Annual Report 2020

TEMPLE & WEBSTER

Contents


THE
FURNITURE
OF YOUR
DREAMS,
DELIVERED

Summary

FY20 Revenue

$176.3M

74% growth YoY

FY19 Revenue

$101.6M

FY20 EBITDA

$8.5M

483% growth YoY

FY19 EBITDA

$1.5M

June 20 Cash

$38.1M

June 19 Cash

$13.5M

June 20 cash balance excludes proceeds from recent $40 million placement.
Both FY19 and FY20 numbers take into consideration the new lease accounting standard AASB16.

- H2 revenue up 96% vs pcp; Q4 revenue up 130% vs pcp
- Temple & Webster is the online market leader in furniture & homewares
- Large addressable market with accelerating online adoption
- Business is profitable with strong top-line growth and a debt free balance sheet

Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2019 edition. IBISWorld Industry Report OD4176 Online Household Furniture Sales in Australia.

Chairperson's Report

Dear shareholders,

On behalf of the Board of Directors, it gives me great pleasure to present the 2020 Annual Report.

SIGNIFICANT GROWTH IN CHALLENGING TIMES

FY20 has certainly been a challenging year for the country, however we are proud to say that Temple & Webster has been able to support Australia through these tough times. This year saw our fastest growth since listing, with top line revenue growth of 74% year on year. This growth accelerated during the year, with the second half growing 96% and the fourth quarter up 130% vs pcp. While the COVID-19 crisis accelerated our growth, it is important to remember that we started the year growing more than 50% year on year which speaks to the underlying strong fundamentals of our market and competitive positioning.

Temple & Webster's core furniture and homewares retail market is worth ~$15b. While the Australian online retail market continues to grow, it remains underpenetrated compared to other markets. Euromonitor estimates only 5.1% of sales are made online (vs 16.6% in the UK and 15.2% in the US). The lock-downs and forced offline retail closures have no doubt accelerated the adoption of online shopping in our category, however we believe these trends were already at play as the oldest millennials enter their prime furniture buying years (35-65 years). This generation of shopper has already adopted online shopping to a high degree in other categories such as fashion and appliances, and we believe the furniture and homewares category is next.

It is also important to remember that the above market size is just our core furniture & homewares categories. As we continue to expand our efforts into new addressable markets such as home improvement and the B2B market (e.g. offices, developers, hospitality businesses), our addressable market becomes larger. With these additional markets, we estimate our total addressable market is closer to ~$30 billion. This large addressable market and underlying consumer shift from offline to online, should help us deliver strong growth for many years to come.

VISIBLE OPERATING LEVERAGE

Pleasingly, the strong top line revenue growth has made visible the inherent operating leverage in our business with EBITDA growing 483% year on year to $8.5 million for the year. While we continue to make investments into areas such as our technology, private label and logistics, as an online-only company we are able to scale our revenue without needing to scale costs proportionately leading to leverage of the fixed cost base. This has meant our adjusted EBITDA margins improved from 2.5% in FY19 to 5.3% in FY20.

STRONG BALANCE SHEET

Our strong bottom line result combined with the negative working capital nature of the business, meant we finished the year with $38.1 million in cash and zero debt, which excludes the proceeds from the $40 million raise conducted at the beginning of FY21. We believe we have one of the strongest balance sheets of our peers, which will not only protect us in any down-side scenario, but also allow us to pursue strategic opportunities, both organic and inorganic as they arise. During this period of significant uncertainty, we believe there will be opportunities for the strong to get stronger.

LOOKING AHEAD

While it is impossible to predict the future, millions of Australians are now experiencing the benefits of online shopping, including range, convenience and value. We believe now is the time to invest in our customer proposition and brand awareness to ensure that we are the first place Australians turn to when shopping for their homes for the next generation of furniture buyer. As such our strategy remains to deliver a high growth business while remaining profitable.

On behalf of the directors of the Group, I would like to thank you, our shareholders, for your continued support and contribution. We look forward to another great year in FY21.

STEPHEN HEATH
Non-Executive Chairperson

CEO's Report

Dear fellow shareholders,

FY20 was certainly a year to remember. From suffering through one of the worst bushfire seasons on record, to fighting a global pandemic, it has been an incredibly rough period for the country. It's also times like these which remind us of the importance of our homes. Whether it's the fear of losing them, or the long days being locked down inside them, our homes have never been more important. Temple & Webster's core belief has always spoken to the desire of humans to have safe, beautiful spaces in which to live and work. We are proud that we have been able to keep helping our customers achieve that during these tough times.

SCALING THE BUSINESS WHILE FOCUSING ON THE CUSTOMER

Most of our efforts during the second half concentrated on scaling the business during these unprecedented times. We worked hard on ensuring all of our key vendors were stable; we deployed our buying teams to work with onshore and offshore suppliers to secure stock; we added 180 people across the business, all while moving to a work from home environment both onshore and offshore. We also raised $40 million in July 2020 to secure our balance sheet and provide us the flexibility to act on strategic plays as they develop.

I am most proud of the fact that we did everything aforementioned while significantly improving our customer satisfaction which is running at record levels. We actually could have grown faster during the last quarter however we chose to prioritise the customer experience over short term revenue growth, to ensure the customers who were trialing online shopping for their homes for the first time had a great experience with us, and therefore come back.

ACTIVE CUSTOMERS UP 77%

Our Active Customers grew 77% year on year to almost half a million with growth across both first time and repeat customers. Pleasingly, our customer and marketing metrics stayed strong and our 12 month marketing ROI remained at 2.6x which means our marketing budget is being deployed profitably. Our conversion rate also grew, even in the face of massive increases in traffic to the site.

Our aided brand awareness grew to 35% over the year, and continuing that growth to ensure Temple & Webster becomes a national brand remains a key focus. At the end of the financial year we trialled our first (at scale) TV advertising campaign, with a free to air campaign on the Eastern seaboard backed by a national Foxtel campaign. While we remain a digital performance marketer at heart, we will continue to look at channels which may increase our reach provided the return makes sense.

GROWING MARKET SHARE

The good news is that we are growing our market share even as our competitors take online more seriously. The NAB online sales index suggests our category grew around 50% during the months of April and May, while we grew more than 130%. We believe this is due to the increasing benefits of scale as we get larger. We are forging closer relationships with our suppliers as we become a more significant part of their business which allows us to obtain stock security, better terms and exclusive product ranges.

We are also making larger investments in areas such as technology and data, brand awareness and our private label products; and we can produce more content by having more studios and creative resources. In effect the bigger we get, the better and stronger our customer proposition becomes, which is a virtuous cycle.

LAUNCH OF MOBILE APP

During the second half, we received approval from the iOS store for the launch of Temple & Webster's first mobile app. The app is now available in the app store and we are monitoring how our customers are using it to understand whether to invest more into this space. Subject to the iOS version being a success, we will begin work on an Android version in FY21. We already see more than half of our traffic coming from mobile devices to use our mobile optimised website, so a mobile app is the next step to capitalise on this shift in consumer behaviours.

INVESTING IN OUR DIGITAL CAPABILITIES

We completed a small investment into an offshore AI based interior design start-up, along with a long term commercial partnership. We are working on the first product launch being AI generated room ideas, allowing customers to complete a room look based on the product they are shopping. Shopping for your home can be tricky and our job is to make it as easy and as risk free as possible for our customers. Tools such as these can only help with that goal.

RANGE EXPANSION

Over the year we grew our range from ~150,000 to over 180,000 products. We also have expanded our range into home improvement categories such as bathroom and kitchen fittings and fixtures and window coverings. While early days, we see our brand naturally extending to these categories as a place to make your home beautiful. We have made investments into our private label team including adding buyers and planning support, and have expanded both the breadth and depth of our private label range, growing the share of private label from 17% in 2HFY19 to over 20% in the second half of FY20. Our preference remains to work with a great and diverse set of drop ship suppliers, however we will continue to use our private label offer to fill product and price gaps, and further differentiate our offer.

CEO's Report (cont.)

INSPIRING CUSTOMERS THROUGH NEW FORMATS

During the year we added a second studio space to allow us to increase our inspirational content output including adding more video. We have also started building our library of 3D models of our best sellers, as we believe 3D has significant applications in our space. Whether it be from generating lifestyle rendered images, to being able to see products at scale in the home using augmented reality, there are many uses which we are excited about and should help improve conversion rates and basket size.

IMPROVING THE DELIVERY EXPERIENCE

Our net promoter score improvements speak to some significant improvements we have made in our logistics and operations function. One of the main projects completed this year was the data integration with our main carriers which allows us to provide end to end tracking of each order, allowing a better customer experience and early identification and resolution of problems. We have also opened our second distribution centre (3PL) for our private label range, allowing orders to be delivered to customers faster and more efficiently. In FY21 our focus is on launching new delivery options in checkout.

B2B DIVISION GREW 68%

Our Trade & Commercial division (B2B) grew a healthy 68% over the year despite a tough Q4 in which many businesses reduced their capital spends. Over the half, the team launched our full service offering in Queensland which includes preparing design concepts, installing and assembling the product, and styling the space. We also reorganised ourselves into sector specific teams which allows a greater focus on the client's needs and ensures we have the right products for that vertical. We remain bullish about the long term potential of this area of the business.

GIVING BACK

As previously announced, Temple & Webster has partnered with Women's Community Shelters (WCS), the leading sector expert in establishing and running shelters for victims of domestic violence and homelessness in NSW. During the year, Temple & Webster worked with WCS on a new shelter in Mosman which involved furnishing 18 apartments as transition spaces for women over 55. We also participated in the 'All In' Bushfire shopping event, where we raised more than $60,000 for the Red Cross to help those affected by the terrible bushfires over summer.

THANKING OUR EMPLOYEES

This year, the adaptability and resilience of the Temple & Webster team really shone through. Doubling the size of the business in the space of a couple of months, while dealing with all of the pain that goes with working from home, while improving our customer experience is no mean feat and I am proud of the entire team for stepping up during this time. As a thank you to our team's hard work, this year all of our employees received $1,000 in shares, and for those employed for more than 6 months an extra $2,000 in cash. Without the team we have, we would not be in the position we are in today.

