TEMPLE & WEBSTER

Appendix 4E

Temple & Webster Group Ltd
ABN 69 608 595 660

Financial year ended 30 June 2022
Results for announcement to the market

Annual change	2022 $'000	2021 $'000	Change
Revenues from ordinary activities	426,335	326,344	30.6%
Profit from ordinary activities after tax attributable to the owners of Temple & Webster Group Ltd	11,968	13,953	(14.2%)
Profit after tax for the year attributable to the owners of Temple & Webster Group Ltd	11,968	13,953	(14.2%)

Strong growth in FY22 with revenue of $426.3m which was up 30.6% vs FY21. The reduction in profit after tax reflects the Group's stated reinvestment strategy for FY22 which included investing in people, technology, logistics and product. The result also included an initial investment of $1.7m into the Group's new home improvement site, The Build. Importantly, EBITDA guidance for FY22 was 2-4%, whilst the Group's actual result was 3.8% which was at the high end of this guidance. Please see the Group's FY22 results presentation lodged with the ASX on 16 August 2022 for information relating to an FY23 outlook.

2-Year CAGR[1] using profit before tax	2022 $'000	2020 $'000	Change
Revenues from ordinary activities	426,335	176,342	55.5%
Profit from ordinary activities before tax attributable to the owners of Temple & Webster Group Ltd	13,250	8,017	28.6%
Profit before tax for the year attributable to the owners of Temple & Webster Group Ltd	13,250	8,017	28.6%

1. Compound annual growth rate.

Revenue for the year was $426.3m which is up 55% on a 2-year CAGR. The growth is presented this way in an attempt to normalise for the erratic nature of growth over the preceding two years as a result of numerous lockdown periods. The Group recommends using profit before tax as opposed to profit after tax given various tax adjustments over the 3-year period due to the recognition of historical tax losses which impact like for like comparisons.

There were no dividends paid, recommended or declared during the current financial period. The Group did not put a dividend reinvestment plan in place in the current financial year.

The net tangible assets per ordinary share is calculated based on 120,514,583 ordinary shares on issue as at 30 June 2022 and 120,452,928 on issue as at 30 June 2021 and is set out below:

	2022 Cents[2]	2021 Cents[2]
Net tangible assets per ordinary security	73.95	57.13

2. Consistent with the Australian Securities & Investment Commission interpretation, the Right-of-use asset (AASB 16) and Right-of-return assets (AASB 15) are intangible assets, and therefore have been excluded from Net tangible assets.

The Group holds 33% of shares in an associate, Renovai Inc.

For more detailed information please refer to the attached annual report.

The report has been audited and an unqualified opinion has been issued.

Annual Report 2022

TEMPLE & WEBSTER

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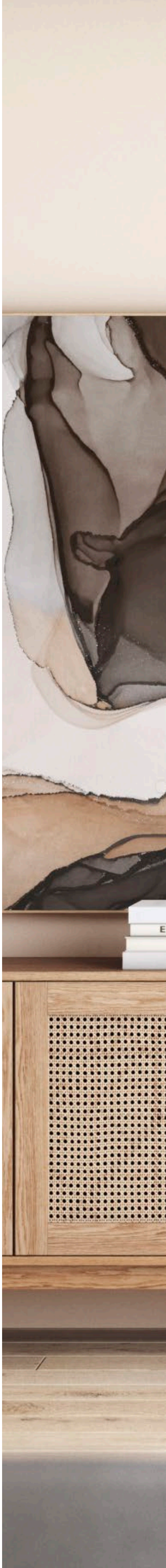


Temple & Webster Group Ltd
ABN 69 608 595 660

Acknowledgement of Country

Temple & Webster Group acknowledges the Traditional Owners and Custodians of Country throughout Australia. We recognise their enduring connection to the lands, the waterways, and the skies. We acknowledge the Gadigal and Wangal people, on whose lands our corporate head office is located, as well as all other First Nation Countries we operate across. We pay our respects to Elders past, present and emerging and to all Aboriginal and Torres Strait Islander peoples.

Summary

FY22 Revenue	**$426.3m**	2-Year CAGR: 55%
FY22 EBITDA	**$16.2m**	2-Year CAGR: 38% *(incl. The Build investment)*
FY22 EBITDA Margin	**3.8%**	High end of 2-4% guidance

- Temple & Webster is the leading pure play online retailer for furniture and homewares in Australia
- The furniture and homewares market is large, stable and continues to shift online
- Attractive customer and unit economics with a track record of taking market share
- Cash flow positive, strong balance sheet position, $101m cash and no debt

Sources: Euromonitor International Limited; Home Furnishings and Homewares System 2022 edition. IBISWorld Online Home Furnishing Sales in Australia Industry Report and Online Household Furniture Sales in Australia Industry Report

Chairperson's report

Pleasingly, the Company's proven ability to adapt to rapidly changing conditions has once again enabled us to keep meeting our customers' expectations, while continuing to grow and take market share.

Dear shareholders,

On behalf of the Board of Directors, it gives me pleasure to present Temple & Webster's 2022 Annual Report.

TEMPLE & WEBSTER CONTINUES TO SHINE

As we close out another financial year, the Temple & Webster team has again stepped up to successfully manage a variety of challenges throughout FY22.

Pleasingly, the Company's proven ability to adapt to rapidly changing conditions has once again enabled us to keep meeting our customers' expectations, while continuing to grow and take market share.

Revenue for the year was $426.3m which is up 55% on a 2-year CAGR. We have presented growth this way in an attempt to normalise for the erratic nature of growth over the preceding two years as a result of numerous lockdown periods. This growth reaffirms Temple & Webster's position as one of the fastest growing retailers in Australia. EBITDA of $16.2m was up 38% on a 2-year CAGR basis, and EBITDA margin came in at 3.8% which was at the high end of our stated 2-4% range. These profit numbers include an initial $1.7m investment in our new site, thebuild.com.au.

MARKET OPPORTUNITY

While the directors are happy with these results, we believe it is just a fraction of what we can achieve as the online market for furniture and homewares continues to grow. In Australia, the total furniture and homewares market is worth around $16-17 billion, of which only 15-17% has moved online. This is well behind other markets such as the US, which has around 30% online penetration with significant growth ahead of it.

We are also continuing to expand our activities in the business-to-business ('B2B') and home improvement markets, which increases our total addressable market to more than $30 billion. These markets represent a significant opportunity for our business and are a key focus of our future growth strategy.

INVESTING FOR GROWTH

During the financial year, we continued to follow our short- to mid-term reinvestment strategy. This saw us reinvest into areas that continue to build out our strategic moats, including marketing, technology development, product range and logistics, as well as into our new growth horizons.

This strategy enabled us to build a brand that is resonating with the next generation of shoppers and assist in growing our market share in the sectors we operate in.

A STRONG BALANCE SHEET

We finished the year with a cash balance of $101m and remain debt free. This balance sheet provides us with the flexibility to invest in our future growth horizons, look at inorganic opportunities where it makes sense to do so and enact capital management strategies, whilst also ensuring we have the financial strength to navigate potentially challenging macro environments.

CHANGE OF COMPANY SECRETARY

In March, the Board farewelled Company Secretary, Michael Egan, who retired after almost seven years in the role.

Our new Company Secretary is Lisa Jones. Lisa is a corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs.

I wish to sincerely thank Mike for his significant contribution to the Company and wish him all the best for his retirement. I am also delighted to welcome Lisa to the role.

THANK YOU TO THE TEAM

On behalf of the Board, I would like to thank our CEO, Mark Coulter, the management team and the entire staff of Temple & Webster for their hard work throughout the year. Your passion and dedication is inspiring. I'd also like to take this opportunity to extend my thanks to my fellow directors Susan Thomas, Conrad Yiu, Belinda Rowe and our new Company Secretary Lisa Jones for their contribution and stewardship. Finally, I would like to thank you – our shareholders – for your continued support.

STEPHEN HEATH
Non-executive Chairperson

CEO's report

Dear fellow shareholders,

With apologies to Tolstoy, it does feel that all challenging years are challenging in their own way. FY22 was no exception. It started with quasi-nationwide lockdowns, border closures and self-isolation, moving quickly into supply chain headaches, logistical bottlenecks, Federal Government changes, domestic inflation and interest rate increases, and global macro uncertainty especially with the Russia-Ukraine conflict following.

Despite all of this, Temple & Webster has delivered another set of strong results with record revenue of $426.3m which is 31% up on last year and 142% on a 2-year period, which equates to a 55% 2-year CAGR. The flexibility of the business model was also evident with an EBITDA result of $16.2m which is up 38% on a 2-year CAGR, and at 3.8% of revenue, is at the highest end of our stated 2-4% range. This result included an initial $1.7m investment in our new home improvement site, the Build by Temple & Webster ('the Build').

These results are a testament to our strategy and market position which we continued to strengthen in FY22 through reinvesting back into the business. This included investing in areas that allow us to maintain our competitive advantage, including technology and data, logistics services, content and merchandising capabilities. We also accelerated our investment into sectors adjacent to our core furniture and homewares business – trade and commercial and home improvement. These are areas we believe will deliver significant growth for our business in the years to come. Our results also reflect the incredible resilience of our team and their determination to keep delivering beautiful solutions for our customers, no matter what the pandemic throws at us. This has contributed not only to the growth of our business over the past year, but to bringing happiness into the lives of the hundreds of thousands of Australians who bought our products.

BUILDING ON STRONG FOUNDATIONS

Ultimately, the fundamentals of our business haven't changed. The market opportunity hasn't changed. Our strategy hasn't changed. And, importantly, our aspirations haven't changed.

We remain confident our strategy is resonating with the next generation of shoppers and that we are well placed to continue to gain share in the markets we operate in.

We want to be known for having the best range in our category. We want consumers to see us as the place to go for great-quality products at affordable prices. We want to inspire people to make their homes more beautiful with inspirational content and services. We want to create exceptional customer experience at every step of the journey, from browsing to accepting a delivery. And we want to achieve all of this with a strong foundation of data-driven marketing, world-class technology and exceptional execution from our team.

These aspirations feed into our mission to deliver beautiful solutions for our customers' homes and workspaces, and for all our other stakeholders, including suppliers and shareholders.

To do this, we intend to continue forging closer relationships with our suppliers, investing in areas like technology and data that allow us to differentiate our offering, and expanding our logistics capabilities. We will also keep pushing into the complementary markets we've identified for future growth.

We remain confident our strategy is resonating with the next generation of shoppers and that we are well placed to continue to gain share in the markets we operate in.

WHERE TO FROM HERE?

As we head into FY23, we understand this isn't the time to be complacent. With prevailing economic conditions such as interest rate increases and cost of living pressures all likely to weigh on discretionary spending, Australia could be in for a difficult 12 months ahead.

At Temple & Webster, we're not immune to these uncertain economic conditions, but we believe we have several factors in our favour as we consider what comes next.

The most important of these is the financial strength of our business itself. As our FY22 results show, we are not only the market leader in our sector but are still growing, profitably. Our flexible business model also enables us to withstand market pressures. We have access to a variety of variable performance levers within the business, including overhead management, nimble pricing, promotional strategies and a variety of marketing channels that we can use to optimise our position as conditions change. Importantly, the ongoing shift from offline to online is one driven by demographic and consumer behaviour changes which are independent of any cyclical macroeconomic factors.

Although FY23 year-on-year growth will be volatile as we finish lapping COVID impacted numbers in FY22, our strategy remains consistent. Through our growth initiatives, we aim to maximise growth as well as to improve profit margins. This will be done through our ongoing program of margin improvement and cost base management, and phasing of longer-term investments.

THANK YOU TO THE TEMPSTER TEAM

As always, I'd like to say a huge thank you to the Tempster team. Dealing with everything the pandemic has thrown our way hasn't been easy. We salute you for the energy, passion and drive that has allowed us to keep on delivering beautiful solutions for our customers throughout this challenging period.

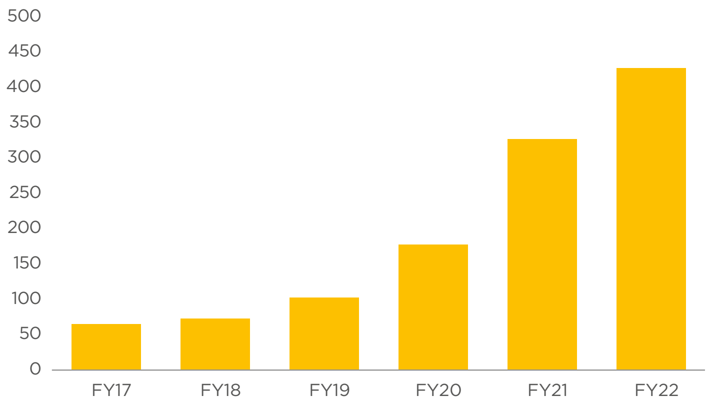
MARK COULTER
Chief Executive Officer

Operational review

MARKET LEADING GROWTH AND ATTRACTIVE CUSTOMER METRICS

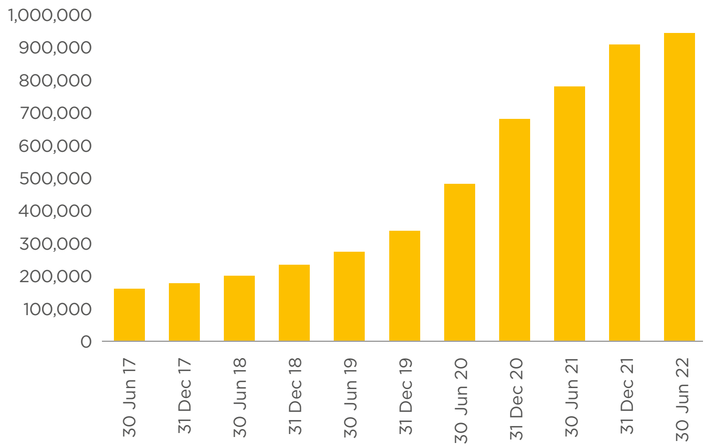
Revenue of $426.3m was up 31% on FY21 and up 142% on FY20 which is a 55% 2-year CAGR which demonstrates the Group's ability to consistently outperform.

Figure 1: Revenue, $m



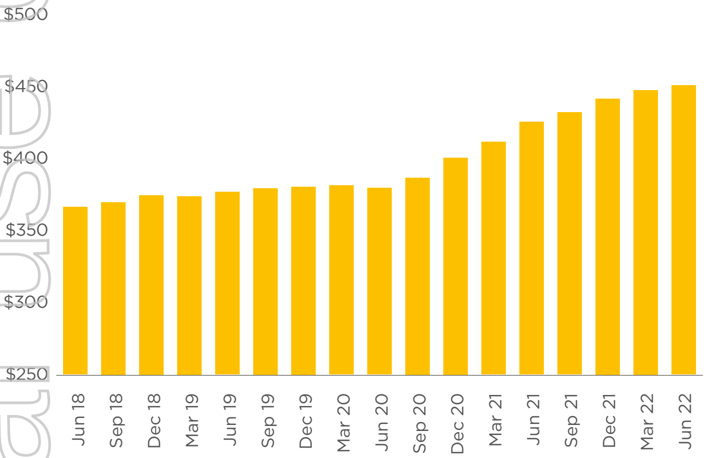
Revenue growth was driven by both an increase in active customers which were up 21% on FY21:

Figure 2: Active Customer Growth



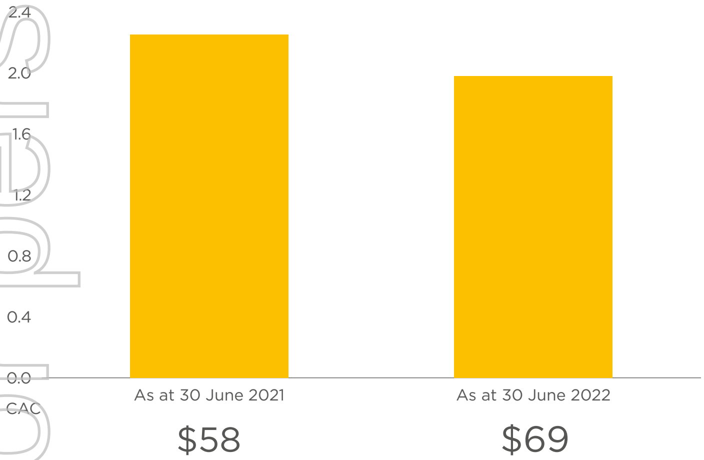
And increases in revenue per active customer ('RPAC'), the 8th consecutive quarter of growth:

Figure 3: Revenue per active customer up 6%



Despite inflationary pressures on Customer Acquisition Costs ('CAC'), our 12-month ROI has remained at ~2 with CACs remaining below $70.

Figure 4: 12-month marketing ROI ~2 despite $69 CAC



Marketing ROI = Margin $ / CAC

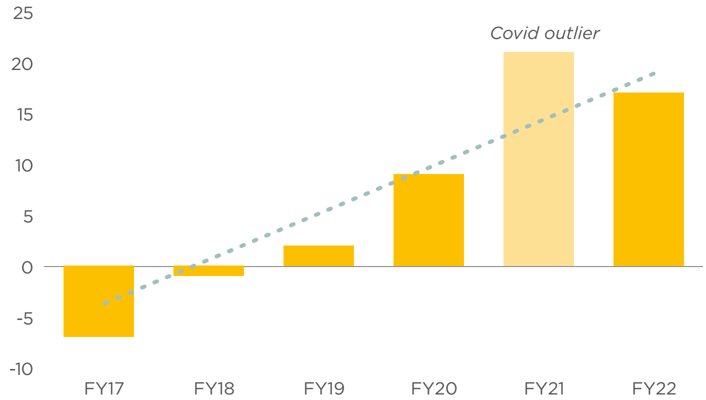
Margin = Revenue per active customer as at 30 June 2022 x delivered margin % for FY22

CAC = Total marketing spend for FY22 x 75% (being the estimated percentage of marketing spent on new customer acquisition, i.e., excludes estimated spend on repeat customers) divided by the number of first-time customers during FY22

EBITDA AT THE HIGHEST END OF GUIDANCE

Importantly, this was profitable growth, EBITDA was $16.2m (3.8% of revenue) which was at the high end of our stated 2-4% EBITDA range and equates to a 2-year CAGR of 38%. This result included an initial investment into the Build of $1.7m.

