Temple & Webster Pty Limited

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

A.C.N. 151 856 049

Special Purpose Financial Report

For the financial year ended 30 June 2014

Temple & Webster Pty Ltd

DIRECTORS' REPORT

The directors of Temple & Webster Pty Ltd submit herewith the special purpose financial report for the financial year ended 30 June 2014. The directors report as follows:

Directors

The names and particulars of the directors of the company during and since the end of the financial year are

Mr Brian Shanahan
Mr Mark Coulter
Mr Henry Tam
Ms Carol Schwartz (appointed 17 October 2013)
Mr Conrad Yiu
Mr Daniel Phillips
Mr David Standen (appointed 1 July 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 Temple & Webster are the sale of furniture, homeware, and other lifestyle products through its online, member based website.

Review of Operations

The operating profit / (loss) after income tax was 2014 $: (4,482,729)

The operating profit / (loss) after income tax was 2013 $: (3,876,720)

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

There has not been any matter or circumstance occuring subsequent to the end of the financial year that has significantly affected, or may signicantly 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.

Indemnification of Officers and Auditors

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

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 directors made 8 August 2014.

On behalf of the Directors

Brian Shanahan
Director

Temple & Webster Pty Ltd

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Temple & Webster Pty Ltd, I state that:

(a) the Company is not a reporting entity as defined in the Australia 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 d

On behalf of the Board

Date: 8 August 2014

Brian Shanahan
Director

Temple & Webster Pty Ltd

STATEMENT OF COMPREHENSIVE INCOME

For the year end 30 June 2014

	Note	2014	2013
		$	$
Revenue	3(a)	18,726,943	9,280,525
Cost of sales		(13,973,569)	(7,013,183)
Gross Profit		4,753,374	2,267,342
Other revenue	3(b)	472,589	844,416
Depreciation & Amortisation		(344,329)	(89,060)
Distribution Costs		(1,177,247)	(647,126)
Employee expense		(3,590,843)	(2,676,547)
Internet and website		(457,450)	(163,681)
Marketing and promotional		(3,507,009)	(2,627,717)
Other Expenses		(314,255)	(520,138)
Rental expense		(297,976)	(264,209)
Interest expense		(19,583)	-
Profit/(loss) before income tax expense		(4,482,729)	(3,876,720)
Income tax (expense)		-	-
Profit/(loss) for the year		(4,482,729)	(3,876,720)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(4,482,729)	(3,876,720)

Notes to the financial statements are included on pages 8 to 19

Temple & Webster Pty Ltd

STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2014	2013
		$	$
CURRENT ASSETS			
Cash and cash equivalents	4	2,071,539	1,453,980
Trade and other receivables	5	470,277	534,305
Inventory		1,002,905	457,212
Other current assets	6	110,406	105,776
Total Current Assets		3,655,127	2,551,273
NON-CURRENT ASSETS			
Related parties receivable	7	710,000	710,000
Property, plant & equipment	12	73,299	83,846
Intangibles	12	1,334,437	532,294
Work in Progress	12	-	268,365
Total Non-Current Assets		2,117,736	1,594,505
TOTAL ASSETS		5,772,863	4,145,778
CURRENT LIABILITIES			
Trade and other payables	8	4,069,549	1,588,164
Provisions	9	316,971	117,194
Borrowing - Convertible notes	10	1,019,853	-
Deferred revenue		1,592,858	689,804
Total Current Liabilities		6,999,231	2,395,162
TOTAL LIABILITIES		6,999,231	2,395,162
NET ASSETS		(1,226,368)	1,750,616
EQUITY			
Issued Capital		8,222,136	6,716,391
Accumulated Losses		(9,448,504)	(4,965,775)
TOTAL EQUITY		(1,226,368)	1,750,616

Notes to the financial statements are included on pages 8 to 19

Temple & Webster Pty Ltd

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		22,375,934	10,265,913
Payments to suppliers and employees		(23,431,485)	(14,396,349)
Interest and government grants received		15,072	844,416
NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES	14	(1,040,479)	(3,286,020)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(863,826)	(1,141,096)
Proceeds from capital contributions		1,505,745	710,000
Proceeds from term deposits		-	3,999,940
NET CASH USED IN INVESTING ACTIVITIES		641,919	3,568,844
Proceeds from borrowings - convertible notes		1,019,853	-
PROCEEDS FROM FINANCING ACTIVITIES		1,019,853	-
NET (DECREASE) / INCREASE IN CASH HELD		621,293	282,824
Cash at the beginning of the financial year		1,384,913	1,102,089
Cash on hand at the end of the financial year		2,006,206	1,384,913

