Wayfair Australia Pty Limited

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

A.C.N. 130 893 579

Special Purpose Financial Report

For the financial year ended 30 June 2014

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Wayfair Australia Pty Ltd

DIRECTORS' REPORT

The directors of Wayfair Australia Pty Ltd submit herewith the financial report for the financial year ended 30 June 2014. The directors report as follows:

Directors

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

Mr Michael Ross Henriques (resigned 31/07/2015)
Mr Nicholas Malone (resigned 31/07/2015)
Mr Niraj Shah (resigned 31/07/2015)

The above named directors held office during the whole of the financial year up until 31 July 2015.

The names of the directors of the company who were each appointed on 31 July 2015 and continue to be in office until the date of this report are:

Mr Brian Shanahan
Mr Mark Coulter
Mr Henry Tam
Ms Carol Schwartz
Mr Conrad Yiu
Mr Daniel Phillips
Mr David Standen

Corporate Information

Wayfair Australia was a wholly owned subsidiary of Wayfair Inc. as at 30 June 2014. Wayfair Inc. is a U.S. based e-commerce company that sells furniture and homewares. Wayfair Australia Pty Ltd is a company limited by shares and domiciled in Australia. The registered office and principal place of business of the company is Level 1, 72-80 Cooper Street, Surry Hills NSW 2010.

Principal Activities

The principal activities of Wayfair Australia are the sale of furniture, homeware, and other lifestyle products through its online website. There have been no significant changes to the nature of those activities during the financial year.

Review of Operations

The operating profit / (loss) after income tax for the year ended 30 June 2014 was: ($1,612,632)

The operating profit / (loss) after income tax for the year ended 30 June 2013 was: ($1,577,768)

Dividends

In respect of the financial period ended 30 June 2014, no dividend was declared (2013: nil), nor do the directors recommend a declaration of a dividend.

Changes in State of Affairs

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

Subsequent Events

On 31 July 2015, Wayfair Inc. signed an agreement to sell a 100% shareholding in Wayfair Australia Pty Limited to Temple & Webster Pty Ltd.

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.

Indemnification of Officers and Directors

During or since the financial year the company has not indemnified or made a relevant agreement to indemnify an officer or director of the company or of any related body corporate against a liability incurred as such an officer or director. 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 or director.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement 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 period.

Environmental regulation and performance

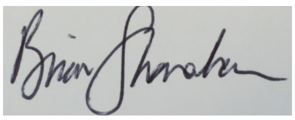
The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Share options

No share option to acquire shares in the company has been granted to any person. The company does receive services from directors and employees in exchange for consideration of equity instruments in Wayfair Inc.

Signed in accordance with a resolution of the directors made 5 November 2015.

On behalf of the Directors



Brian Shanahan
Director

Wayfair Australia Pty Ltd

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Wayfair Australia Pty Ltd, I state that:

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

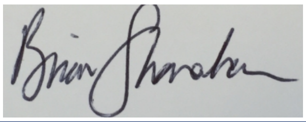
(b) the financial statements and notes of the Company:

(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) complying with Australian Accounting Standards 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.

On behalf of the Board



Date: 5 November 2015

Brian Shanahan
Director

Wayfair Australia Pty Ltd

STATEMENT OF COMPREHENSIVE INCOME

For the year end 30 June 2014

	Note	2014	2013
		$	$
Revenue		10,846,391	8,906,790
Cost of sales		(8,167,373)	(6,909,576)
Gross Profit		2,679,018	1,997,214
Other revenue		8,050	11,094
Depreciation & Amortisation		(23,382)	(27,095)
Employee expense		(2,366,574)	(2,245,846)
Internet and website		(103,056)	(110,010)
Marketing and promotional		(1,336,409)	(791,031)
Rental expense		(149,369)	(138,073)
Other expenses		(320,910)	(274,021)
Profit/(loss) before income tax expense		(1,612,632)	(1,577,768)
Income tax (expense)		-	-
Profit/(loss) for the year		(1,612,632)	(1,577,768)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(1,612,632)	(1,577,768)

