general public for personal or household consumption. Excludes specialist retailers of motor vehicles, motorcycles, vehicle parts, fuel. Also excludes foodservice, rental and hire and wholesale industries (Cash and Carry). Sales value excluding or including VAT/Sales Tax. Retailing is the aggregation of Store-based retailing and Non-store retailing. Retailing excludes the informal retail sector. Informal retailing is retail trade which is not declared to the tax authorities. Informal retailing encompasses (a) sales generated by unregistered and unlicensed retailers, ie retailers operating illegally, and (b) any proportion of sales generated by a registered and licensed retailer which is not declared to the tax authorities. Unregistered and unlicensed retailers operate predominantly (although not exclusively) as street hawkers or operate open market stalls, as these channels are harder for the authorities to monitor than permanent outlets. Activities in the “black market”, which is usually understood to refer to trade in illegal, counterfeit or stolen merchandise, are included within our definition of informal retailing. Activities in the “grey market”, which is usually understood to refer to trade in legal merchandise that is sold through unauthorized channels – for example cigarettes bought legally in another country, legally imported, but sold at lower prices than in authorized channels – will be included as informal retailing if no tax is paid on sale by the retailer. However if the retailer pays tax – for example on cigarettes bought legally in another country but sold at a lower price than standard – the sale is included within formal retailing. In relation to click and collect purchases (i.e. where purchases are made over the internet but picked up at store) where the sales data is attributed depends on where the payment is made: If payment is made in store, then the sale is included in store-based sales. If payment is made over the internet, then the sale is included in internet retailing.

Internet Retailing

Sales of consumer goods to the general public via the Internet. Internet retailing includes sales generated through pure ecommerce web sites and through sites operated by store-based retailers. Sales data is attributed to the country where the consumer is based, rather than where the retailer is based. Also includes orders placed through the web for which payment is then made through a storecard, an online credit account subsequent to delivery or on delivery of the product. This payment may be by any mode of payment including postal cheque, direct debit, standing order or other banking tools. Includes orders paid for cash on delivery. Includes m-commerce: where consumers use smart phones or tablets to connect to Internet and purchase the goods online. Internet retailing excludes sales of: (a) Products generated over consumer-to-consumer sales sites, such as eBay. B2C proportion of sites such as eBay will be captured; (b) Sales of motor vehicles, motorcycles and vehicle parts; (c) Tickets for events (sports, music concerts etc) and travel; (d) Sales of travel and holiday packages; (e) Revenue generated by online gambling sites; (f) Quick delivery services of food, magazines, household goods and DVD rentals, for example: MaxDelivery.com, LicketyShip.com, Netflix.com, LoveFilm; (g) Returned products/unpaid invoices; and (h) click and collect orders in stores where the payment is made in the store. Example brands include Amazon.com, Zappos.com, Apple.com, iTunes, Rakuten, Tesco.com, Dell.com, Coles Online, Americanas

Housewares and Home Furnishings Internet Retailing

Internet retailing sales of home furniture, furnishings and household goods. This product category covers the following goods: Homewares – Cookware, kitchenware, dinnerware, etc. Items must be new when sold to the consumer; second-hand/used homewares are excluded. Antiques are also excluded. Home furnishings – The household textiles, lighting, furniture and other moveable articles in a home that are necessary or useful for comfort and convenience. The following products are excluded: Second-hand/used home furnishings and antique home furnishings

Mobile Internet Retailing

Mobile Internet Retailing is defined as the amount of Internet retailing sales completed on mobile devices such as smartphones and tablets. Online sales generated through PC and laptops are excluded. Mobile Internet Retailing is also known as mcommerce.

Home and Garden

This project has a strict focus on sales to consumers only. Trade and professional sales are excluded.

Home Furnishings

The furniture and other moveable articles in a home that are necessary or useful for comfort and convenience. Items must be new when sold to the consumer; secondhand/used home furnishings are excluded. Antiques are also excluded.

Home Textiles

Any kind of moveable, soft household item made of any fabric type eg textiles, synthetic materials, leather, animal skins/fur or any combination thereof. Excludes shopping bags, laundry bags, shoe bags, covers for clothes and/or furniture, flags, mosquito nets, doilies and sunshades. Purses and luggage are also excluded. All moveable rugs and carpets are excluded and tracked within Rugs. Fabric by the metre are excluded.

Bath Textiles

Bath linen such as towels and washcloths, bathrobes and bath mats.