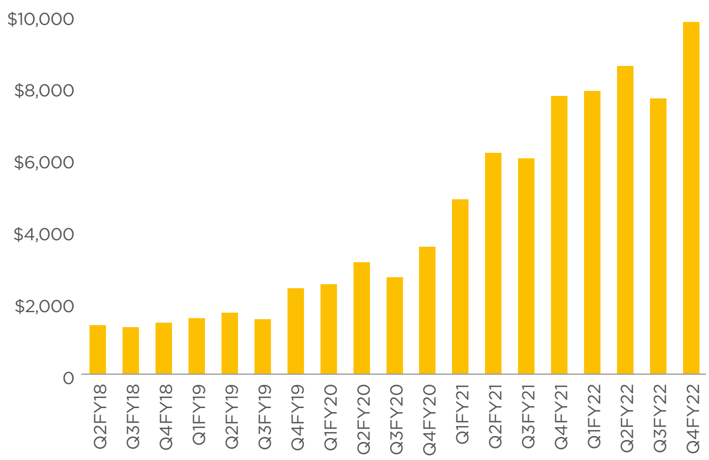
Figure 5: EBITDA, $m



TRADE AND COMMERCIAL (B2B) GROWS BY 39%

This year our trade and commercial ('B2B') division grew by 39% year on year. This is despite the commercial sector experiencing significant disruptions due to the pandemic. B2B now represents 8% of our total business, with considerable potential to grow.

Figure 6: Revenue, $m



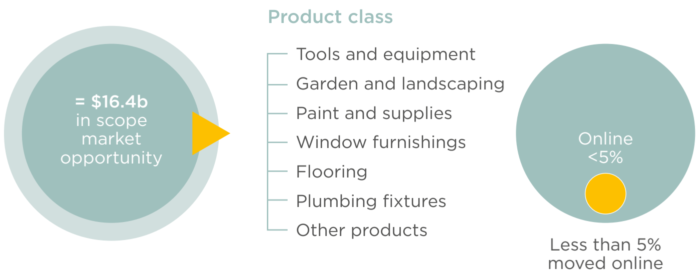
Key area of focus included the development of partnership packages for high-value builder-developer customers – including display designs, furniture packages and marketing and selling incentives

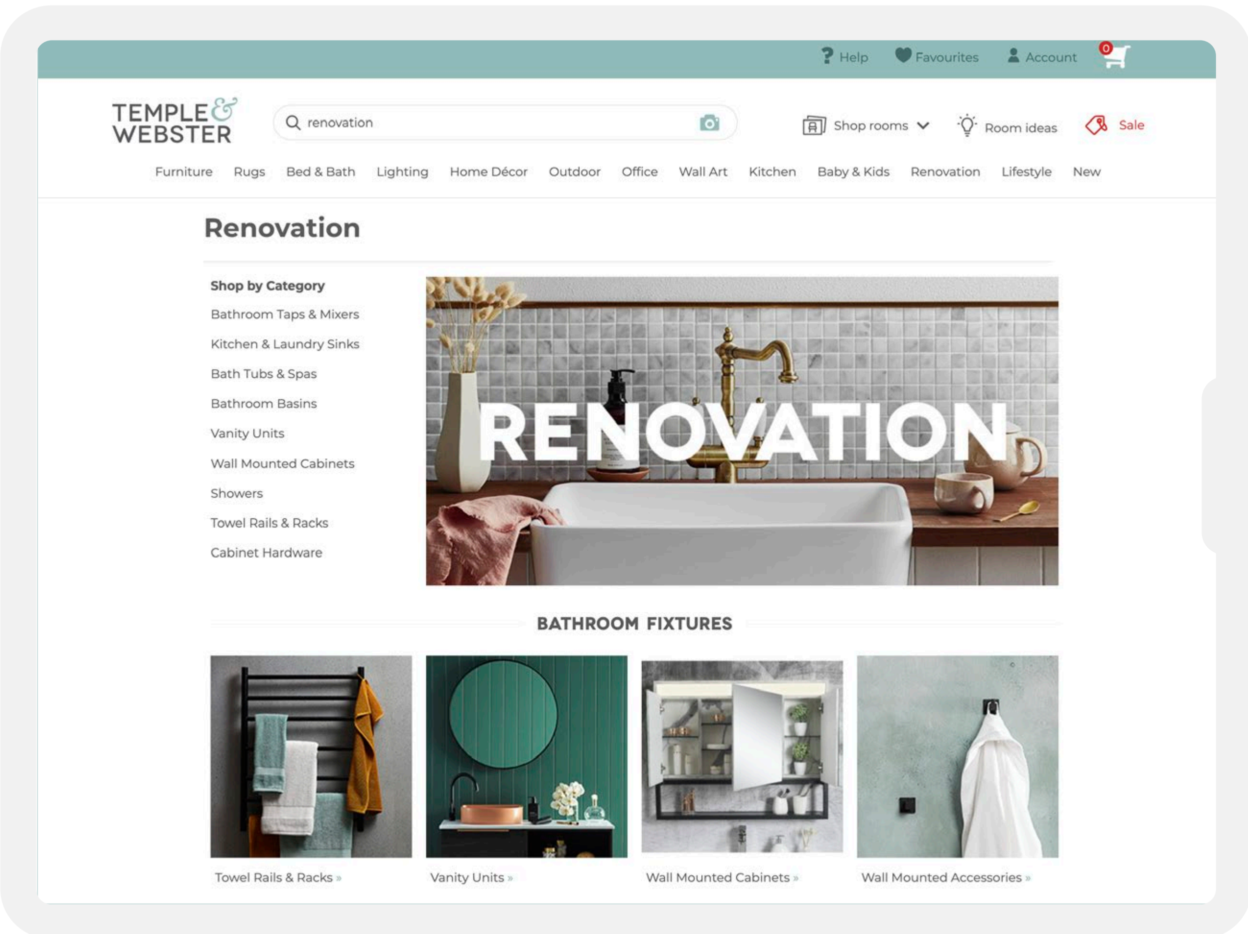
HOME IMPROVEMENT GROWS BY 61%

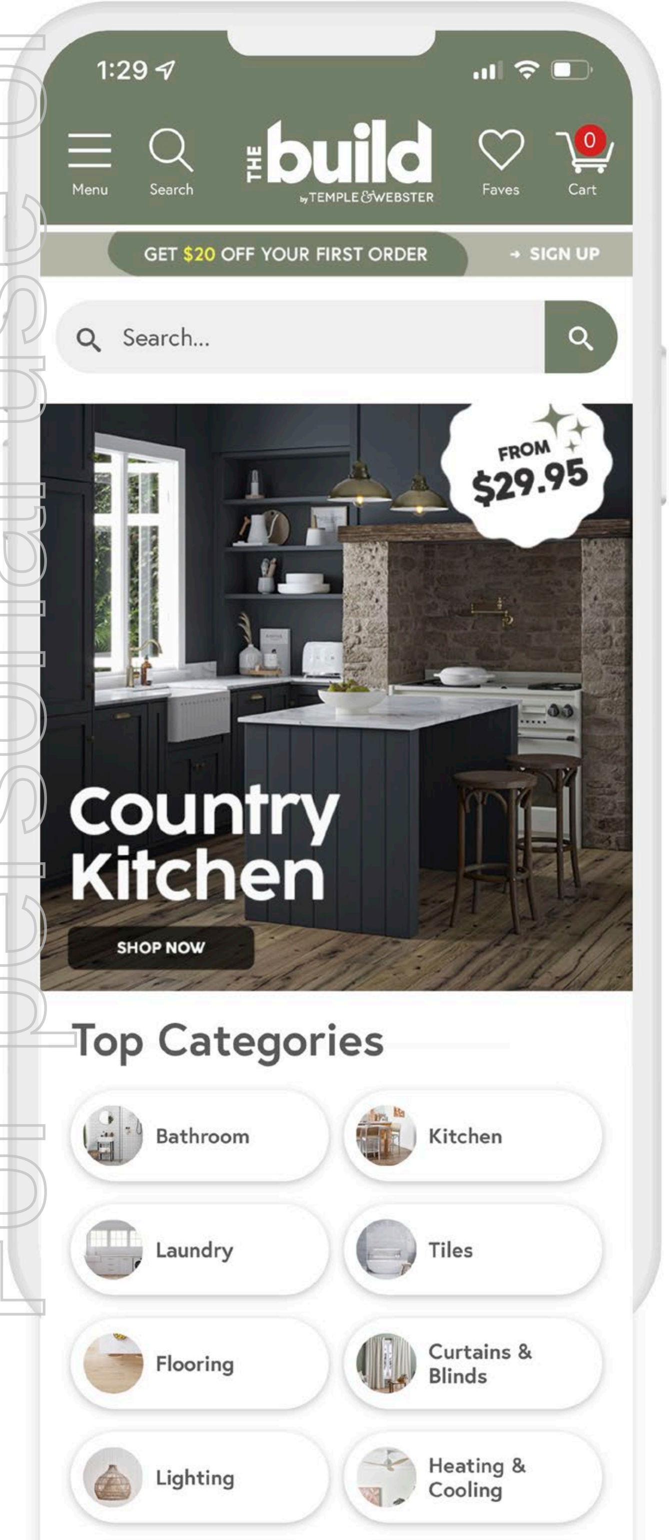
Pleasingly, our new home improvement category grew 61% year on year, albeit off a small base.

With the Australian home improvement market worth $26 billion, $16 billion of which is relevant to our business, this sector represents a significant opportunity to maximise our share of the total spend in the home.

Currently, this market lags furniture and homewares in terms of online penetration. However, we believe we'll see similar market dynamics to those we're already seeing in furniture and homewares. This includes a shift to online shopping as a channel of choice for shoppers who have grown up buying everything online and are now buying, decorating and renovating their homes.







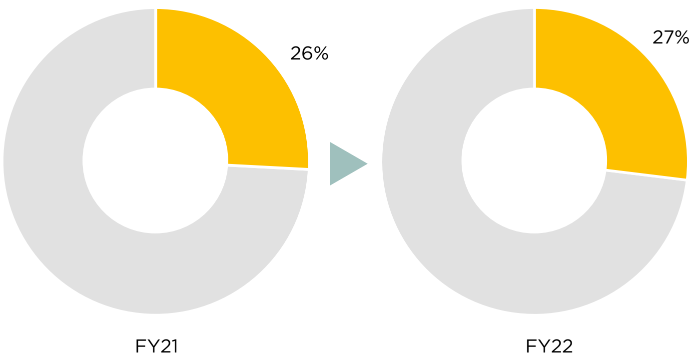
To further capitalise on this opportunity, we launched a new online-only store for home renovators, The Build by Temple & Webster (thebuild.com.au). Leveraging our core technology platform, digital marketing and data expertise, The Build features an initial range of more than 20,000 products across 40 categories. Our goal is for it to become Australia's first-stop shop for all things DIY and home improvement.

EXPANDING OUR PRIVATE LABEL STRATEGY

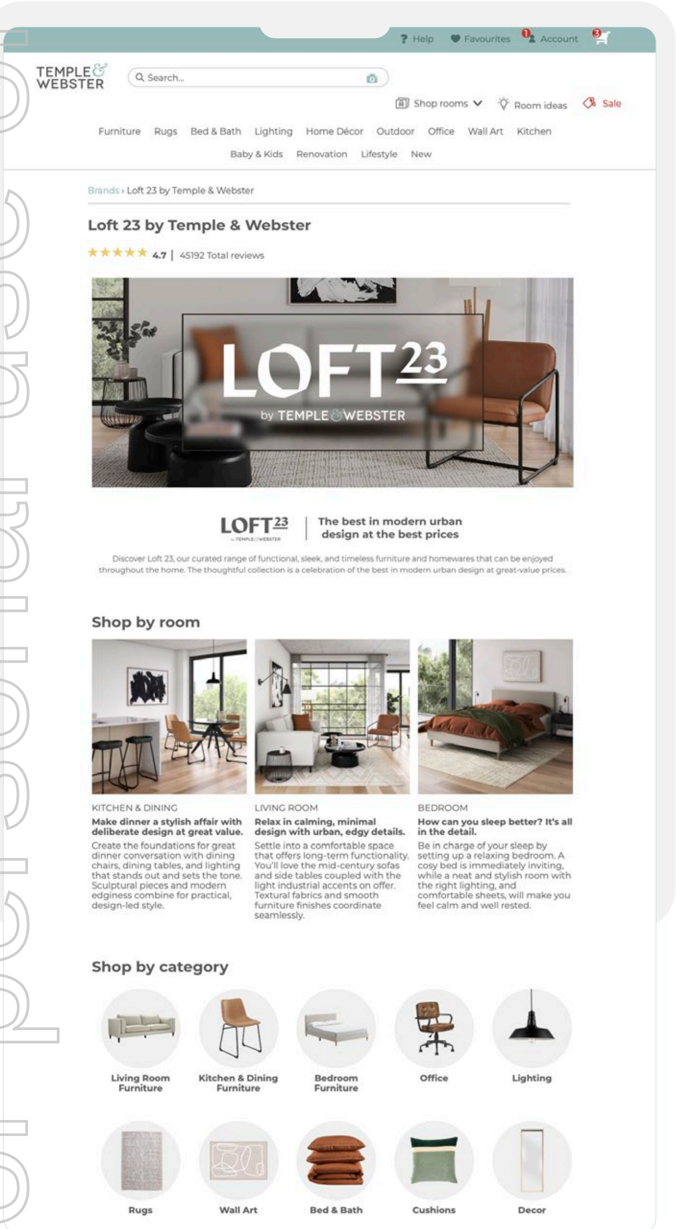
Our owned inventory or 'Private Label' range remained a strategic focus for the business in FY22.

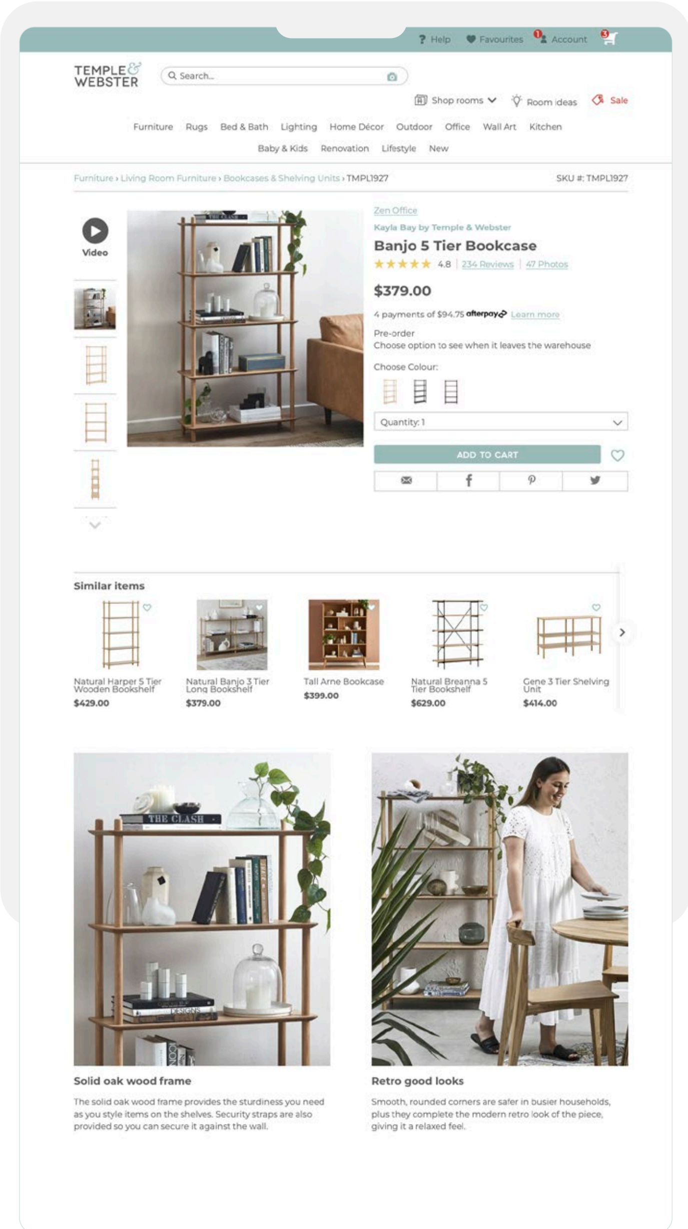
The range is sourced and imported directly by Temple & Webster from more than 100 overseas suppliers. This delivers higher margins than our core drop-ship range and provides logistical simplicity by placing inventory closer to customers. In FY22, Private Label represented 27% of our sales for the year.

Figure 7: Private label share (% of total sales)



We have also launched a new house brand – Loft 23.





These brands are created to facilitate user search and discovery, especially as the catalogue continues to grow. More brands are to be launched in FY23.

Product pages continue to be improved with additional content added, enriching product descriptions to drive conversion rate.

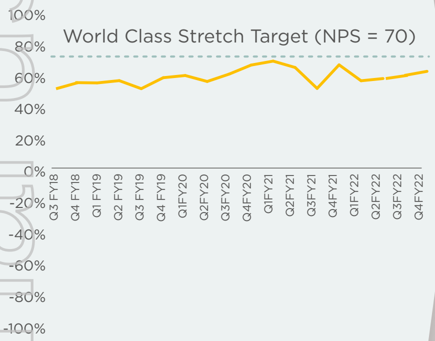
We continue to invest in people and capabilities in this area, expanding our buying and planning teams and our data science capabilities to improve forecasting and inventory management.

Moving forward, we see Private Label playing a key role in expanding longer-term margins as its share increases from where it is today.

MANAGING SUPPLY CHAIN ISSUES AND NET PROMOTER SCORE

Temple & Webster sources products from more than 100 factories for our Private Label and more than 500 drop-ship suppliers, who work with thousands of factories globally.

Net Promoter Score (score range: -100% to 100%)



Our asset light supply chain provides operational excellence through a digitally connected physical network of partners, who are collectively focused on providing an industry-leading experience to e-commerce homewares, furniture and home improvement customers ('B2C' & 'B2B')

Our sourcing approach allows us to mitigate single point reliance

1,000s
of factories around the world

100+
private label factories

240k+
products ready for quick ship

Our fulfilment model allows us to avoid bottlenecks and other impacts

100s
of pick up points

~65%
of population within two hours of our private label facilities

<40 hrs
most customer orders are picked and shipped

Our delivery network allows us to balance demand and capacity

Delivery Partners
are integrated providing a diversified network

Scale
1,000s of deliveries made daily allow us to gain priority

Forecasts
are provided to our network of partners to secure capacity

Transport Control Tower
anticipates and resolves delivery issues

The 65% population within two hours of our private label facilities reflects expected metric once all facilities are operational – expected early 2023.

With COVID-19 continuing to affect manufacturing and transportation this year, maintaining diversity in our supply chain allowed us to stay ahead of logistical bottlenecks and workforce capacity issues and adapt our fulfilment strategies before they impacted customer experience.

For example, if a particular market or factory was affected by delays, we were able to substitute other products from our range.

Overall, having a diversified supply chain enabled us to scale sustainably during the pandemic whilst ensuring our customers had a great experience.