Notes to the financial statements are included on pages 8 to 17

Wayfair Australia Pty Ltd

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2014	2013
		$	$
CURRENT ASSETS			
Cash and cash equivalents	4	531,335	555,495
Other current assets	5	78,476	49,154
Total Current Assets		609,811	604,649
NON-CURRENT ASSETS			
Property, plant & equipment	10	34,682	47,916
Total Non-Current Assets		34,682	47,916
TOTAL ASSETS		644,493	652,565
CURRENT LIABILITIES			
Trade and other payables	6	555,135	512,108
Related parties payable	6	4,254,183	2,717,442
Provisions	7	90,538	81,785
Deferred revenue	8	165,871	152,838
Total Current Liabilities		5,065,727	3,464,173
CURRENT LIABILITIES			
Long service leave	9	3,006	-
TOTAL LIABILITIES		5,068,733	3,464,173
NET LIABILITIES		(4,424,240)	(2,811,608)
EQUITY			
Issued Capital		4,844,444	4,844,444
Accumulated Losses		(9,268,684)	(7,656,052)
TOTAL EQUITY		(4,424,240)	(2,811,608)

Notes to the financial statements are included on pages 8 to 17

Wayfair Australia Pty Ltd

STATEMENT OF CASH FLOWS

For the year end 30 June 2014

	Note	2014	2013
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		11,659,870	9,574,799
Payments to suppliers and employees		(11,681,932)	(9,484,753)
Interest income		8,050	11,094
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	11	(14,012)	101,140
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(10,148)	(7,178)
NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES		(10,148)	(7,178)
NET (DECREASE) INCREASE IN CASH HELD		(24,160)	93,962
Cash at the beginning of the financial year		555,495	461,533
Cash on hand at the end of the financial year		531,335	555,495

Notes to the financial statements are included on pages 8 to 17

Wayfair Australia Pty Ltd

STATEMENT OF CHANGES IN EQUITY

For the year end 30 June 2014

	Contributed equity $	Accumulated losses $	Total $
Balance at 1 July 2012	4,844,444	(6,078,284)	(1,233,840)
Loss for the year	-	(1,577,768)	(1,577,768)
Other comprehensive income	-	-	-
Balance at 30 June 2013	4,844,444	(7,656,052)	(2,811,608)
Balance at 1 July 2013	4,844,444	(7,656,052)	(2,811,608)
Loss for the year	-	(1,612,632)	(1,612,632)
Other comprehensive income	-	-	-
Balance at 30 June 2014	4,844,444	(9,268,684)	(4,424,240)

Notes to the financial statements are included on pages 8 to 17

1. CORPORATE INFORMATION

The financial report of Wayfair Australia Pty Ltd (the Company) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 5 November 2015.

Wayfair Australia is a for profit company limited by shares incorporated and domiciled in Australia.

The registered office of the Company is: Level 1, 72-80 Cooper Street, Surry Hills NSW 2010.
The principal place of business of the Company is: Level 1, 72-80 Cooper Street, Surry Hills NSW 2010.

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 directors. The accounting policies used in the preparation of this financial report, as described below, are consistent with previous years, and are, in the opinion of the directors', appropriate to meet the needs of members:

(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 directors there are unlikely to exist users who are unable to commend the preparation of reports tailored so as to satisfy specifically all or their information needs.

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 directors to meet the needs of the members.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company’s financial statements have been prepared and presented on a basis that the Company continues as a going concern despite the Company’s deficiency of net current liabilities of $4.5 million and a net liability position of $4.4 million and a loss after tax for the period of $1.6 million. The ability of the Company to continue as a going concern is dependent on continued support from the shareholders.

The Directors have received confirmation from Temple & Webster Pty Limited that financial support will be provided to the company for a period of 12 months from the date of the financial report or until the point that the company generates sufficient cash flows to operate independently.