WHERE TO FROM HERE

Our strategy is simple;

- We will keep improving our range to ensure it remains the biggest and best, including expanding our private label range.
- We will continue to drive our digital advantage, including making better use of our immense amounts of data through initiatives such as personalisation.
- We will continue the march towards national brand status to ensure we are the first place Australians turn to when shopping for their homes, through both online and offline channels.
- One of our key pillars is inspiration, and this year we are increasingly turning to 3D, and we are in the process of building our 3D model library and adding resources and tools to make use of those assets.
- We will continue to improve our customer care team through better training and platforms. We will also be adding more delivery options such as after hours and weekend delivery to continue to improve our offer.
- And of course, Trade & Commercial provides another growth opportunity outside of our core B2C market, and we will continue to invest into our team, range and service proposition to win market share in this segment.

Our primary focus is to build on each of our strategic pillars organically, although the recent capital raise has allowed us to consider inorganic investments, where they make sense and align to these pillars.

Even though the world is in uncertain times, we remain committed to our longer term strategy of investing to ensure Temple & Webster is the brand for the next generation of furniture shoppers. We want Temple & Webster to be the first place Australians turn to when shopping for their homes and work spaces. We believe that online shopping habits are right now being formed, and provided we keep putting the customer at the heart of everything we do, those habits will remain.

MARK COULTER
Chief Executive Officer

Financial Report 2020

The Directors of the Temple & Webster Group present their report, together with the consolidated financial report for the year ended 30 June 2020.

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 year ended 30 June 2020.

Directors

The following persons were directors of Temple & Webster Group Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stephen Heath
Susan Thomas
Conrad Yiu
Mark Coulter (appointed on 23 October 2019)

Principal activities

Temple & Webster is Australia's leading online retailer of furniture and homewares.

Temple & Webster has over 180,000 products on sale from hundreds of suppliers. The business runs an innovative drop-shipping model, where products are sent directly to customers by suppliers, enabling a larger product range, faster delivery times and reducing the need to hold inventory.

The drop-ship range is complemented by a private label range which is sourced directly by Temple & Webster from overseas suppliers.

The Temple & Webster Group is headquartered in Sydney, Australia and is listed on the Australian Securities Exchange under the code TPW.

Dividends

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

Financial and operational review

Revenue for financial year 2020 was $176,342,000 (2019: $101,613,000) with a net profit after tax of $13,909,000 (2019: $3,764,000).

	30/06/2020 $m	30/06/2019 $m
Revenue	176.3	101.6
Gross margin	78.6	45.3
%	*44.6%*	*44.6%*
EBITDA	8.5	1.1
Net profit after tax	13.9	3.8
Cash balance	38.1	13.5

Key financial and operational metrics for the year ended 30 June 2020 include:

- Revenue growth of 74% with H2 delivering 96% vs pcp, driven primarily by growth in active customers.
- EBITDA increased by 673% (*483% if FY19 restated for AASB 16 purposes*) as a result of higher gross margin dollars and tight management of fixed costs.
- Gross margin % in line with last year at 44.6%
- Cash flow positive with an ending cash balance of $38.1m and no debt (ending cash balance excludes proceeds from placement undertaken in July 2020)
- Active customer growth of 77%
- Customer satisfaction reached record levels in Q4 (NPS 65%+)

The Group has adopted the new lease accounting standard AASB 16 using the modified retrospective method, resulting in an adjustment to the opening balance of retained earnings. The comparative period has not been adjusted. The implementation of AASB 16 resulted in a decrease in other expenses and an increase in depreciation and finance costs in the current financial year. Therefore, the current year EBITDA is higher by $0.4 million than it would have been if the new standard had not been implemented. Refer to the Group's FY20 results presentation for like comparisons and further commentary on the Group's financial results.

The Group acknowledges that there are business risks that could have a material impact on future financial position and performance for which management have established business continuity plans and risk mitigation strategies to manage key risks across the Group.

Refer to the Group's ASX announcement issued on 1 July 2020 for further details on the key business risks associated with Temple & Webster.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year
The Group successfully completed a $40 million placement on 2 July 2020 via the issue of approximately 7.0 million new fully paid ordinary shares. The purpose of this raise was to strengthen the balance sheet and enable the Group to pursue organic and inorganic growth opportunities.

The Group also made a small investment into a start-up company developing AI interior design tools.

No other matter or circumstance has arisen since 30 June 2020 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.

Likely developments and expected results of operations
Likely developments in the operations of the consolidated entity and expected results of those operations are contained in the Chairperson's and the CEO's reports.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Share Options

Unissued shares
As at the date of this report and at the reporting date, there were 5,543,078 unissued ordinary shares under options. Refer to the remuneration report for further details of the options outstanding for Key Management Personnel ('KMP').

Information on directors

Name:	Stephen Heath
Title:	Independent Non-Executive Director and Chairperson
Qualifications:	Graduate of the Australian Institute of Company Directors.
Experience and expertise:	Stephen is a specialist in consumer goods brand management with over 25 years of manufacturing/wholesale distribution and retail experience. Stephen spent 16 years as CEO of some of Australia's best-known consumer brands that includes Rebel Sport, Godfrey's and Fantastic Holdings with operations experience in Australia, New Zealand, and Asia. His experience includes working for both ASX Listed and Private Equity owned companies.
Other current directorships:	Board Chairperson of Shiro Holdings Limited (appointed on 24 October 2019) and Director of Redhill Education Limited (appointed on 1 September 2019).
Former directorships (last 3 years):	Non-Executive Director of Funtastic Limited (appointed on 18 October 2010 and resigned on 6 February 2019).
Special responsibilities:	Chair of the Board and the Nomination and Remuneration Committee
Interests in shares:	184,000
Interest in options over shares:	181,026

Name:	Susan Thomas
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Commerce and Bachelor of Law from the University of New South Wales.
Experience and expertise:	Susan is an experienced company director and audit and risk committee chair. Susan has expertise in technology and law. Susan founded and was the Managing Director at FlexiPlan Australia, an investment administration platform sold to MLC.
Other current directorships:	Director of Fitzroy River Holdings Limited (appointed on 26 November 2012)
Former directorships (last 3 years):	Board Chairperson of Alexium International Group Limited (appointed to Board on 10 December 2017, Chairperson on 8 May 2018 and resigned on 31 March 2019). In February 2020, Fitzroy River Holdings Limited acquired 100% of Royalco Resources Limited ('Royalco'). Accordingly, Royalco is no longer a listed entity, however, Susan Thomas is still a director of Royalco (appointed on 22 February 2017).
Special responsibilities:	Chair of the Audit and Risk Management Committee
Interests in shares:	Nil
Interest in options over shares:	181,026

Information on directors (continued)

Name:	Conrad Yiu
Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce from the University of New South Wales and a Master of Business Administration from the University of Cambridge.
Experience and expertise:	Conrad is a co-founder of Temple & Webster and joined the Board on its formation in July 2011. Conrad was Chairperson of the Company until immediately prior to the IPO. Conrad has over 25 years commercial and advisory experience with a focus on investing in, acquiring and building high growth businesses in the consumer and technology sectors. Conrad was previously Director of Corporate Development with the digital division of Newscorp Australia (formerly News Digital Media), co-founder and Director of a London-based mobile technology company, a manager at Arthur Andersen and is a principal of ArdenPoint, an investment firm which he co-founded with Mark Coulter in 2011, the CEO of Temple & Webster Group Ltd. Conrad is currently a co-founder and partner of AS1 Growth Partners, a private investment firm focused on growth & technology investments in public and private markets.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,807,018 ordinary shares
Interest in options over shares:	181,026

Name:	Mark Coulter
Title:	Executive Director
Qualifications:	Bachelor of Laws and Bachelor of Science (Biochemistry) from the University of Sydney.
Experience and expertise:	Mark is a co-founder of Temple & Webster and has been involved as an advisor to the Group since its inception. Previously, Mark worked at News Limited where he was Director of Strategy for the Digital Media properties and managed a portfolio of businesses including Moshtix, a digital ticketing company. Mark was also a solicitor at Gilbert + Tobin and management consultant at McKinsey & Company. Mark co-founded the National Online Retailers Association and is a co-founder of ParcelPoint/Fluent Retail, a logistics and technology company servicing many of Australia's largest online and omni-channel retailers.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer
Interests in shares:	4,671,312 ordinary shares
Interest in options over shares:	5,000,000

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
Michael Egan is Company Secretary of Temple & Webster Group Ltd. He has a range of experience in the Chartered Accounting profession, business and consulting. Michael has held Directorships and has been Company Secretary in ASX listed companies and in Australian subsidiaries of multi-national companies including Anglo-Australian Group, Rio Tinto and Hoechst (Germany).

Meetings of directors
The number of meetings of the Group's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Management Committee	
	Attended	Held	Attended	Held	Attended	Held
Stephen Heath	7	7	3	3	4	4
Susan Thomas	7	7	3	3	4	4
Conrad Yiu	7	7	-	-	4	4
Mark Coulter	5	5	-	-	-	-

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The Directors of Temple & Webster Group Ltd present the Remuneration Report (the Report) for the Company and its controlled entities for the year ended 30 June 2020. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.The Report provides an explanation of the remuneration strategy of the Group for non-executive directors and executives. The strategy complies with the requirements of the Corporations Act 2001 and takes into account the ASX Corporate Governance Principles.

For the purposes of this report, "executive" means the Chief Executive Officer ('CEO'), the Chief Financial Officer ('CFO') and the Chief Experience Officer ('CXO'). Key Management Personnel ('KMP') are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Key Management Personnel

Non-Executive Directors

Stephen Heath	Chairperson (Board and Nomination and Remuneration Committee)
Sue Thomas	Non-Executive Director and Audit and Risk Management Committee Chairperson (Independent)
Conrad Yiu	Non-Executive Director

Executives

Mark Coulter	Chief Executive Officer/Executive Director
Mark Tayler	Chief Financial Officer
Adam McWhinney	Chief Experience Officer

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional disclosures relating to KMP
- Security dealing policy

Principles used to determine the nature and amount of remuneration

Nomination and Remuneration Committee

The Nomination and Remuneration Committee provides advice, recommendations and assistance to the Board on all matters relating to executive and non-executive director remuneration.

