

# Temple & Webster Group Ltd

## Appendix 4D

### Half-year report

#### 1. Company details

Name of entity: Temple & Webster Group Ltd  
 ABN: 69 608 595 660  
 Reporting period: For the half-year ended 31 December 2018  
 Previous period: For the half-year ended 31 December 2017

#### 2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	up	43.3%	to	49,360
Profit from ordinary activities after tax attributable to the owners of Temple & Webster Group Ltd <sup>(1)</sup>	up	-	to	3,023
Profit for the half-year attributable to the owners of Temple & Webster Group Ltd <sup>(1)</sup>	up	-	to	3,023

#### Dividends

There were no dividends paid, recommended or declared during the current financial period.

#### Comments

The profit for the Group after providing for income tax amounted to \$3,023,000 (31 December 2017 loss: \$890,000).

Further commentary on these results can be found in the Temple & Webster Group 2019 Interim Report and Investor Presentation.

#### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.79	1.82

The net tangible assets per ordinary share amount is calculated based on 112,511,540 ordinary shares on issue as at 31 December 2018 (108,473,725 as at 31 December 2017).

#### 4. Control gained or lost over entities

No changes to the group structure have occurred in the current and the previous financial year.

#### 5. Audit qualification or review

##### Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

<sup>(1)</sup> The percentage increase from the prior corresponding period has not been included as the movement from loss to profit cannot be expressed as a percentage movement. The dollar movement from the prior corresponding period is an increase of \$3,913,000.

Temple & Webster Group Ltd  
Appendix 4D  
Half-year report

6. Attachments

*Details of attachments (if any):*

The Interim Report of Temple & Webster Group Ltd for the half-year ended 31 December 2018 is attached.

7. Signed

Signed

Date: 20 February 2019

A handwritten signature in black ink, appearing to be 'S. Heath', with a stylized flourish at the end.

Stephen Heath  
Chairperson

# **Temple & Webster Group Ltd**

**ABN 69 608 595 660**

## **Interim Report – Half-Year Ended 31 December 2018**

# Temple & Webster Group Ltd

## Contents

31 December 2018

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## Temple & Webster Group Ltd

### Directors' report

### 31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Temple & Webster Group Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

#### Directors

The following persons were directors of Temple & Webster Group Ltd during the half-year and until the date of this report, unless otherwise stated:

Stephen Heath  
Susan Thomas  
Conrad Yiu

#### Financial and operational review

The Group has adopted the new revenue accounting standard AASB 15 using the modified retrospective method, resulting in an adjustment to the opening balance of retained earnings. The comparative period has not been adjusted. Refer to page 15 of the Group's half-year investor presentation for the like for like comparison.

Revenue for the half-year was \$49,360,000 (2017: \$34,440,000) representing an increase of 43.3% on the previous corresponding half-year. Growth was driven by a combination of active customer growth and revenue per active customer.

Gross margin increased in the half-year at \$22,003,000 (2017: \$15,207,000) predominately driven by the growth in revenue.

Consolidated net profit after tax for the half-year was \$3,023,000 (2017: loss \$890,000), up 439.7% on the previous corresponding half-year. This was largely driven by operating leverage as a result of the strong revenue growth, efficiencies in marketing spend, fixed costs growing at a slower rate than revenue and a deferred tax asset on historical losses of \$2,231,000 recognised for the first time in the current financial half-year (2017: \$0).

Further commentary on the Group's financial results can be found in the Group's half-year results presentation lodged with the ASX on 20 February 2019.

#### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

On behalf of the directors.



Stephen Heath  
Chairperson

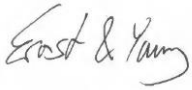
20 February 2019  
Sydney

## Auditor's Independence Declaration to the Directors of Temple & Webster Group Ltd

As lead auditor for the review of Temple & Webster Group Ltd for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Temple & Webster Group Ltd and the entities it controlled during the financial period.