Bed Textiles

Bed linen, such as sheets, pillowcases, blankets, plaids, throws, bed scarves and quilts. Includes bedding for babies and children. Excludes duvets, bedspreads, mattresses, pillows and pillow protectors.

Kitchen and Dining Textiles

Includes kitchen textiles such as tea towels, oven gloves, aprons, and tea cosies. Also includes table linen, such as tablecloths, table napkins, fabric place mats/settings, and table runners. PVC/linoleum tablecloths if sold by the unit are included but they are excluded if sold by the metre.

Living Room Textiles

Household textile items such as cushions / throw pillows and sofa blankets.

Rugs

Any moveable floor covering generally made from tufted fabric and/or animal skin/fur (ie cowhides) or any combination thereof. Includes loose rugs and/or carpets for rooms and hallways, as well as doormats. Any fitted or affixed floor coverings are excluded and tracked within Floor Covering.

Indoor Furniture

Articles used in preparing an area for occupancy and use. Items must be new when sold to the consumer. Includes both ready-made/fitted and self-assembly furniture. Includes furniture of all materials such as wood, composite wood/pressboard, acrylic, plastic, metal and so on. Second-hand/used furniture is excluded. Antiques are also excluded. Rugs and Floor Covering are excluded.

Bedroom Furniture

Any kind of furniture designed for the bedroom or sleeping area of the house.

Dining Furniture

Any kind of furniture designed for the dining area of the house, most typically dining tables and chairs. Dining furniture included here is more formal and possibly not for daily use, as opposed to a kitchen table used for more casual dining.

Home Office Furniture

Any kind of furniture specifically designed for home offices. Includes desks, office chairs, etc.

Kitchen Furniture

Any kind of furniture designed for the kitchen. Includes both built-in and free standing kitchen furniture. Fitted-kitchens include only the units but not the installation. Includes kitchen cabinets, French dressers as well as tables and chairs for the kitchen. Tables and chairs for the kitchen are usually more informal and designed for daily use, as opposed to dining furniture.

Living Room Furniture

Any kind of furniture designed for the living area of the house. Includes shelves and bookshelves, media cabinets/ units, coffee tables and so on. Excludes: sofas, armchairs and other furniture for sitting on, which has a category of its own.

Sitting Furniture

Any kind of furniture designed to sit on. Includes chairs, armchairs, sofas / couches, chaise lounges, footstools, bean bags and any other kind of sitting furniture. Includes sofa beds. Excludes: dining and kitchen chairs.

Storage Furniture

Includes underbed drawers, trunks, shoe organisers, storage boxes (including shoe boxes), pop up storage, storage and diggertubs, storage trolleys, laundry baskets. Includes recycling boxes.

Other Indoor Furniture

Any other indoor furniture not included elsewhere. Includes decorative objects. Also includes mirrors, ottomans, steps, shoe stacks, folding screens, vases, decorative clocks, etc. Also includes mass-produced or manufactured art objects as paintings, prints and sculptures. Original artwork is excluded. Excludes: magnetic boards and candles.

Window Covering

Ready-made goods designed to offer decoration and privacy for windows in the home.

Blinds

Any kind of ready-made blinds. Includes blackout, roller, roman, venetian, vertical, pleated blinds, etc. in any material (wood, metal, plastic, fabric.). Excludes: homemade blinds and all fabric sold by the metre.

Curtains

Any kind of ready-made curtains. Includes pencil pleat, eyelet, voile. Includes tie racks, holdbacks, pole kits, track, cord weights and any other curtains accessories. Excludes: fabric sold by the metre to make curtains.

Barbecues

An outdoor appliance used for grilling and cooking food. Only free-standing barbecues are included. Excludes: Fixed/built-in fire places/grills in the garden – our coverage is for moveable appliances only. Excludes: disposable barbecues and camping stoves.

Garden Sheds

Any shed (be it self-assembly or ready-made) expressly intended for garden use. Sheds must be fully or partially made to be included – raw materials for construction, such as wood, bricks, glass panes etc are excluded.

Outdoor Furniture

Any kind of outdoor / patio furniture. Includes chairs, benches, loungers, tables, parasols, awnings, stools, and hammocks. Excludes: outdoor decoration (such as water features and gnomes) as they are tracked under Other Gardening.

Lighting

Lighting is the aggregation of Light Sources and Lighting Fixtures.

Light Sources

Devices that produce light by the flow of electric current. Most electric lighting is powered by centrally generated electric power, but lighting may also be powered by mobile or standby electric generators or battery systems. The Home and Garden project focuses only on final consumers. All sales to public or private institutions are excluded from our data.