The objective of the Committee is to ensure that the Group attracts and secures the appropriate level of talent, skills and expertise to its Board and executive leadership team to lead and govern the Group's strategic, operational and financial objectives.

Executive remuneration

The Board's remuneration strategy and framework is designed to link executive remuneration to the achievement of the Group's major strategic objectives and ultimately to the creation of shareholder value.

The remuneration policy is focused on the delivery of a strategy for the successful recruitment, retention and development of its executives and KMP. Accordingly, the Board ensures that remuneration packages are competitive with comparable roles in similar companies. This is essential in attracting the calibre of executive required to achieve the objectives of the Group.

Remuneration framework

The Group adopts an executive remuneration framework that promotes:

- a performance and success culture, and
- incentive and reward for achieving the Group's major strategic objectives which are aligned to the creation of shareholder value.

Guiding principles

The underlying guiding principles of the Board's remuneration strategy in establishing executive packages are:

1. Market competitive and fair
   Total fixed remuneration (base salary and superannuation) is both competitive in the market and fair to the executive when considering the responsibilities of the role.

2. Performance orientated
   An "At Risk" component of remuneration is rewarded for performance through the achievement of the Group's major strategic objectives. Each executive has individual performance hurdles and measures that are aligned to the Group's objectives.

Principles used to determine the nature and amount of remuneration (continued)

3. Aligned with shareholders and encourage ownership
The majority of the "At Risk" component of remuneration is rewarded through shares in the Company. This encourages executives to adopt principles that will support long-term sustainable performance and growth of the Group.

4. Founded on integrity and transparency
Future business and market developments may support innovation in the Board's remuneration strategy in response to change. All enhancements to executive package design will be established with integrity and transparency.

Package components
The Remuneration Framework consists of the following components:
- Fixed annual remuneration - Includes base salary including any non-cash benefits paid in lieu of salary and superannuation.
- At risk annual short-term incentive ('STI')
- At risk long-term incentive ('LTI')

Benchmarking remuneration

Ensures employees are rewarded fairly and appropriately for their contribution to the Group's success by benchmarking against comparable positions in comparable organisations.

Independent remuneration advice and guidance is sought to ensure remuneration is set competitively relative to industry peers and similarly sized publicly listed companies.

Gender remuneration analysis is undertaken and corporate objectives are established to achieve parity between male and female remuneration for like roles.

Short term incentive

The STI is tied to achievement of business objectives over the short term (12 months).

The STI could be a combination of equity in the Company and/or cash, the make-up of which is determined at the Board's discretion.

STIs are measured on achievement of both financial and non-financial KPIs to create innovation and growth.

STI performance targets are based on Group and Individual KPIs, which are set at the beginning of the performance period and are aligned to business level strategic priorities.

Each participant might need to meet a service condition for STI (performance rights) to vest.

Long term incentive

The LTI aims to motivate, retain and reward senior management, and has been designed to align the interests of executives and senior management with the interests of shareholders.

The LTI is in the form of equity in the Company.

LTI performance targets might be based on share price hurdles, which are set at the beginning of the performance period and are aligned to business level strategic priorities.

Each participant might need to meet a service condition for LTI (performance rights) to vest.

Employee equity plans
The Board has at its disposal the following plans available for the benefit of employees and directors:
- Employee Performance Rights Plan
- Employee Share Options Plan
- Non-executive Directors Equity Plan

Use of remuneration consultants
In the previous financial year, remuneration consultants were engaged to assist the Board to ensure employment contracts are contemporary in nature to attract and retain executive talent whilst being totally aligned to creating shareholder value. The recommendations from this consulting pertained to the previous financial year and the current financial year. No further recommendations were obtained in this financial year.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from KMP. These protocols include requiring that the consultant not communicate with affected KMP without a member of the Nomination and Remuneration Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected KMP. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Details of remuneration

Executive employment agreements
Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives:

Chief Executive Officer (CEO) and Co-founder
Mark Coulter is a founder of the business and was employed on a permanent basis from 1 September 2016. His permanent contract was renewed on 1 September 2018:

Under the terms of the current contract, as disclosed to the ASX on 10 September 2018:

- the CEO receives fixed remuneration of $374,469 per annum which increased on 1 September 2019 from $329,469, and in addition, 9.5% in superannuation entitlements (up to the Upper Superannuation Guarantee Limit),
- the CEO is eligible to participate in an LTI plan on terms determined by the Board, in accordance with the rules of the Share Options Plan. The number of options awarded will be a maximum of 5 million, based on meeting a service condition of being employed to the date of the FY22 Annual Accounts being release to the ASX.

Chief Financial Officer (CFO)
Mark Tayler has been employed on a permanent basis since 24 October 2016.

Under the terms of the current contract:

- the CFO receives fixed remuneration of $273,997 per annum which increased on 1 September 2019 from $245,469, and in addition, 9.5% in superannuation entitlements (up to the Upper Superannuation Guarantee Limit),
- the CFO may be eligible to participate in the Group's STI plan in accordance with the rules of the Plan, to be paid in either cash or shares,
- the CFO may be eligible to participate in an LTI plan on terms determined by the Board, in accordance with the rules of the Group's Performance Rights Plan.

Chief Experience Officer (CXO) and Co-founder
Adam McWhinney is employed on a permanent basis with the current contract taking effect 1 September 2018.

Under the terms of the current contract:

- the CXO receives fixed remuneration of $282,847 per annum which increased on 1 September 2019 from $274,469, and in addition, 9.5% in superannuation entitlements (up to the Upper Superannuation Guarantee Limit),
- the CXO may be eligible to participate in an LTI plan on terms determined by the Board, in accordance with the rules of the Group's Performance Rights Plan.

Other key terms of the executive employment arrangements for the CEO, CFO and CXO are summarised below:

	Contract term	Resignation	Notice Period Termination for cause	Termination payment
Mark Coulter	No fixed term	3 months	Nil	3 months
Mark Tayler	No fixed term	3 months	Nil	3 months
Adam McWhinney	No fixed term	2 months	Nil	2 months

Non-executive director remuneration
Non-executive director fees are established relative to the size of the Group and the responsibilities, skills and experience of the directors.

In accordance with the Constitution of Temple & Webster Group Ltd, the total amount provided to all non-executive directors must not exceed in aggregate in any financial year $700,000 as the amount fixed by General Meeting. Additional fees may be payable for consulting services provided by non-executive directors. The Nomination and Remuneration Committee reviews the performance, skills and experience of the Board, and the directors' fees on an annual basis. This process considers remuneration survey data for comparably sized companies and relativity of skills and experience held by the Board.

Directors do not qualify for performance-based incentives or retirement benefits other than statutory requirements.

Details of remuneration (continued)

The current non-executive directors' fee structure is set out below.

	Cash fee paid to chair	Cash fee paid to member
Board	$80,000	$50,000
Audit and Risk Management Committee	$30,000	$10,000
Nomination and Remuneration Committee	$30,000	$10,000

In addition to the above, as stated in the notice of Annual General Meeting and the explanatory statement dated on 23 October 2018, the Group established a non-executive directors equity plan to assist in motivation, retention and reward of non-executive directors of the Group. Pursuant to the plan, non-executive directors were entitled to receive options in lieu of an increase in the cash amount payable to the non-executive directors. The resolution from the shareholders' votes resulted in favour of this equity plan per the results of Annual General Meeting report dated on 27 November 2018. Refer below for details on this plan.

Amounts of remuneration
Details of the remuneration of KMP of the Group are set out in the following tables.

	Short-term benefits				Post-employment benefits	Long-term benefits		
2020	Salary and fees $	Cash bonus [(1)] $	Non-monetary $	Termination payments $	Super-annuation $	Long service leave $	Share-based payments [(2)] $	Total $
Non-Executive Directors:								
Susan Thomas	82,192	-	-	-	7,808	-	35,843	125,843
Stephen Heath	109,589	-	-	-	10,411	-	35,843	155,843
Conrad Yiu [(3)]	82,192	-	-	-	7,808	-	35,843	125,843
Other Key Management Personnel:								
Mark Coulter	366,576	-	-	-	21,003	-	422,955	810,534
Mark Tayler	270,743	82,969	-	-	21,003	-	24,171	398,886
Adam McWhinney	281,451	-	-	-	21,003	-	186,014	488,468
	1,192,743	82,969	-	-	89,036	-	740,669	2,105,417

(1) Share-based payment settled in cash.
(2) The value of the options and performance rights granted to key management personnel as part of their remuneration is calculated as at the grant date. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.
(3) Conrad Yiu's short-term benefits include fees for consulting services of $30,000 (including superannuation).

In addition to the total benefits above, these KMPs accrued leave entitlements during the year as follows:
- Mark Coulter; net decrease of $8,187 in accrued leave entitlements (2019: $14,495 increase)
- Mark Tayler; net decrease of $843 in accrued leave entitlements (2019: $2,762 decrease)
- Adam McWhinney; net increase of $6,965 in accrued leave entitlements (2019: $6,406 decrease)

Details of remuneration (continued)

2019	Short-term benefits Salary and fees $	Cash bonus [1] $	Non-monetary $	Termination payments $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments [2] $	Total $
Non-Executive Directors:								
Susan Thomas [3]	82,192	-	-	-	7,808	-	35,843	125,843
Stephen Heath [3]	109,589	-	-	-	10,411	-	35,843	155,843
Conrad Yiu [3] [4]	82,192	-	-	-	7,808	-	35,843	125,843
Other Key Management Personnel:								
Mark Coulter	323,724	-	-	-	20,531	-	487,115	831,370
Mark Tayler	252,081	69,734	-	-	20,531	-	33,874	376,220
Adam McWhinney	265,390	-	-	-	20,531	-	198,431	484,352
	1,115,168	69,734	-	-	87,620	-	826,949	2,099,471

[1] Share-based payment settled in cash.
[2] The value of the options and performance rights granted to key management personnel as part of their remuneration is calculated as at the grant date. The amounts disclosed as part of remuneration for the financial year have been determined by allocating the grant date value on a straight-line basis over the period from grant date to vesting date.
[3] In the notice of Annual General Meeting and the explanatory statement dated on 23 October 2018, the number of options to be issued were equivalent to $25,000 in annual salary sacrifice per year for 3 years. The formula for calculating the number of options to be issued was based on a Black-Scholes model prepared for the purpose of the notice, which resulted in 181,026 options per non-executive director for 3 years. As per Group's accounting policy, the options value disclosed in these financial statements was calculated based the Black-Scholes model prepared on 27 November 2018, i.e. the date when the non-executive directors equity plan was approved by the shareholders on the Annual General Meeting. As a result, the inputs used in the model changed the annual accounting value for options issued to each non-executive director to $35,843.
[4] Conrad Yiu's short-term benefits include fees for consulting services of $30,000 (including superannuation).

