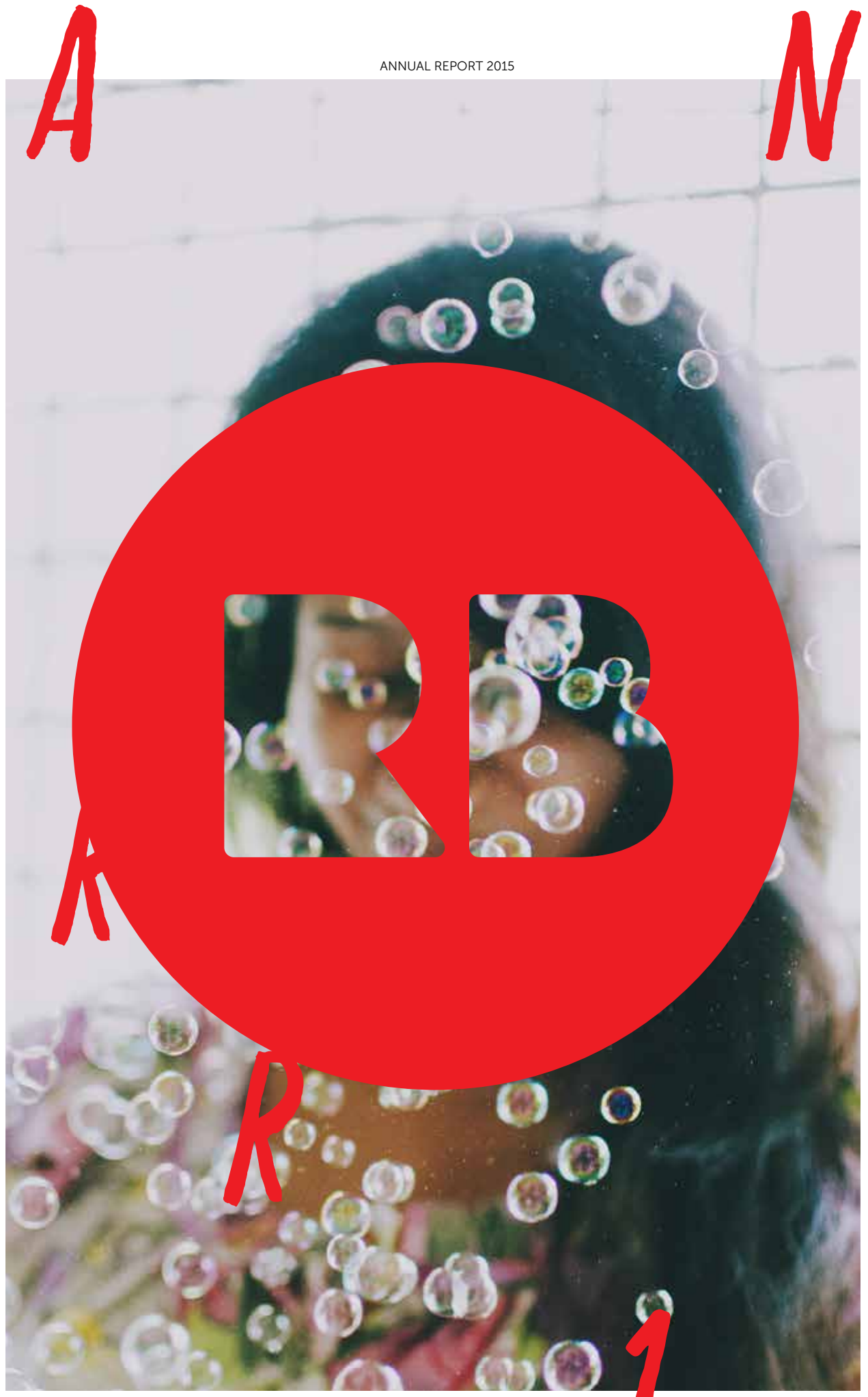




INDIVIDUALS  
*welcome*



ANNUAL REPORT 2015

CONTEMPLATIVE AND BEAUTIFUL

1





REDBUBBLE

THANK YOU SO MUCH!

ANNUAL REPORT 2015



Free  
SPIRIT.

LOVELY:)



Launched in 2006, Redbubble is quite simply the finest and most diverse creative community and marketplace on the internet. We bring together artists and designers with consumers, facilitating the sale of unique designs - **15.6 MILLION** and counting - available to print on the current range of **42** products. The Redbubble experience is available in **199** countries throughout the world and is fulfilled by our trusted partners in the US, UK, Australia and Hong Kong.

Headquartered in Melbourne Australia, our vision is to be the global marketplace synonymous with creative individualism. The Redbubble marketplace has a real and positive impact, creating value for our artists, customers, fulfillers and investors and employing a talented team of **138** people.

 [REDBUBBLE.COM/ABOUT](https://www.youtube.com/watch?v=REDBUBBLE.COM/ABOUT)

SO COOL, LOVE HOW IT LOOKS ON THE PRODUCTS! :)

WANT TO KNOW MORE ABOUT REDBUBBLE OR GET IN TOUCH?