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.

(b) New accounting standards and interpretations

(i) Changes in accounting policies, new and amended standards and interpretations
The accounting policies adopted are consistent with those of the previous financial year.

(ii) 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 directors have not early adopted any of these new or amended standards or interpretations. The directors have 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 Wayfair Australia Pty Ltd is Australian dollars.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 straight-line basis over the estimated useful life of the specific assets as follows:

Property, Plant & Equipment	3 - 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.

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.

(g) Leases

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

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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 income 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.

(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) 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:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 upon delivery of the goods to the buyer.

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) 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.

(b) Taxes

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

	2014 $	2013 $
4 CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	502,504	491,786
Cash and cash equivalents	28,831	63,709
	531,335	555,495
5 OTHER CURRENT ASSETS		
Prepayments	48,555	16,801
Other	29,921	32,353
	78,476	49,154
6 CURRENT TRADE AND OTHER PAYABLES		
Trade payables	245,131	311,326
Accrued payables	123,731	29,247
Related parties payable	4,254,183	2,717,442
Employee related payables	47,284	26,431
Other Payables	138,989	145,104
	4,809,318	3,229,550
7 CURRENT PROVISIONS		
Annual leave provision	64,035	61,402
Refunds provision	26,503	20,383
	90,538	81,785
8 DEFERRED REVENUE		
Deferred revenue	165,306	152,838
Gift Cards	565	-
	165,871	152,838
9 NON CURRENT LIABILITIES		
Long service leave provision	3,006	-
	3,006	-

10 FIXED ASSETS

	Plant & Equipment	Intangibles	Total
	$	$	$
Cost			
Balance as at 1 July 2013	219,746	126,084	345,830
Additions	10,148	-	10,148
Balance at 30 June 2014	229,894	126,084	355,978
Accumulated depreciation			
Balance as at 1 July 2013	(171,830)	(126,084)	(297,914)
Depreciation expense	(23,382)	-	(23,382)
Balance at 30 June 2014	(195,212)	(126,084)	(321,296)
Net Book Value			
Balance as at 1 July 2013	47,916	-	47,916
Balance at 30 June 2014	34,682	-	34,682

	2014	2013
	$	**$**
11 CASH AND CASH EQUIVALENTS		
(a) **Reconciliation of Cash**		
Cash on hand	502,504	491,786
Cash and cash equivalents	28,831	63,709
Cash and cash equivalents	531,335	555,495
(b) **Reconciliation of Operating Profit/(Loss) after income tax to net cash flows from operating activities**		
Operating profit/(loss) after income tax	(1,612,632)	(1,577,768)
Adjustments for:		
- Depreciation and amortisation	23,382	27,095
Movements in working capital:		
Decrease/(increase) in other current assets	(29,322)	(36,106)
Increase/(decrease) in trade and other payables	49,147	(268,262)
Increase/(decrease) in related party payables	1,536,741	1,804,857
Increase/(decrease) in deferred revenue	13,033	152,838
Increase/(decrease) in provisions	5,639	(1,514)
Net Cash from operating activities	(14,012)	101,140

12 SUBSEQUENT EVENTS

On 31 July 2015, Wayfair Inc. signed an agreement to sell a 100% shareholding in Wayfair Australia Pty Limited to Temple & Webster Pty Ltd.

Ernst & Young
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To the members of Wayfair Australia Pty Limited

Report on the Financial Report

We have reviewed the accompanying special purpose financial report of Wayfair Australia 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 Wayfair Australia 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 Wayfair Australia Pty Limited on 31 July 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 or review procedures relating to 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 Wayfair Australia 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 Wayfair Australia 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 Wayfair Australia Pty Limited and its members and should not be distributed to parties other than Wayfair Australia Pty Limited or its members.

Ernst & Young

Ernst & Young
Sydney
5 November 2015