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration 2020	Remuneration linked to performance 2020	Fixed remuneration 2019	Remuneration linked to performance 2019
Non-Executive Directors:				
Susan Thomas	100%	-	100%	-
Stephen Heath	100%	-	100%	-
Conrad Yiu	100%	-	100%	-
Other Key Management Personnel:				
Mark Coulter	48%	52%	41%	59%
Mark Tayler	73%	27%	72%	28%
Adam McWhinney	62%	38%	59%	41%

The proportion of the cash bonus paid/payable or forfeited as a percentage (%) of fixed remuneration is as follows:

Name	Cash bonus paid/payable 2020	Cash bonus forfeited 2020	Cash bonus paid/payable 2019	Cash bonus forfeited 2019
Mark Coulter	-	-	-	-
Mark Tayler	28%	-	26%	-
Adam McWhinney	-	-	-	-

Bonuses are paid based on short term incentives as outlined in the 'Principles used to determine the nature and amount of remuneration' section above.

Share-based compensation

Issue of shares
Details of shares issued to key management personnel during the year ended 30 June 2020 as a result of performance rights vesting are as follows:

Name	Shares issued	Class of shares
Mark Tayler	213,663	Ordinary
Adam McWhinney	43,449	Ordinary

Performance rights
Details of performance rights over ordinary shares granted, vested and replaced for directors and other KMP as part of compensation up until 30 June 2020 are set out below:

Name	Service period start	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Number of rights Vested	Value of rights vested $	Number of rights replaced
STI								
Mark Tayler	01/07/2017	31/08/2017	31/08/2019	46,997	34,920	46,997	34,920	-
Adam McWhinney	01/07/2017	31/08/2017	31/08/2019	43,449	32,284	43,449	32,284	-

Name	Service period start	Grant date	Vesting date	Number of rights granted	Value of rights granted $	Number of rights vested	Value of rights vested $	Number of rights replaced
LTI								
Mark Tayler [(1)]	01/11/2016	01/09/2016	30/09/2019	500,000	37,258	500,000	37,258	-
Mark Tayler	01/07/2018	01/07/2018	31/08/2021	92,905	34,561	-	-	-
Mark Tayler [(2)]	01/07/2019	01/07/2019	31/08/2022	50,514	30,308	-	-	-
Adam McWhinney	01/07/2018	01/07/2018	31/08/2022	500,000	380,000	-	-	-
Adam McWhinney	01/07/2018	01/07/2018	31/08/2022	1,300,000	514,800	-	-	-

[(1)] This LTI scheme from the prior year consists of three tranches which vest over the life of the scheme. As at 30 June 2019, 333,334 vested and the last remaining rights vested on 30 September 2019.
[(2)] This LTI plan issued in the current year had an exercise price of nil and fair value at grant date of $0.60.

Options
Details of options over ordinary shares granted, vested and lapsed for directors and other KMP as part of compensation up until 30 June 2020 are set out below:

Name	Service period start	Grant date	Vesting date	Number of options granted	Value of options granted $	Number of options Vested	Value of options vested $	Number of options lapsed
LTI / salary sacrifice								
Mark Coulter	01/07/2018	01/07/2018	31/08/2022	5,000,000	1,760,000	-	-	-
Stephen Heath [(1)]	01/07/2018	27/11/2018	30/06/2021	181,026	107,529	120,684	71,686	-
Conrad Yiu [(1)]	01/07/2018	27/11/2018	30/06/2021	181,026	107,529	120,684	71,686	-
Susan Thomas [(1)]	01/07/2018	27/11/2018	30/06/2021	181,026	107,529	120,684	71,686	-

[(1)] This salary sacrifice scheme from the prior year contains a progressive vesting pattern which vest over the life of the scheme. As at 30 June 2019, 60,342 had vested, as at 30 June 2020, 120,684 had vested.

Share-based compensation paid in cash
Details of share-based payments compensation payable in cash to KMP as part of their compensation during the year ended 30 June 2020 are set out below:

Name	Service period start	Grant date	Vesting date	Cash bonus $
STI				
Mark Tayler	01/07/2019	01/07/2019	30/06/2020	82,969

Additional disclosures relating to KMP

Shareholding [(1)]
The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as remuneration	Net change [(2)]	Balance at the end of the year
Ordinary shares				
Conrad Yiu	3,232,018	-	(425,000)	2,807,018
Mark Coulter	6,562,312	-	(1,891,000)	4,671,312
Stephen Heath	184,000	-	-	184,000
Mark Tayler	614,584	213,663	(298,853)	529,394
Adam McWhinney	2,417,448	43,449	-	2,460,897
	13,010,362	257,112	(2,614,853)	10,652,621

[(1)] Includes shares held directly, indirectly and beneficially by KMP.
[(2)] All equity transactions with KMP other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Performance rights holding
The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as remuneration	Vested/ Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
Performance rights over ordinary shares					
Mark Tayler	306,568	50,514	(213,663)	-	143,419
Adam McWhinney	1,843,449	-	(43,449)	-	1,800,000
	2,150,017	50,514	(257,112)	-	1,943,419

Options holding
The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted as remuneration	Exercised	Balance at the end of the year	Vested and exercisable	Vested but not exercisable
Options over ordinary shares						
Mark Coulter	5,000,000	-	-	5,000,000	-	-
Stephen Heath	181,026	-	-	181,026	120,684	-
Conrad Yiu	181,026	-	-	181,026	120,684	-
Susan Thomas	181,026	-	-	181,026	120,684	-
	5,543,078	-	-	5,543,078	362,052	-

Security dealing policy

The Group securities trading policy applies to all directors and employees. The policy prohibits KMPs from dealing in Temple & Webster Group Ltd securities while in possession of material non-public information relevant to the Group, as originally disclosed to the ASX on 9 December 2015. This policy was subsequently updated as disclosed to the ASX on 16 July 2020.

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of performance rights
During the financial year, employees and executives have exercised performance rights to acquire 866,190 fully paid ordinary shares in Temple & Webster Group Ltd (refer to note 18).

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount), other than a loss arising from Ernst & Young's negligent, wrongful or wilful acts or omissions. No payment has been made to indemnify Ernst & Young during the financial year and up to the date of this report.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
The amounts paid or payable to the auditor for non-audit services during the financial year was $51,075 (2019: $44,805). This is outlined in note 23 to the financial statements.

The directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Ernst & Young
There are no officers of the Company who are former partners of Ernst & Young.

Rounding of amounts
Amounts in this report have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar, under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Stephen Heath
Chairperson
31 August 2020

Ernst & Young
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Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of Temple & Webster Group Ltd

As lead auditor for the audit of the financial report of Temple & Webster Group Ltd for the financial year ended 30 June 2020, 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 audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Graham Leonard
Partner
31 August 2020

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Revenue			
Revenue from contracts with customers	4	176,342	101,613
Cost of goods sold		(97,697)	(56,316)
Gross margin		78,645	45,297
Net foreign exchange gain		284	18
Interest income		229	142
Other operating income		1	32
Expenses			
Distribution		(24,728)	(14,746)
Merchant Fees		(2,646)	(1,607)
Marketing		(21,037)	(11,121)
Employee benefits	5	(17,921)	(13,583)
Depreciation and amortisation	5	(637)	(266)
Finance costs	5	(59)	(3)
Other	5	(4,114)	(3,181)
Profit before income tax benefit		8,017	982
Income tax benefit	6	5,892	2,782
Profit after income tax benefit for the year attributable to the owners of Temple & Webster Group Ltd		13,909	3,764
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Temple & Webster Group Ltd		13,909	3,764
		Cents	Cents
Basic earnings per share	31	12.28	3.37
Diluted earnings per share	31	11.67	3.18

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

Statement of Financial Position
As at 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Assets			
Current assets			
Cash and cash equivalents	7	38,082	13,539
Trade and other receivables		55	103
Inventories	8	6,619	4,240
Other	9	3,492	1,609
Total current assets		48,248	19,491
Non-current assets			
Right-of-use assets	10	1,393	-
Property, plant and equipment		453	471
Intangibles	11	7,859	7,596
Other		-	22
Deferred tax assets	6	9,356	3,464
Total non-current assets		19,061	11,553
Total assets		67,309	31,044
Liabilities			
Current liabilities			
Trade and other payables	12	22,130	9,610
Lease liabilities	5	504	-
Employee benefits	13	752	528
Provisions	14	2,386	947
Deferred revenue	15	10,025	4,331
Other	20	46	30
Total current liabilities		35,843	15,446
Non-current liabilities			
Employee benefits		462	300
Lease liabilities	5	885	-
Provisions		135	85
Total non-current liabilities		1,482	385
Total liabilities		37,325	15,831
Net assets		29,984	15,213
Equity			
Contributed capital	16	76,566	76,566
Reserves	17	3,513	2,615
Accumulated losses		(50,095)	(63,968)
Total equity		29,984	15,213