Ernst & Young



Graham Leonard  
Partner  
20 February 2019

**Temple & Webster Group Ltd**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2018**

	Note	Consolidated 31/12/2018 \$'000	31/12/2017 \$'000
<b>Revenue</b>			
Revenue from contracts with customers	4	49,360	34,440
Cost of goods sold		(27,357)	(19,233)
Gross margin		<u>22,003</u>	<u>15,207</u>
Net foreign exchange gain		43	23
Interest income		57	47
<b>Expenses</b>			
Distribution		(6,940)	(4,634)
Merchant Fees		(760)	(427)
Marketing		(5,376)	(4,069)
Employee benefits		(6,586)	(5,672)
Depreciation and amortisation		(127)	(122)
Other		(1,522)	(1,243)
		<u>                    </u>	<u>                    </u>
<b>Profit / (loss) before income tax expense</b>		792	(890)
Income tax benefit	5	<u>2,231</u>	<u>-</u>
<b>Profit / (loss) after income tax expense for the half-year attributable to the owners of Temple &amp; Webster Group Ltd</b>		<u>3,023</u>	<u>(890)</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>-</u>	<u>-</u>
Other comprehensive income for the half-year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the half-year attributable to the owners of Temple &amp; Webster Group Ltd</b>		<u>3,023</u>	<u>(890)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share		2.72	(0.83)
Diluted earnings/(loss) per share		2.59	(0.83)

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Temple & Webster Group Ltd**  
**Statement of financial position**  
**For the half-year ended 31 December 2018**

		<b>Consolidated</b>	
	<b>Note</b>	<b>31/12/2018</b>	<b>30/06/2018</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	11,542	9,933
Trade and other receivables		177	30
Inventories	7	3,357	2,218
Other	8	1,234	1,123
Total current assets		<u>16,310</u>	<u>13,304</u>
<b>Non-current assets</b>			
Property, plant and equipment		335	187
Intangibles	9	7,468	7,516
Other		27	34
Deferred tax asset		2,913	682
Total non-current assets		<u>10,743</u>	<u>8,419</u>
<b>Total assets</b>		<u>27,053</u>	<u>21,723</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	7,955	7,177
Employee benefits		469	491
Provisions	11	933	1,029
Deferred revenue		3,350	1,936
Total current liabilities		<u>12,707</u>	<u>10,633</u>
<b>Non-current liabilities</b>			
Employee benefits		272	208
Provisions		86	60
Total non-current liabilities		<u>358</u>	<u>268</u>
<b>Total liabilities</b>		<u>13,065</u>	<u>10,901</u>
<b>Net assets</b>		<u>13,988</u>	<u>10,822</u>
<b>Equity</b>			
Contributed capital		76,566	76,566
Share-based payments reserve		2,131	1,586
Accumulated losses		(64,709)	(67,330)
<b>Total equity</b>		<u>13,988</u>	<u>10,822</u>

*The above statement of financial position should be read in conjunction with the accompanying notes*



**Temple & Webster Group Ltd**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2018**

Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	76,566	792	(67,309)	10,049
Loss after income tax expense for the half-year	-	-	(890)	(890)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(890)	(890)
Share-based payments	-	406	-	406
Balance at 31 December 2017	76,566	1,198	(68,199)	9,565
Consolidated	Contributed capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	76,566	1,586	(67,330)	10,822
Effect of adoption of new accounting standard	-	-	(402)	(402)
Balance at 1 July 2018 (restated)	76,566	1,586	(67,732)	10,420
Profit after income tax benefit for the half-year	-	-	3,023	3,023
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,023	3,023
Share-based payments (Note 12)	-	561	-	561
Transaction cost	-	(16)	-	(16)
Balance at 31 December 2018	76,566	2,131	(64,709)	13,988

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Temple & Webster Group Ltd**  
**Statement of cash flows**  
**For the half-year ended 31 December 2018**

