

**Milan Direct Pty Ltd**

**Special Purpose Financial Report for the  
financial year ended 30 June 2015**

**A.C.N. 125 681 914**

**Special Purpose Financial Report**

**For the financial year ended 30 June 2015**

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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 2015. The director reports as follows:

#### **Director**

The name of the director of the company during and since the end of the financial year is:

Mr Dean Ramler

The above named director held office during the whole of the financial year and since the end of the financial year.

#### **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 2015 \$: (435,306)

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

#### **Dividends**

In respect of the financial period ended 30 June 2015, no dividend was declared (2014: 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 & Young 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 on 9 October 2015.



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**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 2015 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:

  
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Date: 09/10/15

**Dean Ramler**  
**Director**

**Milan Direct Pty Ltd**

**STATEMENT OF COMPREHENSIVE INCOME**

**For the year end 30 June 2015**

	Note	2015	2014
		\$	\$
Revenue	3(a)	20,978,268	16,879,521
Cost of sales		<u>(13,792,580)</u>	<u>(10,708,251)</u>
<b>Gross Profit</b>		7,185,688	6,171,270
Other revenue	3(b)	1,766	2,324
Depreciation & Amortisation		(30,570)	(32,687)
Distribution Costs		(2,163,144)	(1,719,255)
Employee expense		(1,676,192)	(1,239,074)
Internet and website		(34,055)	(6,283)
Marketing and promotional		(2,612,576)	(1,954,514)
Other Expenses		(906,673)	(802,690)
Rental expense		(126,400)	(135,626)
Interest expense		<u>(73,150)</u>	<u>(53,840)</u>
<b>Profit/(loss) before income tax expense</b>		(435,306)	229,625
Income tax (expense)		-	(149,204)
<b>Profit/(loss) for the year</b>		<u>(435,306)</u>	<u>80,421</u>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<u>(435,306)</u>	<u>80,421</u>

**Milan Direct Pty Ltd****STATEMENT OF FINANCIAL POSITION****As at 30 June 2015**

	Note	2015	2014
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	256,381	449,228
Trade and other receivables	5	108,491	-
Inventory	6	2,735,855	2,840,949
Other current assets	7	67,557	39,694
<b>Total Current Assets</b>		<b>3,168,284</b>	<b>3,329,871</b>
<b>NON-CURRENT ASSETS</b>			
Related parties receivable		251,221	-
Property, plant & equipment	15	63,965	80,832
Intangibles	15	142,269	80,700
Other non-current assets	8	27,888	-
<b>Total Non-Current Assets</b>		<b>485,343</b>	<b>161,532</b>
<b>TOTAL ASSETS</b>		<b>3,653,627</b>	<b>3,491,403</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	2,036,372	1,696,246
Provisions	10	173,350	150,060
Borrowings	11	604,347	509,096
Deferred revenue		689,850	442,857
<b>Total Current Liabilities</b>		<b>3,503,919</b>	<b>2,798,259</b>
<b>NON-CURRENT LIABILITIES</b>			
Related parties payable		-	209,180
Borrowings	12	51,105	69,183
Provisions	13	19,858	9,184
<b>Total Non-Current Liabilities</b>		<b>70,963</b>	<b>287,547</b>
<b>TOTAL LIABILITIES</b>		<b>3,574,882</b>	<b>3,085,806</b>
<b>NET ASSETS</b>		<b>78,745</b>	<b>405,597</b>
<b>EQUITY</b>			
Issued Capital		222,377	222,377
Reserves		170,644	62,191
Retained Earnings/(Accumulated Losses)		(314,276)	121,030
<b>TOTAL EQUITY</b>		<b>78,745</b>	<b>405,598</b>

**Milan Direct Pty Ltd****STATEMENT OF CASH FLOWS****For the year end 30 June 2015**

	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		20,829,864	16,981,330
Payments to suppliers and employees		(20,705,519)	(17,195,163)
Interest received		1,766	2,324
Finance costs		(73,150)	(53,840)
Income tax paid		(247,709)	(54,105)
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<b>17</b>	<b><u>(194,748)</u></b>	<b><u>(319,454)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, plant and equipment		(8,149)	(14,567)
Payments for Customer database		(67,123)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b><u>(75,272)</u></b>	<b><u>(14,567)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds/(Repayments) from borrowings		(120,768)	297,836
<b>NET CASH (USED IN)/PROVIDED FOR FINANCING ACTIVITIES</b>		<b><u>(120,768)</u></b>	<b><u>297,836</u></b>
<b>NET (DECREASE)/INCREASE IN CASH HELD</b>		<b>(390,788)</b>	<b>(36,185)</b>
Cash at the beginning of the financial year		269,946	306,131
Cash on hand at the end of the financial year	<b>17</b>	<b><u><u>(120,842)</u></u></b>	<b><u><u>269,946</u></u></b>