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

Statement of Changes in Equity
For the year ended 30 June 2020

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 (AASB 15)	-	-	(402)	(402)
Balance at 1 July 2018 (restated)	76,566	1,586	(67,732)	10,420
Profit after income tax benefit for the year	-	-	3,764	3,764
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,764	3,764
Share-based payments (note 18)	-	1,047	-	1,047
Transaction cost	-	(18)	-	(18)
Balance at 30 June 2019	76,566	2,615	(63,968)	15,213

Consolidated	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	76,566	2,615	(63,968)	15,213
Effect of adoption of new accounting standard (AASB 16)	-	-	(36)	(36)
Balance at 1 July 2019 (restated)	76,566	2,615	(64,004)	15,177
Profit after income tax benefit for the year	-	-	13,909	13,909
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	13,909	13,909
Share-based payments (note 18)	-	909	-	909
Transaction cost	-	(11)	-	(11)
Balance at 30 June 2020	76,566	3,513	(50,095)	29,984

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

Statement of Cash Flows
For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		200,889	112,553
Payments to suppliers and employees (inclusive of GST)		(175,556)	(108,533)
Interest received		229	142
Interest and other finance costs paid		(59)	-
Net cash from operating activities	30	25,503	4,162
Cash flows from investing activities			
Payments for property, plant and equipment		(231)	(315)
Payments for intangibles	11	(339)	(223)
Proceeds from disposal of property, plant and equipment		-	30
Net cash used in investing activities		(570)	(508)
Cash flows from financing activities			
Transaction costs of issue of shares		(11)	(18)
Payment of principal portion of lease liabilities	5	(379)	(30)
Net cash used in financing activities		(390)	(48)
Net increase in cash and cash equivalents		24,543	3,606
Cash and cash equivalents at the beginning of the financial year		13,539	9,933
Cash and cash equivalents at the end of the financial year	7	38,082	13,539

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

Notes to the Financial Statements

Note 1. Corporate information

The 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 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 for profit company incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The Group's 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 31 August 2020. The directors have the power to amend and reissue the financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the stated accounting policy. The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculation. This calculation requires the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of LTI performance rights is determined by using either the Trinomial, Monte Carlo or Black-Scholes models, as appropriate, taking into account the terms and conditions upon which the instruments were granted. The fair value of STI performance rights is based on the market value of Temple & Webster Group Ltd shares less dividend yield at the date each performance right is accepted by the participant, or a fixed percentage of remuneration as determined by the Performance Rights Plan. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Refunds provision
In determining the level of the provision, the Group has made judgements in respect of the expected return of products, number of customers who will actually return the products 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. Refer to note 14 for further details.

Deferred Tax Asset
Deferred tax assets are recognised for unused tax losses to the extent 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. Refer to note 6 for further details.

Note 3. Operating segments

Identification of reportable operating segments
The Group operates in one segment being the sale of furniture, homewares, 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.

Note 4. Revenue from contracts with customers

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

	Consolidated	
	2020 $'000	2019 $'000
Sale of goods	175,565	100,900
Purchase protection	777	713
	176,342	101,613

Accounting policy for revenue

Revenue recognition
AASB 15 establishes a five-step model to account for revenue arising from contracts with customers. Under the standard, 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. AASB 15 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. 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, whilst purchase protection is recognised over time.

Transaction price and variable consideration
In accordance with the standard, 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. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts provide customers with a right of return and/or trade discounts. Such provisions might give rise to variable consideration.

Right of return
When a contract with a customer provides a right to return the good within a specified period, a provision for the amount of revenue related to the expected returns is recognised in the statement of financial position and an asset for the right to recover products from customers on settling the refund liability.

Advances received from customers – gift cards / store credits
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. As a result, revenue from the sale of a gift card is recognised when the Group supplied the goods upon exercise of the gift card. Store credits are treated in a similar way with the difference that no cash was received from customers when they are issued. 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.

Advances received from customers – other
Generally, the Group receives only short-term advances from its customers. The Group does not receive material long term advances. The Group has decided to use the practical expedient provided under the standard to not adjust the promised amount of consideration for the effects of a significant financing component 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 concludes this does not have a material impact on the Group's financial statements.

Presentation and disclosure requirements
As required for the financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict the nature and amount. Refer above for the disclosure on disaggregated revenue.

Note 5. Expenses

	Consolidated 2020 $'000	2019 $'000
Profit/ (loss) before income tax includes the following specific expenses:		
Depreciation		
Right-of-use assets – buildings	395	-
Right-of-use assets – motor vehicles	9	-
Plant and equipment	80	59
Leasehold improvements	77	56
Motor vehicles	-	8
Total depreciation	561	123
Amortisation		
Software and websites	39	59
Customer relationships	37	84
Total amortisation	76	143
Total depreciation and amortisation	637	266
Finance costs		
Interest on lease liabilities	59	-
Other interest and finance charges	-	3
Total finance costs	59	3
Other expenses		
Hosting and other IT	1,546	1,160
Consulting	1,126	517
Rent, occupancy and property insurance	254	614
Business and other insurance	551	399
Travelling expenses	112	161
Other	525	330
Total other expenses	4,114	3,181
Employee benefits expense		
Employee benefits expense excluding superannuation	15,538	11,297
Equity-settled share-based payment expense (refer to note 18)	909	1,047
Cash-settled share-based payment expense (refer to note 18)	284	242
Superannuation contribution expense	1,115	871
Employee benefits paid on termination	75	126
Total employee benefits expense	17,921	13,583

Note 5. Expenses (continued)

Accounting policy for leases

AASB 16 supersedes AASB 117 'Leases'. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Method of adoption
The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 at the date of initial application. The group also applied the available practical expedients wherein it:

- Used the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets')
- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application

Nature of the effect of adoption of AASB 16
The Group has lease contracts for buildings, machinery and a vehicle. Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group, otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

For leases previously classified as finance leases, the Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 was applied to these leases from 1 July 2019.

For leases previously accounted for as operating leases, the Group recognised right-of-use assets and lease liabilities, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate of 6.5% at the date of initial application.

The effect of adoption AASB 16 as at 1 July 2019 (increase/(decrease)) is as follows:

	$'000
Right-of-use assets	464
Property, plant and equipment	(92)
Total assets	**372**
Lease liabilities	488
Trade and other payables	(80)
Total current liabilities	**408**
Net assets	**(36)**
Accumulated losses	(36)
Total Equity	**(36)**

Note 5. Expenses (continued)

Summary of new accounting policies
Set out below are the new accounting policies of the Group upon adoption of AASB 16, which have been applied from the date of initial application:

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment, consistent with the Group's property, plant and equipment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The amount recognised in the profit and loss for these leases totalled to $54,000.

Significant judgement in determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has the option, under all of its leases to lease the assets for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Group has not included the renewal period as part of the lease term for leases of buildings due to uncertainty around the current capacity meeting future Group's requirements. The undiscounted potential future rental payments pertaining to extension options not reflected in the lease liabilities total to $1,903,000.

Note 5. Expenses (continued)

Presentation and disclosure requirements
As required for the financial statements, the Group has recognised the relevant Right-of-use asset and Lease liabilities in relation to the leases the Group currently holds.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	$'000
Minimum lease payments under operating leases as of 30 June 2019	413
Effect from discounting at the incremental borrowing rate	(17)
Liabilities additionally recognised based on initial application of AASB 16	396
Other	39
Liabilities from finance leases as of 30 June 2019	53
Liabilities from leases as of 1 July 2019	**488**

The changes in lease liabilities from financing activities are set out below:

Consolidated	$'000 Current	$'000 Non-current	$'000 Total
Balance at 30 June 2019	-	-	-
Effect of adoption of new accounting standard (AASB 16)	392	96	488
Balance at 1 July 2019	392	96	488
Cash flows	(379)	-	(379)
New leases	-	1,280	1,280
Other	491	(491)	-
Balance at 30 June 2020	504	885	1,389

The 'Other' row includes the effect of reclassification of non-current portion of lease liabilities to current due to the passage of time. The Group classifies interest paid as cash flows from operating activities.

Note 6. Income tax benefit

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

		Consolidated
	2020 $'000	2019 $'000
Deferred income tax benefit	5,892	2,782
	5,892	2,782

		Consolidated
	2020 $'000	2019 $'000
Income tax benefit		
Deferred tax - origination and reversal of temporary differences and carry-forward tax losses	5,892	2,782
Income tax benefit reported in the statement of profit or loss	5,892	2,782
Reconciliation of income tax benefit and the accounting loss at the statutory tax rate		
Accounting profit before income tax benefit	**8,017**	**982**
Income tax expense at the statutory tax rate of 30%	2,405	295
Adjustments in respect of current income tax of previous years	(30)	(6)
Net non-deductible expenses for tax purposes	271	203
Tax losses utilised, not previously recognised	(3,362)	(377)
Carry-forward tax losses not previously recognised	(5,176)	(2,897)
Income tax benefit reported in the statement of profit or loss	**(5,892)**	**(2,782)**

Deferred tax
Deferred tax asset recognised comprises temporary differences attributable to:

		Consolidated
	2020 $'000	2019 $'000
Deductible capital raising costs	-	217
Provisions for returns, refunds, inventory and bad debtors	751	338
Employee benefits	393	314
Deferred revenue	1,456	560
Accrued expenses	(554)	(190)
Right-of-use assets	(385)	-
Lease liabilities	403	-
Intangibles	(680)	(667)
Foreign exchange	(97)	(1)
Prepayments	(18)	(4)
Fair value adjustment	14	-
Carry-forward tax losses not previously recognised	8,073	2,897
	9,356	3,464

Deferred tax assets have been recognised to the extent the Group has estimated it will be probable that future taxable amounts will be available to utilise those temporary differences. The deferred tax asset on unrecognised tax losses amounting to $8,073,000 was recognised for the year ended 30 June 2020. The carry-forward tax losses have been recognised to the extent that it is probable that future taxable amounts with be able to be utilised in the foreseeable future.