Lighting Fixtures

Any kind of light fixture used for domestic purposes. Includes ceiling, floor, desk and table lamps; wall lights, decorative line lights, and chandeliers. Includes interior and exterior light fixtures, landscape lighting and motion detector lighting. Excludes shades sold separately, sockets, switch plates and bulbs, as well as professionally fitted surveillance lighting.

Homewares

Cooking utensils, dishes, tableware, cutlery, drinkware, and other small articles used in a home. Items must be new when sold to the consumer. Second-hand/used homewares are excluded, as are antique sales.

Dinnerware

The crockery, dishes, and serving plates used in setting a table for a meal. Includes dinner sets, mugs, servingware, placemats and mat sets, and coasters. Excludes: tablecloths as they are tracked under Kitchen and Dining textiles. Excludes: centrepieces and any other table decoration.

Kitchenware

Utensils used to prepare or store food in the kitchen.

Cookware

Kitchen utensils made of material that does not melt, primarily used for cooking purposes. Also includes glass cookware, including heat-resistant casseroles and vitroc ceramic pans.

Beverageware

Articles of tableware used for drinking, such as glass drinkware (tumblers, stemware, glasses, bottles and jugs). Excludes glass cookware (including heat-resistant casseroles, vitro-ceramic pans), glass tableware (glass plates, bowls, serving dishes, centrepieces) or glass kitchenware (glass bowls, food storage jars, etc), all of which should be included in their respective categories.

Cutlery

Implements such as knives, forks, and spoons used as tableware to facilitate eating food. Chopsticks are included. All types of materials are included, such as silver, silver plate, stainless steel, wood, porcelain, non-disposable plastic, acrylic and so on. Disposable cutlery (e.g. plastic knives, disposable wooden chopsticks, etc) are excluded. Excludes: implements for the preparation and serving of food as kitchen knives, palette knives, cooking spoons and ladles as they are tracked in Utensils.

SECTION 12
GLOSSARY



Term	Meaning
\$ or A\$	Australian dollars
1H	First half
2H	Second half
AASB	Australian Accounting Standards Board
ABN	Australian Business Number
Acquisition	The proposed acquisition of Milan Direct by the Company
Active Customer	A customer that has undertaken a transaction within the last 12 months, and may include customers who have bought at two or more sites
ArdenPoint Ecommerce	AP ecommerce Pty Ltd as trustee of the ArdenPoint Ecommerce Unit Trust
Applicant	A person who submits an Application
Application(s)	An application made to subscribe for Shares offered under this Prospectus
Application Form	The application form attached to or accompanying this Prospectus (including the electronic form)
Application Monies or Application Amount	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited ABN 98 008 624 691 or the financial market operated by it, as the context requires
ASX Listing Rules	The listing rules of ASX, as may be amended or supplemented from time to time
ASX Recommendations	The ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Ltd ABN 49 008 504 532
ATO	Australian Tax Office
Australian Accounting Standards or AAS	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
Bell Potter	Bell Potter Securities Limited ABN 25 006 390 772
Board or Directors	The board of directors of Temple & Webster Group
Broker	Any ASX participating organisation selected by the Lead Manager and the Company to act as Broker to the Offer
Broker Firm Offer	The Offer of Shares under this Prospectus to Australian resident investors who are not Institutional Investors and have received a firm allocation from their Broker, as described in Section 7.3
CAGR	Compound annual growth rate
CEO	The Group Chief Executive Officer

Term	Meaning
CFO	The Group Chief Financial Officer
Chairperson	Chairperson of the Board of Directors
CHESS	Clearing House Electronic Sub-register System, operated in accordance with the Corporations Act
Closing Date	The date by which Applications must be lodged for the Offer, being 30 November 2015, subject to variation by Temple & Webster Group and the Lead Manager, without prior notice
Company	Temple & Webster Group Ltd ACN 608 595 660
Completion of the Offer	Completion in respect of the issuance of Shares to Applicants in accordance with the terms of the Offer
Constitution	The constitution of Temple & Webster Group
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CXO	Group Customer Experience Officer
CY	Calendar Year or year ended 31 December. For example CY14 would be the year ended 31 December 2014
Director	A member of the Board
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Eligible Employee	Permanent full-time and permanent part-time employees and selected casual employees or selected contractors of any of the Group's operating companies, being Temple & Webster, ZIZO and, following the Acquisition, Milan Direct, who have completed their probationary period as at the Prospectus Date
Employee Gift Offer	The Offer made under this Prospectus under which Eligible Employees who have received an offer from Temple & Webster Group may acquire, at no cost, the nearest number of whole Shares (rounded down) up to a value of \$1,000 each
Enterprise Value (EV)	The sum of the market capitalisation of the Company at the Offer Price and pro forma net debt as at the specified date
EYTAS	Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844
Escrowed Shareholders	Certain Existing Shareholders that have entered voluntary escrow arrangements restricting the disposal of their Shares for a period of time following Completion of the Offer
Existing Shares	The ordinary shares in Temple & Webster held by the Existing Shareholders
Existing Shareholders	The persons holding ordinary shares in Temple & Webster (including those persons who become shareholders of Temple & Webster on the conversion of existing convertible notes issued by Temple & Webster on the Completion of the Offer)
Financial Information	Has the same meaning given to that term in Section 4.1
Forecast Financial Information	Has the same meaning given to that term in Section 4.1
FY	Financial year or year ended 30 June. For example FY15 would be the financial year ended 30 June 2015
GST	Goods and services or similar tax imposed in Australia