**STATEMENT OF CHANGES IN EQUITY**

**For the year end 30 June 2015**

	<b>Contributed Equity</b>	<b>Retained Earnings/ (Accumulated Losses)</b>	<b>Foreign Currency Translation Reserve</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
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>
Balance at 1 July 2014	222,377	121,030	62,191	405,598
Loss for the year	-	(435,306)	-	(435,306)
Revaluation of Milan UK Net Assets	-	-	108,453	108,453
Balance at 30 June 2015	<u>222,377</u>	<u>(314,276)</u>	<u>170,644</u>	<u>78,745</u>

## **Milan Direct Pty Ltd**

### **Notes to the financial statements**

#### **For the year end 30 June 2015**

## **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 2015. 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.

Intangibles are amortised as follows:

Customer Database - 5 years

### **(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.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>3 PROFIT FROM ORDINARY ACTIVITIES</b>		
The profit from ordinary activities before income tax includes the following items of revenue and expense:		
<b>(a) Revenue</b>		
Income from Customers	<u>20,978,268</u>	<u>16,879,521</u>
Total revenue	<u><u>20,978,268</u></u>	<u><u>16,879,521</u></u>
<b>(b) Other income</b>		
Interest income	<u>1,766</u>	<u>2,324</u>
<b>4 CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	<u>256,381</u>	<u>449,228</u>
	<u><u>256,381</u></u>	<u><u>449,228</u></u>
<b>5 CURRENT TRADE AND OTHER RECEIVABLES</b>		
Sundry Debtors	9,986	-
Income tax receivable	<u>98,505</u>	<u>-</u>
	<u><u>108,491</u></u>	<u><u>-</u></u>
<b>6 INVENTORY</b>		
Inventory on hand	2,173,799	2,207,147
Inventory in transit	<u>562,056</u>	<u>633,802</u>
	<u><u>2,735,855</u></u>	<u><u>2,840,949</u></u>
<b>7 OTHER CURRENT ASSETS</b>		
Prepayments	42,807	14,944
Other	<u>24,750</u>	<u>24,750</u>
	<u><u>67,557</u></u>	<u><u>39,694</u></u>

**Milan Direct Pty Ltd****Notes to the financial statements (continued)****For the year end 30 June 2015**

	2015 \$	2014 \$
<b>8 OTHER NON-CURRENT ASSETS</b>		
Prepayments	<u>27,888</u>	<u>-</u>
<b>9 CURRENT TRADE AND OTHER PAYABLES</b>		
Trade payables	1,553,696	1,244,117
Accrued payables	276,693	132,652
Employee related payables	64,448	27,612
Other Payables	141,535	142,661
Income tax payable	-	149,204
	<u>2,036,372</u>	<u>1,696,246</u>
<b>10 CURRENT PROVISIONS</b>		
Annual leave provision	61,311	53,340
Refunds provision	29,172	28,575
Store credit provision	82,867	63,473
Deferred rent provision	-	4,672
	<u>173,350</u>	<u>150,060</u>
<b>11 BORROWINGS</b>		
Hire purchase liability	18,079	16,648
Bank Overdraft	377,223	179,282
Trade Advance	209,045	313,166
	<u>604,347</u>	<u>509,096</u>
<b>12 BORROWING - NON-CURRENT</b>		
Hire purchase liability	<u>51,105</u>	<u>69,183</u>
<b>13 PROVISIONS - NON-CURRENT</b>		
Long Service Leave	<u>19,858</u>	<u>9,184</u>
<b>14 REMUNERATION OF AUDITORS</b>		
Audit of the financial statements	<u>15,000</u>	<u>-</u>
	<u>15,000</u>	<u>-</u>