Notes to the financial statements are included on pages 8 to 19

Temple & Webster Pty Ltd

STATEMENT OF CHANGES IN EQUITY

For the year end 30 June 2014

	Contributed equity $	Accumulated losses $	Total $
Balance at 1 July 2012	6,006,391	(1,089,055)	4,917,336
Loss for the year	-	(3,876,720)	(3,876,720)
Proceeds from capital contribution	710,000	-	710,000
Balance at 30 June 2013	6,716,391	(4,965,775)	1,750,616
Balance at 1 July 2013	6,716,391	(4,965,775)	1,750,616
Loss for the year	-	(4,482,729)	(4,482,729)
Proceeds from capital contribution	1,505,745	-	1,505,745
Balance at 30 June 2014	8,222,136	(9,448,504)	(1,226,368)

Notes to the financial statements are included on pages 8 to 19

Temple & Webster Pty Ltd

Notes to the financial statements

For the year end 30 June 2014

1. CORPORATE INFORMATION

The financial report of Temple & Webster Pty Ltd (the Company) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 8 August 2014.

Temple & Webster is a company limited by shares incorporated and domiciled in Australia.

The registered office of the Company is: 8DD Hiles Street, Alexandria, NSW 2015
The principal place of business of the Company is: 8DD Hiles Street, Alexandria, NSW 2015

The nature of the operations and principal activities of the Company are the sale of furniture, homeware, and other lifestyle products through its online, member based 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 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 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 and the Corporations Act 2001. It contains only those disclosures considered necessary by the directors to meet the needs of the members.

The directors have 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.

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 $3.3 million and a net liability position of $1.2 million and a loss after tax for the period of $4.5 million. The ability of the Company to continue as a going concern is dependent on continued support from the shareholders.

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.

The Company has the following unused facility available to drawdown to cover any obligations:

Committed convertibles notes	$500,000

Subject only to the approval of shareholder Macquarie Capital (in its absolute discretion), the Company may have the following facility available to drawdown to cover any obligations.

Discretionary convertible notes	$1,000,000

(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 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 Temple & Webster 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Property, Plant & Equipment – 3 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.

(h) 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.

(i) 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)

(j) 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.

Intangibles are amortised as follows:

Software development - 4 years

(i) Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost

(k) 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 sually paid within 30 days of recognition.

(l) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) 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.

(n) 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.

(o) Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:
(i) Sale of goods
Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. This transfer of risks and rewards of ownership is usually on expected delivery of the goods.
(ii) Interest income
Revenue is recognised as interest accrues using the effective interest method.

(p) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(q) 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.

(r) Cost of sales

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Convertible Notes

Convertible notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

	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**

	2014	2013
Income from Customers	19,629,994	9,776,960
Deferred Revenue / customer deposits	(903,051)	(496,435)
Total revenue	18,726,943	9,280,525

Deferred revenue/customer deposits that relate to goods not shipped to customers.

(b) **Other income**

	2014	2013
Interest income	15,072	100,945
Research & Development grant income	457,517	743,471
Total other income	472,589	844,416

4 CASH AND CASH EQUIVALENTS

	2014	2013
Cash on hand	2,006,206	1,384,912
Cash and cash equivalents	65,333	69,068
	2,071,539	1,453,980

5 CURRENT TRADE AND OTHER RECEIVABLES

	2014	2013
Trade receivables	12,760	933
Research & development tax grant receivable	457,517	533,372
	470,277	534,305

	2014 $	2013 $
6 OTHER CURRENT ASSETS		
Prepayments	44,169	17,732
Other	66,237	88,044
	110,406	105,776

	2014 $	2013 $
7 LONG TERM ASSETS		
Related parties receivable	710,000	710,000

	2014 $	2013 $
8 CURRENT TRADE AND OTHER PAYABLES		
Trade payables	2,051,847	854,467
Accrued payables	1,879,023	711,890
Employee related payables	137,587	-
Other Payables	1,092	21,807
	4,069,549	1,588,164

	2014 $	2013 $
9 CURRENT PROVISIONS		
Annual leave provision	163,539	117,194
Refunds provision	153,432	-
	316,971	117,194

	2014	2013
	$	$

10 BORROWINGS - CONVERTIBLES NOTES

Convertible notes	1,019,853	-
	1,019,853	-

At 30 June 2014 there were 1,000,000 convertible notes in issue. Each convertible note has a face value of $1. The convertible notes carry a compound interest rate of 12% per annum, payable quarterly. Interest amounts unpaid are accrued on the accumulated balance of the face value outstanding and previously accrued interest. The convertible note is convertible into ordinary shares in a number of circumstances set out in the convertible note subscription deed. In certain circumstances following 31 December 2014 and up to maturity on 31 December 2015, at the option of the note holders, the convertible notes can be converted into that number of ordinary shares which equals to the capitalised value of the notes divided by $10.41.