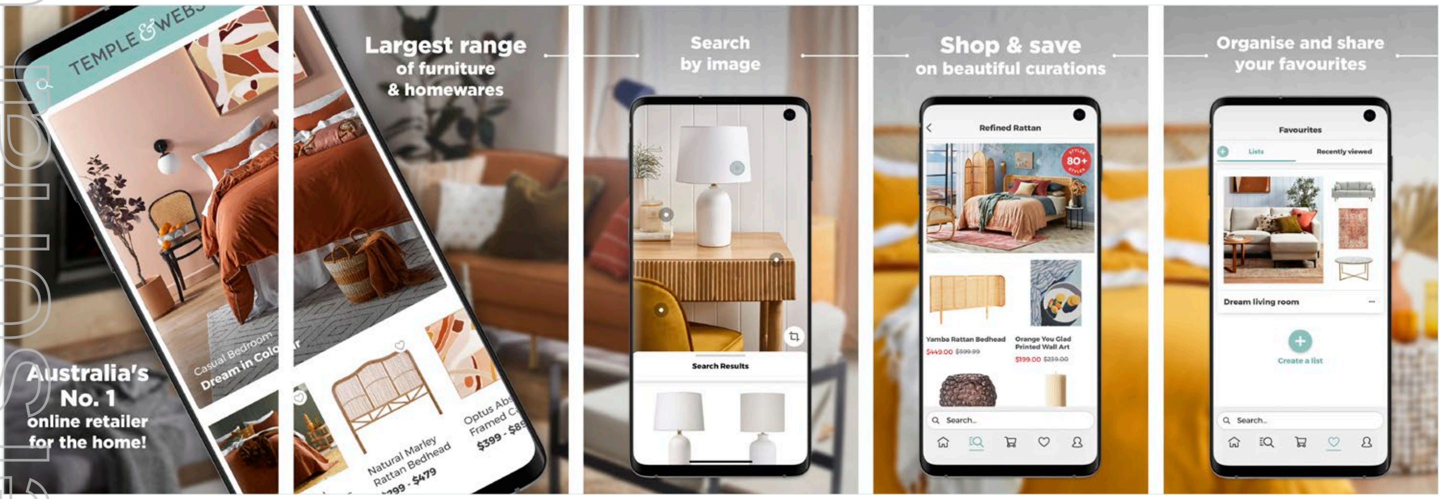
LEADING WITH TECHNOLOGY

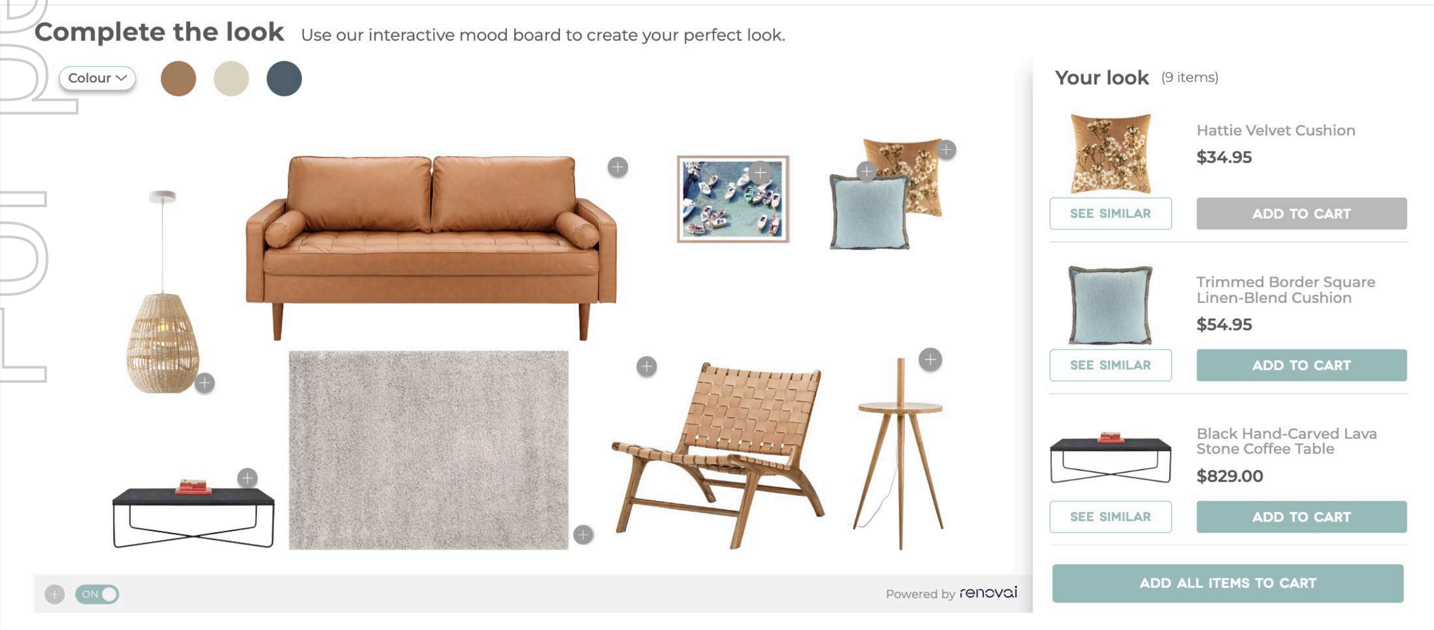
Temple & Webster continues to invest in market-leading technology aimed at improving customer experience, including artificial intelligence ('AI'), augmented reality ('AR'), 3D and mobile apps. This year, we more than doubled the number of software engineers in our team and continued to add to our data and analytics team.

We also increased our investment in our Israeli start-up technology partner Renovai. Renovai's AI interior design tool currently powers our product recommendation mood boards. We are also extending the service into areas such as AI-generated display suites packages for our developer clients.

Meanwhile, we have made substantial progress with live trials of our 3D augmented reality service and building out our library of 3D assets. These are being used to complement existing 2D imagery on product pages. Our goal is to have the largest 3D catalogue of furniture and homewares in Australia.

Metrics for our iOS and Android apps continue to improve, with more than 51% of consumer orders now placed on a mobile device. The apps also have a higher average order value and conversion rate than the mobile site. Customers migrating to the app are also more likely to place a repeat order.





Environment, social and governance

OUR COMMITMENT TO BUILDING A MORE SUSTAINABLE FUTURE

At Temple & Webster, we believe sustainability is an essential part of delivering on our vision to make the world more beautiful, one room at a time.

We have continued to make improvements across the core areas of our business to ensure we deliver beautiful solutions for our stakeholders while also creating long-lasting value and meaningful impact for the future.

We are also committed to delivering positive and substantial change for the planet, society and our shareholders. In line with this, we're consistently improving the standards that underpin our actions.

Figure 8: FY22 Goals and Status

Goals	Status
Develop a materiality assessment to identify the key risks and opportunities relevant to our business	Complete
Establish a sustainability roadmap to guide and prioritise future actions	Complete
Recruit a full-time Sustainability Officer	Complete
Develop supplier action plans to address modern slavery risk	In Progress
Contribute to reconciliation and develop a Reconciliation Action Plan	In Progress

DEVELOPING A ROADMAP FOR THE FUTURE

In FY21, we committed to making considered investments to support the development and execution of our sustainability roadmap. This included hiring a dedicated Sustainability Officer in our Quality, Compliance and Sustainability team to facilitate its implementation.

Last year, we worked with an independent external consultant, thinkstep-anz, to develop a sustainability roadmap that will allow us to prioritise actions in the areas that:

- are most relevant to us as a business
- deliver the most impact in our industry
- create long-term material value
- best align with global sustainability standards and frameworks.

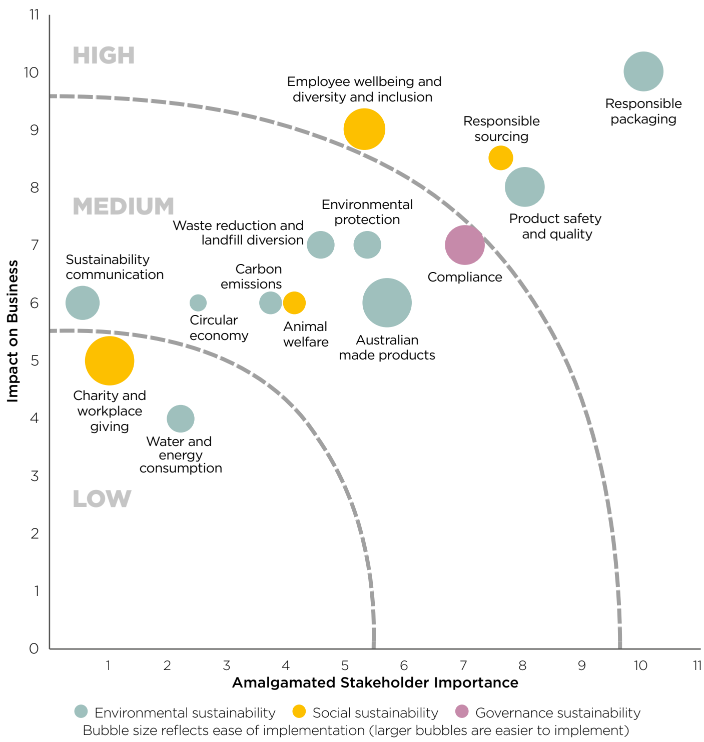
For completeness and quality assurance, the development of the roadmap was informed by a materiality assessment. This involved surveying our internal stakeholders to find out which environmental, social and governance ('ESG') issues they believe are material to our business. We also surveyed our external stakeholders to find out which issues are important to them.

This assessment revealed the areas where stakeholders believe Temple & Webster has the most opportunity to create positive sustainability outcomes for our customers, employees and the communities in which we operate.

These are shown in Figure 9, which plots the importance of specific issues for stakeholders and their impact on the business.

THE IMPORTANCE OF SUSTAINABILITY ISSUES AND THEIR MATERIAL IMPACT ON THE BUSINESS

Figure 9: Our sustainability materiality matrix



By identifying initiatives that correspond with our current risks and opportunities – and aligning these with the issues that are important to our stakeholders – we are confident we can continue to drive sustainability across our value chain.

As a result of our consultation process, we determined four key focus areas for our sustainability roadmap:

- carbon and energy management
- product stewardship (measures such as responsible sourcing, waste reduction and landfill diversion that promote a circular economy)
- responsible packaging
- employee wellbeing, and diversity and inclusion ('D&I')

We also identified several opportunities to deliver lasting and meaningful change associated with each of these focus areas (Figure 10).

OPPORTUNITIES TO DELIVER LASTING AND MEANINGFUL CHANGE

Figure 10: Our sustainability focus areas

Focus area	Opportunities	Our approach
Carbon and energy management	We have an opportunity to: • transition to renewable energy sources for our direct electricity consumption • collaborate with property owners to investigate renewable energy infrastructure • reduce our carbon footprint against measurable targets.	We will: • calculate our carbon footprint in line with the Greenhouse Gas Protocol Corporate Standard • establish a carbon reduction plan that sets measurable emissions reduction targets and works towards decarbonisation • identify and (where possible) implement energy efficiency options.
Product stewardship	We have an opportunity to: • transition to lower-impact materials, including certified, circular, recycled and renewable materials • divert more waste from landfill by moving into the circular economy or recovery alternatives.	We will: • increase the scope of certification of our range • reduce operational waste and increase our office waste recovery rate • continuously review end-of-life product solutions to maximise responsible and ethical outcomes.
Responsible packaging	We have an opportunity to meet the 2025 National Packaging Targets (refer to page 21) by: • designing packaging for recovery and transport efficiency • optimising material efficiency • incorporating recycled or renewable materials • increasing recycling awareness through education.	We will: • capture the packaging material of our Private Label range and establish a baseline for future reporting • audit our Private Label packaging data to determine recyclability, recycled content and areas for improvement • identify packaging reduction strategies and implement change where applicable.
Employee wellbeing and D&I	We have an opportunity to: • continue to provide a workplace that is inclusive and safe • give employees the chance to pursue personal and professional development and learning.	We will: • partner with more D&I service providers, mentors and trainers to further support our D&I journey • continue to support employee wellbeing with access to fully reimbursed mindfulness apps and a free employee assistance program ('EAP') • encourage a growth mindset in our employees and support their aspirations.

Our sustainability roadmap has been integrated with our broader business strategy and will guide our actions over the next three years.

CARING FOR THE PLANET

Carbon and energy management

Climate change is one of the most significant crises of our time. It is clear that business as usual is no longer good enough. Instead, businesses, communities and countries must step up their efforts to combat climate change by reducing the amount of carbon they emit.

In FY21, we disclosed our intention to reduce our carbon footprint. In order to do this, we first needed to assess and understand the scale of the issue in relation to our business.

In the current financial year, we partnered with an independent external carbon consultant, Carbon Neutral, to calculate our carbon footprint in line with the Greenhouse Gas Protocol Corporate Standard. Carbon emissions are classified as Scope 1, Scope 2 and Scope 3.

Scope 1 emissions are direct emissions that occur as a result of operations that we control, such as the functioning of our head office. Scope 2 emissions are indirect emissions that relate to the consumption of electricity. Scope 3 emissions are also indirect emissions (not included in Scope 2) that occur in the value chain outside of our operational control, such as the manufacturing, transportation and disposal of our products.

In FY22 we focused on emissions within our operational control and calculated Scope 1 and 2 emissions. This assessment found we emitted 197.21 tonnes of carbon dioxide equivalent in Scope 1 and Scope 2 emissions over the course of the year. We plan to add the measurement of our Scope 3 emissions – indirect emissions that occur through our value chain – in FY23.

Following the calculation of our carbon inventory we will establish a carbon reduction plan in H1 of FY23 and set measurable emission reduction targets for FY24. Our goal is to achieve a 45% carbon reduction by 2030, in line with the United Nations Sustainable Development Goal ('SDG') on climate action.

FY22 Key Achievements

COMPLETED CARBON ASSESSMENT
of our Scope 1 and 2 emissions

Our Objectives

WE WILL OFFSET 100%
of our Scope 1 and 2 emissions from FY22 in FY23

WE WILL COMMENCE PROCURING RENEWABLE ENERGY for our head office in FY23

Product stewardship

As Australia's leading pure play online retailer for the home, we understand that the most positive impact we can have on the planet will stem from our range of products. We are committed to taking steps each year to improve the sustainability credentials of our range by focusing on product design, material sourcing and end-of-life solutions.

As part of our FY21 commitment, we are continuing to work with our supply chain to expand the proportion of our range that has achieved globally recognised third-party certification, such as OEKO-TEX, Global Organic Textile Standard, and Better Cotton Initiative. We also maintain a stringent due diligence process to assess the legality of timber materials in our imported product range. This process requires us to conduct a risk audit of the full chain of custody of our imported timber products, all the way up to the point of harvest, on an ongoing basis.

In the future, we aim to promote sustainable forestry practices by sourcing more timber products that are certified under leading certification schemes, such as Forest Stewardship Council®.

Globally recognised product certifications also assist us to combat modern slavery within our supply chains. In FY22, we audited our suppliers for social and ethical compliance with labour standards and supported them to implement corrective actions, where needed.

We also recognise how important it is for us to remain focused on finding more sustainable solutions for operational waste. To do this, we are looking to introduce new methods of monitoring and reducing the amount of waste we send to landfill.

Our overall goal is to not only divert waste from landfill but to also make a difference within the broader community. We aim to do this through collaborations with industry experts and organisations and not-for-profit and charity partners.

FY22 Key Achievements

ETHICAL FACTORY AUDIT REPORTS on file for 100% of private label suppliers

All Australian-based employees have access to **MODERN SLAVERY AWARENESS** training

Our Objectives

WE WILL BENCHMARK OUR DIVERSION ACTIVITIES and set a new diversion target for FY24

WE WILL CONDUCT A WASTE AUDIT of our head office to optimise onsite waste collection systems for greater diversion in H2 FY23

Procurement teams will receive **SPECIALISED MODERN SLAVERY RISK TRAINING** in H2 FY23

Responsible packaging

Reducing the amount of packaging waste that goes to landfill is of utmost importance for our customers and our business. In FY21, we committed to making packaging sustainability a key focus area for our business.

We are committed to meeting Australia's 2025 National Packaging Targets. Launched in 2018, these targets are designed to create a new sustainable pathway for the way packaging is managed in Australia.

The targets include:

- 100% of packaging is reusable, recyclable or compostable
- 70% of plastic packaging is recycled or composted
- an average of 50% recycled content is included in packaging
- unnecessary single-use plastic packaging is phased out.

In FY22, we became members of the Australian Packaging Covenant Organisation ('APCO'), which aims to keep packaging materials out of landfill and retain the maximum value of the materials within the local economy. To achieve optimal outcomes for our packaging, we have started to capture packaging and product data. This includes requesting packaging data from all our Private Label suppliers to understand which materials are used in our packaging and where we can have the most impact.

Although some progress has been made, packaging remains a significant area of focus for us and we will continue to work to divert waste from landfill and reduce our environmental impact from product packaging in FY23.

FY22 Key Achievements

Became a **SIGNATORY TO APCO** in January 2022

PACKAGING BASELINE ESTABLISHED FOR 86% of our private label range

Designed new delivery satchels made from **80% RECYCLED** content

Our Objectives

We will **ENGAGE AND COLLABORATE WITH OUR SUPPLIERS** to develop strategies to achieve the 2025 National Packaging Targets

We will **REDUCE OUR PACKAGING FOOTPRINT** through increased use of recycled and recyclable materials

We will **REDUCE THE AMOUNT OF POLYSTYRENE PACKAGING** used in our private label range

SUPPORTING OUR PEOPLE AND COMMUNITIES

COVID-19 response

During FY22, we continued to monitor the challenging situation created by COVID-19. This included surveying our employees to understand how they felt about the pandemic and what help they needed. As a result of this consultation, we have accommodated employees' preferences for hybrid working and provided all employees with a $750 store credit to ensure a comfortable and appropriate set-up of their home working environment.

To ensure team members felt supported, we hosted a number of engagement sessions including a Company-wide EAP consultation session to help in the management of stress and anxiety caused by COVID-19.

We maintained our regular business rhythms and meeting cadence through online video conferencing, including our weekly all hands meeting and quarterly one-on-one check-ins to facilitate ongoing human connection throughout the pandemic.

Employee development and wellbeing

At Temple & Webster, we strive to deliver the opportunities and support employees' need to grow their careers and thrive as individuals.

In FY22, we created a new Learning and Development ('L&D') team that hit the ground running. Key projects included developing a new Learning Management System, which will launch in early FY23. Our goals with the learning platform are to:

- deliver easily accessible and quality online learning content
- establish learning pathways for all roles
- meet our regulatory and compliance training and reporting obligations
- measure on the impact of learning
- deliver scalable learning solutions at speed.