**REDBUBBLE.COM**  
TO SHOP, MEET OUR  
CREATIVES AND READ  
OUR BLOG

**REDBUBBLE.COM/ABOUT**  
FOR THOSE WHO PREFER  
MOVING PICTURES  
INSTEAD OF WORDS

 @REDBUBBLE  
**39,969 FOLLOWERS**

 REDBUBBLE.TUMBLR.COM  
**9,048 FOLLOWERS**

 FACEBOOK.COM/REDBUBBLE  
**230,288 FOLLOWERS**

 PINTEREST.COM/REDBUBBLE/  
**8,808 FOLLOWERS**

THANKS :)

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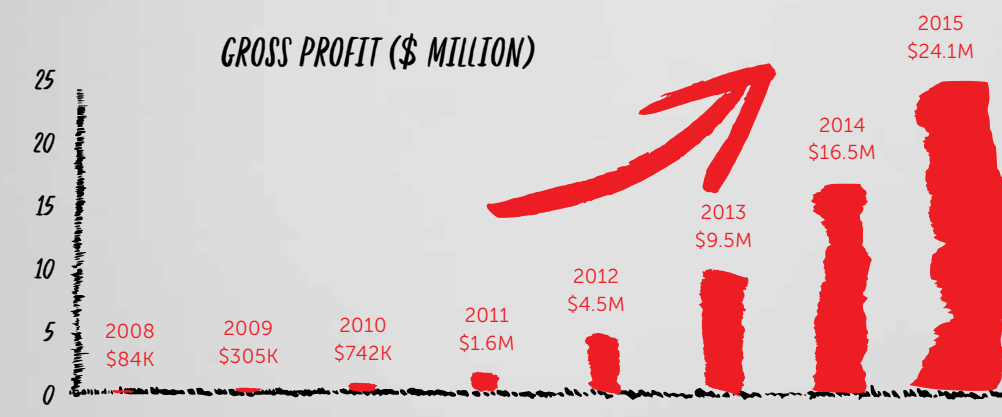
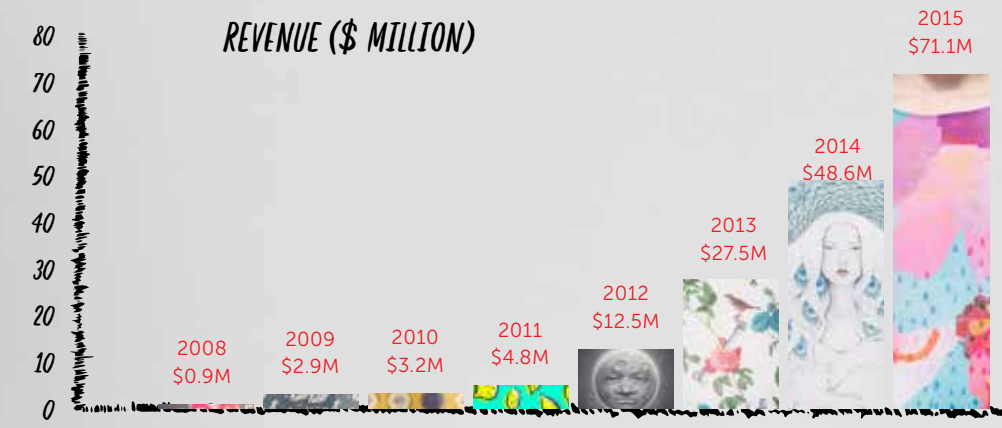
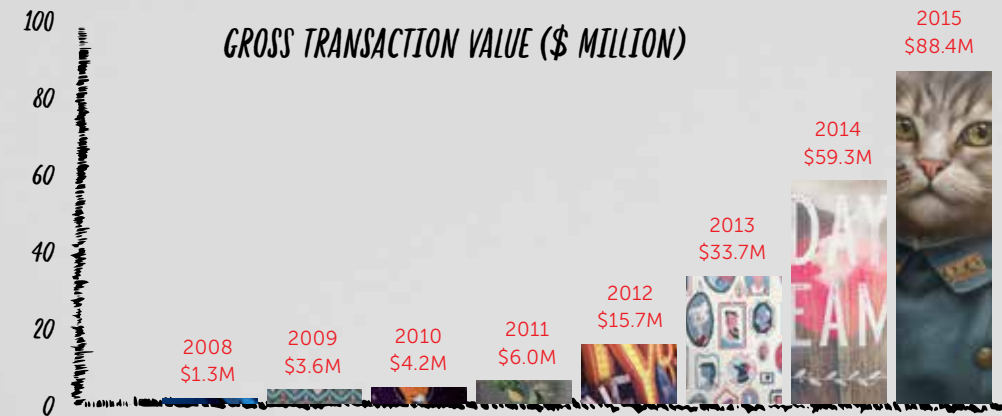


**26**

Financial report



# HIGHLIGHTS



FINANCIAL YEAR 1 JULY – 30 JUNE





*“CONSUMER DEMAND FOR THE DISTINCTIVE AND THE MEANINGFUL SPEAKS TO A DEEP HUMAN NEED. MEETING THIS NEED IS NOW POSSIBLE AND REDBUBBLE IS AT THE HEART OF THIS BUSINESS TRANSFORMATION.”*

LETTER FROM CEO  
AND CO-FOUNDER,  
MARTIN HOSKING

In 2006, Paul Vanzella, Peter Styles and I began to imagine a website that served the desire of independent creatives to reach a global audience. We started with the simplest of all propositions - that there were a lot of people (some 15% of the population) who see themselves as an artist, but lack access to markets and the tools to turn their digital works into physical products.