Term	Meaning
Group	Prior to Completion of the Offer, Temple & Webster and its subsidiaries, and after Completion of the Offer, the Company and its subsidiaries (including Temple & Webster), or where the context requires, the business described in this Prospectus
Historical Financial Information	The financial information described as Historical Financial Information in Section 4.2.2
Institutional Investors	An investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other registration or formality, other than a formality which Temple & Webster Group is willing to comply with), including in Australia persons to whom offers or invitations can be made without the need for a lodged prospectus under section 708 of the Corporations Act
Institutional Offer	The invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.4
Investigating Accountant	Ernst & Young Transaction Advisory Services Limited ABN 87 003 599 844
IPO	Initial public offering
Lead Manager	Bell Potter Securities Limited ABN 25 006 390 772
Listing	Admission of Temple & Webster Group to the official list of ASX and quotation of the Shares on the ASX
Listing Date	The date on which Listing commences
Macquarie Capital Group	Macquarie Capital Group Limited
Management Shareholders	Entities through which Brian Shanahan and Adam McWhinney hold Existing Shares immediately prior to Completion of the Offer and Shares immediately following Completion of the Offer
Market Capitalisation	Total market value of Temple & Webster Group on ASX on Listing Date
Milan Direct	Milan Direct Pty Ltd (ACN 125 681 914), Milan Direct Group Investments Pty Ltd (ACN 608 196 765), and Milan Direct UK Pty Ltd (ACN 139 080 907) or the businesses they operate, as the context requires
New Shares	The new Shares to be issued by Temple & Webster Group
Non-Executive Director	A member of the Board who does not form part of Temple & Webster Group's management
Norton Rose Fulbright	Norton Rose Fulbright Australia ABN 32 720 868 049
NPAT	Net profit after tax
Offer	The offer of Shares under this Prospectus
Offer Documents	The documents issued or published by or on behalf of Temple & Webster Group in respect of or relating to the Offer including a pathfinder prospectus, this Prospectus, the Application Form and any investor presentation
Offer Period	The period from the date on which the Broker Firm Offer opens on 16 November 2015 (as may be amended) until the Closing Date
Offer Price	\$1.10 per Share, payable on application or bid for the Shares

Term	Meaning
Offer Shares	The 55.9 million Shares being offered under this Prospectus (excluding Shares offered under the Employee Gift Offer)
Online Penetration	The value of retail ecommerce sales as a proportion of total retail sales
Original Prospectus	The prospectus dated 6 November 2015 and lodged with ASIC on that date, and which this Prospectus replaces
Pcp	Prior comparative period
Performance Rights Plan	The Temple & Webster Group Ltd Performance Rights Plan established by Temple & Webster Group, the principal terms of which are summarised in Section 9.4.1
PF	Pro forma
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement Prospectus in relation to this document
Prospectus Date	The date on which a copy of this Prospectus is lodged with ASIC
Relevant Interest	As defined in section 609 of the Corporations Act
Share Registry	Link Market Services Limited ACN 083 214 537
Share	A fully paid ordinary share in the capital of Temple & Webster Group
Shareholder	A holder of Shares
Temple & Webster	Temple & Webster Pty Ltd ACN 151 856 049 or the business it operates, as the context requires
Temple & Webster Group	Temple & Webster Group Ltd ACN 608 595 660 or the business it operates, or will operate as the context requires
Underwriter	Bell Potter Securities Limited ACN 006 390 772
VWAP	Volume Weighted Average Price
ZIZO	ZIZO Home Pty Ltd ACN 130 893 579 or the business it operates, as the context requires

.....
**APPLICATION
FORM**
.....