The L&D team rolled out a career development training program for leaders and employees to ensure everyone has a career development plan to work towards. We expanded our existing training and upskilling programs to help ensure we retain our top talent and use their strengths across the business.

As part of our commitment to supporting the health and wellbeing of our employees, team members are invited to participate in daily mindfulness sessions when they are working in our office. Employees are also fully reimbursed for the purchase of a mindfulness app, so they can practice meditation and mindfulness whenever and wherever they want.

We also provide all of our employees with free access to an EAP. The EAP can be accessed confidentially at any time for support and counselling for a broad range of issues. It also offers a variety of strategies and tools to help employees manage stress and deal with conflict in personal and professional situations.

A popular initiative in FY22 has been the introduction of catered lunches in our office three days a week. These encourage employees to interact socially with their peers and re-establish relationships impacted by the extended lockdowns experienced in 2021.

FY22 Key Achievements

Commenced the development of an **INTERNAL LEARNING AMBASSADORS PROGRAM**

SUPPORTED R U OK? DAY with Company-wide communications

Our Objectives

We will **ROLL OUT OUR ONLINE LEARNING PLATFORM** for all Australian-based employees in H1 FY23

We will **DELIVER LEADERSHIP CAPABILITY PROGRAMS** to all Australian-based people leaders

Diversity and inclusion

As a business serving a wide range of customers throughout Australia, we are committed to employing people that represent all aspects of diversity – visible and invisible. We aim to create an environment where people can flourish and play to their unique strengths, while experiencing a sense of belonging.

This commitment to diversity and inclusion contributes to our pride in the company we've built, as well as our high employee engagement scores.

This year, we became members of Pride in Diversity – the national not-for-profit employer support program for LGBTQ workplace inclusion. Through this partnership we provided our employees with training on LGBTQ awareness.

We rolled out an education campaign on the use of pronouns and the role they play in ensuring team members feel respected and supported.

Another successful initiative in FY22 was our Multicultural Day in May. This fun day saw many employees dress in traditional clothing, share delicious dishes and teach us how to say Temple & Webster's mission in a range of languages.

FY22 Key Achievements

Became an **OFFICIAL PARTNER** of ACON's Pride in Diversity Program

Established a 'Pride Committee' to ensure the recruitment, onboarding and working experience for **LGBTQ TEAM MEMBERS IS AUTHENTICALLY SAFE AND INCLUSIVE**

CREATED ALL-GENDER FACILITIES for use by employees and visitors

Our Objectives

We will provide **LGBTQ AWARENESS TRAINING** to all Australian-based employees in FY23

We will develop a more detailed **METHODOLOGY FOR UNDERSTANDING** the diversity of our workforce

Advancing reconciliation

We are dedicated to playing our part in advancing reconciliation in Australia and closing the gap between Aboriginal and Torres Strait Islander peoples and all other Australians. We aim to:

- develop authentic and meaningful partnerships with Aboriginal and Torres Strait Islander communities
- listen and work collaboratively towards defining our sphere of influence
- establish a long-term strategy to ensure our impact is positive through measurable targets and goals.

To guide us through this process, we have partnered with an independent external Indigenous consultancy, Murawin, which is certified by Supply Nation – Australia's largest national directory of Aboriginal and Torres Strait Islander businesses. Working with Murawin, we have started developing our Reflect Reconciliation Action Plan. This is in line with our FY21 commitment.

We have also undertaken an Acknowledgement of Country workshop to help us understand and recognise that the work we do is on Indigenous land and that Country underpins everything Temple & Webster does.

Our partnership also extends to developing employee capability to understand Aboriginal and Torres Strait Islander cultures, experiences, history and how to approach working with Country to ensure mutual benefit. We also aim to develop our cultural awareness by recognising connections with Country to inform the planning, design and delivery of place-based projects.

FY22 Key Achievements

We established a **RECONCILIATION ACTION PLAN WORKING GROUP**

WE DEVELOPED OUR ACKNOWLEDGEMENT OF COUNTRY in collaboration with our Indigenous consultant partner, Murawin

Our Objectives

We will have our **REFLECT RECONCILIATION ACTION PLAN SUBMITTED** in H1 FY23

We will publish our **ACKNOWLEDGEMENT OF COUNTRY ACROSS MAJOR COMMUNICATION CHANNELS** in H1 FY23

Giving back

Supporting the communities we operate in is part of our DNA. In FY22, we enjoyed another successful year of partnership with Women's Community Shelters ('WCS') – an organisation that provides community-based emergency accommodation and support for vulnerable women and children. Our primary contributions this year included providing furniture, homewares and styling for a new shelter at Revesby, Biyani House. We were also pleased to help fulfill many other requests for furniture and homewares for the organisation's shelters across New South Wales.

In June, employees had the opportunity to volunteer at a working bee for WCS in Gosford, where they helped transform an aged care facility into a residential facility for women aged 55+ who need a home.

We also partnered for the first time with the Black Dog Institute, a not-for-profit organisation for the diagnosis, treatment and prevention of mood disorders such as anxiety and depression. As part of our partnership, our trade and commercial division styled and furnished treatment rooms at St Vincent's Hospital.

Throughout the year, we encouraged employees to help where they could by donating to worthy causes – including supporting the victims of the New South Wales and Queensland floods and Ukrainian refugee organisations – and matched their donations. In May, we ran an auction where employees donated their skills and crafts to raise additional money for both initiatives.

FY22 Key Achievements

OVER $23,000 DONATED to various charitable organisations

OVER 700 ITEMS DONATED to WCS

VOLUNTEERED TIME TOWARDS ONSITE WORKING BEES to help prepare shelters for WCS

Our Objectives

WE WILL CONTINUE TO DONATE TO CHARITABLE ORGANISATIONS IN FY23

We will **CONTINUE OUR SUPPORT OF WCS** in the form of donated products, other goods, and volunteer time (working bees, expertise)

BEING A GOOD CORPORATE CITIZEN

Integrity

We are committed to the high ethical standards outlined in our Code of Conduct. We expect our employees to act honestly and with personal integrity in all their dealings on behalf of the Company, including in their interactions with colleagues, business partners, customers and the community.

Our Code of Conduct is available from www.templeandwebstergroup.com.au.

Customer data and privacy

As a leading online retailer, our platforms need to be secure to protect our customer and operational data. To that end, we align our cyber security practices with Essential Eight mitigation strategies and use ISO 27001 Information Security Standard as a framework.

We have dedicated cyber security resources to manage the implementation of our cyber security roadmap, including a cyber security officer and operational cyber security staff. We also engage independent industry experts to perform audits across our platforms, policies and processes, including penetration testing, with the goal of continuous improvement.

Corporate governance

The Board of Directors ('the Board') of Temple & Webster Group Ltd is committed to high standards of governance, legislative compliance and financial and ethical behaviour. It is responsible for the overall operation, stewardship and governance of the Company.

The Board has adopted a framework of corporate governance principles, policies and practices that are in line with the ASX Principles and Recommendations to promote responsible governance.

Our Corporate Governance Statement reports the Company's compliance with the fourth edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations and has been approved by the Board.

The Corporate Governance Statement and further details about corporate governance policies adopted by the Company and the Board are available on the Company's website, www.templeandwebstergroup.com.au.

Directors' report

The directors present their report, together with the consolidated 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 2022.

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

Belinda Rowe

PRINCIPAL ACTIVITIES

Temple & Webster is Australia's largest pure play online retailer of furniture and homewares.

Temple & Webster has over 200,000 products on sale from hundreds of suppliers. The business runs an innovative drop-shipping model, whereby products are sent directly to customers by suppliers, enabling faster delivery times and reducing the need to hold inventory, allowing for a larger product range.

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

The Build by Temple & Webster (www.thebuild.com.au) is a pure play online retailer for home improvement. Sharing the same mission as its leading furniture and homewares sister site Temple & Webster, The Build helps Australians make their homes more beautiful and turn home renovators' visions into reality by providing the biggest and best range, a beautiful and easy shopping experience, and inspirational content.

Temple & Webster Group's registered office and principal place of business is Unit 1a, 1-7 Unwins Bridge Road, St Peters, Sydney, Australia and it 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.

OPERATING AND FINANCIAL REVIEW

Key operating and financial metrics for the year ended 30 June 2022 include:

- Record revenue result of $426.3m which is up 31% on FY21 and up 142% on FY20 which equates to a 55% 2-year CAGR
- Revenue result was driven by increase in both active customers (up 21% on FY21) and revenue per active customer (up 6% on FY21)
- Gross margin % in line with last year at 45.2%, despite significant inflationary pressures, which is a testament to the diversification in the Group's supply chain and strategic positioning with suppliers
- EBITDA of $16.2m was at the highest end of the Group's communicated range (of 2-4%) at 3.8%. This result included an initial investment in the Group's new site – thebuild.com.au of $1.7m
- The Group's ability to drive positive cash flows was also on display with an ending cash position of $101.0m which was up $3.5m on FY21, despite investments into inventory, new HQ office fit-out ($4.2m) and a further investment of USD $1.5m into the Group's Israeli artificial intelligence and augmented reality (AI/AR) start-up – Renovai

Please refer to the operational review section and the Group's FY22 results presentation for further commentary on the Group's financial and operational results.

KEY BUSINESS RISKS

There are a number of market, financial and operational risks both specific to the Group and externally that could have an adverse effect on the Group's future performance. The Group has a risk management framework in place with internal control systems to identify key business risks and mitigate them to an acceptable level. The material business risks are summarised below.

Key risk	Description
Continued growth of retail e-commerce in general and growth in demand may be affected by economic factors	While the B2C retail e-commerce market and the online market for furniture and homewares have been growing there is no guarantee this will continue into the future. The Group is subject to factors outside its current control including Australia's outlook for economic growth, cash rate, taxation, unemployment rate, consumer sentiment, global economic outlook, foreign economic shocks and building activity. One or more of these factors could cause a slowing or contraction in the forecasted growth in the market and industry.
New and existing competitors could adversely affect prices and demand and decrease the Group's market share	The furniture and homewares segment is highly fragmented. Competition can arise from a number of sources including traditional offline retailers, multi-channel, mono-channel, multi-branded retailers, and online-only e-commerce competitors. Existing online competitors may strengthen through funding or industry consolidation, or through financial or operational advantages which allow them to compete aggressively on pricing. Competition may also come from third-party suppliers establishing their own online presence as opposed to utilising the Group's platform. As a result, this may increase the costs of customer acquisition, lower margins due to pricing pressure and reduce the Group's market share in the furniture and homewares segment.
Supply chain might be disrupted	There remains a risk that the spread of COVID-19, or a similar event, has an adverse impact on the Group's supply chain. This could occur if the ability to transport products between countries is disrupted, the Group's key suppliers are negatively affected or the Group is otherwise unable to efficiently distribute products to customers. In the event that the supply chain of the Group is disrupted, this may have a material adverse effect on the Group's operating performance and earnings.
Political, economic or social instability	The Group's suppliers and service providers are also subject to various risks which could limit their ability to provide the Group with sufficient, or any, products or services. Some of these risks include raw material costs, inflation, labour disputes, union activities, boycotts, financial liquidity, product merchantability, safety issues, natural disasters, disruption in exports, trade restrictions, currency fluctuations and general economic and political instability (including as a result of pandemics such as COVID-19). The Group is also exposed to risks related to labour practices, environmental matters, disruptions to production and ability to supply, and other issues in the foreign jurisdictions where suppliers and service providers operate. Any of these risks, individually or collectively, could materially adversely affect the Group's financial and operational performance.
Performance, reliability and security of websites, databases and operating systems	The Group's financial and operational performance could be adversely affected by a system failure that causes disruption to its websites, or to third-party suppliers of its systems and products. This could directly damage the reputation and brand of the relevant platform and could reduce visitors to the Group's website and directly influence sales to customers. The Group's databases and systems are hosted on platforms provided by third-party providers. As a result, the Group is subject to its own disaster planning contingencies and those of its third parties to deal with events that are beyond the control of those parties such as natural disasters, infrastructure failures, terrorist attacks and cyber attacks. A material failure in the systems of a third-party provider is likely to have a material impact on the systems and operations of the Group's platforms.
Unauthorised use of intellectual property or independent development of technology	Substantial parts of the Group's online platforms, distribution software, applications, data analytics and customer databases are seen as proprietary information. Unauthorised parties may obtain or copy, or seek to imitate, all or portions of this intellectual property or independently develop technology that is similar and may be in breach of proprietary rights. In this instance, the Group may seek legal actions to remedy the breach of proprietary information. This may incur legal or other fees and if unsuccessful may have a material adverse effect on the Group's financial and operational performance in the future.

Key risk	Description
Laws and regulations may change	The Group is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including goods and services taxes and stamp duty), accounting standards, customs and tariffs. Failure to comply with, or changes to, laws and regulations may adversely affect the Group, including by increasing its costs either directly or indirectly (including by increasing the cost to the business of complying with legal requirements).
Key Management Personnel ('KMP')	The Group relies on the expertise, experience and strategic direction provided by its KMP. These individuals have extensive experience in, and knowledge of, the Group's business. Additionally, successful operation of the Group's business depends on its ability to attract and retain quality employees. Competition could increase the demand for, and cost of hiring, quality employees. The Group's ability to meet its labour needs while controlling costs associated with hiring and training employees is subject to external factors such as unemployment rates, prevailing wage legislation and changing demographics.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the period, the Group increased its investment in Renovai, Inc; a start-up developing AI/AR interior design tools to accelerate the Company's growth after a successful pilot. The additional investments entailed cash considerations totalling to USD $1,500,000 in exchange for additional shares in the Company, enabling the Group to exercise significant influence over the investee from the investment date onwards.

The Group's investment is in alignment with its strategy to innovate its digital offering through 3D and AI/AR generated tools to help customers navigate the vast range of furniture and homewares to aid engagement and conversion.

The Group also launched The Build by Temple & Webster (www.thebuild.com.au), a new online-only store for home renovators providing an easier and more convenient way to shop for all things DIY, renovation, and home improvement.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2022 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 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 include 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:	Non-executive director of Best & Less Group Holdings Ltd (appointed on 24 June 2021).
Former directorships (last 3 years):	Chair of Shiro Holdings Limited (appointed on 24 October 2019 and resigned on 2 November 2021). Chair of Redhill Education Limited (appointed to Board on 1 September 2019, elected as Chair on 1 December 2020 and resigned on 30 October 2021).
Special responsibilities:	Chair of the Board
Interests in shares:	34,000
Interest in options over shares:	181,026
Interests in restricted rights:	1,946

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), Director of Nuix Limited (appointed on 18 November 2020), Director of Cash Converters International Limited (appointed on 1 April 2022) and Maggie Beer Holdings Limited (appointed on 1 July 2022).
Former directorships (last 3 years):	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 and Chair of the Technology Management Committee
Interests in shares:	Nil
Interests in options over shares:	181,026
Interests in restricted rights:	Nil

INFORMATION ON DIRECTORS

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 within 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 a co-founder and current partner of AS1 Growth Partners, a private investment firm focused on growth and technology investments in public and private markets.
Other current directorships:	Non-Executive Director of FiscalNote (NYSE: NOTE) (appointed on 25 October 2020).
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	2,327,933
Interests in options over shares:	181,026
Interests in restricted rights:	5,837

Name:	**Belinda Rowe**
Title:	Independent Non-Executive Director
Qualifications:	Bachelor of Arts Monash University, AFA ('Advertising Federation Australia') Graduate, GAICD ('Australian Institute Company Directors')
Experience and expertise:	Belinda is a very experienced business leader and successful marketing executive. Belinda's extensive professional experience lies in marketing communications, content, media and digital marketing technologies. Belinda led media and marketing communications businesses for Zenith and Publicis Media globally based in the UK, and held many senior roles in the marketing industry, including at Telefonica O2 in UK (now Virgin Media O2) leading Brand and Marketing Communications. Belinda was also Executive Director of Mojo Australia, CEO of ZenithOptimedia Australia and New Zealand and former Chair of the Advertising Council Australia (previously Advertising Federation of Australia).
Other current directorships:	Independent Non-Executive Director of HT&E Limited (appointed on 5 February 2019), 3P Learning Limited (appointed in September 2021) and Nominated Director of Soprano Design Limited (appointed on 22 September 2020).
Former listed enitity directorships (last 3 years):	None
Special responsibilities:	Chair of the Nomination and Remuneration Committee
Interests in shares:	3,500
Interests in options over shares:	Nil
Interests in restricted rights:	1,946

INFORMATION ON DIRECTORS

Name:	**Mark Coulter**
Title:	Managing Director
Qualifications:	Bachelor of Law 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 is a co-founder of 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:	1,895,322 ordinary shares
Interests in options over shares:	5,000,000
Interests in restricted rights:	Nil

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

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

COMPANY SECRETARY

Lisa Jones is Company Secretary of Temple & Webster Group Ltd. Lisa is a corporate lawyer and corporate governance professional with more than 20 years' experience in commercial law and corporate affairs, working with both publicly listed and private companies in Australia and in Europe after starting her career in the corporate practice of Allens. She was appointed Company Secretary on 30 March 2022 following Michael Egan's resignation.

MEETINGS OF DIRECTORS

The number of meetings of the Group's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Management Committee		Technology Management Committee	
	Attended	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**
Stephen Heath	11	12	5	5	6	6	–	–
Susan Thomas	12	12	5	5	6	6	2	2
Conrad Yiu	12	12	4	5	6	6	2	2
Belinda Rowe	12	12	5	5	6	6	2	2
Mark Coulter	12	12	–	–	–	–	2	2

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

Remuneration report audited

Dear shareholders,

On behalf of the Board, it gives me great pleasure to present the FY22 remuneration report.

As Stephen mentioned in his Chair letter, FY22 was certainly another year full of events challenging the team, the strategy and the business model. Pleasingly, the results presented in the Annual Report show that the Group performed strongly during periods of both high consumer demand brought on by lockdowns, but also performed strongly from a profit perspective, during periods of weaker consumer demand, showcasing the Group's capital light, flexible business model.

These results have all been underpinned by the strength of the Temple & Webster team and culture.

Off the back of a successful FY22, the Board has put in place a remuneration framework that provides a clear line of sight between the Group's performance and remuneration outcomes, as well as driving deep alignment between the interests of directors, employees and shareholders. The Board is confident in the Group's remuneration structures and firmly believes the FY22 Remuneration outcomes described below are fair and reasonable, and also achieve the appropriate balance of rewarding and incentivising our key executives, while also meeting the needs of shareholders.