This underlying insight behind Redbubble has not changed. But much has. Neither Peter nor Paul are now directly involved in the Company (although Paul's hand lies behind the design of this Annual Report). As CEO since 2010, I have seen Redbubble begin to realise our vision of becoming the global brand synonymous with creative individualism. In doing so, Redbubble has been caught by two transformative waves:

- **The rise of the creative individual.** This is a new consumer who is more concerned with “standing out rather than fitting in”<sup>1</sup> and who sees “individuality being the new cool.”<sup>2</sup>

While many of these consumers are Millennials (born after 1990) this mindset spans generations and demographics. Many existing brands that market products with prominent logos have been caught off-guard. In contrast, Redbubble with its vibrant artists' community, millions of images and expansive product range is brilliantly positioned.

- **The development of mass customisation.** In 2006, we could not have imagined printing on products as large as duvet covers or as complex as leggings. Now the range of what's possible is ever increasing. Not only is traditional POD (print on demand) expanding, but new technologies from laser cutting to 3D printing are opening up entirely new product possibilities.

Redbubble's competitive advantage relies on two related capabilities: understanding consumer sentiment, and continual innovation in product development and logistics. Considerable investment has gone into these two areas, particularly over the last year, with a view to ensuring Redbubble extends its market leadership position and global footprint.

From the earliest days, those behind Redbubble have strived to create a meaningful and enduring company, to serve the needs of our customers – both creatives and consumers – and do so in a scaleable and profitable way. The opportunity before Redbubble in 2015 is both clearer and larger than it was in 2006 and we are committed to seizing it.

<sup>1</sup> New York Times, 3 December 2014

<sup>2</sup> Steph Wissink, Piper Jaffray, “Taking Stock with Teens”

# WHAT WE DO

Want to be an individual? Want to sell your beautiful artwork with zero hassle on a healthy range of incredible high-quality products? That's exactly what we do. We are an online marketplace that facilitates the sale and purchase of millions of artistic and creative images on an ever-expanding product range. Furthermore, we make sure that they are printed and shipped pronto, straight to the customer's door. If the unforeseen should happen, we have a fantastic customer service team waiting to take your call.

## PRODUCT SELECTION

Customers select their chosen products by searching by product, theme or artist. Once the customer has found a design they like on the product they like, they proceed to check out and pay via PayPal or credit card. All products have met stringent quality checks and new cool products will continue to be introduced.

42 PRODUCTS

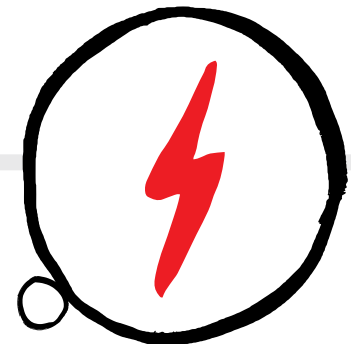
65% OF SALES FROM WORKS THAT SOLD 50 TIMES OR LESS

## FULFILLERS

The incredible fulfillers – the people and businesses that make the products sold on Redbubble – are truly talented.

Once orders are placed, they are sent to global fulfillers via our internet platform and immediately go into the production queue. The chosen product is then printed using state-of-the-art printing techniques, packaged up and sent on its way.

