

Milan Direct Pty Ltd

**Special Purpose Financial Report for the
financial year ended 30 June 2014**

A.C.N. 125 681 914

Special Purpose Financial Report

For the financial year ended 30 June 2014

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Milan Direct Pty Ltd

DIRECTOR REPORT

The director of Milan Direct Pty Ltd submits herewith the special purpose financial report for the financial year ended 30 June 2014. The director reports as follows:

Director

The names of the directors of the company during the financial year are:

Mr Dean Ramler

Mr Ruslan Kogan (resigned 23 December 2013)

The above named directors held office during the whole of the financial year and since the end of the financial year except where noted.

Principal Activities

The principal activities of Milan Direct Pty Ltd are the sale of furniture, homeware, and other lifestyle products through its online website.

Review of Operations

The operating profit / (loss) after income tax was 2014 \$: 80,421

The operating profit / (loss) after income tax was 2013 \$: 40,609

Dividends

In respect of the financial period ended 30 June 2014, no dividend was declared (2013: no dividend was declared).

Changes in State of Affairs

During the financial year there were no significant changes that impact on the affairs of the Company.

Subsequent Events

A Share Purchase Agreement was signed on 8 October 2015 for the sale of Milan Direct Pty Ltd (and associated entities) to Temple & Webster Group Ltd.

There has been no other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the company. Accordingly, this information has not been disclosed in this report.

Corporate Information

Milan Direct Pty Ltd is a company limited by shares incorporated and domiciled in Australia.

The registered office of the Company is: Level 10 530 Collins Street, Melbourne, VIC 3000

The principal place of business of the Company is: 108 Bridport Street, Albert Park, Melbourne VIC 3206

Indemnification of Officers

During or since the financial year the company has not indemnified or made a relevant agreement to indemnify an officer of the company or of any related body corporate against a liability incurred as such an officer. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Your during or since the financial year.

Share options

No option to acquire shares in the Company has been granted to any person. No shares have been issued during the year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

Signed in accordance with a resolution of the director made



Dean Ramler
Director

Milan Direct Pty Ltd

DIRECTOR DECLARATION

In accordance with a resolution of the director of Milan Direct Pty Ltd, I state that:

(a) the Company is not a reporting entity as defined in the Australian Accounting Standards;

(b) the financial statements and notes of the Company:

(i) present fairly the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 2 to the financial statements;

(c) there are reasonable grounds to believe that the company will be able to pay its debts as they become due and payable.

Signed:



Date: 30/10/15

Dean Ramler
Director

Milan Direct Pty Ltd**STATEMENT OF COMPREHENSIVE INCOME****For the year end 30 June 2014**

	Note	2014	2013
		\$	\$
Revenue	3(a)	16,879,521	11,677,109
Cost of sales		<u>(10,708,251)</u>	<u>(7,491,836)</u>
Gross Profit		6,171,270	4,185,273
Other revenue	3(b)	2,324	2,053
Depreciation & Amortisation		(32,687)	(36,274)
Distribution Costs		(1,719,255)	(1,212,331)
Employee expense		(1,239,074)	(798,387)
Internet and website		(6,283)	(2,204)
Marketing and promotional		(1,954,514)	(1,476,447)
Other Expenses		(802,690)	(445,688)
Rental expense		(135,626)	(101,040)
Interest expense		<u>(53,840)</u>	<u>(20,241)</u>
Profit/(loss) before income tax expense		229,625	94,714
Income tax (expense)		<u>(149,204)</u>	<u>(54,105)</u>
Profit/(loss) for the year		80,421	40,609
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>80,421</u>	<u>40,609</u>