Note 6. Income tax benefit (continued)

The below potential tax benefit resulting from accumulated tax losses has not been recognised in the statement of financial position as the recovery of this benefit is uncertain. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Consolidated 2020 $'000	Consolidated 2019 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	10,111	38,465
Potential tax benefit @ 30%	3,033	11,540

Accounting for tax
Income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

(i) when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

(ii) when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidated group
Temple & Webster Group Ltd (the 'head entity') and its wholly-owned Australian subsidiaries formed an income tax consolidated group ('tax group') under the tax consolidation regime with effect from 4 December 2015. Each entity in the tax group continues to account for their own current and deferred tax amounts. The tax group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to group members. In addition to its own tax amounts, the head entity also recognises the tax arising from unused tax losses and tax credits assumed from each subsidiary in the tax group.

Assets or liabilities arising under tax funding agreements are recognised as amounts receivable from or payable to other entities in the tax group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 7. Current assets - cash and cash equivalents

	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash at bank	10,821	5,169
Cash on deposit	27,261	8,370
	38,082	13,539

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For cash flow purposes, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Note 8. Current assets - inventories

	Consolidated 2020 $'000	2019 $'000
Stock in transit (1)	4,195	1,499
Stock on hand	2,610	2,930
Less: Provision for impairment	(186)	(189)
	2,424	2,741
	6,619	4,240

Inventory that was recognised as an expense in profit or loss amounted to $97,697,000 (2019: $56,316,000) for the year ended 30 June 2020.

(1) *Additional stock in transit of $719,000 was recognised in the statement of financial position in the comparatives in the current financial statements.*

Accounting policy for inventories
Stock in transit and stock on hand are stated at the lower of cost and net realisable value. The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

Both stock in transit and stock on hand are finished goods for which net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs necessary to make the sale.

Note 9. Current assets - other

	Consolidated 2020 $'000	2019 $'000
Prepayments	3,178	1,368
Right of return assets	219	128
Security deposits	95	113
	3,492	1,609

Note 10. Non-current assets – right-of-use assets

	Consolidated 2020 $'000
Buildings - at cost	1,791
Less: Accumulated depreciation	(447)
	1,344
Motor vehicle - at cost	66
Less: Accumulated depreciation	(17)
	49
	1,393

Note 10. Non-current assets – right-of-use assets (continued)

Reconciliations of the written down values at the beginning and end of the current are set out below:

Consolidated	Buildings $'000	Motor vehicle $'000	Total $'000
Balance at 30 June 2019	-	-	-
Effect of adoption of new accounting standard (AASB 16)	406	58	464
Balance at 1 July 2019	406	58	464
Additions	1,333	-	1,333
Depreciation expense	(395)	(9)	(404)
Balance at 30 June 2020	1,344	49	1,393

Refer to note 5 for the accounting policies on right-of-use assets.

Note 11. Non-current assets - intangibles

	Consolidated 2020 $'000	2019 $'000
Goodwill - at cost	22,434	22,434
Less: Accumulated Impairment	(17,902)	(17,902)
	4,532	4,532
Brands - at cost	2,781	2,781
Software and websites - at cost	2,000	1,967
Less: Accumulated amortisation	(466)	(429)
Less: Accumulated Impairment	(1,474)	(1,474)
	60	64
Development costs	486	182
Customer relationships - at cost	338	338
Less: Accumulated amortisation	(338)	(301)
	-	37
	7,859	7,596

Note 11. Non-current assets – intangibles (continued)

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

Consolidated	Goodwill $'000	Brands $'000	Software and websites $'000	Development costs $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2018	4,532	2,781	82	-	121	7,516
Additions	-	-	41	182	-	223
Amortisation expense	-	-	(59)		(84)	(143)
Balance at 30 June 2019	4,532	2,781	64	182	37	7,596
Additions	-	-	35	304	-	339
Amortisation expense	-	-	(39)	-	(37)	(76)
Balance at 30 June 2020	4,532	2,781	60	486	-	7,859

Impairment testing
For impairment testing, goodwill and brands acquired through business combinations are allocated to the Temple and Webster CGU ('TPW') and amounted to $7,313,000 in the current and previous financial year. The Group performed its annual impairment test in June 2020 and 2019. The recoverable amount of the TPW CGU has been determined based on a value-in-use calculation, using a discounted cash flow model, based on a five-year projection period including the budget approved by the board for the financial year ended 30 June 2021. The key assumptions used to determine the value-in-use of the TPW CGU are based on the Directors' current expectations. They are considered to be reasonably achievable, however, significant changes in any of these key estimates, assumptions or regulatory environments may result in the TPW CGU carrying value exceeding its recoverable value, requiring an impairment charge to be recognised. Any reasonably possible change in any of the assumptions used does not result in an impairment charge at 30 June 2020. The key assumptions are those to which the recoverable amount of an asset or CGU is most sensitive.

The following key assumptions were used in the value-in-use calculation for the TPW CGU:

a) 15.4% pre-tax discount rate (15.4% in the previous financial year),
b) revenue growth in year 1 as per the next financial year budget approved by the board (consistent approach with the previous financial year),
c) revenue growth in years 2 to 5 calculated based on the combination of the historical growth rates over the past 4 years as well as external industry data (consistent approach with the previous financial year),
d) 4% terminal growth rate in the current and the previous financial year.

In accordance with AASB 136 'Impairment of assets', forecasts do not include estimated future cash inflows or outflows that are expected to arise from improving or enhancing the CGU's performance.

Based on the above assumptions, the calculated recoverable amount was higher than the carrying value of the TPW CGU and therefore no impairment charge was expensed to profit or loss for the year ended 30 June 2020.

No changes to the CGU structure have been made in the current financial year.

Accounting policy for impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together with a cash-generating unit.

Note 11. Non-current assets – intangibles (continued)

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Brands
Brand costs acquired are capitalised as an asset. These costs are not subsequently amortised as they have an indefinite useful life, instead they are tested annually for impairment.

Software and websites
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between two to seven years.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility, the Group is able to use or sell the asset, the Group has sufficient resources and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of three years.

Customer relationships
Customer contracts acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of four years.

Note 12. Current liabilities - trade and other payables

		Consolidated
	2020 $'000	2019 $'000
Trade payables	11,524	6,553
Accrued payables [(1)]	7,907	1,447
Employee related payables	959	922
Cash-settled share-based payments (refer to note 18)	284	242
On-costs on share-based payments (refer to note 18)	88	133
Other payables	1,368	313
	22,130	9,610

Accounting policy for trade and other payables
These amounts represent liabilities for wages, salaries and goods and services provided to the Group prior to the end of the reporting period and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(1) *Additional accrued payables of $719,000 were recognised in the statement of financial position in the comparatives in the current financial statements.*

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 13. Current liabilities - employee benefits

	Consolidated 2020 $'000	2019 $'000
Annual leave	752	528

Accounting policy for employee benefits

Employee benefits

Annual leave
Liabilities for annual leave are calculated based on remuneration rates the Group expects to pay when the liability is expected to be settled. Annual leave is a long-term benefit and is measured using the projected credit unit method.

Long service leave
The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using rates attached to bonds with sufficiently long maturities at the balance sheet date, which have maturity dates approximating to the terms of the Group's obligations.

Note 14. Current liabilities - provisions

	Consolidated 2020 $'000	2019 $'000
Lease make good	-	24
Refunds and replacements	2,386	923
	2,386	947

Movements in provisions
Movements in each class of provision during the current financial year are set out below:

Consolidated	Lease make good $'000	Refunds and replacements $'000
Carrying amount at 30 June 2018	24	1,005
Additional provisions recognised	-	7,562
Amounts used	-	(6,876)
Unused amounts reversed	-	(768)
Carrying amount at 30 June 2019	24	923
Additional provisions recognised	-	13,398
Amounts used	(24)	(11,115)
Unused amounts reversed	-	(820)
Carrying amount at 30 June 2020	-	2,386

Note 14. Current liabilities – provisions (continued)

Accounting policy for provisions

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Refunds and replacements
The refunds provision represents the value of goods expected to be returned by customers as a result of 'change of mind' or defective goods receipted by customers. The replacement provision represents the value of goods expected to be replaced by the Group as a result of defective goods receipted by customers. The provisions are estimated based on historical data using the percentage of actual refunds and replacements against sales revenue and cost of goods sold.

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost in profit or loss.

Note 15. Current liabilities – deferred revenue

	Consolidated 2020 $'000	Consolidated 2019 $'000
Deferred revenue	10,025	4,331

Movements in deferred revenue during the current financial year are set out below:

	Deferred revenue $'000
Carrying amount at 1 July 2018	1,936
Additional revenue deferred	104,008
Amounts used	(101,613)
Carrying amount at 30 June 2019	4,331
Additional revenue deferred	182,036
Revenue recognised	(176,342)
Carrying amount at 30 June 2020	10,025

Refer to note 4 for the accounting policies on deferred revenue.

Note 16. Equity - contributed capital

	Consolidated 2020 Shares	2019 Shares	2020 $'000	2019 $'000
Ordinary shares - fully paid	113,442,884	112,556,694	76,566	76,566

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2018	108,681,225		76,566
Shares issued to employees under STI and LTI scheme	29 August 2018	3,196,982	$0.00	-
Shares issued to employees under LTI scheme	20 September 2018	633,333	$0.00	-
Shares issued to employees under STI scheme	15 February 2019	45,154	$0.00	-
Balance	1 July 2019	112,556,694		76,566
Shares issued to employees under STI scheme	29 August 2019	190,810	$0.00	-
Shares issued to employees under STI scheme	18 September 2019	42,048	$0.00	-
Shares issued to employees under LTI scheme	30 September 2019	633,332	$0.00	-
Balance	30 June 2020	113,422,884		76,566

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings, trade and other payables, less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group would look to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current Company's share price at the time of the investment. The Group has pursued investments to integrate and grow its existing businesses in order to maximise synergies, refer to note 34 for further details.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 30 June 2019.

The group used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives in the financial year ended 30 June 2020 and 30 June 2019.