	Note	Consolidated 31/12/2018 \$'000	31/12/2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		53,864	38,080
Payments to suppliers and employees (inclusive of GST)		(52,172)	(37,995)
		<hr/>	<hr/>
		1,692	85
Interest received		57	47
Interest and other finance costs paid		(2)	(1)
		<hr/>	<hr/>
Net cash from operating activities		<hr/> 1,747	<hr/> 131
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(77)	(18)
Payments for intangibles		(25)	-
		<hr/>	<hr/>
Net cash (used in) investing activities		<hr/> (102)	<hr/> (18)
<b>Cash flows from financing activities</b>			
Transaction costs of issue of shares		(16)	-
Payment of finance lease liabilities		(20)	-
		<hr/>	<hr/>
Net cash (used in) financing activities		<hr/> (36)	<hr/> -
Net increase in cash and cash equivalents		1,609	113
Cash and cash equivalents at the beginning of the financial half-year		<hr/> 9,933	<hr/> 8,728
Cash and cash equivalents at the end of the financial half-year		<hr/> 11,542	<hr/> 8,841

*The above statement of cash flows should be read in conjunction with the accompanying notes*

# Temple & Webster Group Ltd

## Notes to the financial statements

### 31 December 2018

#### Note 1. General information

The interim consolidated financial statements cover Temple & Webster Group Ltd (referred to as 'Company' or 'parent entity') as a Group consisting of Temple & Webster Group Ltd and the entities it controlled at the end of, or during, the half-year (collectively referred to in these financial statements as the 'Group'). The financial statements are presented in Australian dollars, which is Temple & Webster Group Ltd's functional and presentation currency.

Temple & Webster Group Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

1A / 1-7 Unwins Bridge Road  
St Peters, NSW 2044

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 February 2019.

#### Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

From 1 July 2018, the group has adopted AASB 15 *Revenue from Contracts with Customers* and AASB9 *Financial Instruments* to replace AASB 118 *Revenue* and AASB 139 *Financial Instruments: Recognition and Measurement* respectively. The Group has adopted these two standards by using the modified retrospective method, and therefore the comparatives have not been adjusted.

Other accounting policies and methods of computation are consistent with those of the most recent annual financial statements.

#### Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### New, revised or amending Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those following in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new standards effective for the Group as of 1 July 2018. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. As required by AASB 134, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in the current financial year, but do not have an impact on the interim condensed consolidated financial statements of the Group.

#### AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

**Note 2. Significant accounting policies (continued)**

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

*Contracts with customers and performance obligations*

The Group sells furniture and homewares online to both end consumers and commercial customers. Each sale represents a separate identified contract with a customer for which generally two performance obligations are expected: sales of goods and purchase protection revenue. The Group has concluded that for sales of goods, the revenue is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Under the previous Australian Accounting Standards, the revenue for sales of goods was recognised on shipment of the goods. Therefore, the adoption of AASB15 has resulted in an additional \$815,000 of revenue being deferred for the half-year ended 31 December 2018. AASB 15 requires purchase protection to be recognised over time, however given its short-term nature (30 days) this treatment does not have a material impact on the Group's financial statements.

*Transaction price*

In accordance with AASB 15, when a performance obligation is satisfied, the Group recognises revenue to the extent of the transaction price allocated to that performance obligation taking into account the impact of constraints arising from variable consideration. Currently, some contracts with customers provide a right of return or trade discounts. Such provisions might give rise to variable consideration under AASB 15 and are required to be estimated at contract inception and updated thereafter.

*Right of return*

When a contract with a customer provides a right to return the good within a specified period, under the previous Group's accounting policy, a provision for the amount of revenue related to the expected returns was recognised in the statement of financial position with no corresponding adjustment made to cost of sales for the right to recover products from customers on settling the refund liability. The estimated calculation for refunds has not changed under AASB 15 however an additional asset for the right to recover products from customers of \$142,000 is recognised in the statement of financial position for the half-year ended 31 December 2018. This also reduces cost of goods sold for the same amount.

*Advances received from customers – gift cards / store credits*

Under the previous accounting policy, upfront payments received for gift cards were recognised as revenue only when the future performance to which they relate occurred. Initially all receipts were recognised in the statement of financial position as deferred revenue. As a result, revenue from the sale of a gift card was accounted for when the Group supplied the goods upon exercise of the gift card. No specific models were provided for recognising breakage. Store credits were treated in a similar way with the difference that no cash was received from customers when they were issued. Under AASB 15, when a customer purchases a gift card, it is pre-paying for goods or services to be delivered in the future. The Group has an obligation to transfer, or stand ready to transfer, the goods or services in the future – creating a performance obligation. The Group recognises a contract liability for the prepayment and derecognises the liability (and recognises revenue) when it fulfils the performance obligation. With the adoption of AASB 15, this approach has not impacted materially the previous treatment for gift cards and store credits. Although AASB 15 requires breakage (i.e. the customer's unexercised right) to be estimated and recognised as revenue in proportion to the pattern of rights exercised by the customer, this does not have a material impact on the Group's financial statements.