11 FULFILLERS 48 HOURS AVERAGE PRODUCTION TIME

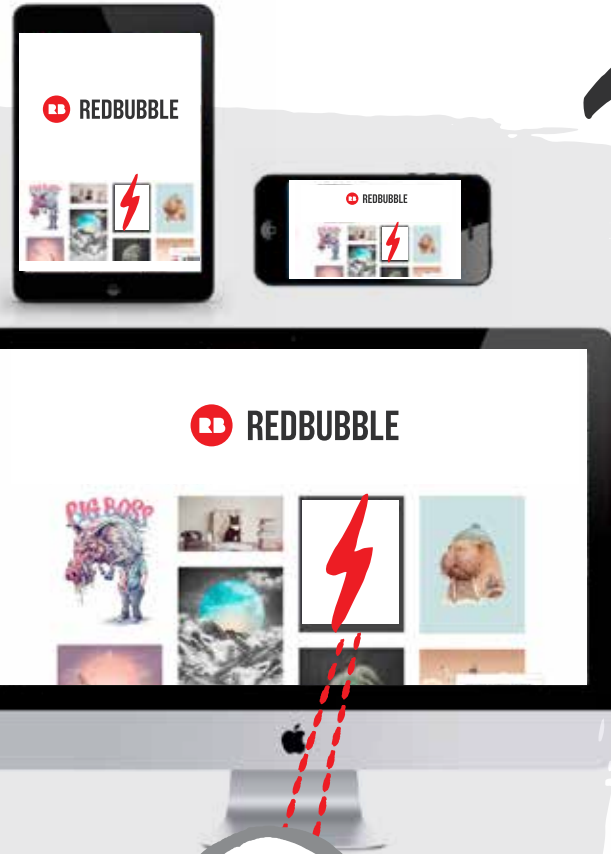


## CREATIVES

Artists and designers upload their masterpieces to Redbubble, choose the products they would like their work to appear on and set their pricing. All ownership rights are retained by them.

15.6 MILLION IMAGES

361,534 CREATIVES



## CUSTOMERS

Customers seeking personal and unique style visit redbubble.com on their computer, tablet or mobile device.

1.4 MILLION CUSTOMERS

103 MILLION VISITS

66% UNDER 35 YEARS OF AGE

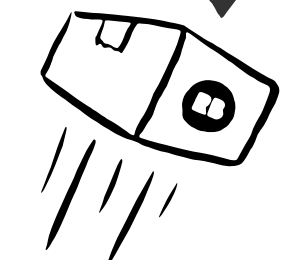
## CUSTOMER SERVICE

Our customers and artists always come first. If for any reason they are not happy or if an order doesn't arrive, we have a dedicated team of customer service heroes available to make it right. Our website is also host to anything else they need to know, including policies and guidelines, for those important questions, like, 'When am I going to get paid?'.



## DELIVERY

We rely on a network of external shipping partners around the world including the long-haul capabilities of UPS, FedEx and DHL, as well as the distribution expertise of local postal services to get orders to you, pronto.



## CUSTOMER EXPERIENCE





***INSPIRATION DOESN'T COME IN A BOX.  
IT COMES IN A BUBBLE.***



WHERE WE DO IT

WALL ART, STICKERS

CASES (PHONE, IPAD)

MUGS **UNITED KINGDOM** T-SHIRTS

ALL OVER PRINTING (LEGGINGS, SCARVES, SKIRTS)

**HONG KONG**

PILLOWS, TOTES, DUVETS

SKINS (PHONE, LAPTOP, TABLET)



T-SHIRTS, POSTERS, STICKERS

T-SHIRTS **UNITED STATES** MEN'S PANEL TOP

CASES (PHONE, IPAD)

**AUSTRALIA**

TOTES, PILLOWS, DUVETS, POUCHES

WALL ART, CARDS, STICKERS

CASES (PHONE, IPAD)

WALL ART, CARDS, CALENDARS

MUGS, NOTEBOOKS, LAPTOP SLEEVES

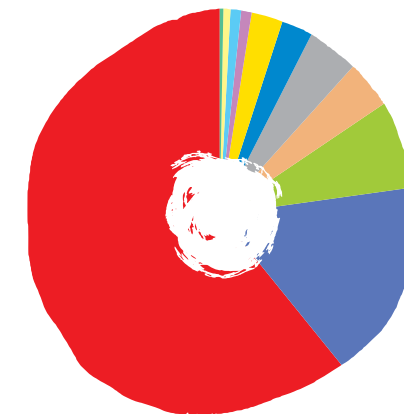
LOVE THIS ONE BUDDY. YOU NEVER FAIL TO IMPRESS.

Redbubble has delivered goods to customers in 199 countries across 7 continents. The magic of turning a beautiful piece of creative work into a unique and individual product through print-on-demand happens in the US, UK, Australia and Hong Kong. Then it's delivered around the world. Our artist representation is truly international, with artists and designers hailing from every corner of the globe.



**GROSS TRANSACTION VALUE (GTV)**

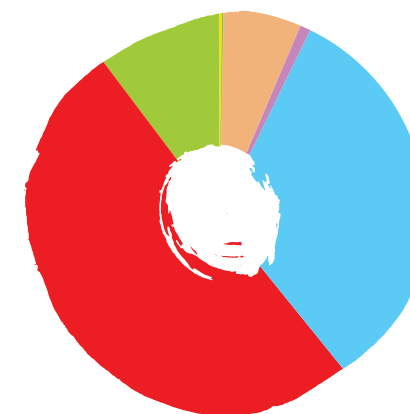
BY COUNTRY (%)



United States	60.7%
United Kingdom	16.3%
Australia	7.3%
Canada	4.2%
Other	3.9%
France	2.6%
Germany	2.4%
Italy	0.8%
Netherlands	0.7%
Sweden	0.6%
Ireland	0.5%

**ARTIST EARNINGS**

BY CONTINENT (%)



North America	49.7%
European Union	31.6%
Oceania	10.1%
Asia	6.1%
South America	1.3%
Europe Non-EU	0.8%
Africa	0.4%
Antarctica	0.0%