Milan Direct Pty Ltd**STATEMENT OF FINANCIAL POSITION****As at 30 June 2014**

	Note	2014	2013
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	449,228	306,132
Inventory	5	2,840,949	1,750,871
Other current assets	6	39,694	34,163
Total Current Assets		3,329,871	2,091,166
NON-CURRENT ASSETS			
Property, plant & equipment	12	80,832	98,952
Intangibles	12	80,700	80,700
Total Non-Current Assets		161,532	179,652
TOTAL ASSETS		3,491,403	2,270,818
CURRENT LIABILITIES			
Trade and other payables	7	1,696,245	874,113
Provisions	8	150,060	81,650
Borrowings	9	509,096	15,330
Deferred revenue		442,857	363,298
Total Current Liabilities		2,798,258	1,334,391
NON-CURRENT LIABILITIES			
Related parties payable		209,180	565,434
Borrowings	10	69,183	85,831
Provisions	11	9,184	-
Total Non-Current Liabilities		287,547	651,265
TOTAL LIABILITIES		3,085,805	1,985,656
NET ASSETS		405,598	285,162
EQUITY			
Issued Capital		222,377	222,377
Reserves		62,191	22,176
Retained Earnings/(Accumulated Losses)		121,030	40,609
TOTAL EQUITY		405,598	285,162

Notes to the financial statements are included on pages

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Milan Direct Pty Ltd**STATEMENT OF CASH FLOWS****For the year end 30 June 2014**

	Note	2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		16,981,330	11,658,277
Payments to suppliers and employees		(17,195,163)	(11,298,929)
Interest received		2,324	1,802
Finance costs		(53,840)	(20,241)
Income tax paid		(54,105)	-
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	14	<u>(319,454)</u>	<u>340,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(14,567)	(11,350)
Proceeds from sale of property, plant and equipment		-	15,401
NET CASH USED IN INVESTING ACTIVITIES		<u>(14,567)</u>	<u>4,051</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds/(Repayments) from borrowings		297,835	(41,228)
NET CASH (USED IN)/PROVIDED FOR FINANCING ACTIVITIES		<u>297,835</u>	<u>(41,228)</u>
NET (DECREASE)/INCREASE IN CASH HELD		(36,186)	303,732
Cash at the beginning of the financial year		306,132	2,400
Cash on hand at the end of the financial year	14	<u>269,946</u>	<u>306,132</u>

Milan Direct Pty Ltd

STATEMENT OF CHANGES IN EQUITY

For the year end 30 June 2014

	Contributed Equity	Retained Earnings/ (Accumulated Losses)	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2012	2,400	-	-	2,400
Issue of share capital	219,977	-	-	219,977
Profit (Loss) for the year	-	40,609	-	40,609
Revaluation of Milan UK Net Assets	-	-	22,176	22,176
Balance at 30 June 2013	<u>222,377</u>	<u>40,609</u>	<u>22,176</u>	<u>285,162</u>
Balance at 1 July 2013	222,377	40,609	22,176	285,162
Profit (Loss) for the year	-	80,421	-	80,421
Revaluation of Milan UK Net Assets	-	-	40,015	40,015
Balance at 30 June 2014	<u>222,377</u>	<u>121,030</u>	<u>62,191</u>	<u>405,598</u>

Milan Direct Pty Ltd

Notes to the financial statements

For the year end 30 June 2014

1. CORPORATE INFORMATION

Milan Direct Pty Ltd is a company limited by shares incorporated and domiciled in Australia.

The registered office of the Company is: Level 10 530 Collins Street, Melbourne, VIC 3000
The principal place of business of the Company is: 108 Bridport Street, Albert Park, Melbourne VIC 3206

The nature of the operations and principal activities of the Company are the sale of furniture, homeware, and other lifestyle products through its online website.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This special purpose financial report has been prepared for distribution to the members to meet the needs of the Director. The accounting policies used in the preparation of this financial report are, in the opinion of the director, appropriate to meet the needs of the member:

- (i). The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.
- (ii). The Company is not a reporting entity because in the opinion of the director there are unlikely to exist users who will require additional information not included in the financial report that they would not be able to obtain from management.

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. It contains only those disclosures considered necessary by the director to meet the needs of the member.

The director has determined that in order for the financial report to present fairly, in all material respects, the Company's performance and financial positions, the requirements of Australian Accounting Standards and other financial reporting requirements in Australia relating to the measurement of assets, liabilities, revenues, expenses and equity should be complied with.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar unless otherwise stated.

The Company's financial statements have been prepared and presented on a basis that the Company continues as a going concern.

No adjustment has been made in relation to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations

(i) Accounting standards and interpretations issued but not yet effective.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 30 June 2014. The director has not early adopted any of these new or amended standards or interpretations. The director has not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Company) and interpretations.