Also the convertible notes are convertible at a weighted average basis of 0.85 per note if there is an equity fundraising event.

The equity portion of these shares is included in the statement of equity changes.

The undrawn convertible notes are:

Committed convertible notes	500,000	-
Discretionary convertible notes	1,000,000	-
	1,500,000	-

11 REMUNERATION OF AUDITORS

Audit of the financial statements	27,500	22,500
Other services	36,000	39,191
	63,500	61,691

12 FIXED ASSETS

	Plant & Equipment	Intangibles	Work In Progress	Total
	$	$	$	$
Cost				
Balance as at 1 July 2013	113,440	607,452	268,365	989,257
Additions	35,289	832,271	-	867,560
Transfers	-	268,365	(268,365)	
Disposals or retirement	-	-	-	-
Balance at 30 Jun 2014	148,729	1,708,088	-	1,856,817
Accumulated depreciation				
Balance as at 1 July 2013	(29,594)	(75,158)	-	(104,752)
Depreciation expense	(45,836)	(298,493)	-	(344,329)
Disposals or retirement	-	-	-	-
Balance at 30 June 2014	(75,430)	(373,651)	-	(449,081)
Net Book Value				
Balance as at 1 July 2013	83,846	532,294	268,365	884,505
Balance at 30 June 2014	73,299	1,334,437	-	1,407,736

13 INCOME TAX BENEFIT

	2014	2013
	$	$
(a) The components of tax benefit are:		
Current tax	-	-
Deferred tax	-	-
Total income tax benefit reported in the statement of comprehensive income	-	-
(b) Numerical reconciliation of income tax benefit and pre-tax net loss:		
Profit/(loss) before income tax expense	(4,482,729)	(3,876,720)
Tax losses after timing and permanent differences	(3,690,857)	(3,598,722)
Tax losses from prior periods		(563,881)
Tax at the Company's tax rate of 30%	(1,107,257)	(1,248,781)
Tax losses not brought to account	1,107,257	1,248,781
Income tax benefit attributable to operating loss	-	-

	2014	2013
	$	$

14 CASH AND CASH EQUIVALENTS

(a) Reconciliation of Cash

	2014	2013
Cash on hand	2,006,206	1,384,912
Cash and cash equivalents	65,333	69,068
Cash and cash equivalents	2,071,539	1,453,980

(b) Reconciliation of Operating Profit/(Loss) after income tax to net cash flows from operating

	2014	2013
Operating profit/(loss) after income tax	(4,482,729)	(3,876,720)
Adjustments for:		
- Depreciation and amortisation	344,329	89,060
- Capitalisation of operating costs	-	(522,649)
Movements in working capital:		
Decrease/(increase) in trade receivables	64,028	(534,305)
Decrease/(increase) in inventory	(545,693)	(448,867)
Decrease/(increase) in other receivables	(4,630)	(51,873)
Increase/(decrease) in trade and other payables	2,634,817	1,474,969
Increase/(decrease) in deferred revenue	903,054	496,435
Increase/(decrease) in provisions	46,345	87,930
Net Cash from operating activities	(1,040,479)	(3,286,020)

15 SUBSEQUENT EVENTS

There have been no significant events occurring after the balance date which may affect either the company's operations or results of the operations or the company's state of affairs.

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Independent auditor's report to the members of Temple & Webster Pty Limited

We have audited the accompanying special purpose financial report of Temple & Webster Pty Limited, which comprises the statement of financial position as at 30 June 2014 and the statement of comprehensive income 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 Directors 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 and fair presentation 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.

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Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Temple & Webster 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 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 Temple & Webster Pty Ltd to meet the requirements of the Directors. As a result the financial report may not be suitable for another purpose.

Ernst & Young

Ernst & Young

Sydney
8 August 2014