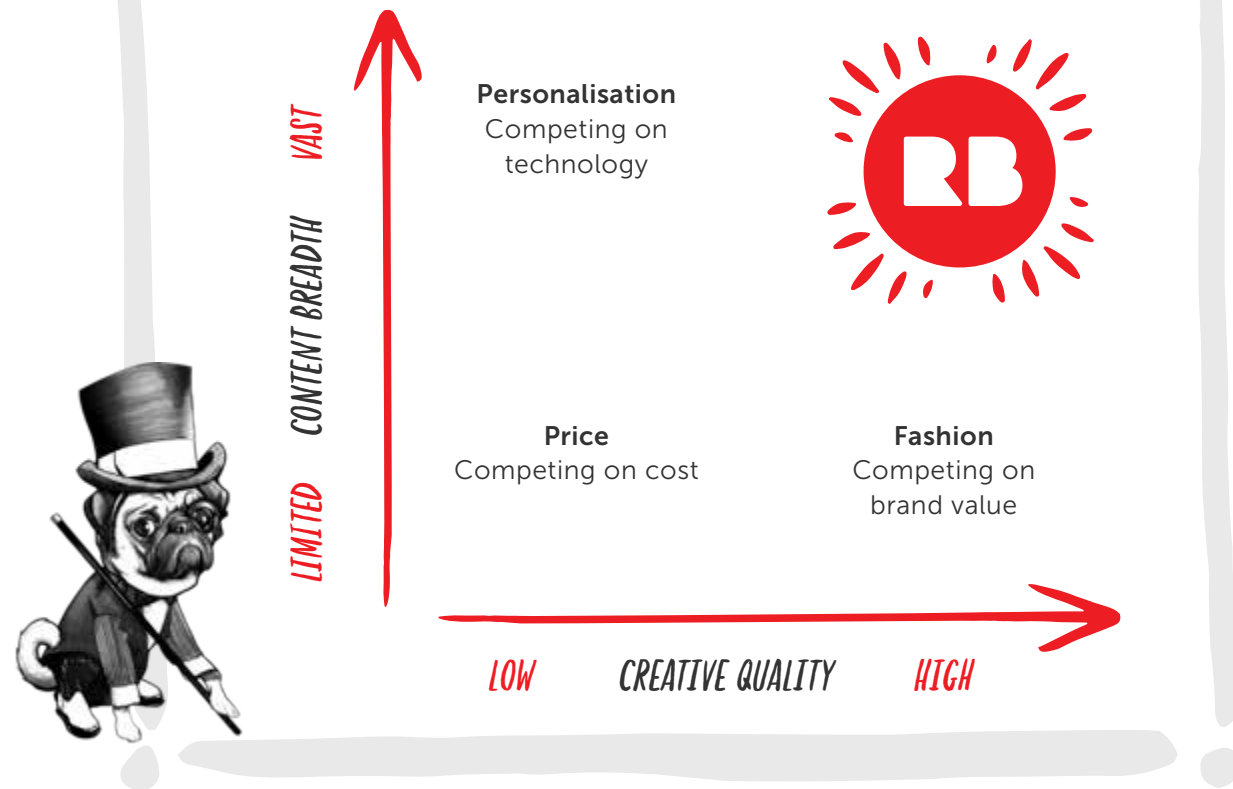
SO COOL :)

# HOW WE ARE **DIFFERENT**

Redbubble is exceptional - millions of products are sold through Redbubble.com, but we don't market to the masses. Every product sold has been selected individually by our free-thinking customers, from the hands and minds of our loyal artist community. It is a business model that differs from the average retailer or online store and enables each customer to be uniquely satisfied.