This page has been left blank intentionally.



ACN 608 595 660

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Temple & Webster Group Ltd (ACN 608 595 660) under the Broker Firm Offer on the terms set out in the Prospectus dated 12 November 2015. Defined terms used in this Application Form have the meaning given to them in the Prospectus. You may apply for a minimum of A\$2,000 worth of Shares and multiples of A\$500 worth of Shares thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for Price per Share Application Monies
A at **A\$1.10** **B** A\$

(minimum A\$2,000 worth of Shares, thereafter in multiples of A\$500 worth of Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

Surname/Company Name

Title First Name Middle Name

Joint Applicant #2

Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F X

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number BSB - Account Number

Total Amount **A\$**

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

TPW BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Temple & Webster Group Ltd ("Temple & Webster Group") Shares. Further details about the Shares are contained in the Prospectus dated 12 November 2015 issued by Temple & Webster Group. The Prospectus will expire 13 months after the date of the Original Prospectus. While the Prospectus is current, Temple & Webster Group will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of A\$2,000 worth of Shares and thereafter in multiples of A\$500 worth of Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Temple & Webster Group will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Temple & Webster Group and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Temple & Webster Group's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



ACN 608 595 660

Broker Code

Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Temple & Webster Group Ltd (ACN 608 595 660) under the Broker Firm Offer on the terms set out in the Prospectus dated 12 November 2015. Defined terms used in this Application Form have the meaning given to them in the Prospectus. You may apply for a minimum of A\$2,000 worth of Shares and multiples of A\$500 worth of Shares thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

Shares applied for Price per Share Application Monies
A at **A\$1.10** **B** A\$

(minimum A\$2,000 worth of Shares, thereafter in multiples of A\$500 worth of Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1

Surname/Company Name

C Title First Name Middle Name

Joint Applicant #2

Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code

First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

F **X**

Please note: that if you supply a CHESS HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESS, your Application will be deemed to be made without the CHESS HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

Cheque or Bank Draft Number BSB Account Number

Total Amount **A\$**

LODGEMENT INSTRUCTIONS

You must return your application so it is received by your Broker by the deadline set out in their offer to you.

TPW BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Temple & Webster Group Ltd ("Temple & Webster Group") Shares. Further details about the Shares are contained in the Prospectus dated 12 November 2015 issued by Temple & Webster Group. The Prospectus will expire 13 months after the date of the Original Prospectus. While the Prospectus is current, Temple & Webster Group will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of A\$2,000 worth of Shares and thereafter in multiples of A\$500 worth of Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Temple & Webster Group will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Temple & Webster Group and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Shares will be issued to Temple & Webster Group's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

CORPORATE DIRECTORY

Issuer's Registered Office

Temple & Webster Group Ltd
8DD Hiles Street
Alexandria, NSW 2015

Lead Manager and Underwriter

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney, NSW 2000

Legal Adviser

Norton Rose Fulbright Australia
Level 18, Grosvenor Place
225 George Street
Sydney, NSW 2000

Auditor

Ernst & Young
680 George Street
Sydney, NSW 2000

Share Registry

Link Market Services Limited
Level 12,
680 George Street
Sydney, NSW 2000

Temple & Webster Offer Information Line

Within Australia: 1300 666 437
Outside of Australia: +61 1300 666 437

Hours of operation:

8.30am to 5.30pm
(Sydney, Australia time) Monday to Friday

Investigating Accountant

Ernst & Young Transaction Advisory Services Limited
680 George Street
Sydney, NSW 2000

Website

www.templeandwebstergroup.com.au



THE TEMPLE & WEBSTER CHAIR

The Temple & Webster company was named after William Temple (a carpenter) and John Webster (a carver and gilder), two local artisans commissioned by Governor Lachlan Macquarie to make two large ornamental chairs in 1820. Perhaps without realising it at the time, William Temple and John Webster were among Australia's first fine furniture designers. They were craftsmen who collaborated to create something unique and enduring (the chairs have survived to this day) and are the earliest known examples of the "Colonial Gothic" style.

William and John's teamwork, attention to detail and desire to build something to last were attributes that inspired the co-founders, and is the motivation behind the Temple & Webster brand.

Armchair owned by Governor Lachlan Macquarie, attributed to John Webster (1798-1842) and William Temple (1776-1836), Sydney 1821. Collection: Museum of Applied Arts and Sciences, Sydney. Photo: Andrew Frolovs.

TEMPLE &
WEBSTER

GROUP