(c) Functional and presentation currency

Both the functional and presentation currency of Milan Direct Pty Ltd is Australian dollars \$. Milan Direct UK functional currency is in Great Britain Pound, which has been translated using the Australian Taxation Office foreign currency exchange rates.

(d) Cash and cash equivalents

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.

(e) 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.

(f) 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.

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the specific assets as follows:

Office Furniture - 5 years

Laptops & Computers - 2 years

Low Value Pool - 10.6 years for assets in the first year followed by 5.3 years for every year thereafter

Motor Vehicles - 4 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.

Derecognition

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets

The Company conducts a review of asset values when there is an indication that the asset may be impaired. External factors, such as changes in expected future technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets (cash-generating units).

(i) 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 yearend. Changes in the expected useful life 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.

(j) 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.

(k) Deferred income

Deferred income consists of funds which have been received but revenue recognition has been deferred to future years because the risks and rewards of ownership of the goods have not transferred to the customer.

(l) Provisions

Provisions are recognised when the Company has a legal and constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave 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.

(ii) Long Service Leave

Long service leave expected to be settled in excess of 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. They are based on the probabilities of employees earning the entitlement.

(iii) Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(n) 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 dispatch of the goods to the customer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method.

(o) Income tax

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(p) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i). When the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- (ii). Receivables and payables, which are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

(q) Cost of sales

Cost of sales includes the costs associated with product and fulfilment of items for sale.

Milan Direct Pty Ltd

Notes to the financial statements (continued)

For the year end 30 June 2014

	2014	2013
	\$	\$
3 PROFIT FROM ORDINARY ACTIVITIES		
The profit from ordinary activities before income tax includes the following items of revenue and expense:		
(a) Revenue		
Income from Customers	<u>16,879,521</u>	<u>11,677,109</u>
Total revenue	<u><u>16,879,521</u></u>	<u><u>11,677,109</u></u>
(b) Other income		
Interest income	<u>2,324</u>	<u>2,053</u>
4 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	<u>449,228</u>	<u>306,132</u>
	<u><u>449,228</u></u>	<u><u>306,132</u></u>
5 INVENTORY		
Inventory on hand	2,207,147	1,160,488
Inventory in transit	633,802	590,383
	<u><u>2,840,949</u></u>	<u><u>1,750,871</u></u>
6 OTHER CURRENT ASSETS		
Prepayments	14,944	9,413
Other	24,750	24,750
	<u><u>39,694</u></u>	<u><u>34,163</u></u>

Milan Direct Pty Ltd

Notes to the financial statements (continued)

For the year end 30 June 2014

	2014	2013
	\$	\$
7 CURRENT TRADE AND OTHER PAYABLES		
Trade payables	1,244,118	586,683
Accrued payables	132,652	131,624
Employee related payables	27,612	14,008
Other Payables	142,659	87,693
Income tax payable	149,204	54,105
	<u>1,696,245</u>	<u>874,113</u>
8 CURRENT PROVISIONS		
Annual leave provision	53,340	30,560
Refunds provision	28,575	8,297
Store credit provision	63,473	42,793
Deferred rent provision	4,672	-
	<u>150,060</u>	<u>81,650</u>
9 BORROWINGS		
Hire purchase liability	16,648	15,330
Bank Overdraft	179,282	-
Trade Advance	313,166	-
	<u>509,096</u>	<u>15,330</u>
10 BORROWINGS - NON-CURRENT		
Hire purchase liability	<u>69,183</u>	<u>85,831</u>
11 PROVISIONS - NON-CURRENT		
Long Service Leave	<u>9,184</u>	<u>-</u>

Milan Direct Pty Ltd**Notes to the financial statements (continued)****For the year end 30 June 2014**