FY22 REMUNERATION OUTCOMES

The key remuneration outcomes for FY22 were:

- There were no changes to the remuneration package for Mr Mark Coulter, Chief Executive Officer ('CEO') although, as noted below, a new package is being finalised by the Board for FY23 and moving forward.
- Both Mr Adam McWhinney, Chief Experience Officer ('CXO') and Mr Mark Tayler, Chief Financial officer ('CFO') received an increase in fixed remuneration. These increases were approved by the Board since their prior remuneration was assessed by independent benchmarking as being below median for comparable roles in the market. The increases also reflect the growth of the Company and the increased complexity of their roles in a growing business. More detail on the benchmarking approach regarding Executive KMP is set out in section 3.2 below.
- In FY22 the CFO's target Short-Term Variable Remuneration ('STVR') target remained at 25%, but his maximum STVR opportunity increased to 43.75% of his Fixed Remuneration. The CXO was also eligible for a FY22 STVR with the same target and maximum opportunity, as a percentage of his fixed remuneration, as the CFO. The FY22 STVR outcomes for the CFO and CXO were 107% and 97% of target respectively. Further details regarding the STVR outcomes are set out in Section 4.2 of this Report.
- Performance rights were granted in FY20 to selected executives including the CFO (but excluding the CEO and CXO) under the FY20 Long-Term Variable Remuneration ('LTVR') awards. The share price hurdle based on a 30-day VWAP of Company shares up to and including 30 June 2022 was met and the awards will vest in August 2022. Shares acquired on vesting of rights under this award will be subject to a two-year holding lock.
- There were no changes to Non-executive Directors' ('NED') base or committee fees in FY22. A new NED Equity Plan was introduced for Non-executive Directors in FY22 and the majority of Non-executive Directors elected to have a portion of their Directors' fees paid in Restricted Rights under the Temple & Webster Group Ltd NED Equity Plan ('NED Equity Plan') described further below in section 6.1.

Looking forward to FY23

- Discussions between the Board and the CEO, regarding a new package for FY23 and beyond, are well advanced. It is anticipated that this will involve an increase in fixed remuneration and a new award of options designed to incentivise and retain the CEO to continue to drive the Company over the medium term. Once finalised, details of the new package will be disclosed to the ASX, any new equity award put to shareholders for approval at the next Annual General Meeting, and all aspects of the package will be detailed in the FY23 Remuneration Report.
- Neither the CXO nor CFO will receive an increase in fixed remuneration for FY23. There will also be no change in the structure of their remuneration package or remuneration mix. The only change being considered by the Board is the addition of an internal financial measure for the LTVR awards, in addition to the existing Indexed Total Shareholder Return measure.
- There will be no changes to existing Board base or Committee fees for FY23 other than the fees for the new Technology Management Committee. The Technology Management Committee was established in FY22 with the aim to provide the Board with focused advice and recommendations regarding the ongoing development and oversight of the Company's technology infrastructure. The Chair and Committee fees for this Committee will be recommended by the Nomination and Remuneration Committee and approved by the Board in FY23.

I hope the additional information and disclosures contained in this year's remuneration report provide a deeper understanding of remuneration governance and practices for our shareholders, and that you will agree we have struck the right balance for a Group that is scaling rapidly in what has been another challenging, yet successful, year.

BELINDA ROWE
Chair – Nomination and Remuneration Committee

The Directors of Temple & Webster Group Ltd present the Remuneration Report ('the Report') for the Group and its controlled entities for the year ended 30 June 2022. This Report forms part of the Directors' Report and has been prepared in accordance with the Corporations Act 2001 ('the Act'), Corporations Regulation 2M.3.03, in compliance with AASB 124 *Related Party Disclosures*, and audited as required by section 208(3C) of the Act.

The Report is divided into the following sections:

Section	Description
1. Persons covered by this Report	This section provides details of the directors and executives who are subject to the disclosure requirements of this report, together with the KMP, including roles and changes in roles.
2. Remuneration overview	This section provides an overview of performance and reward for FY22, including at a glance summaries.
3. Remuneration framework, strategy and governance	This section provides details of the elements of the remuneration framework, including market positioning, changes to fixed remuneration, variable remuneration principles, and the terms of variable remuneration.
4. FY22 Executive Short-Term Variable Remuneration ('STVR') Plan and Outcomes	This section outlines the key terms of the FY22 STVR Plan, the key metrics that apply to Executive KMPs under the STVR Plan and their STVR outcomes.
5. Executive Long-term Variable Remuneration ('LTVR')	This section outlines the key terms of the FY22 LTVR Plan awards and key prior year equity awards.
6. Non-executive Director remuneration	This section outlines the Non-executive Director fee policy, aggregate Board fees, Board and Committee fees. It also sets out details of the new FY22 NED Equity Plan and any prior years equity awards to Non-executive Director awards.
7. Statutory tables and supporting disclosures	This section provides the statutory disclosures not addressed by preceding sections of the Report, including statutory remuneration tables, changes in equity, KMP service agreements, related party loans/transactions, and the engagement of external remuneration consultants.

1. PERSONS COVERED BY THIS REPORT

This report covers KMP which are defined as those who have the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The below table outlines the KMP of the Group:

			Committee membership[1]		
Name	**Role**	**Appointed**	**Nomination and Remuneration**	**Audit and Risk**	**Technology[2]**
Non-executive Directors					
Stephen Heath	Independent Board Chair	15 October 2016	M	M	n/a
Susan Thomas	Independent Non-executive Director	23 February 2016	M	C	C
Conrad Yiu	Non-executive Director	6 October 2015	M	M	M
Belinda Rowe	Independent Non-executive Director	26 February 2021	C	M	M
Executive KMP					
Mark Coulter[3]	Managing Director and Chief Executive Officer ('CEO')	22 April 2016	n/a	n/a	M
Adam McWhinney[3]	Customer Experience Officer ('CXO')	1 July 2017	n/a	n/a	n/a
Mark Tayler	Chief Financial Officer ('CFO')	18 April 2016	n/a	n/a	n/a

1. M = Member, C = Chair.
2. The Technology Management committee was established in FY22 with the purpose of assisting the Board in fulfilling its oversight responsibilities to managing technology and cyber risks. The Chief Information Officer of the Group is also a member of this committee.
3. These individuals are considered co-founders of the Company and referred as 'founder executives' in this report.

2. REMUNERATION OVERVIEW

2.1 Executive remuneration structure at a glance

The following diagram outlines the Executive KMP remuneration cycle under the remuneration framework as applicable to FY22:

Executive Remuneration Components

The timeline below outlines how remuneration is delivered.

Component	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Fixed Remuneration	Salary and statutory superannuation					
STVR	1 year performance period					
2022	• Y1 STVR performance period commences	• STVR performance tested • STVR award delivered in Q1, Y2 – 100% cash unless Board determines otherwise				
LTVR						
2022-2024	• Y1 LTVR performance period commences • Performance rights for Y1 LTVR granted in Q1, Y1 • LTVR service tested in Y1			• Y1-Y3 LTVR performance tested Once Rights vest participants have until 15 years from grant to exercise	Two-year additional disposal restriction	

Q1, Y1 | 30 June Y1 | Q1, Y2 | 30 June Y2 | Q1, Y3 | 30 June Y3 | Q1, Y4

Performance rights granted
Shares released
Performance tested, and cash award paid
Performance tested, vested performance rights converted to Shares

The Board determined that the LTVRs granted to the CEO in FY19, subject to vesting conditions being met in August 2022, are sufficient variable remuneration for FY22. The structure outlined above only applied to the CXO, CFO and non-KMP executives in the current financial year.

The FY22 STVR outcomes for participating Executive KMP are set out in Section 4.2.

2.2 Group's performance at a glance

The following outlines the Group's performance in FY22 in the context of the prior four years, which is intended to assist in demonstrating the link between performance, value creation for shareholders, and executive reward:

FY end date	Normalised NPAT[1] $000s	NPAT[1] $000s	Share price[2] $000s	Change in share price $	Dividends[3] $	Change in shareholder wealth[4] %	Rolling 3-year annualised TSR[5] %
30/06/2022	8,973	11,968	3.32	(7.47)	–	(69%)	35%
30/06/2021	12,088	13,954	10.79	4.48	–	71%	142%
30/06/2020	4,560	13,909	6.31	4.96	–	367%	227%
30/06/2019	637	3,764	1.35	0.59	–	78%	113%
30/06/2018	(524)	(21)	0.76	0.58	–	322%	n/a

1. Normalised Net Profit After Tax ('Normalised NPAT') is calculated as NPAT adjusted for any benefits received from the recognition and utilisation of historical tax losses.
2. Share price at the end of the financial year.
3. Dividends paid during the financial year.
4. Share price change plus dividends on prior financial year.
5. Total shareholder return ('TSR') is the sum of share price appreciation and dividends (assumed to be reinvested in shares) during the Measurement Period expressed as a growth %. While the Group is not paying the dividends, it's equal to a rolling 3-year annualised share price growth.

3. REMUNERATION FRAMEWORK, STRATEGY AND GOVERNANCE

3.1 Executive remuneration – fixed remuneration, total remuneration package and variable remuneration framework

Total remuneration package ('TRP') is intended to be composed of an appropriate mix of remuneration elements including fixed remuneration, short-term variable remuneration and long-term variable remuneration. This structure applies to all Executive KMP other than the CEO.

Fixed Remuneration

Fixed remuneration comprises of base salary, plus any other fixed elements such as superannuation, allowances, benefits, fixed equity and fringe benefits tax for example.

Fixed remuneration is intended to be positioned competitively in the market when assessed against suitable benchmarks but may vary with decisions around the mix of cash, equity and performance-linked remuneration as negotiated between the Board and each incumbent on a case-by-case and fit-for-purpose basis.

Short-term variable remuneration

100% of the FY22 STVR will be paid in cash.

Performance is measured over the financial year, with a combination of financial and non-financial goals. For Executive KMP, both at a Group and Individual scorecard level with threshold, target and stretch levels.

FY22 STVR goals were:

- Group Targets (75%)
  - Group revenue growth (60%)
  - Customer satisfaction (20%)
  - Employee engagement (20%)
- Various individual goals tied to role (25%)

See more detail in section 4.1

Long-term variable remuneration

Performance rights vesting after three years.

The LTVR program aligns executives to shareholder interests through iTSR targets (indexed relative Total Shareholder Return) measured over a three-year measurement period.

Any shares allocated after vesting are subject to an additional disposal restriction of two years after the measurement period.

See more detail in section 5.1.

Variable remuneration is not a 'bonus', but a blend of at-risk remuneration (below target) and incentives (above target and up to stretch). Metrics selected are intended to be linked to the primary drivers of value creation for stakeholders, and successful implementation of the long-term strategy over both the short- and long-term. Thresholds are intended to be a near-miss of expectations, while target is intended to be a challenging but realistically achievable objective with a probability of around 50% to 60%. Stretch, on the other hand, is designed to be exceptionally challenging with a probability of around 10% to 20%.

3.2 Benchmarking Approach

Executive KMP remuneration is tested regularly by reference to appropriate independently sourced comparable benchmark data, and specific advice as may be appropriate from time to time. Benchmark groups are generally designed to be based on 20 companies from the same market sector (including technology, online retail and other consumer discretionary companies), with 10 larger companies and 10 smaller companies by market capitalisation. It is expected these companies face similar operational challenges to those faced by the Group. Further background is also sought by reviewing data from an industry comparator group of 20 companies, 10 larger and 10 smaller by market capitalisation. Benchmarks may be adjusted upwards or downwards for variations in role design compared to market benchmark roles, and individual remuneration may vary by +/– 20% compared to the policy midpoint, to reflect individual factors such as experience, qualifications and performance.

During FY22, both the CFO and CXO received Fixed Remuneration increases. The Board considered this appropriate as these roles were benchmarked by an external consultant with both Fixed Remuneration and Total Remuneration Package ('TRP') assessed at below the median against the comparator groups. The increases also reflect the continued expansion of the Company and complexity of these roles. The Board will continue to monitor market positioning to ensure that appropriate talent can be attracted, retained and aligned to the strategic needs of the business. More detail on the TRP is set out in section 7.1 below.

3.3 Remuneration governance framework

The Board takes an active role in the governance and oversight of the Group's remuneration policies and practices. Approval of certain key remuneration practices is reserved for the Board, including appointing the CEO, and monitoring their performance and other key senior executives. In addition, the Board has final approval of the Company's remuneration framework, including approving remuneration of the CEO and the remuneration policy and succession plans for the CEO. However, the Board is assisted by the Nomination and Remuneration Committee to assist the Board in fulfilling its corporate governance and oversight responsibilities in terms of the remuneration structures, processes and annual remuneration cycle of the Board and its senior executives, including all Executive KMP, as well as Company culture and employee engagement.

The Nomination and Remuneration Committee has a formal Charter which outlines the roles and responsibilities of the Committee. This is available on the Group website. The Committee's responsibilities include:

- providing advice and recommendations to the Board with respect to the appointment and removal of Directors and senior executives;
- providing the Board with advice and recommendations regarding executive and senior executive remuneration policy;
- reviewing and providing recommendations to the Board with respect to the remuneration packages of senior executives and executive directors;
- providing advice to the Board with respect to Non-executive Directors' remuneration;
- reviewing and providing recommendations to the Board with respect to incentive schemes; and
- reviewing and providing recommendations to the Board on the Company's remuneration, recruitment, retention and termination policies.

The Company has a Securities Dealing Policy which outlines under what circumstances and when trading in the Group's securities by KMP and other nominated employees may be permitted or prohibited. This is available on the Group website.

The Company also has a Diversity Policy, which supports the Board and management in making sustainable and appropriate decisions around hiring, career development and remuneration.

External remuneration consultants ('ERC')

External Remuneration Consultant Engagement Policy is intended to ensure the independence of any recommendation received regarding KMP remuneration and supports the Board's published statements regarding such recommendations. In addition to the requirements outlined in the Corporations Act, it requires the external remuneration consultant notify the Board if management contacts the external remuneration consultant on remuneration matters outside of interactions approved or supervised by the Board, such as the provision of factual information for benchmarking purposes.

During FY22, the Board engaged external remuneration consultants to provide KMP remuneration recommendations and other services as outlined below:

Name	Board Assessment of Independence	Rationale for Board Assessment	Services	Fees (inc. GST) $
Godfrey Remuneration Group Pty Ltd	The consultant provided statements that they viewed the advice they gave as being independent from undue influence, which the Board agrees with.	The Board is of the view that the recommendations received were independent and free from undue influence of any KMP to whom the recommendations related, because the ERC complied with the Group's policy for engaging ERCs.	Modelling and other remuneration advice and analysis	16,456
			Benchmarking and recommendations regarding executive remuneration strategy, quantum and structure	18,700

4. FY22 EXECUTIVE STVR PLAN AND OUTCOMES

4.1 FY22 STVR Plan

A description of the STVR structure applicable for FY22 is set out below.

Purpose	To provide at-risk remuneration and incentives that reward executives for performance against annual objectives set by the Board at the beginning of the financial year. Objectives selected were designed to support long-term value creation for shareholders, and link to the long-term strategy on an annual basis.
Measurement period	The financial year of the Group ending 30 June 2022.
Opportunity	The target value was 25% of Fixed Remuneration, with a maximum stretch target of 43.75% of Fixed Remuneration (Individual Targets are capped at 100% of target and Group Targets have a 200% stretch potential).
Financial gateway	Before any payment is made under the STVR Plan, a 2% EBITDA margin gateway must be met.
Outcome metrics and weightings	The STVR was dependent on meeting Group and individual performance objectives. For FY22, the metrics were as follows: Group Targets – weighted at 75% of target opportunity. These Group Targets include: • revenue growth – 60% weighting; • customer satisfaction – 20% weighting; and • employee engagement – 20% weighting. Individual Targets - weighted at 25% of target opportunity. The CXO and CFO also have four to five Individual targets tailored to their role. These metrics were selected because they are viewed by the Board as the primary drivers of value creation for the business in FY22.
Settlement	Awards are determined following auditing of accounts after the end of the financial year. The Board has discretion to determine whether the STVR award is settled in cash or in equity interests such as rights. The Board elected to settle the FY22 STVR in cash.

Malus and clawback	The STVR is currently not subject to any malus or clawback clauses or policies, however, this may be reviewed in the next financial year.
Board discretions	The Board has discretion to modify the awards payable to participants regardless of any performance outcome or gate, to ensure that outcomes are appropriate to the circumstances that prevailed over the Measurement period.
Corporate actions	The Board has discretion to determine the treatment of unpaid STVR in the case of major corporate actions such as a change in control, delisting, major return of capital or demerger.

4.2 Executive KMP STVR plan - objectives and outcomes

All Executive KMP aside from the CEO participated in the STVR Plan in FY22. In FY22 the 2% EBITDA margin gate was met which allowed bonuses to be paid, subject to revenue growth and individual targets achievement.

Metric/Measure	Weight	Performance/Comment
Group Targets (75% of total opportunity)		
Revenue growth exceeding market growth	**60%**	
This measure tracks TPW's growth relative to online sales growth, which is a measurement of growth in market share which is a driver of share price growth.		Revenue growth was strong in FY22. This performance reflects the Group's revenue is growing significantly quicker than the average of the online market[1] over the year.
Customer satisfaction	**20%**	
Customer experience and satisfaction are critical to the success of the Group. This measure tracks customer satisfaction using Net Promoter Score ('NPS') scoring, with last year's NPS as the benchmark.		In FY22 this hurdle was not achieved. Despite a strong NPS performance of just under 60%, the Company set a challenging NPS threshold metric, reflecting the high standards required in the Company when measuring customer satisfaction. Despite coming just under the threshold, the Board determined that the NPS score achieved was not sufficient in FY22 to pay out any portion of this measure.
Employee engagement	**20%**	
The Group's employees are one of its key assets and primary drivers of success. It is vitally important they are engaged as measured by Industry Employee Engagement Benchmarks.		The FY22 result was 12% above the comparative group (the Company measures itself against other technology companies who typically have high employee engagement) which demonstrates the extremely high level of employee engagement across the employee base.
Individual Targets (25% of total opportunity)		
CXO's personal targets include: implementation of key projects focused on customer care, inspirational content and product quality, as well as corporate and social responsibility goals. CFO's personal targets include: inventory and cost management goals, governance and growth initiatives and implementation of key projects.		The CXO achieved a 50% score against all of his personal targets. This indicates the stretch nature of these KPIs given the achievements made over the year. Key successes were maintaining quality ratings in the business, strong achievements in the areas of Corporate Social Responsibility and solid progress on key projects. The CFO achieved a 89% score against his personal targets. Key achievements included achieving key cost savings plans, the implementation of key strategic and governance initiatives and inventory management targets to budget.

1. As measured by the NAB Online Sales Index (Domestic Homewares and Appliances).

The table below sets out the actual STVR outcomes as a percentage of their maximum STVR opportunity for FY22 and FY21.

Executive KMP[1]	FY22	FY21[2]
Adam McWhinney	55.6%	n/a
Mark Tayler	61.2%	70%

1. The CEO did not participate in the STVR Plan in either FY21 or FY22.
2. The CXO did not participate in the STVR Plan in FY21.