*Advances received from customers – other*

Generally, the Group receives only short-term advances from its customers. Prior to the adoption of AASB 15, the Group presented such advances as deferred revenue, with no interest accrued given its short-term nature. The Group does not receive material long term advances. Under AASB 15, the Group must determine whether there is a significant financing component in its contracts. However, the Group has decided to use the practical expedient provided in AASB 15 and has not adjusted the promised amount of consideration for the effects of a significant financing components in the contracts, where the Group expects, at contract inception, that the period between the Group transfer of a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Group has concluded this requirement of AASB 15 does not have a material impact on the Group's financial statements.

*Presentation and disclosure requirements*

As required for the interim financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict the nature and amount. Refer to Note 4 for the disclosure on disaggregated revenue.

*Method of adoption and impact*

The Group adopted AASB 15 using the modified retrospective method of adoption and elected to apply this method to all contracts at the date of initial application. As a result, the comparative prior periods in the half-year financial statements have not been adjusted. The Group has recognised the cumulative effect of initial application of \$402,000 in equity on 1 July 2018.

Temple & Webster Group Ltd  
Notes to the financial statements  
31 December 2018

Note 2. Significant accounting policies (continued)

Had AASB 15 been applied in the half year ended 31 December 2017 and in the year ended 30 June 2018 the impact on the financial statements would have been as disclosed below.

Impact on the statement of profit or loss (increase/(decrease)) for the half year ended 31 December 2017:

		Consolidated		
		31/12/2017		31/12/2018
	AASB 118 \$'000	Adjustment \$'000	AASB 15 \$'000	\$'000
Revenue from contracts with customers	34,440	801	35,241	49,360
Cost of goods sold	19,233	441	19,674	27,357
<b>Gross margin</b>	<b>15,207</b>	<b>360</b>	<b>15,567</b>	<b>22,003</b>
Distribution	4,634	87	4,721	6,940
<b>Net profit/(loss) after tax</b>	<b>(890)</b>	<b>273</b>	<b>(617)</b>	<b>3,023</b>

Impact on the statement of financial position (increase/(decrease)) as at 30 June 2018:

		Consolidated		
		30/06/2018		31/12/2018
	AASB 118 \$'000	Adjustment \$'000	AASB 15 \$'000	\$'000
Inventories	2,218	149	2,367	3,357
Other	1,123	95	1,218	142
<b>Total current assets</b>	<b>13,304</b>	<b>244</b>	<b>13,548</b>	<b>16,310</b>
<b>Total assets</b>	<b>21,723</b>	<b>244</b>	<b>21,968</b>	<b>27,053</b>
Trade and other payables	7,177	(952)	6,225	7,995
Deferred revenue	1,936	1,660	3,596	3,350
Provisions	1,029	(62)	967	993
<b>Total current liabilities</b>	<b>10,633</b>	<b>646</b>	<b>11,279</b>	<b>12,707</b>
<b>Total liabilities</b>	<b>10,901</b>	<b>646</b>	<b>11,547</b>	<b>13,113</b>
<b>Net assets</b>	<b>10,822</b>	<b>(402)</b>	<b>10,420</b>	<b>13,988</b>
Accumulated losses	(67,330)	(402)	(67,732)	(64,709)
<b>Total Equity</b>	<b>10,822</b>	<b>(402)</b>	<b>10,420</b>	<b>13,988</b>

**AASB 9 Financial Instruments**

In December 2014, the AASB issued the final version of AASB 9 Financial Instruments that replaces AASB 139 Financial Instruments: Recognition and Measurement and all previous versions of AASB 9. AASB 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. AASB 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI').

**Note 2. Significant accounting policies (continued)**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, in accordance with AASB 9, the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures.