## A COMPELLING MARKET POSITION

We have created a real niche that differs from most of our peers

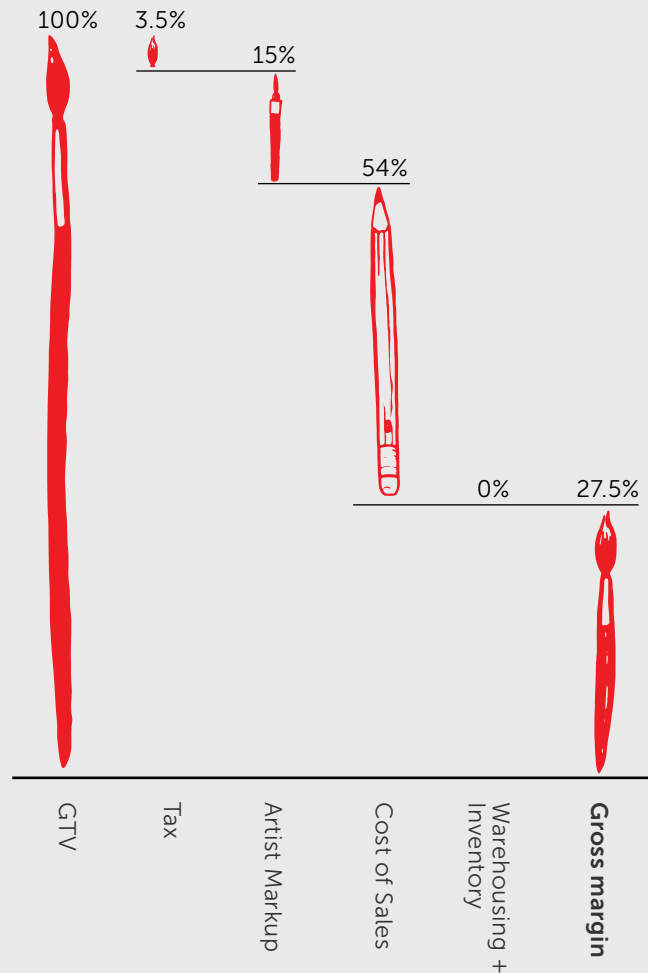


While most compete on cost or brand value, we sit by ourselves in a space that we call personal style. What does this mean? It is the millions of unique and high-quality products that help an individual stand out from the crowd. It's a great space to be in, and with the rise of creative individuality and the development of mass customisation, we are perfectly positioned for growth.

Artist credit: Jimiyo, Pug Fred Astaire, redbubble.com/people/jimiyo/works/8793082

NICE!

## CASH GENERATING MODEL



**Our cash generating model differs from most online retailers and has enabled the Company to scale with limited invested capital.**

Firstly, our artists earn on average, 15% on margin for their designs. They have earned \$32.7 million since Redbubble was launched.

Secondly, our fulfillers have the technical capability to print all products on demand and send directly on to the consumer.

This allows us to leverage cutting-edge fulfillment and delivery expertise without making the necessary capital investment or having the associated inventory balance sheet luggage.

Why does it matter? Well, it makes us extremely nimble and allows us to rapidly grow the range of products offered with almost no expense, and the cost of carrying a particular product is next to nil.

# A WIN-WIN FOR US AND OUR CUSTOMERS



VERY COOL! :D



# THE PEOPLE WHO

# MAKE IT HAPPEN

Redbubble is made possible by those hard-working individuals and businesses that truly make the wheel go around. The partnerships we have formed and the people we have employed

are what make customers come back day after day. And artists have earned over \$32.7 million since Redbubble's inception. That makes us feel pretty good about what we do, too.

## OUR CREATIVE PARTNERS

Redbubble was started to serve creatives and they lie at the heart of what we do. We believe our creatives are just as important as our customers, so we have built a platform specifically designed to meet their needs. This means total control over what they sell their art for, flexibility over the products they put them on and, most importantly, the work always belongs to the genius who created it.

## OUR FULFILLERS

Our fulfilling partners are the unspoken heroes in the production chain. These trusted suppliers turn a piece of art into something that is tangible – something you can wear, drink out of, or hang on your wall. While the benefits of collaborating with the best are numerous, the partnership itself is reciprocal.

## OUR EMPLOYEES

We are 138 hard-working team members who make sure everything ticks like clockwork. We believe that to get a little, you must give a little, so we are constantly striving for the best people and most rewarding culture to get the best results.

## OUR CUSTOMERS

And what about our customers, those individuals who want an alternative to the mass producing hordes? Well, they are the reason we do what we do. They get the artists and fulfillers paid, they keep our employees busy and they keep our investors happy. And what do we give them in return? Unique content and self-expression at an affordable price, accessible to everyone.

MEET ARTIST  
**LITTLECLYDE**  
MICHELLE BOTHE



Michelle Bothe (Littleclyde) is an illustrator and designer, who creates kind and warm characters from her home in Honolulu, Hawaii. Her favourite mediums are HI and traverse, from hand-drawn illustration and digitally painted graphics. She has adapted her works particularly well to physical products and has an excellent eye for how they will appear on the Redbubble range.

*"Redbubble has given me such great promotion and support of my work, helping me reach a wonderful audience."*

Portfolio: [redbubble.com/people/littleclyde](http://redbubble.com/people/littleclyde)

**\$32.7** MILLION PAID TO CREATIVES SINCE INCEPTION

**\$54,217** FY15 TOP EARNING CREATIVE



**\$119** MILLION PAID TO FULFILLERS SINCE INCEPTION

Artist credit: BioWorkZ, Silverback Gorilla, <http://www.redbubble.com/people/bioworkz>

MEET EMPLOYEE  
**DOMING**  
TARANTO



Dom has worked at Redbubble since 2012 when he took his first post-university job in the company's Legal Content Team. Dom quickly progressed from Customer Support to the Events & PR team, where he is today. Dom is a member of the Artist Business Group which devises and executes artist strategy, as well as the Artist Support Team which does just that - supports our artists.

*"Art, as I see it, has always been about storytelling and Redbubble celebrates that at every opportunity. I have been able to live my own story both creatively and professionally while working at Redbubble. I consider myself incredibly lucky to be a part of something so original and authentic."*

MEET CUSTOMER  
**CHANDLER**  
23, FLORIDA



Chandler is 23, lives in Florida and is a bartender and furniture mover. He has used Redbubble for over two years and has spent over \$200.