The Board views the outcomes of remuneration for FY22 performance as appropriately aligned, given the strong Group and individual performance against annual targets, and progress towards strategic growth objectives made by the executive team, despite challenging economic circumstances.

5. EXECUTIVE LONG-TERM VARIABLE REMUNERATION PLANS AND OUTCOMES

5.1 Executive long-term variable remuneration plan

A description of the LTVR awards granted in FY22 to Executive KMP under the Temple & Webster Group Ltd Rights Plan ('the Plan') is set out below.

Purpose	To provide at-risk remuneration and incentives that reward executives for performance against long-term value creation objectives set by the Board at the beginning of the financial year and to align the interests of executives with the interests of shareholders.
Measurement period	3 years from 1 July 2021 to 30 June 2024.
Opportunity	The target value is 25% of Fixed Remuneration, with a maximum stretch of double the target, or 50% of Fixed Remuneration.
Instrument	The LTVR is granted under the rights plan which allows for performance rights, service rights or restricted rights, each of which may be constructed as a share appreciation right ('SAR'), which is equivalent to an Option, when an exercise price is specified. For FY22, performance rights were used for the purposes of the LTVR. Rights are not subject to dividend or voting entitlements.
Price	The price is nil because it forms part of the remuneration of the participant.
Exercise price	The exercise price is nil.
Allocation method	The grant number is determined by dividing the stretch LTVR value by the 30-day volume weighted average price ('VWAP') following the release of unaudited financial results for FY21.

Performance metrics and weightings

FY22 granted performance rights have an indexed Total Shareholder Return ('iTSR') vesting condition (100% weighting). The vesting of such performance rights will be determined by comparing the Group's TSR over the Measurement Period with the TSR of the ASX 300 Industrials Total Return Index, according to the following vesting scale:

Performance level	TSR of the Group vs TSR of the ASX 300 Industrials Total Return Index	Vesting %
Stretch	Index TSR + 10% TSR p.a.	100%
Target	Index TSR + 5% TSR p.a.	50%
Threshold	Index TSR	0%
Below threshold	<Index TSR	0%

Outcomes that fall between the specified levels of performance will result in a pro-rata calculation being applied. TSR is the sum of share price appreciation and dividends (assumed to be reinvested in shares) during the Measurement Period. It is annualised for the purposes of the above vesting scale. The TSR of the Group over the Measurement Period will be calculated and converted to a compound annual growth rate ('CAGR') value for the purposes of assessment against this scale. During periods of nil dividends being declared, TSR is equal to change in share price.

This metric was selected because it is the best measure of value creation for shareholders that adjusts for windfall gains and losses arising from broad market movements.

Equity grants are tested against the performance measures set. If the performance metric is not met at the vesting date, performance rights lapse.

Gate

iTSR performance rights are subject to a positive TSR gate to ensure the grant does not vest when shareholders are losing value.

Vesting Date

The vesting date of these awards will be the date advised in writing by the Board following consideration of the performance metrics after the Measurement Period.

Retesting

No retesting of the performance metrics will apply.

Settlement

The rights are 'indeterminate rights' which may be settled in the form of a Company share (including a restricted share), or cash equivalent, upon valid exercise.

Disposal restrictions

Shares that result from the exercise of rights will be subject to a disposal restriction such that they may not be disposed of or otherwise dealt with until the elapsing of two years following the end of the Measurement period. There are also additional disposal restrictions which may apply where the sale of shares acquired on exercise of vested rights may be prohibited due to the Group's Share Trading Policy, and the Corporations Act.

Term

Rights must be exercised within 15 years of the grant date, otherwise they will lapse.

Service condition

In addition to the performance conditions, continued service during the full first year of the Measurement period is a requirement for any rights to become eligible to vest.

Termination of employment

In the case of a termination of employment in the first year of the Measurement period, unvested performance rights will be forfeited at termination, unless otherwise determined by the Board. All other unvested performance rights will be forfeited pro-rata based on the remaining portion of the Measurement period, with any remainder retained for possible vesting based on performance during the Measurement period.

In the case of termination due to dismissal for cause or otherwise as determined by the Board, all unvested performance rights will be forfeited and lapse.

Malus and clawback	The rights plan includes malus and clawback clauses which will result in forfeiture of unvested rights in a range of circumstances, including material misstatements resulting in overpayment, or the participant joining a competitor or being involved in actions that are deemed to have harmed other stakeholders.
Board discretions	The Board has discretion to modify vesting to Participants regardless of any performance outcome or gate, to ensure that outcomes are appropriate to the circumstances that prevailed over the Measurement period.
Corporate actions	In the case of a change in control, the modifications are subject to the Board's discretion. In the case of a delisting of the Group's shares, the automatic vesting will occur based on the increase in the share price since the start of the Measurement period, with Board discretion regarding the lapsing or vesting of any remainder. In the case of a major return of capital or demerger, the Board has discretion to bring forward vesting or to alter the number of rights or the exercise price or to alter vesting conditions to ensure that the outcome is fair to participants. This is because following such an event, the share price is likely to be materially different from the basis of the grant, and performance conditions set may be unable to be met.

FY19 Executives LTVR award

Performance rights were granted in FY19 to selected executives including the CFO (but excluding the CEO and CXO). The award had a three-year Measurement period from 1 July 2018 to 30 June 2021, with a performance metric that the 30 trading-day VWAP for Company shares up to and including 30 June 2021 must have been equal to or greater than $1.45. The Board assessed that the performance vesting conditions were met, and as a result, all unvested performance rights under the award vested on the FY21 results announcement on 30 August 2021.

5.2 Prior years equity awards

Founder executives LTVR Rights and Options granted in FY19

In FY19 The Board agreed with the CEO and the CXO that variable remuneration opportunities (both STVR and LTVR) for a number of years were to be wrapped up into an up-front option and performance right grant. This was determined by the Board at the time as being critical to retain and incentivise these key executives to develop and grow the Company. The CEO has not received an STVR bonus or LTVR award since the FY19 grant. The CXO participated in both programs in FY22 for the first time since this grant.

The CEO was granted 5,000,000 options with an exercise price of $0.74 (the 30-day VWAP prior to 1 July 2018). The options vest subject to continued service up to the point of approval of the FY22 Annual Report in August 2022. The options may only be settled in shares and are exercisable on the submission of the Exercise Notice and payment of the Exercise Price. The options lapse 15 years after grant (at the latest) and shares acquired as a result of the exercise of the option may be subject, at the Board's discretion, to a holding lock for two years from vesting date.

The CXO was granted 1,800,000 performance rights (with a nil exercise price). These were granted in two tranches. Tranche 1 has 500,000 Performance Rights subject to continued service up to the point of approval of the FY22 Annual Report in August 2022. Tranche 2 includes 1,300,000 Performance Rights subject to continued service up to the point of approval of the FY22 Annual Report in August 2022 and the share price on the release of FY22 results being at least 200% of the 30-day VWAP up to 1 July 2018 ($0.74). The performance rights may only be settled in shares. The shares acquired as a result of the exercise of the performance rights are subject to a holding lock for two years from the vesting date.

FY20 LTVR awards

In FY20, awards were made to the CFO and other senior non-KMP executives. The CEO and CXO did not participate in this award due to their Founder executives LTVR Rights and Options described above. The performance condition applicable to this award is that the 30-day VWAP of Company shares up to and including 30 June 2022 must be equal to or greater than $2.85, (which is a 3-year CAGR of 25% on the June 2019 30-day VWAP of Company shares of $1.46). This performance hurdle has been met as the 30-day VWAP over the period was $3.71. There was a two-year service condition requiring employment on the date of the FY21 financial results announcement, which was also met by the CFO. The awards will vest on the date that the FY22 financial results are announced to the ASX. Shares acquired on vesting of rights under this award are subject to a two-year holding lock (aside from certain limited exceptions).

FY21 LTVR awards

In FY21, awards were made to the CFO and other senior non-KMP executives. As noted for FY20, the CEO and CXO did not participate in this award due to their Founder executives LTVR Rights and Options. The FY21 LTVR awards were performance rights with a measurement period of three years from 1 July 2020 to 30 June 2023. They were issued at no cost to all executives, including the CFO and had a nil exercise price. The performance hurdles and target opportunity for the CFO for the awards are the same as the FY22 LTVR awards noted above.

6. NON-EXECUTIVE DIRECTOR REMUNERATION

6.1 Non-executive Directors' fee policy

The principles that the Group applies to governing the Non-executive Directors' remuneration are outlined below.

Principles

- Fees for Non-executive Directors are based on the nature of the Directors' work and their responsibilities, taking into account the nature and complexity of the Group and the skills and experience of the Directors.
- Non-executive Directors' fees are recommended by the Nomination and Remuneration Committee and determined by the Board.
- External consultants were used to source the relevant data and commentary and to obtain independent recommendations given the potential for a conflict of interest in the Board setting its own fees.
- Fees are intended to be positioned around the 50th percentile of the tailored market benchmarks.

Fees structured to preserve independence

- To preserve independence and impartiality, Non-executive Directors are not entitled to any form of variable remuneration payments and the level of their fees is not set with reference to measures of the Group's performance.

Aggregate Board Fees approved by shareholders

- The total amount of fees paid to Non-executive Directors in FY22 is within the aggregate amount approved at a general meeting of the Group on 18 October 2021 of $1,100,000 a year.
- Grants of equity approved by shareholders are excluded from counting towards the aggregate Board Fees, in accordance with the ASX Listing Rules.

Board and Committee fees

The following outlines the Board Fees applicable as at the end of FY22, which were subject to independent review by external remuneration consultants:

Role/Function[1]	Main Board	Audit and Risk Management Committee	Nomination and Remuneration Committee
Chair	$212,750	$20,000	$20,000
Member	$115,000	$10,000	$10,000

1. The committee fees for the Technology Management Committee will be established by the Board in FY23. There were no fees paid for this committee in FY22.

Fees are expressed as inclusive of superannuation and are reduced by any election to exchange cash for equity or other benefits (i.e., the values are inclusive of any equity). Any increases to superannuation contributions are absorbed within the applicable Board fees. The Board Chair does not receive Committee fees. Non-executive Directors are also reimbursed for out-of-pocket expenses that are directly related to the Group's business.

Flexibility in how fees are received

- Non-executive Directors can elect how they wish to receive their fees – i.e. as cash, superannuation contributions or equity for example.
- In FY22 the Non-executive Directors elected to have part of their Directors' fees paid in Restricted Rights under the Temple & Webster Group Ltd NED Equity Plan ('NED Equity Plan') described further below. Mr Heath and Ms Rowe elected to sacrifice $25,000 of Board fees and Mr Yiu elected to sacrifice $75,000 of Board fees to receive Restricted Rights.

6.2 FY22 NED Equity Plan

Purpose	To provide long-term alignment with shareholders through the grant of rights over Group Shares.
Instrument	Restricted Rights over ordinary shares in the Company.
Eligibility	All Non-executive Directors of the Company are entitled to participate in the NED Equity Plan.
Price	Rights are granted for nil consideration.
Exercise price	There is no exercise price for Rights issued under this Plan.
Allocation method	The number of Rights granted is determined by the value of Board fees sacrificed, divided by the 10-trading day VWAP of an ordinary Company share on the date of release of the 2021 financial results (being $12.85), rounded to the nearest whole number.
Vesting Conditions	There are no vesting conditions
Exercise restrictions and disposal restrictions	Restricted Rights may be exercised at any time following the end of the exercise restrictions. This means Restricted Rights are exercisable 90 days from the date of grant, until the end of the Term. Disposal restrictions apply that prevent the sale of Restricted Shares resulting from the exercise of Restricted Rights, until the earlier to occur of: • the elapsing of 15 years from the Grant Date; or • the Participant ceasing to hold the office of Non-executive Director and employment with the Company.
Settlement	The Restricted Rights may only be settled in shares.
Term	Restricted Rights have a term of 15 years from the date of grant, after which time they lapse.

6.3 Prior years equity awards

Non-executive Directors' equity remuneration granted in FY19

In FY19, several Non-executive Directors elected to exchange $25,000 per year worth of future Board Fees for service tested options vesting over FY19, FY20 and FY21. These Options had an exercise price of $0.99. These awards were intended to support the preservation of limited cash resources and to align Non-executive Directors' interests with those of the Group at the time. Grants were made in respect of Board Fees which would be payable in FY19, FY20 and FY21 ('FY19 Options'). FY19 Options all vested by 30 June 2021 and the Board has decided that no further Options under this Plan will be offered.

7. STATUTORY TABLES AND SUPPORTING DISCLOSURES

7.1 Executive KMP statutory remuneration

The following table outlines the statutory remuneration of executive KMP:

				Fixed Remuneration				Variable Remuneration		Total for year	Other statutory items
				Total Fixed Remuneration		Cash STVR[1]		LTVR[2]		Statutory Total Remuneration Package (TRP)	Change in accrued leave[3]
Name	**FY**	**Salary $**	**Super $**	**Amount $**	**% of TRP**	**Amount $**	**% of TRP**	**Amount $**	**% of TRP**	**$**	**$**
Mark Coulter	2022	371,432	23,568	395,000	48%	–	0%	421,799	52%	816,799	11,209
	2021	373,306	21,694	395,000	48%	–	0%	421,799	52%	816,799	28,688
Adam McWhinney	2022	308,135	23,568	331,703	53%	81,324	13%	209,718	34%	622,745	5,241
	2021	282,156	21,694	303,850	62%	–	0%	183,530	38%	487,380	3,195
Mark Tayler	2022	423,099	23,568	446,667	65%	120,519	17%	121,514	18%	688,700	(7,966)
	2021	369,139	21,694	390,833	69%	80,719	14%	95,351	17%	566,903	3,399

1. This is the value of the total STVR award calculated following the end of the Financial Year. The Board determined that it would be settled in cash only, to be paid in September 2022.
2. Note that the LTVR value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period. Where a market based measure of performance is used such as TSR, no adjustments can be made to reflect actual LTVR vesting.
3. Not included in TRP.

7.2 Non-executive Director KMP statutory remuneration

The following table outlines the statutory remuneration of Non-executive Director KMP:

Name	FY	Cash Board Fees $	Committee Fees $	Super-annuation $	Other Benefits $	Equity Grant Expense $	Termination Benefits $	Total $
Stephen Heath[2]	2022	168,409	–	16,841		21,134		206,384
	2021	146,809	6,088	14,525	–	35,843	–	203,265
Susan Thomas	2022	104,545	27,273	13,182		–		145,000
	2021	67,852	28,919	9,193	–	35,843	–	141,807
Conrad Yiu[2]	2022	29,545	18,182	4,773		63,390		115,890
	2021	67,852	21,309	8,470	–	35,843	–	133,474
Belinda Rowe[1,2]	2022	79,545	27,273	10,682		21,134		138,634
	2021	35,445	9,247	4,246	–	–	–	48,938

1. Belinda Rowe was appointed as a Non-executive Director from 26 February 2021, and her 2021 Board Fees reflect her service from that date.
2. In FY22, the Non-executive Directors elected to have part of their Directors' fees paid in Restricted Rights under the 'NED Equity Plan'. Refer to section 6.1 and 6.2 above for further details. As per the Group's accounting policy, the Restricted Rights disclosed in these financial statements are calculated based on accounting value.

7.3 KMP equity interests and changes during FY22

Movements in equity interests held by Executive KMP during FY22, including their related parties, are set out below. All equity interests are granted by the listed entity unless otherwise specified:

		Balance at the start of the year	Granted as remuneration		Vested and exercisable	Sold	Balance at the end of the year
Name	**Instrument**	**Number**	**Date granted**	**Number**	**Number**	**Number**	**Number**
Mark Coulter	Shares	2,253,484	–	–	–	358,162	1,895,322
	Vested Rights	–	–	–	–	–	–
	Unvested Rights	–	–	–	–		–
	Options	5,000,000	–	–	–	–	5,000,000
Adam McWhinney	Shares	2,000,897	–	–	–	800,000	1,200,897
	Vested Rights	–	–	–	–	–	–
	Unvested Rights	1,800,000	21/12/2021	13,316	–	–	1,813,316
	Options	–	–	–	–	–	–
Mark Tayler	Shares	269,167	–	–	–	160,000	109,167
	Vested Rights	–	–	–	92,905	–	92,905
	Unvested Rights	169,205	21/12/2021	17,928	–	–	94,228
	Options	–	–	–	–	–	–
		11,492,753	–	31,244	92,905	1,318,162	10,205,835

Movements in equity interests held by Non-executive KMP during the reporting period, including their related parties, are set out below:

		Balance at the start of the year	Granted as remuneration		Vested and exercisable	Purchased	Sold	Balance at the end of the year
Name	**Instrument**	**Number**	**Date granted**	**Number**	**Number**	**Number**	**Number**	**Number**
Stephen Heath	Shares	34,000	–	–	–	–	–	34,000
	Restricted Rights	–	12/11/2021	1,946	–	–	–	1,946
	Unvested Rights	–	–	–	–	–	–	–
	Options[1]	181,026	–	–	–	–	–	181,026
Susan Thomas	Shares	–	–	–	–	–	–	–
	Restricted Rights	–	–	–	–	–	–	–
	Unvested Rights	–	–	–	–	–	–	–
	Options[1]	181,026	–	–	–	–	–	181,026
Conrad Yiu	Shares	2,557,018	–	–		20,915	250,000	2,327,933
	Restricted Rights	–	12/11/2021	5,837	–	–	–	5,837
	Unvested Rights	–	–	–	–	–	–	–
	Options[1]	181,026	–	–	–	–	–	181,026
Belinda Rowe	Shares	–	–	–	–	3,500	–	3,500
	Restricted Rights	–	12/11/2021	1,946	–	–	–	1,946
	Unvested Rights	–	–	–	–	–	–	–
	Options	–	–	–	–	–	–	–
		3,134,096	n/a	9,729	–	24,415	250,000	2,918,240

1. These options vested in the previous financial years and can be exercised by 30 June 2025. Please refer to 6.3 Prior years equity awards for more information.

The following outlines the accounting values and potential future costs of equity remuneration granted during FY22 for executive KMP:

Name	Tranche	Grant Type	Vesting Conditions	Grant Date	Number	Fair Value Each at Grant Date $	Total Fair Value at Grant $	Value Expensed in FY22 $	Max Value to be Expensed in Future Years $
Mark Tayler	Tranche 1 iTSR PRs[1]	LTVR	Indexed TSR	21/12/2021	17,928	5.90	105,775	35,258	70,517
Adam McWhinney	Tranche 1 iTSR PRs[1]	LTVR	Indexed TSR	21/12/2021	13,316	5.90	78,654	26,188	52,376

1. PRs is performance rights.

The following outlines the accounting values and potential future costs of equity remuneration granted during FY22 for non-executive KMP:

Name	Tranche	Grant Type	Vesting Conditions	Grant Date	Number	Fair Value Each at Grant Date $	Total Fair Value at Grant $	Value Expensed in FY22 $	Max Value to be Expensed in Future Years $
Stephen Heath	Restricted Rights	Restricted Rights	None	12/11/2021	1,946	10.86	21,134	21,134	–
Conrad Yiu	Restricted Rights	Restricted Rights	None	12/11/2021	5,837	10.86	63,390	63,390	–
Belinda Rowe	Restricted Rights	Restricted Rights	None	12/11/2021	1,946	10.86	21,134	21,134	–

The equity awards granted to Non-executive KMP during FY22 are shown above.