Accounting policy for contributed capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 17. Equity - reserves

	Consolidated 2020 $'000	Consolidated 2019 $'000
Share-based payments reserve	3,513	2,615
	3,513	2,615

Accounting policy for reserves

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and to other parties as part of their compensation for services.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments $'000
Balance at 1 July 2018	1,586
Transaction Cost	(18)
Share-based payments	1,047
Balance at 30 June 2019	2,615
Transaction Cost	(11)
Share-based payments	909
Balance at 30 June 2020	3,513

Note 18. Share-based payments

Long-term incentive ('LTI') plans were established by the Group and approved by the Board, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights or options over ordinary shares in the Company to employees and directors of the Group. The LTI performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. The LTI options are issued at a pre-determined consideration amount and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. The LTI performance targets are based on share price hurdles, which are set at the beginning of the performance period and are aligned to business level strategic priorities. Each participant is required to meet a service condition for performance rights to vest.

Set out below are summaries of performance rights granted under the LTI plans as at 30 June 2020:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
01/11/2016	30/09/2019	$0.00	633,334	-	(633,334)	-	-
1/07/2018	31/08/2021	$0.00	402,909	-	-	-	402,909
15/02/2019	31/08/2021	$0.00	50,000	-	-	-	50,000
1/07/2018	31/08/2022	$0.00	500,000	-	-	-	500,000
1/07/2018	31/08/2022	$0.00	1,300,000	-	-	-	1,300,000
1/07/2019	31/08/2022	$0.00	-	114,898	-	-	114,898
			2,886,243	114,898	(633,334)	-	2,367,807

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.98 years.

Note 18. Share-based payments (continued)

Set out below are summaries of performance rights granted under the LTI plans as at 30 June 2019:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
09/12/2015[1]	09/12/2020	$0.00	818,182	-	-	(818,182)	-
01/11/2016[2]	30/09/2019	$0.00	1,266,667	-	(633,333)	-	633,334
15/02/2019	31/08/2021	$0.00	-	50,000	-	-	50,000
1/07/2018	31/08/2021	$0.00	-	402,909	-	-	402,909
1/07/2018	31/08/2022	$0.00	-	500,000	-	-	500,000
1/07/2018	31/08/2022	$0.00	-	1,300,000	-	-	1,300,000
			2,084,849	2,252,909	(633,333)	(818,182)	2,886,243

(1) This LTI scheme, granted to the CXO, has been replaced with the new scheme granted on 1 July 2018. Refer to the Remuneration Report for more information.
(2) This LTI scheme from the prior year consists of three tranches which vest over the life of the scheme. As at 30 June 2019, 1,316,666 had already vested and the last remaining rights vested on 30 September 2019.

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2.37 years.

For the LTI performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1/07/2019	31/08/2022	$1.38	$0.00	60.00%	-	0.95%	$0.60

For the LTI performance rights granted during the previous financial years, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
9/12/2015	31/08/2020	$0.90	$0.00	50.00%	-	2.12%	$0.432
9/12/2015	31/08/2018	$0.90	$0.00	34.75%	-	2.12%	$0.900
1/11/2016	30/09/2019	$0.16	$0.00	65.00%	-	1.68%	$0.075
1/07/2018	31/08/2021	$0.76	$0.00	60.00%	-	2.20%	$0.372
1/07/2018	31/08/2022	$0.76	$0.00	58.00%	-	2.19%	$0.760
1/07/2018	31/08/2022	$0.76	$0.00	58.00%	-	2.19%	$0.396

Set out below are summaries of options granted under the LTI and salary sacrifice plans as at 30 June 2020:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ Exercised	Expired/ forfeited/ lapsed	Balance at the end of the year
1/07/2018	31/08/2022	$0.74	5,000,000	-	-	-	5,000,000
27/11/2018	30/06/2021	$0.99	543,078	-	-	-	543,078
			5,543,078	-	-	-	5,543,078

For the LTI and salary sacrifice options granted during the previous 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:

Grant date	Vesting date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1/07/2018	31/08/2022	$0.76	$0.74	58.00%	-	2.19%	$0.352
27/11/2018	30/06/2021	$1.15	$0.99	60.00%	-	2.20%	$0.594

Note 18. Share-based payments (continued)

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

A short-term incentive ('STI') plan was also established by the Group and approved by the Board, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the Company to employees and directors of the Group. The rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. STI performance targets are based on Group and Individual KPIs, which are set at the beginning of the performance period and are aligned to business level strategic priorities. Each participant might need to meet the service condition for STI performance rights to vest.

Set out below are summaries of performance rights granted under the STI plan as at 30 June 2020:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ exercised	Expired/ forfeited/ lapsed	Balance at the end of the year	Fair Value at grant date
31/08/2017	31/08/2019	$0.00	190,810	-	(190,810)	-	-	$0.740
			190,810	-	(190,810)	-	-	-

Set out below are summaries of performance rights granted under the STI plan as at 30 June 2019:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested/ exercised	Expired/ forfeited/ lapsed	Balance at the end of the year	Fair Value at grant date
01/11/2016	31/08/2018	$0.00	1,082,902	-	(1,082,902)	-	-	$0.160
01/09/2017	31/08/2018	$0.00	1,428,775	-	(1,428,775)	-	-	$0.320
31/08/2017	31/08/2019	$0.00	235,964	-	(45,154)	-	190,810	$0.740
			2,747,641	-	(2,556,831)	-	190,810	-

Cash-settled share-based payments of $284,000 were granted under the STI Plan on 1 July 2019 and vested on 30 June 2020 ($242,000 in the previous financial year).

A short-term incentive ('STI') plan was established by the Group during the previous financial year, whereby non-executive employees receive $1,000 of ordinary shares in the Company if the STI performance targets, based on Group KPIs, are met. The Group KPIs were met for year ended 30 June 2019, hence the STI plan vested and the shares were issued to the employees. This STI plan was repeated in the current financial year with consistent structure as the previous year. As at 30 June 2020, the Group's KPIs were met.

Accounting policy for share-based payments

Equity-settled transactions
Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. The cost of equity-settled transactions is measured at fair value on grant date. For the LTI performance rights or options, fair value is independently determined using either the Trinomial, Monte Carlo or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions and hurdles that do not determine whether the Group receives the services that entitle the employees to receive payment. For the STI performance rights the valuation model used to determine the fair value at the issue date is based on the market value of Temple & Webster Group Ltd shares less dividend yield at the date each performance right was accepted by the participant, or a fixed percentage of remuneration as determined by the Performance Rights Plan.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 18. Share-based payments (continued)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

Cash-settled transactions
A liability is recognised for the fair value of cash-settled transactions. The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense (refer to note 5). The fair value is expensed over the period until the vesting date with recognition of a corresponding liability and is determined as a percentage of the fixed remuneration.

Note 19. Equity - dividends

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

Note 20. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk) and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group uses foreign exchange forward contracts to manage some of its transaction exposures resulting from purchases in USD. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to 3 months. The foreign exchange forward contract balances vary with the level of expected foreign currency purchases and changes in foreign exchange forward rates. The foreign exchange forward contracts are measured at fair value through profit or loss.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2020 $'000	2019 $'000	2020 $'000	2019 $'000
US dollars	-	-	901	142
NZ dollars	-	-	-	3
	-	-	901	145

Based on this position, the Group is not exposed to any significant foreign currency sensitivity from its existing liabilities.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not materially exposed to any significant interest rate risk.

Note 20. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is not materially exposed to any significant credit risk. All cash and cash equivalents are held by well-established banks, hence the expected default rate for these institutions is highly unlikely based on both financial and non-financial data available. All receivables are neither past due nor impaired.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2020	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	11,524	-	-	-	11,524
Other payables	-	1,368	-	-	-	1,368
Lease liabilities	6.5	504	504	381	-	1,389
Total non-derivatives		13,396	504	381	-	14,281
Derivatives						
Foreign exchange forward contracts	-	46	-	-	-	46
Total derivatives	-	46	-	-	-	46

Consolidated - 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,553	-	-	-	6,553
Other payables	-	313	-	-	-	313
Total non-derivatives		6,866	-	-	-	6,866
Derivatives						
Foreign exchange forward contracts	-	30	-	-	-	30
Total derivatives	-	30	-	-	-	30

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

AASB 9 Financial Instruments
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 20. Financial instruments (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 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.

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 its financial assets at amortised cost at its fair value plus transaction costs. These financial assets are subsequent measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

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 payables at amortised cost or as derivatives at fair value through profit or loss. The Group's financial liabilities include trade and other payables and derivative financial instruments.

The Trade and other payables are recognised initially at fair value plus transaction costs. These financial liabilities are subsequently measured at amortised cost using the EIR method.

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 21. Fair value measurement

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

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Derivatives held by the Group are considered to be level 2. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 22. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of KMP of the Group is set out below:

	Consolidated 2020 $	2019 $
Short-term employee benefits	1,275,712	1,184,902
Post-employment benefits	89,036	87,620
Share-based payment	740,669	826,949
	2,105,417	2,099,471

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young Australia, the auditor of the Group:

	Consolidated 2020 $	2019 $
Audit services - Ernst & Young Australia		
Audit or review of the financial report	206,681	197,600
Other services - Ernst & Young Australia		
Assurance services	9,360	-
Tax compliance	41,715	44,805
	257,756	242,405

Note 24. Contingent liabilities

The Group had no contingent liabilities at 30 June 2020 and 30 June 2019.

Note 25. Commitments

The Group had no capital commitments at 30 June 2020 and 30 June 2019.

Note 26. Related party transactions

Parent entity
Temple & Webster Group Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 22 and the remuneration report included in the directors' report.

Transactions with related parties
No transactions with related parties other than key management personnel occurred in the current and previous financial year.

Receivable from and payable to related parties
There were no outstanding balances in relation to transactions with related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	2020 $'000	2019 $'000
Loss after income tax	(1,972)	(1,972)
Total comprehensive income	(1,972)	(1,972)

Statement of financial position

	2020 $'000	2019 $'000
Total current assets	27,672	27,672
Total assets	33,712	33,712
Total current liabilities	5,561	4,499
Total liabilities	5,561	4,499
Net assets	28,151	29,213
Equity		
Contributed capital	94,878	94,878
Reserves	3,542	2,632
Accumulated losses	(70,269)	(68,297)
Total equity	28,151	29,213

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 and 30 June 2019.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Note 27. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 32, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Deed of cross guarantee
The parent entity is a party to a deed of cross guarantee (refer to note 29).