### Why Redbubble?

*"You guys have so many options, every time I go on the site there is something new I like to have, something that is just for me, I feel it is important to have a distinct style. I think this enriches everyone's life – instead of being the average Joe."*

**\$212** MILLION GROSS TRANSACTION VALUE (GTV) SINCE INCEPTION



INDIVIDUALS  
*welcome*



INDIVIDUALS  
*welcome*



LOL! THIS MADE MY DAY

THANKS! I REALLY APPRECIATE IT :)



## CHAIR'S LETTER



When Redbubble was established, the founders had a singular focus on helping creatives reach a global audience.

The importance of purpose has also been formalised in the Redbubble Board's commitment "to build and grow a purpose driven company of enduring value", enshrined in its new charter. While this precise form of words is new, this understanding has been at the heart of the governance structures of Redbubble from the outset. Great companies outlast individuals and they do so because of their strong, vibrant, self-sustaining cultures. Good governance, put in place early on in the company's life, is critical.

I believe that Redbubble is well on the path to becoming a great Australian-based company on the global stage. Even now at this early phase in the Company's growth I cannot think of another global consumer internet company coming out of Australia that is operating at Redbubble's scale. And we have only just begun.

At the core of Redbubble's success and growth is that it speaks to a deep human need. It is easy to think of Redbubble as entirely new – providing individual creative products for everybody, everyday. But the reality is that this builds on a long heritage. At the end of the 19th century, William Morris and the Arts and Crafts movement imagined the future that Redbubble, with all the new technology, is now creating.

In 2015, Redbubble achieved a number of significant milestones: 1.4 million customers, 9.6 million unique products sold, gross transaction value of \$88.4 million, and \$13.4 million delivered to creatives around the world.

This demonstrates tangible value for both consumers and artists. It is noteworthy that visual artist's on Redbubble will soon earn more from this platform on an annual basis than Australia Council provides in grants to the visual arts.

These results also reflect the dynamism of the business model - a vibrant market place for the mutual benefit of its participants:

- a thriving global community of creatives;
- a worldwide network of fulfilment and shipping partners;
- some of the hardest-working and passionate employees a company could wish for; and
- customers who want to stand out rather than blend in.

Leveraging our focus on building and developing the senior executive team and an increase in available financial resources, Redbubble made a step-change in its approach to realizing the opportunities before it. We increased our investment, mostly through expenses, in driving new products and markets, to increase our marketing activities and further develop our consumer experience. We are seeing the benefits of these investments in accelerating revenue growth and repeat customer transaction levels.

Our \$15.5m capital raising in May 2015 has allowed us to further accelerate growth initiatives, as well as further expanding our shareholder base; introducing a number of institutional investors. We are delighted that they share our vision.

Redbubble also continues to strengthen and develop its governance practices, processes and capabilities. In FY2015 Chris Nunn and Greg Lockwood joined our board. Chris is a finance executive with deep experience in ASX listed companies and high-growth private companies. Chris chairs the Audit and Risk Committee. Greg, a partner of Piton Capital, has a broad knowledge of online marketplaces and further enhances our Board capabilities within our core strategic space. We will continue to improve our governance practices and procedures in line with Australian best practice and I look forward to reporting back on these going forward.

Thank you for your support over the last 12 months, and we look forward to continuing to grow Redbubble with you.

## MEET THE BOARD

*WE HAVE A STRONG AND WELL-FUNCTIONING BOARD, COMPRISED OF INDIVIDUALS WITH THE RIGHT ABILITIES, PERSONAL QUALITIES AND BUSINESS EXPERIENCE TO BE EFFECTIVE STEWARDS OF REDBUBBLE.*



Board members

(Left to right)

Chris Nunn, Greg Lockwood, Richard Cawsey, Teresa Engelhard, Stephanie Tilenius, Martin Hosking.

Board members' profiles start on page 35.

# CEO'S REVIEW



I am pleased to present to you Redbubble's Annual Report for 2015.

The 2015 Financial Year was an important transitional year for Redbubble as the Company increased investment to drive higher growth and future profitability. Gross Transaction Value of \$88.4 million was up by a solid 49% over prior year. A major driver of growth was repeat customers with repeat GTV up 72%. Redbubble is a global company: 93% of sales were outside of Australia, with the US (61%) and Europe (23%) being our largest markets.

Redbubble's global footprint meant that FY2015 revenue benefitted from the decline in the Australian dollar; however, this was partially offset by the negative impact of US-denominated expenses including staff costs. Revenue growth was entirely organic as the Company undertook no acquisition or related transactions. The Company posted a \$6.8 million loss in the year largely due to significant investments in expansion of the capabilities of the organisation including people, governance and systems to enable continued scaling of the business. Staffing grew from 74 at the end of last year to 138 at the end of FY2015. The increased staffing enabled the company to deliver among other things:

- Localisation of production for our European customers, delivering improved shipping times for this key growth market;

- The introduction of 11 new products, including fashion related products (scarves, skirts and leggings) which require new technologies;
- Continued development of the website to provide speed enhancement, realistic previews and improved search relevancy; and
- The introduction of a mobile first development approach, ensuring Redbubble delivers a strong mobile experience to the now >50% of traffic from mobile sources.