7.4 KMP service agreements

Executive KMP service agreements

The following outlines current executive KMP service agreements:

				Period of Notice	
Name	Employing company	Duration of contract	Termination payments[1]	From company	From KMP
Mark Coulter	TPW Group Services Pty Ltd	No fixed term	3 months	3 months	3 months
Adam McWhinney	TPW Group Services Pty Ltd	No fixed term	2 months	2 months	2 months
Mark Tayler	TPW Group Services Pty Ltd	No fixed term	3 months	3 months	3 months

1. Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (over prior three years) unless shareholder approval is obtained.

Non-executive Directors service agreements

The appointment of Non-executive Directors is subject to a letter of engagement. Under this approach, NEDs are not eligible for any termination benefits following termination of their office, nor any payments other than those required under law such as in respect of superannuation. There are no notice periods applicable to either party under this approach.

7.5 Other statutory disclosures

Loans to KMP and their related parties

During FY22 and to the date of this report, the Group made no loans to directors and other KMP and none were outstanding as at 30 June 2022.

Other transactions with KMP

During FY22 there were no other reportable transactions between the Group and its directors, KMP, or their personally related entities ('Related Parties').

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 61,655 fully paid ordinary shares in Temple & Webster Group Ltd (refer to note 20).

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 amount paid or payable to the auditor for non-audit services during the financial year was $141,836 (2021: $45,786). This is outlined in note 25 to the consolidated financial statements.

The directors are of the opinion that the services as disclosed in note 25 to the consolidated 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
16 August 2022

Auditor's independence declaration

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 2022, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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

Ernst & Young

Graham Leonard
Partner
16 August 2022

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	Consolidated 2021 $'000
Revenue			
Revenue from contracts with customers	4	426,335	326,344
Cost of goods sold		(233,774)	(178,348)
Gross margin		192,561	147,996
Interest income		419	438
Revaluation gain on investment	5	700	–
Expenses			
Distribution		(63,785)	(47,279)
Merchant fees		(4,899)	(4,031)
Marketing		(56,855)	(42,398)
Employee benefits	6	(38,295)	(26,693)
Depreciation and amortisation	6	(3,140)	(1,629)
Finance costs	6	(220)	(153)
Other	6	(12,576)	(7,091)
Share of loss of an associate	5	(660)	–
Profit before tax		13,250	19,160
Income tax expense	7	(1,282)	(5,207)
Profit after tax for the year attributable to the owners of Temple & Webster Group Ltd		11,968	13,953
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		11,968	13,953

		Cents	Cents
Basic earnings per share	33	9.93	11.60
Diluted earnings per share	33	9.35	10.75

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

Consolidated statement of financial position

As at 30 June 2022

		Consolidated	
	Note	2022 $'000	2021 $'000
Assets			
Current assets			
Cash and cash equivalents	8	101,011	97,504
Trade and other receivables		273	104
Inventories	9	26,361	21,341
Current financial assets	22	–	943
Other	10	5,684	4,329
Total current assets		133,329	124,221
Non-current assets			
Right-of-use assets	11	5,432	6,998
Property, plant and equipment	12	5,803	1,152
Intangibles	13	8,107	8,091
Deferred tax assets	7	14,393	7,845
Investment in an associate	5	3,116	–
Other		162	39
Total non-current assets		37,013	24,125
Total assets		**170,342**	**148,346**
Liabilities			
Current liabilities			
Trade and other payables	14	39,674	33,173
Lease liabilities	6	1,577	1,965
Income tax payable		1,883	3,196
Employee benefits	15	1,852	1,301
Provisions	16	3,680	3,684
Deferred revenue	17	14,072	15,290
Total current liabilities		62,738	58,609
Non-current liabilities			
Employee benefits		541	450
Lease liabilities	6	3,522	5,098
Provisions		629	185
Total non-current liabilities		4,692	5,733
Total liabilities		**67,430**	**64,342**
Net assets		**102,912**	**84,004**
Equity			
Contributed capital	18	115,784	115,397
Reserves	19	11,302	4,749
Accumulated losses		(24,174)	(36,142)
Total equity		**102,912**	**84,004**

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

Consolidated statement of changes in equity

For the year ended 30 June 2022

Consolidated	Contributed capital $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2020	76,566	–	3,513	(50,095)	29,984
Profit after tax for the year	–	–	–	13,953	13,953
Other comprehensive income for the year, net of tax	–	–	–	–	–
Total comprehensive income for the year	–	–	–	13,953	13,953
Issue of share capital (note 18)	40,000	–	–	–	40,000
Transaction costs of issue of shares (note 18)	(1,670)	–	(2)	–	(1,672)
Tax impact on transaction costs (note 7)	501	–		–	501
Share-based payments (note 20)	–	–	1,238	–	1,238
Balance at 30 June 2021	115,397	–	4,749	(36,142)	84,004

Consolidated	Contributed capital $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	115,397	–	4,749	(36,142)	84,004
Profit after tax for the year	–	–	–	11,968	11,968
Other comprehensive income for the year, net of tax	–	–	–	–	–
Total comprehensive income for the year	–	–	–	11,968	11,968
Share-based payments (note 20)	–	–	1,717	–	1,717
Tax impact on share-based payments (note 7)	–	–	5,226	–	5,226
Transaction costs	–	–	(3)	–	(3)
Issue of shares to Employee Share Trust (note 18)	387	(387)	–	–	–
Shares transferred to employees under LTVR scheme (note 18)	–	387	(387)	–	–
Balance at 30 June 2022	115,784	–	11,302	(24,174)	102,912

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

Consolidated statement of cash flows
For the year ended 30 June 2022

	Note	Consolidated 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		467,264	362,276
Payments to suppliers and employees (inclusive of GST)		(450,159)	(338,055)
Interest received		419	438
Interest and other finance costs paid		(220)	(153)
Income tax paid		(3,917)	–
Net cash from operating activities	32	13,387	24,506
Cash flows from investing activities			
Payment for current financial asset		–	(970)
Payments for property, plant and equipment	12	(5,445)	(1,078)
Payments for intangibles	13	(342)	(398)
Payments for investment in associate		(2,116)	–
Payments for other assets		(10)	–
Net cash (used) in investing activities		(7,913)	(2,446)
Cash flows from financing activities			
Proceeds from issue of shares	18	–	40,000
Transaction costs of issue of shares		(3)	(1,672)
Payment of principal portion of lease liabilities	6	(1,964)	(966)
Net cash from/(used in) financing activities		(1,967)	37,362
Net increase in cash and cash equivalents		3,507	59,422
Cash and cash equivalents at the beginning of the financial year		97,504	38,082
Cash and cash equivalents at the end of the financial year	8	101,011	97,504

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

Notes to the consolidated financial statements

30 June 2022

NOTE 1. CORPORATE INFORMATION

The consolidated financial statements cover Temple & Webster Group Ltd (referred to as 'Company' or 'parent entity') as a Group consisting of Temple & Webster Group Ltd and the entities it controlled at the end of, or during, the year (collectively referred to in these consolidated financial statements as the 'Group'). The consolidated 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 is included in the Directors' report, which is not part of the consolidated financial statements.

The consolidated financial statements were authorised for issue, in accordance with a resolution of Directors, on 16 August 2022. The Directors have the power to amend and reissue the consolidated financial statements.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the consolidated 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 long-term variable remuneration ('LTVR') 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 short-term variable remuneration ('STVR') 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 16 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 7 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 home improvement products through its online platforms. 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 consolidated 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	
	2022 $'000	**2021 $'000**
Sale of goods	424,885	325,065
Purchase protection	1,450	1,279
	426,335	326,344

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 consolidated statement of financial position and an asset for the right to recover products from customers on settling the refund liability.

Deferred revenue – 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 supplies 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) is to be estimated and recognised as revenue in proportion to the pattern of rights exercised by the customer.

Deferred revenue – 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 consolidated financial statements.

Presentation and disclosure requirements

As required for the consolidated 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. INVESTMENT IN AN ASSOCIATE

Renovai, Inc ('Renovai') is a private company incorporated in the United States that specialises in developing AI/AR interior design tools. The Group's initial investment was part of the core strategy to innovate its digital offering through AI generated room idea collections and AR, helping customers navigate the vast range of furniture and homewares and complete looks.

On 22 July 2021, the Group made an additional investment in Renovai which consisted of cash consideration of USD $1,000,000 (AUD $1,434,000) in exchange for shares in the Company. The initial investment of AUD $943,000 was also converted to equity upon completion of this transaction, which was required to be revalued to its fair value prior to being added to the carrying amount of the investment in associate. These two investments brought the Group's total interest in Renovai to 28%.

Additionally, the Group held the right to acquire a further 5% of shares in Renovai subject to milestones being met. On 22 March 2022, the Group exercised this right and made a further USD $500,000 (AUD $682,000) investment in Renovai in exchange for additional shares in the Company, increasing the Group's interest to 33%. This right was measured at fair value prior to being exercised and thereafter added to the carrying amount of the investment in an associate.

The Group's interest in Renovai, Inc. is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial information of the Group's investment in Renovai, Inc.

	Consolidated 30 June 2022 $'000
Current assets	1,405
Non-current assets	19
Current liabilities	(241)
Equity	1,183
Group's share in equity	390
Goodwill	2,726
Group's carrying amount of the investment	3,116

	Consolidated
	30 June 2022 $'000
Revenue from contracts with customers	307
Expenses	(2,523)
Profit/(Loss) before tax	(2,216)
Income tax expense	–
Profit/(Loss) for the period	(2,216)
Other comprehensive income	–
Total comprehensive income for the period	(2,216)
Group's share of Profit/(Loss) for the period	(660)

The associate had no contingent liabilities or capital commitments as at 30 June 2022.

ACCOUNTING POLICY FOR INVESTMENT IN ASSOCIATE

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in Other Comprehensive Income ('OCI') of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTE 6. EXPENSES

	Consolidated	
	2022 $'000	2021 $'000
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Right-of-use assets – buildings	2,020	1,083
Right-of-use assets – motor vehicles	–	2
Plant and equipment	640	260
Leasehold improvements	154	118
Total depreciation	2,814	1,463
Amortisation		
Software and websites	326	166
Total amortisation	326	166
Total depreciation and amortisation	3,140	1,629
Finance costs		
Interest on lease liabilities	220	153
Total finance costs	220	153
Other expenses		
Hosting and other IT	5,622	3,023
Consulting	3,704	1,672
Rent, occupancy and property insurance	428	501
Fees and services	2,033	1,160
Travelling expenses	90	37
Other	699	698
Total other expenses	12,576	7,091
Employee benefits expense		
Employee benefits expense excluding superannuation	33,321	23,565
Equity-settled share-based payment expense (refer to note 20)	1,717	1,238
Cash-settled share-based payment expense (refer to note 20)	1,164	461
Superannuation contribution expense	2,093	1,429
Total employee benefits expense	38,295	26,693

Accounting policy for leases

Set out below are the accounting policies of the Group in relation to AASB 16 'Leases'.

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 their 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 expenses in the period in 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 an expense on a straight-line basis over the lease term.

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 but one of its leases, to lease the assets for additional terms of one to 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). For the majority of the building leases, the Group has not included the renewal period as part of the lease term as an alternative building lease has been signed during the period which will better accommodate the Group's future requirements. The Group has included a 12-month renewal period as part of the lease term for one building lease which has an imminent expiry date.

Presentation and disclosure requirements

As required for the consolidated 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 changes in lease liabilities from financing activities are set out below:

Consolidated	Current $'000	Non-current $'000	Total
Balance at 1 July 2020	504	885	1,389
Cash flows	(966)	–	(966)
New leases	–	6,688	6,688
Disposal	(48)	–	(48)
Reclassification of non-current portion of lease liabilities	2,475	(2,475)	–
Balance at 30 June 2021	1,965	5,098	7,063
Balance at 1 July 2021	1,965	5,098	7,063
Cash flows	(1,964)	–	(1,964)
Reclassification of non-current portion of lease liabilities	1,576	(1,576)	–
Balance at 30 June 2022	1,577	3,522	5,099

The Group classifies interest paid as cash flows from operating activities. The undiscounted potential future rental payments pertaining to lease extension options not reflected in the lease liabilities total to $235,000.

NOTE 7. INCOME TAX EXPENSE/(BENEFIT)

The major components of income tax expense/(benefit) in the consolidated statement of profit or loss are:

	Consolidated	
	2022 $'000	**2021 $'000**
Current income tax expense	2,604	3,196
Deferred income tax expense/(benefit)	(1,322)	2,011
	1,282	5,207

Reconciliation of tax expense/(benefit) and the accounting profit multiplied by the Group's statutory tax rate for the current and the previous financial year:

	Consolidated	
	2022 $'000	**2021 $'000**
Accounting profit before income tax expense/(benefit)	**13,250**	**19,160**
Income tax expense at the statutory tax rate of 30%	3,975	5,748
Adjustments in respect of current income tax of previous years	82	(77)
Deductions for share-based payment expense[1]	(1,022)	–
Net non-deductible expenses for tax purposes	424	378
Carry-forward tax losses not previously recognised	(2,177)	(842)
Income tax expense/(benefit) reported in the consolidated statement of profit or loss	**1,282**	**5,207**

1. On 18 February 2022, the Group established the Temple & Webster Group Ltd Employee Share Trust ('the Trust'). The Trust was established for the sole purpose of subscribing for, acquiring, and holding shares for the benefit of participants under the share-based payment plans granted and any future plans. An ATO Private Ruling has been obtained entitling the Group to tax deductibility of irretrievable cash contributions made by the Group to the trustee of the Employee Share Trust to satisfy employee share scheme interests pursuant to the share-based payment plans.

Deferred tax

Deferred tax asset recognised comprises temporary differences attributable to:

	Consolidated	
	2022 $'000	**2021 $'000**
Deductible capital raising costs	301	401
Property, plant and equipment	(397)	–
Provisions for returns, refunds, inventory and bad debtors	1,749	1,372
Employee benefits	771	564
Deferred revenue	2,706	2,542
Accrued expenses	(1,196)	(1,299)
Right-of-use assets	(1,626)	(2,089)
Lease liabilities	1,530	2,119
Intangibles	(824)	(703)
Investments in subsidiaries	(20)	–
Share-based payments	6,248	–
Foreign exchange	(538)	(95)
Prepayments	(1)	(5)
Fair value adjustment	–	–
Carry-forward tax losses	5,690	5,038
	14,393	**7,845**

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 $5,690,000 was recognised for the year ended 30 June 2022. 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. 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. Tax losses not recognised are set out below.

	Consolidated	
	2022 $'000	2021 $'000
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	–	4,202
Potential tax benefit @ 30%	–	1,261

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.

Franking credits

The franking credits available as at 30 June 2022 is $3,916,000 (2021: $0) from the payment of income tax.

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2022 $'000	2021 $'000
Cash at bank	28,086	28,778
Cash on deposit	72,925	68,726
	101,011	97,504

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and 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 9. CURRENT ASSETS – INVENTORIES

	Consolidated	
	2022 $'000	2021 $'000
Stock in transit	6,485	5,903
Stock on hand	21,585	16,198
Less: Provision for impairment	(1,709)	(760)
	19,876	15,438
	26,361	21,341

Inventory that was recognised as an expense in profit or loss amounted to $233,774,000 (2021: $178,348,000) for the year ended 30 June 2022.

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 10. CURRENT ASSETS – OTHER

	Consolidated	
	2022 $'000	2021 $'000
Prepayments	3,599	3,750
Right-of-return assets	248	106
Security deposits	114	116
Foreign exchange forward contracts	1,723	357
	5,684	4,329

NOTE 11. NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

	Consolidated	
	2022 $'000	2021 $'000
Buildings – at cost	8,982	8,528
Less: Accumulated depreciation	(3,550)	(1,530)
	5,432	6,998
	5,432	6,998

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

Consolidated	Buildings $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2020	1,344	49	1,393
Additions	6,737	–	6,737
Disposals	–	(47)	(47)
Depreciation expense	(1,083)	(2)	(1,085)
Balance at 30 June 2021	6,998	–	6,998
Balance at 1 July 2021	6,998	–	6,998
Additions	454	–	454
Disposals	–	–	–
Depreciation expense	(2,020)	–	(2,020)
Balance at 30 June 2022	5,432	–	5,432

Refer to note 6 for the accounting policies on right-of-use assets.

NOTE 12. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2022 $'000	2021 $'000
Leasehold improvements – at cost	487	440
Less: Accumulated depreciation on leasehold improvements	(436)	(282)
	51	158
Construction in progress	4,361	159
Plant and equipment – at cost	2,772	1,576
Less: Accumulated depreciation	(1,381)	(741)
	1,391	835
	5,803	1,152

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

Consolidated	Leasehold improvements $'000	Construction in progress $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2020	224	–	228	452
Additions	52	159	867	1,078
Depreciation expense	(118)	–	(260)	(378)
Balance at 30 June 2021	158	159	835	1,152
Additions	47	4,202	1,196	5,445
Depreciation expense	(154)	–	(640)	(794)
Balance at 30 June 2022	51	4,361	1,391	5,803

NOTE 13. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated	
	2022 $'000	2021 $'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	3,172	2,535
Less: Accumulated amortisation	(948)	(632)
Less: Accumulated Impairment	(1,474)	(1,474)
	750	429
Development costs	–	349
Other	44	–
Customer relationships – at cost	338	338
Less: Accumulated amortisation	(338)	(338)
	–	–
	8,107	8,091

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	Other $'000	Total $'000
Balance at 1 July 2020	4,532	2,781	60	486	–	7,859
Additions	–	–	49	349	–	398
Transfer of software upon completion	–	–	486	(486)	–	–
Amortisation expense	–	–	(166)	–	–	(166)
Balance at 30 June 2021	4,532	2,781	429	349	–	8,091
Additions	–	–	57	241	44	342
Transfer of software upon completion	–	–	590	(590)	–	–
Amortisation expense	–	–	(326)	–	–	(326)
Balance at 30 June 2022	4,532	2,781	750	–	44	8,107

Impairment testing

For impairment testing, goodwill and brands acquired through business combinations are allocated to the Temple & 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 2022 and 2021. 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 2023. 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 2022. 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. 11.2% pre-tax discount rate (9.6% 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 four 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 2022.