	Plant & Equipment	Goodwill	Total
	\$	\$	\$
12 FIXED ASSETS			
Cost			
Balance as at 1 July 2013	131,138	80,700	211,838
Additions	14,567	-	14,567
Balance at 30 June 2014	<u>145,705</u>	<u>80,700</u>	<u>226,405</u>
Accumulated depreciation			
Balance as at 1 July 2013	(32,186)	-	(32,186)
Depreciation and amortisation expense	(32,687)	-	(32,687)
Balance at 30 June 2014	<u>(64,873)</u>	<u>-</u>	<u>(64,873)</u>
Net Book Value			
Balance as at 1 July 2013	<u>98,952</u>	<u>80,700</u>	<u>179,652</u>
Balance at 30 June 2014	<u>80,832</u>	<u>80,700</u>	<u>161,532</u>
13 INCOME TAX EXPENSE/(BENEFIT)			
	2014	2013	
	\$	\$	
(a) The components of tax expense are:			
Current tax	149,204	54,105	
Deferred tax	-	-	
Total income tax expense reported in the statement of comprehensive income	<u>149,204</u>	<u>54,105</u>	
(b) Numerical reconciliation of income tax expense and pre-tax net profit/(loss):			
Accounting Profit before income tax expense	<u>229,625</u>	<u>94,714</u>	
Tax at the Company's tax rate of 30%	68,888	28,414	
Tax effect amounts which are not deductible/(taxable) in calculating taxable income			
Depreciation of property, plant & equipment	2,105	2,806	
Entertainment expenses	1,729	2,586	
Movement in provisions	24,124	20,045	
Unrealised foreign currency exchange	32,404	-	
Sundry items	19,955	254	
Income tax expense reported in the statement of comprehensive income	<u>149,204</u>	<u>54,105</u>	

Milan Direct Pty Ltd

Notes to the financial statements (continued)

For the year end 30 June 2014

	2014	2013
	\$	\$
14 CASH AND CASH EQUIVALENTS		
(a) Reconciliation of Cash		
Cash and cash equivalents	449,228	306,132
Bank Overdraft	(179,282)	-
Cash and cash equivalents	<u>269,946</u>	<u>306,132</u>
(b) Reconciliation of Operating Profit/(Loss) after income tax to net cash flows from operating		
Operating profit/(loss) after income tax	80,421	40,609
Adjustments for:		
- Depreciation and amortisation	32,687	36,274
Movements in working capital:		
Decrease/(increase) in trade and other receivables	46,746	(33,745)
Decrease/(increase) in inventory	(1,090,078)	(1,750,871)
Decrease/(increase) in prepayments	(5,531)	(1,034)
Increase/(decrease) in trade and other payables	394,270	1,632,274
Increase/(decrease) in deferred revenue	72,827	363,297
Increase/(decrease) in tax payable	149,204	54,105
Net Cash from operating activities	<u>(319,454)</u>	<u>340,909</u>

15 SUBSEQUENT EVENTS

A Share Purchase Agreement was signed on 8 October 2015 for the sale of Milan Direct Pty Ltd (and associated entities) to Temple & Webster Group Ltd.



Ernst & Young
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

To the members of Milan Direct Pty Limited

Report on the Financial Report

We have reviewed the accompanying special purpose financial report of Milan Direct Pty Limited (the company), which comprises the balance sheet as at 30 June 2014, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The directors have determined that the accounting policies used and described in [Note 2] to the financial statements are consistent with the financial reporting requirements of the users of the financial statements and are appropriate to meet the needs of the members. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia.

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying financial report is not presented fairly, in all material respects, in accordance with the accounting policies described in [Note 2] to the financial statements. As the auditor of Milan Direct Pty Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Basis for Qualified Conclusion

We were appointed auditors of Milan Direct Pty Ltd on 25 August 2015 and the financial report of the company was not audited in prior periods. It has not been practicable for us 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 is shown for the purposes of comparison.



Qualified Conclusion

Based on our review, which is not an audit, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, we have not become aware of any matter that makes us believe that the financial report does not present fairly, in all material respects, the financial position of Milan Direct Pty Limited as of 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in [Note 2] to the financial report.

Basis of Accounting and Restriction on Distribution

Without modifying our conclusion, we draw attention to [Note 2] of the financial report which describes the basis of accounting. The financial report is prepared to assist Milan Direct Pty Limited to meet the requirements of the directors. As a result the financial report may not be suitable for another purpose. Our report is intended solely for Milan Direct Pty Limited and its members and should not be distributed to parties other than Milan Direct Pty Limited or its members.

A handwritten signature in black ink that reads 'EY + Yoy'.

Ernst & Young
Sydney
30 October 2015