Note 28. Interests in subsidiaries

The consolidated financial statements of the Group include the following subsidiaries:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Temple & Webster Pty Ltd	Australia	100.00%	100.00%
Temple & Webster Services Pty Ltd	Australia	100.00%	100.00%
TPW Group Services Pty Ltd	Australia	100.00%	100.00%
Milan Direct Group Investments Pty Ltd	Australia	100.00%	100.00%
Milan Direct Pty Ltd	Australia	100.00%	100.00%
Milan Direct UK Pty Ltd	Australia	100.00%	100.00%
Temple & Webster NZ Ltd	New Zealand	100.00%	100.00%

The principal continuing activities of the Group consisted of the sale of furniture, homeware, and other lifestyle products.

Note 29. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Temple & Webster Group Ltd (Holding Entity)
Temple & Webster Pty Ltd
Temple & Webster Services Pty Ltd
TPW Group Services Pty Ltd
Milan Direct Group Investments Pty Ltd
Milan Direct Pty Ltd
Milan Direct UK Pty Ltd

By entering into the deed, the wholly-owned Australian entities have been relieved from the requirement to prepare financial statements and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the ASIC Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Temple & Webster Group Ltd, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

Note 30. Reconciliation of profit or loss after income tax to net cash used in operating activities

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit/ (loss) after income tax benefit for the year	13,909	3,764
Adjustments for:		
Share based payment expense	909	1,047
Depreciation and amortisation	637	266
Movements in make good provision	(50)	(25)
Income tax benefit	(5,892)	(2,782)
Retained earnings effect of adoption of AASB 15	-	(402)
Gain on disposal of property, plant and equipment	-	(32)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	48	(73)
(Increase)/decrease in inventories	(2,379)	(1,303)
(Increase)/decrease in other assets	(1,861)	(474)
Increase/(decrease) in trade and other payables	12,613	1,709
Increase/(decrease) in employee benefits	386	129
(Decrease)/increase in other provisions	1,489	(57)
Increase/(decrease) in deferred revenue	5,694	2,395
Net cash from operating activities	25,503	4,162

Note 31. Earnings per share

	Consolidated 2020 $'000	Consolidated 2019 $'000
Profit after income tax attributable to the owners of Temple & Webster Group Ltd	13,909	3,764
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	113,225,581	111,871,045
Effects of dilution from share based payments	5,931,478	6,636,884
Weighted average number of ordinary shares used in calculating diluted earnings per share	119,157,059	118,507,929
	Cents	**Cents**
Basic earnings per share	12.28	3.37
Diluted earnings per share	11.67	3.18

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Temple & Webster Group Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 32. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The accounting policies adopted in the preparation of the Group's annual consolidated financial statements are consistent with those following in the preparation in the previous period, expect for the adoption of new standards effective for the Group as of 1 July 2019. 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 16 Leases. Refer to the note 5 for details of the new accounting policies.

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The consolidated financial statements provide comparative information in respect of the previous period with the exception of new accounting standards adopted in the period.

From 1 July 2019, the group has adopted AASB 16 Leases to replace AASB 117 Leases. The Group has adopted this standard by using the modified retrospective method, and therefore the comparatives have not been adjusted.

Historical cost convention

The financial statements have been prepared under the historical cost convention except for derivative financial instruments, which are measured at fair value.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Temple & Webster Group Ltd as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Note 32. Significant accounting policies (continued)

Foreign currency translation

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

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.

Note 33. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020. The Group's assessment deems these standards will not be relevant to the Group.

Note 34. Events after the reporting period

The Group successfully completed a $40 million placement on 2 July 2020 via the issue of approximately 7.0 million new fully paid ordinary shares. The purpose of this raise was to strengthen the balance sheet and enable the Group to pursue organic and inorganic growth opportunities.

The Group also made a small investment into a start-up company developing AI interior design tools.

No other matter or circumstance has arisen since 30 June 2020 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.

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 32 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Stephen Heath
Chairperson

31 August 2020
Sydney

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Temple & Webster Group Ltd (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Revenue Recognition

Why significant	How our audit addressed the key audit matter
As disclosed in note 4 to the financial report, 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. The majority of the Group's sales transactions are completed through the "drop-ship" model whereby suppliers deliver goods directly to the Group's customers. The group is the principal in these transactions and therefore revenue is recognised as the gross selling price net of rebates and discounts. Revenue is only recognised when delivery is made to the customer which requires an assessment at the end of the accounting period for all orders shipped but not yet processed as delivered. Due to the judgement involved in this assessment, the volume of online retail transactions processed on a daily basis, and the arrangements in place with suppliers, the timing of when revenue is recognised is considered to be a key audit matter.	Our audit procedures included the following: - Testing the operating effectiveness of controls over the capture and measurement of revenue transactions; - For a sample of revenue transactions during the year, near year-end and subsequent to year-end, testing whether the revenue was recorded in the appropriate period including testing whether the sale transactions not delivered to the customer were appropriately included as deferred revenue at balance date; - Considering whether customer returns, and credit notes issued post balance date that related to sales recognised in the 2020 financial year were recorded in the proper period; - Assessing whether the revenue recognition policy applied to the terms and conditions of sale was in accordance with Australian Accounting Standards; and - Considering the adequacy of the revenue recognition policy disclosure contained in note 4.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2020 Annual Report but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 17 of the Annual Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Temple & Webster Group Ltd for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Graham Leonard
Partner
Sydney
31 August 2020

Shareholder Information

The shareholder information set out below is applicable as at 30 July 2020.

Number of Equity Security Holders

The number of holders of Ordinary equity securities was 5,170.
The number of holders of unquoted performance rights was 8.
The number of holders of unquoted Options was 4.

Voting rights

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Performance rights
Holders of Performance Rights do not have any voting rights.

Options
Holders of Options do not have any voting rights.

Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

Range	Securities	%	No. of holders of ordinary shares	%
100,001 and Over	108,168,425	89.81	54	1.04
10,001 to 100,000	6,032,152	5.01	201	3.89
5,001 to 10,000	1,635,229	1.36	221	4.27
1,001 to 5,000	3,167,538	2.63	1,391	26.91
1 to 1,000	1,437,084	1.19	3,303	63.89
Total	120,440,428	100.00	5,170	100.00

Distribution of unquoted equity securities

Analysis of number of unquoted performance rights holders by size of holding:

Range	Securities	%	No. of holders of ordinary shares	%
100,001 and Over	2,057,131	86.88	3	37.50
10,001 to 100,000	310,674	13.12	5	62.50
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	2,367,805	100.00	8	100.00

Analysis of number of unquoted option holders by size of holding:

Range	Securities	%	No. of holders of ordinary shares	%
100,001 and Over	5,543,078	100.00	4	100.00
10,001 to 100,000	-	-	-	-
5,001 to 10,000	-	-	-	-
1,001 to 5,000	-	-	-	-
1 to 1,000	-	-	-	-
Total	5,543,078	100.00	4	100.00

Substantial holders

Substantial holders as disclosed in substantial holding notices given to the Company are:

	Ordinary shares held	% of issued shares
Kinderhook 2 LP	17,875,662	15.76
Morgan Stanley and its subsidiaries	8,966,324	7.91
Tackelly Pty Limited as Trustee for Tackelly Trust	5,988,884	5.28
Super Properties Pty Ltd as Trustee for Shayne Smyth Trust	5,880,810	5.18

Marketable parcel

The number of holders holding less than a marketable parcel of Ordinary securities was 62.

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities as per the Company's share register are listed below:

Name	Ordinary Shares held	% of issued shares
Citicorp Nominees Pty Limited	40,764,362	33.85
HSBC Custody Nominees (Australia) Limited	19,444,143	16.14
J P Morgan Nominees Australia Pty Limited	7,028,756	5.84
Netwealth Investments Limited	6,733,983	5.59
AP Ecommerce Pty Ltd	3,427,828	2.85
HSBC Custody Nominees (Australia) Limited - A/C 2	3,181,301	2.64
Mark Coulter	2,912,775	2.42
Adam Richard McWhinney	2,205,389	1.83
National Nominees Limited	2,071,763	1.72
BNP Paribas Nominees Pty Ltd - IB AU NOMS RETAILCLIENT DRP	1,735,295	1.44
Hingtai Pty Limited	1,495,000	1.24
BNP Paribas Nominees Pty Ltd - AGENCY LENDING DRP A/C	1,488,415	1.24
Brian Shanahan & Jaccqueline Shanahan	1,405,324	1.17
Bariloche Investments Pty Limited	1,042,623	0.87
UBS Nominees Pty Ltd	1,022,351	0.85
CS Fourth Nominees Pty Limited	976,126	0.81
Mr King Shun Tam	915,000	0.76
Ms Mandy Hung Ko	830,000	0.69
Mr Jack Wu	711,000	0.59
Jam Hole LP	624,718	0.52
Total	100,016,152	83.06
Balance of register	20,424,276	16.94
Grand total	120,440,428	100.00

On-market buy-back

There is no current on-market buy-back.

Corporate Directory

Directors	Stephen Heath, chairperson and independent non-executive director Susan Thomas, independent non-executive director Conrad Yiu, non-executive director Mark Coulter, chief executive officer and executive director
Company secretary	Michael Egan
Registered office / principal place of business	1A/1-7 Unwins Bridge Road St Peters, NSW 2044
Share register	Link Market Services Limited Level 12 680 George Street Sydney, NSW 2000 Share registry telephone: 1300 554 474
Auditor	Ernst & Young 200 George Street Sydney, NSW 2000
Stock exchange listing	Temple & Webster Group Ltd shares are listed on the Australian Securities Exchange (ASX code: TPW)
Website	www.templeandwebstergroup.com.au
Corporate Governance Statement	Refer to the Company's website for all corporate governance information www.templeandwebstergroup.com.au/Home/?page=corporate-governance

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