No changes to the CGU structure have been made in the current financial year. No reasonable change in assumptions would result in impairment to the CGU.

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.

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 14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2022 $'000	**2021 $'000**
Trade payables	25,557	18,864
Accrued payables	9,416	10,787
Employee related payables	1,865	1,063
Cash-settled share-based payments (refer to note 20)	1,164	461
On-costs on share-based payments (refer to note 20)	72	96
Other payables	1,600	1,902
	39,674	33,173

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.

Defined contribution superannuation expense

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

NOTE 15. CURRENT LIABILITIES – EMPLOYEE BENEFITS

	Consolidated	
	2022 $'000	2021 $'000
Long service leave	270	218
Annual leave	1,582	1,083
	1,852	1,301

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 16. CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2022 $'000	2021 $'000
Refunds and replacements	3,680	3,684
	3,680	3,684

Movements in provisions

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

Consolidated	Refunds and replacements $'000
Carrying amount at 30 June 2020	2,386
Additional provisions recognised	27,379
Amounts used	(23,216)
Unused amounts reversed	(2,865)
Carrying amount at 30 June 2021	3,684
Additional provisions recognised	35,210
Amounts used	(31,205)
Unused amounts reversed	(4,009)
Carrying amount at 30 June 2022	3,680

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 17. CURRENT LIABILITIES – DEFERRED REVENUE

	Consolidated	
	2022 $'000	**2021 $'000**
Deferred revenue	14,072	15,290

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

	Deferred revenue $'000
Carrying amount at 1 July 2020	10,025
Additional revenue deferred	331,609
Revenue recognised	(326,344)
Carrying amount at 30 June 2021	15,290
Additional revenue deferred	425,117
Revenue recognised	(426,335)
Carrying amount at 30 June 2022	14,072

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

NOTE 18. EQUITY – CONTRIBUTED CAPITAL AND TREASURY SHARES

	Consolidated			
	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares – fully paid	120,514,583	120,452,928	115,784	115,397

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2020	113,422,884		76,566
Shares issued as part of capital raise	7 July 2020	7,005,144	$5.70	39,929
Shares issued as part of capital raise	9 July 2020	12,400	$5.70	71
Transaction cost on shares issued as part of capital raise (net of tax)				(1,169)
Shares issued to employees under profit share scheme	18 August 2020	12,500	$0.00	–
Balance	30 June 2021	120,452,928		115,397
Issue of shares to Employee Share Trust	21 April 2022	61,655	$6.28	387
Balance	30 June 2022	120,514,583		115,784

Movements in treasury shares

Details	Date	Shares	Issue price	$'000
Balance	1 July 2021	–		–
Shares purchased under LTVR scheme	21 April 2022	(61,655)	$6.28	(387)
Shares transferred to employees under LTVR scheme	21 April 2022	61,655	$6.28	387
Balance	30 June 2022	–		–

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.

On 2 July 2020, the Group successfully completed a fully underwritten $40,000,000 institutional placement resulting in the issue of 7,017,544 new fully paid ordinary shares at an offer price of $5.70. Proceeds of the placement have been and will continue to be used to provide the Group with the financial flexibility to pursue strategic growth initiatives including initiatives to enhance technology, product and service offerings.

Treasury shares

Treasury shares represent own equity instruments which are issued or acquired for later payment as part of employee share-based payment arrangements and deducted from equity. These shares are held in trust by the trustee of the Temple & Webster Group Ltd Employee Share Trust and vest in accordance with the conditions attached to the granting of the shares. The accounting policy applied in respect of share-based payments is disclosed in note 20. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Capital risk management

The Group's objective 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 consolidated 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.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2022 and 30 June 2021.

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 2022 and 30 June 2021.

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 19. EQUITY – RESERVES

	Consolidated	
	2022 $'000	**2021 $'000**
Share-based payments reserve	11,302	4,749
	11,302	4,749

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.

Shares issued to employees by the Temple & Webster Employee Share Trust are recognised against the reserve.

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 2020	3,513
Transaction Cost	(2)
Share-based payments	1,238
Balance at 30 June 2021	4,749
Transaction Cost	(3)
Shares transferred to employees under LTVR scheme	(387)
Share-based payments	1,717
Tax impact on share-based payments	5,226
Balance at 30 June 2022	11,302

NOTE 20. SHARE-BASED PAYMENTS

LTVR 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, options or restricted rights over ordinary shares in the Company to employees and directors of the Group. The LTVR performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee. The LTVR restricted rights are issued based on participants sacrificing a portion of their salary in return for a grant of restricted rights. The LTVR 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 LTVR performance targets are based on share price hurdles or total shareholder return, 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 LTVR plans as at 30 June 2022:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested but not exercised	Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
1/07/2018	31/08/2021	$0.00	390,578	–	(390,578)	(61,655)	–	328,923
15/02/2019	31/08/2021	$0.00	50,000	–	(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	75,172	–	–	–	–	75,172
28/06/2021	30/06/2023	$0.00	110,541	–	–	–	–	110,541
21/12/2021	30/06/2024	$0.00	–	109,158	–	–	–	109,158
			2,426,291	109,158	(440,578)	(61,655)	–	2,473,794

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.26 years.

Set out below are summaries of performance rights granted under the LTVR plans as at 30 June 2021:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested but not exercised	Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
1/07/2018	31/08/2021	$0.00	402,909	–	–	–	(12,331)	390,578
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	–	–	–	(39,726)	75,172
28/06/2021	30/06/2023	$0.00	–	110,541	–	–	–	110,541
			2,367,807	110,541	–	–	(52,057)	2,426,291

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.03 years.

For the long-term variable remuneration ('LTVR') performance rights granted during the current financial year to the executive and management team, 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
21/12/2021	30/06/2024	$10.09	$0.00	63.12%	–	0.76%	$5.90

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

For the LTVR performance rights granted during the previous financial years, the valuation model inputs used to determine the fair value at the grant date were 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	31/08/2021	$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
1/07/2019	31/08/2022	$1.38	$0.00	60.00%	–	0.95%	$0.600
28/06/2021	30/06/2023	$11.52	$0.00	66.16%	–	–0.02%	$8.71

Set out below are summaries of options granted under the LTVR and salary sacrifice plans as at 30 June 2022:

Grant date	Vesting date	Exercise price	Balance at the start of the year	Granted	Vested but not exercised	Exercised	Expired/ forfeited/ replaced	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	–	–	543,078
			5,543,078	–	543,078	–	–	5,543,078

For the LTVR 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 were 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	$0.76	$0.99	60.00%	–	2.20%	$0.594

Set out below are summaries of restricted rights granted under the LTVR plans as at 30 June 2022:

Grant date	Vesting date	Fair Value at grant date	Balance at the start of the year	Granted	Vested but not exercised	Exercised	Expired/ forfeited/ replaced	Balance at the end of the year
12/11/2021	12/11/2021	$10.86	–	9,729	(9,729)	–	–	9,729
			–	9,729	(9,729)	–	–	9,729

Cash-settled share-based payments of $1,164,000 were granted under the STVR Plan on 1 July 2021 and vested on 30 June 2022 ($461,000 in the previous financial year). The STVR is dependent on meeting Group, individual and business unit (if applicable) performance objectives. Each participant is also required to meet a service condition. Refer to the remuneration report for further details.

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 LTVR 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 STVR 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.

Equity-settled transactions

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.

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 an equity-settled award is 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 6). 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 21. EQUITY – DIVIDENDS

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

NOTE 22. 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 six 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 dates were as follows:

Consolidated	Assets 2022 $'000	Assets 2021 $'000	Liabilities 2022 $'000	Liabilities 2021 $'000
US dollars	–	–	1,060	1,257
	–	–	1,060	1,257

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.

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 maturities 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 amounts in the consolidated statement of financial position.

Consolidated – 2022	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	–	25,557	–	–	–	25,557
Other payables	–	1,600	–	–	–	1,600
Lease liabilities	3.2	1,577	1,352	2,314	–	5,243
Total non-derivatives		28,734	1,352	2,314	–	32,400

The above tables detailing the Group's remaining contractual maturity for its financial instrument liabilities do not include committed leases not yet commenced as at the reporting date (refer to note 27).

Consolidated – 2021	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	–	18,864	–	–	–	18,864
Other payables	–	1,902	–	–	–	1,902
Lease liabilities	3.6	2,253	1,714	3,666	–	7,633
Total non-derivatives		23,019	1,714	3,666	–	28,399

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

Accounting policy for financial instruments

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 are 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').

With regard to the measurement of financial liabilities designated as at fair value through profit or loss (where relevant), 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. Impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is 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.

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 current financial assets at amortised cost at its fair value plus transaction costs unless otherwise stated. These financial assets are subsequent measured using the effective interest ('EIR') method and are subject to impairment.

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.

Other current financial assets are initially and subsequently measured at fair value through profit or loss, whilst all transaction costs are expensed in the period. Gains and losses are recognised in the profit or loss when the asset is derecognised, modified or impaired.

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 re-measured 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 23. 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. The carrying amounts of current financial assets and derivatives are initially recognised at fair value on the date on which the transaction occurs or the contract is entered into and are subsequently remeasured at fair value.

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, apart from the current financial asset which is considered to be Level 3. 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 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

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

	Consolidated	
	2022 $	2021 $
Short-term employee benefits	1,557,439	1,408,122
Post-employment benefits	114,307	101,516
Share-based payment	858,689	808,209
	2,530,435	2,317,847

NOTE 25. 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	
	2022 $	2021 $
Audit services – Ernst & Young Australia		
Audit or review of the financial report	243,231	212,459
Other services – Ernst & Young Australia		
Tax compliance	36,256	36,426
Other tax services	51,500	–
Other services	54,080	9,360
	385,067	258,245

NOTE 26. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2022 and 30 June 2021.

NOTE 27. COMMITMENTS

The Group has a lease contract that has not yet commenced as at 30 June 2022. This relates to the new 10-year lease for office space in St Peters, Sydney which the Group signed on 12 August 2021. The lease will be recognised under AASB 16 *Leases* and the liability of $17,777,000 will be recognised in the year ending 30 June 2023.

NOTE 28. RELATED PARTY TRANSACTIONS

Parent entity

Temple & Webster Group Ltd is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 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 29. PARENT ENTITY INFORMATION

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

Consolidated statement of profit or loss and other comprehensive income

	2022 $'000	2021 $'000
Loss after income tax	(4,554)	(3,119)
Total comprehensive income	(4,554)	(3,119)

Consolidated statement of financial position

	2022 $'000	2021 $'000
Total current assets	66,501	66,501
Total assets	72,540	72,540
Total current liabilities	10,279	7,442
Total liabilities	10,279	7,442
Net assets	62,261	65,098
Equity		
Contributed capital	133,706	133,706
Reserves	6,497	4,780
Accumulated losses	(77,942)	(73,388)
Total equity	62,261	65,098

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 2022 and 30 June 2021.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2021.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 34, 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 their 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 31).

NOTE 30. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business/ Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
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%
Temple & Webster Group Ltd Employee Share Trust	Australia	100.00%	–

The principal continuing activities of the Group consisted of the sale of furniture, homewares and home improvements products.

NOTE 31. 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' reports 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 consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position are substantially the same as the Group and therefore have not been separately disclosed.

NOTE 32. RECONCILIATION OF PROFIT AFTER TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated	
	2022 $'000	**2021 $'000**
Profit after tax for the year	11,968	13,953
Adjustments for:		
Share-based payment expense	1,717	1,238
Depreciation and amortisation	3,140	1,629
Movements in make good provision	–	(50)
Deferred income tax (benefit)/expense	(1,322)	2,011
Transaction cost on purchase of current financial asset	–	27
Share on loss from associate	643	–
Revaluation gain on investment	(700)	–
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(169)	(49)
(Increase) in inventories	(5,020)	(14,722)
(Increase) in other assets	(1,478)	(876)
(Increase) in trade and other payables	6,501	10,999
(Increase) in employee benefits	642	537
(Decrease)/increase in other provisions	(4)	1,348
(Decrease)/increase in deferred revenue	(1,218)	5,265
(Decrease)/increase in income tax payable	(1,313)	3,196
Net cash from operating activities	13,387	24,506

NOTE 33. EARNINGS PER SHARE

	Consolidated	
	2022 $'000	**2021 $'000**
Profit after income tax attributable to the owners of Temple & Webster Group Ltd	11,968	13,953
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	120,464,752	120,335,860
Effects of dilution from share-based payments and share placement discount	7,519,234	9,475,194
Weighted average number of ordinary shares used in calculating diluted earnings per share	127,983,986	129,811,054
	Cents	**Cents**
Basic earnings per share	9.93	11.60
Diluted earnings per share	9.35	10.75

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 34. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated 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 of the Group's annual consolidated financial statements for the year ended 30 June 2022. Several 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. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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 consolidated 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.

Historical cost convention

The consolidated 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 consolidated 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 consolidated financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these consolidated financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Temple & Webster Group Ltd as at 30 June 2022 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.

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 consolidated 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 consolidated 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 Group 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 35. 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 2022. These standards and interpretations are not expected to have a significant impact on the Group's financial statements in the year of initial application.

NOTE 36. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2022 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

30 June 2022

In the Directors' opinion:

- the attached consolidated 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 consolidated financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 34 to the consolidated financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Group 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 31 to the consolidated 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

16 August 2022
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) and its subsidiaries (collectively "the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated 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 Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated 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 Group 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.

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 matters below, provide the basis for our audit opinion on the accompanying financial report.

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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 revenue 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; therefore, revenue is recognised as the gross selling price net of rebates and discounts. Revenue is only recognised when delivery of goods is made to the customer. Judgement is required in determining the date of delivery in instances where an order has been shipped, but delivery status remains unknown at the year end date. 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 and deferred revenue is recognised is considered to be a key audit matter.	Our audit procedures included the following: - Assessed the operating effectiveness of relevant controls in place relating to the recognition and measurement of revenue transactions - Selected a sample of revenue transactions during the financial year and subsequent to 30 June 2022, and tested whether revenue was recognised in the correct period. This included testing whether revenue transactions were recognised as deferred revenue at balance date where applicable. - Selected a sample of customer returns and credit notes issued post 30 June 2022 relating to sales recognised in the 2022 financial year and tested whether revenue was recognised in the correct period. - Assessed whether the Group's revenue recognition accounting policy applied to the terms and conditions of sale was in accordance with the requirements Australian Accounting Standards. - Assessed the adequacy of the financial report disclosures relating to revenue 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 Group's 2022 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.

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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 Group'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 Group 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:

- 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 Group'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 47 of the Annual Report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Temple & Webster Group Ltd for the year ended 30 June 2022, 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
16 August 2022

Shareholder information

30 June 2022

The shareholder information set out below is applicable as at 1 August 2022.

Number of Equity Security Holders

The number of holders of Ordinary equity securities was 9,812.

The number of holders of unquoted Performance Rights was 12.

The number of holders of unquoted Options was 4.

The number of holders of unquoted Restricted rights was 3.

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	107,725,264	89.11	40	0.41
10,001 to 100,000	4,696,044	3.88	167	1.70
5,001 to 10,000	1,836,525	1.52	248	2.53
1,001 to 5,000	4,141,991	3.43	1,825	18.60
1 to 1,000	2,493,680	2.06	7,532	76.76
Total	120,893,504	100.00	9,812	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	1,813,316	86.56	1	8.33
10,001 to 100,000	266,905	12.74	7	58.33
5,001 to 10,000	–	–	–	–
1,001 to 5,000	14,672	0.7	4	33.34
1 to 1,000	–	–	–	–
Total	2,094,893	100.00	12	100.00

Shareholder information
continued

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

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

Range	Securities	%	No. of holders of ordinary shares	%
100,001 and Over	–	–	–	–
10,001 to 100,000	–	–	–	–
5,001 to 10,000	5,837	60	1	33.33
1,001 to 5,000	3,892	40	2	66.67
1 to 1,000	–	–	–	–
Total	9,729	100.00	3	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	14,237,159	11.80
AXA Equitable Holdings Inc, AllianceBernstein Australia Limited	13,533,382	11.24
AustralianSuper Pty Ltd	8,550,027	7.09
Timothy M Riley and associated parties (Riley Shareholders)	6,525,000	5.41
Tackelly Pty Limited as Trustee for Tackelly Trust	6,111,495	5.07
Pinnacle Investment Management Group Limited	6,045,250	5.02

Note: Super Properties Pty Ltd as Trustee for Shayne Smyth Trust lodged a substantial shareholder notice on 1 March 2016 indicating it held 5,880,810 or 5.35% of the issued capital. The Company understands that this shareholder has ceased to be a substantial holder but has not lodged the requisite form with ASX or the Company.

Marketable parcel

The number of holders holding less than a marketable parcel of Ordinary securities was 2,262.

Twenty largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities as per the Group's share register are listed below:

Name	Ordinary Shares held	% of issued shares
CITICORP NOMINEES PTY LIMITED	32,380,733	26.78
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	19,795,850	16.37
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	13,683,539	11.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,935,695	8.22
NETWEALTH INVESTMENTS LIMITED	8,434,876	6.98
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	3,843,566	3.18
AP ECOMMERCE PTY LTD	2,427,828	2.01
BNP PARIBAS NOMINEES PTY LTD	1,705,315	1.41
MIRRABOOKA INVESTMENTS LIMITED	1,702,108	1.41
BRIAN SHANAHAN & JACCQUELINE SHANAHAN	1,311,469	1.08
NATIONAL NOMINEES LIMITED	1,074,372	0.89
BARILOCHE INVESTMENTS PTY LIMITED	1,051,098	0.87
BNP PARIBAS NOMS PTY LTD	1,021,126	0.84
ADAM RICHARD McWHINNEY	945,389	0.78
AMCIL LIMITED	897,122	0.74
BNP PARIBAS NOMINEES PTY LTD	722,315	0.60
BNP PARIBAS NOMS (NZ) LTD	697,745	0.58
MARK COULTER	636,785	0.53
JAM HOLE LP	576,953	0.48
MR MICHAEL ROSS HENRIQUES	519,127	0.43
Total	103,363,011	85.50
Balance of register	17,530,493	14.50
Grand total	120,893,504	100.00

On-market buy-back

There is no current on-market buy-back.

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Corporate directory

Directors	Stephen Heath, Chairperson and Independent Non-Executive Director Susan Thomas, Independent Non-Executive Director Conrad Yiu, Non-Executive Director Belinda Rowe, Independent Non-Executive Director Mark Coulter, Chief Executive Officer and Managing Director
Company secretary	Lisa Jones
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 Group's website for all corporate governance information www.templeandwebstergroup.com.au/Home/?page=corporate-governance