The Group has adopted the new standard from 1 July 2018 and has not restated comparative information. The Group concludes there has been no significant impact on its statement of financial position and equity resulting from AASB 9.

*Accounting policy for financial instruments*

**Financial assets - classification and measurement**

The Group classifies its financial assets into the following categories: those to be measured subsequently at fair value (either through OCI, or profit or loss) and those to be held at amortised cost. Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows.

At initial recognition, the Group measures a financial asset at its fair value.

For Trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, payables or as derivatives designated as hedging instruments.

All financial liabilities are recognised initially at fair value.

The Group's financial liabilities include trade and other payables and derivative financial instruments.

**Derivatives**

The Group uses derivative financial instruments to hedge its risks associated with foreign currency fluctuations arising from operating activities. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

**Note 3. Operating segments**

*Identification of reportable operating segments*

The Group operates in one segment being the sale of furniture, homeware, and other lifestyle products through its online platform. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors, who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated.

The information reported to the CODM is on at least a monthly basis.

**Temple & Webster Group Ltd**  
**Notes to the financial statements**  
**31 December 2018**

**Note 4. Revenue from contracts with customers**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<b>Consolidated</b> <b>31/12/2018</b> <b>\$'000</b>
Sale of goods	49,010
Purchase protection	350
	<u>49,360</u>

**Note 5. Income Tax Benefit**

The Group calculates the period income tax benefit using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax benefit in the interim consolidated statement of profit or loss are:

	<b>Consolidated</b> <b>31/12/2018</b> <b>\$'000</b>	<b>31/12/2017</b> <b>\$'000</b>
Current income tax expense	(283)	-
Deferred income tax benefit relating to losses utilised	283	-
Deferred income tax benefit relating to losses available for offsetting against future taxable income	2,231	-
	<u>2,231</u>	<u>-</u>

**Note 6. Current assets - cash and cash equivalents**

	<b>Consolidated</b> <b>31/12/2018</b> <b>\$'000</b>	<b>30/06/2018</b> <b>\$'000</b>
Cash at bank	2,912	2,728
Cash on deposits	8,630	7,205
	<u>11,542</u>	<u>9,933</u>

**Note 7. Current assets – inventories**

	<b>Consolidated</b> <b>31/12/2018</b> <b>\$'000</b>	<b>30/06/2018</b> <b>\$'000</b>
Stock in transit	732	555
Stock on hand	2,794	1,807
Less: Provision for obsolescence	(169)	(144)
	<u>3,357</u>	<u>2,218</u>

**Temple & Webster Group Ltd**  
**Notes to the financial statements**  
**31 December 2018**

**Note 7. Current assets – inventories (continued)**

Inventory that was recognised as an expense in profit or loss amounted to \$27,357,000 for the half-year ended 31 December 2018 (\$19,233,000 for the half-year ended 31 December 2017).

**Note 8. Current assets – other**

	<b>Consolidated</b>	
	<b>31/12/2018</b>	<b>30/06/2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	960	1,003
Security deposits	117	120
Financial Asset	15	-
Right of return assets	142	-
	<u>1,234</u>	<u>1,123</u>

**Note 9. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>31/12/2018</b>	<b>30/06/2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	22,434	22,434
Less: Accumulated Impairment	<u>(17,902)</u>	<u>(17,902)</u>
	<u>4,532</u>	<u>4,532</u>
Brands - at cost	<u>2,781</u>	<u>2,781</u>
Software and websites - at cost	1,926	1,926
Less: Accumulated amortisation	(399)	(370)
Less: Impairment	<u>(1,474)</u>	<u>(1,474)</u>
	<u>53</u>	<u>82</u>
Development	<u>24</u>	<u>-</u>
Customer relationships - at cost	338	338
Less: Accumulated amortisation	<u>(260)</u>	<u>(217)</u>
	<u>78</u>	<u>121</u>
	<u>7,468</u>	<u>7,516</u>



**Temple & Webster Group Ltd**  
**Notes to the financial statements**  
**31 December 2018**

**Note 9. Non-current assets – intangibles (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial half-year are set out below:

<b>Consolidated</b>	<b>Goodwill \$'000</b>	<b>Brands \$'000</b>	<b>Software and websites \$'000</b>	<b>Development \$'000</b>	<b>Customer relationships \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2017	4,532	2,781	141	-	205	7,659
Additions	-	-	-	-	-	-
Amortisation expense	-	-	(30)	-	(42)	(72)
Balance at 31 December 2017	4,532	2,781	111	-	163	7,587
Balance at 1 July 2018	4,532	2,781	82	-	121	7,516
Additions	-	-	-	24	-	24
Amortisation expense	-	-	(29)	-	(43)	(72)
Balance at 31 December 2018	4,532	2,781	53	24	78	7,468

**Note 10. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>31/12/2018 \$'000</b>	<b>30/06/2018 \$'000</b>
Trade payables	4,613	4,354
Accrued payables	2,220	1,773
Employee related payables	547	454
Cash-settled share-based payments	131	175
On-costs on share-based payments	15	86
Other payables	429	335
	<b>7,955</b>	<b>7,177</b>

**Note 11. Current liabilities – provisions**

	<b>Consolidated</b>	
	<b>31/12/2018 \$'000</b>	<b>30/06/2018 \$'000</b>
Refunds and replacements	909	1,005
Lease make good	24	24
	<b>933</b>	<b>1,029</b>

**Temple & Webster Group Ltd**  
**Notes to the financial statements**  
**31 December 2018**

**Note 12. Share-based payments**

For the long-term incentive ('LTI') performance rights granted during the current financial year to the CXO and executive team, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grantee	Grant date	Vesting date	Number of Shares	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
Executive team	1/07/2018	31/08/2021	402,909	\$0.76	\$0.00	60.00%	2.20%	\$0.372
CXO	1/07/2018	31/08/2022	500,000	\$0.76	\$0.00	58.00%	2.19%	\$0.760
CXO	1/07/2018	31/08/2022	1,300,000	\$0.76	\$0.00	58.00%	2.19%	\$0.396

For the LTI options granted during the current financial year to the CEO and non-executive directors ('NED'), the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grantee	Grant date	Vesting date	Number of Options granted	Share price at grant date	Exercise price	Expected volatility	Risk-free interest rate	Fair value at grant date
CEO	1/07/2018	31/08/2022	5,000,000	\$0.76	\$0.74	58.00%	2.19%	\$0.352
NED	1/07/2018	30/06/2021	543,078	\$0.76	\$0.99	60.00%	2.20%	\$0.594

Nil dividend yield was used in the valuation of the share-based payments granted in the current financial half-year.

A short-term incentive ('STI') plan was also established by the Group during the financial year, whereby non-executives employees will receive \$1,000 of ordinary shares in the Company if the STI performance targets, based on Group KPIs for the year ending 30 June 2019, are met.

For the six months ended 31 December 2018, the Group has recognised \$561,000 of share-based payment expense in the statement of profit or loss (31 December 2017: \$406,000).

**Issue of shares**

During the current financial year, the executives have exercised performance rights to acquire 3,830,315 fully paid ordinary shares in the Company.

**Note 13. Equity - dividends**

There were no dividends paid, recommended or declared during the current or previous financial half-year.

**Note 14. Fair value measurement**

The carrying amounts of trade and other receivables, trade and other payables and other financial assets and liabilities are assumed to approximate their fair values due to their short-term nature.

**Note 15. Contingent liabilities**

The Group had no contingent liabilities at 31 December 2018 and 30 June 2018.

**Note 16. Related party transactions**

The Group had not entered into any related party transactions and paid for any services to the related parties other than compensation to key management personnel under their employment contracts, during the current or previous financial half-year.

**Note 17. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Temple & Webster Group Ltd**  
**Directors' declaration**  
**31 December 2018**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to be 'S. Heath', written in a cursive style.

Stephen Heath

Chairperson

20 February 2019  
Sydney

## Independent Auditor's Review Report to the Members of Temple & Webster Group Ltd

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Temple & Webster Group Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

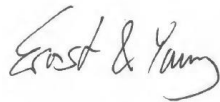
#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year 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 *Corporations Act 2001*.



Ernst & Young



Graham Leonard  
Partner  
Sydney  
20 February 2019