**Milan Direct Pty Ltd**

**Notes to the financial statements (continued)**

**For the year end 30 June 2015**

	<b>Plant &amp; Equipment</b>	<b>Goodwill</b>	<b>Customer Database</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>15 FIXED ASSETS</b>				
<b>Cost</b>				
Balance as at 1 July 2014	145,705	80,700	-	226,405
Additions	8,149	-	67,123	75,272
Balance at 30 Jun 2015	<u>153,854</u>	<u>80,700</u>	<u>67,123</u>	<u>301,677</u>
<b>Accumulated depreciation</b>				
Balance as at 1 July 2014	(64,873)	-	-	(64,873)
Depreciation and amortisation expense	(25,016)	-	(5,554)	(30,570)
Balance at 30 June 2015	<u>(89,889)</u>	<u>-</u>	<u>(5,554)</u>	<u>(95,443)</u>
<b>Net Book Value</b>				
Balance as at 1 July 2014	<u>80,832</u>	<u>80,700</u>	<u>-</u>	<u>161,532</u>
Balance at 30 June 2015	<u>63,965</u>	<u>80,700</u>	<u>61,569</u>	<u>206,234</u>

**Milan Direct Pty Ltd**

**Notes to the financial statements (continued)**

**For the year end 30 June 2015**

<b>16 INCOME TAX EXPENSE/(BENEFIT)</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
(a) The components of tax expense are:		
Current tax	-	149,204
Deferred tax	-	-
Total income tax expense (benefit) reported in the statement of comprehensive income	<u>-</u>	<u>149,204</u>
(b) Numerical reconciliation of income tax expense/(benefit) and pre-tax net profit/(loss):		
Accounting Profit/(loss) before income tax expense	<u>(435,306)</u>	<u>229,625</u>
Tax at the Company's tax rate of 30%	(130,592)	68,888
Tax effect amounts which are not deductible/(taxable) in calculating taxable income		
Depreciation of property, plant & equipment	1,578	2,105
Amortisation of intangibles	1,666	-
Entertainment expenses	2,133	1,729
Movement in provisions	22,018	24,124
Unrealised foreign currency exchange	(15,296)	32,404
Sundry items	3,585	19,955
Tax losses not brought to account	114,908	-
Income tax expense/(benefit) reported in the statement of comprehensive income	<u>-</u>	<u>149,204</u>

## Milan Direct Pty Ltd

### Notes to the financial statements (continued)

#### For the year end 30 June 2015

	2015	2014
	\$	\$
<b>17 CASH AND CASH EQUIVALENTS</b>		
<b>(a) Reconciliation of Cash</b>		
Cash and cash equivalents	256,381	449,228
Bank Overdraft	<u>(377,223)</u>	<u>(179,282)</u>
<b>Cash and cash equivalents</b>	<b><u>(120,842)</u></b>	<b><u>269,946</u></b>
<b>(b) Reconciliation of Operating Profit/(Loss) after income tax to net cash flows from operating</b>		
Operating profit/(loss) after income tax	(435,306)	80,421
Adjustments for:		
- Depreciation and amortisation	30,570	32,687
<b>Movements in working capital:</b>		
Decrease/(increase) in trade and other receivables	(202,069)	46,746
Decrease/(increase) in inventory	105,094	(1,090,078)
Decrease/(increase) in prepayments	(55,751)	(5,531)
Increase/(decrease) in trade and other payables	314,114	394,270
Increase/(decrease) in deferred revenue	197,804	72,827
Increase/(decrease) in tax payable	(149,204)	149,204
Net Cash from operating activities	<b><u>(194,748)</u></b>	<b><u>(319,454)</u></b>

#### **18 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.

## **Independent auditor's report to the members of Milan Direct Pty Limited**

We have audited the accompanying special purpose financial report of Milan Direct Pty Limited, which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the financial reporting requirements of the users of the financial statements and is appropriate to meet the needs of the members. The directors are also responsible for such controls as they determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

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

### ***Basis for Qualified Auditor's Opinion***

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 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 then ended. Certain balances as at 30 June 2014 also enter into the determination of financial performance for the year ended 30 June 2015.

### ***Qualified Auditor's Opinion***

Because of the existence of the limitation on the scope of our work as described in the preceding paragraph, and the effect on the financial report of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion on the statement of comprehensive income, statement of cash flows statement, statement of changes in equity and associated disclosures of Milan Direct Pty Ltd for the year ended 30 June 2015. Furthermore, we are unable to and do not express an opinion on the statement of financial position as at 30 June 2014, or the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and the associated disclosures, which are shown for the purpose of comparison.

In our opinion, except for the effects of the matters described above in the Basis of Qualified Opinion, the financial report presents fairly, in all material respects, the financial position of Milan Direct Pty Limited as of 30 June 2015 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 statements.

### ***Basis of Accounting and Restriction on Distribution***

Without modifying our opinion, we draw attention to Note 2 to 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 for the purpose of fulfilling the director's financial reporting requirements of accountability to the shareholders. 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.



Ernst & Young  
Sydney  
9 October 2015