Looking to 2016 and beyond, we see these investments as continuing to deliver significant growth. In addition, we are in the process of rolling out the new brand treatment around the tagline of "Individuals Welcome". Consumer demand for Redbubble products looks set to continue to increase and Redbubble creatives are producing the works these consumers are seeking.

Increased visibility into the opportunity before Redbubble led us to take a \$15.5 million investment into the company in May. This came primarily from three new investors based in Australia, London and Hong Kong. The investment into Redbubble has enabled the Company to more aggressively pursue growth objectives and extend its leadership position on a global basis.

Specifically, the strategic focus is on accelerating the marketplace dynamics for people seeking distinctive products not available elsewhere. Four strands of work are underway, these are set out on the opposite page.

Looking further, ahead we see the opportunity before Redbubble to continue to increase as we pursue the vision of becoming the global brand synonymous with creative individualism.

# MEET THE SENIOR LEADERSHIP TEAM

WE HAVE AN EXTREMELY EXPERIENCED SENIOR LEADERSHIP TEAM WITH YEARS OF EXPERIENCE WORKING FOR SOME OF THE WORLD'S MOST WELL-KNOWN ONLINE BUSINESSES.



Senior leadership team

(Left to right)

Rob Baumert, Vanessa Freeman, Barry Newstead, Martin Hosking, Corina Davis, Faith Sedlin.

## VISION:

### TO BE THE GLOBAL MARKETPLACE SYNONYMOUS WITH CREATIVE INDIVIDUALISM



## STRATEGY

1. Improving the website experience: in particular continuing to improve the marketplace so customers can more easily find, share and buy products
2. Portraying the differentiated brand around the idea of "Individuals Welcome"
3. Providing an exceptional end-to-end customer experience
4. Geographic and product expansion

Artist credit: AnimalCrew, Astro Cat!, redbubble.com/people/animalcrew/works/9859539



# FINANCIAL REPORT

# CORPORATE GOVERNANCE STATEMENT

The Board of Redbubble Limited ("Redbubble") is committed to a culture of integrity, ethical behaviour and respect. The Board considers that operating in accordance with high standards of corporate governance supports Redbubble's long-term performance and creation of enduring value for all stakeholders. This Statement reports on Redbubble's key governance principles and practices, which are reviewed regularly and revised as appropriate to reflect developments in corporate governance and changes in law.

## 1. The Board of Directors

### 1.1 Board role and responsibilities

Redbubble's constitution sets out that the business and operations of Redbubble are to be managed by or under the direction of the Board. The Board has established its Board Charter, which details the Board's role, powers, duties and functions. Other than as specifically reserved to the Board under the Charter, responsibility for the management of Redbubble's business activities is delegated to the Chief Executive Officer ("CEO") who is accountable to the Board. The Board Charter and the delegation of Board authority to the CEO are reviewed regularly.

### 1.2 Board composition and expertise

The Board has a wide range of relevant experience, financial skills and other expertise to meet its objectives. The current Board composition includes four independent Non-executive Directors, a Non-executive Chair who is not independent, and the CEO, who is also the Managing Director.

Details on each of the Directors including experience, knowledge and skills and their status as an independent or non-independent Director are set out in the Directors' Report.

The Board considers that the Non-executive Directors collectively bring the range of skills, knowledge and experience necessary to direct Redbubble. In respect to the composition of the Board, the Directors have regard to the following policies:

- the Chair should be a Non-executive Director;
- the role of the Chair and CEO should not be filled by the same person;
- the CEO should be a full-time employee of Redbubble;
- the Board should represent a broad range of qualifications, diversity, experience and expertise considered of benefit to Redbubble; and
- the Board should include a majority of independent Non-executive Directors.

Where a casual vacancy arises, the Board will seek to appoint a Non-executive Director with the appropriate skills and experience to fill any potential expertise gaps.

### 1.3 Chair of the Board

Mr Richard Cawsey was appointed Chair and a Non-executive Director on 10 March 2006. He has a 25-year track record of building high-performing organisations in Australia, Europe, North America and Asia. In addition to chairing Redbubble, he is Executive Chairman of Denali Venture Partners, a team of advisors and execution partners that help fast-growing companies realise their potential. He has held a number of board and senior executive roles for ASX listed companies: OAMPs Ltd (Non-executive Director), Centrepoint Alliance Ltd (MD and CEO), Advance Property Management Ltd (Chair) and Wealthpoint Ltd (Chair). As CEO of Centrepoint Alliance Ltd, during the global financial crisis, he drove cultural and organisational transformation required to survive as a listed finance company. At St. George Bank (then Australia's 5th largest), he created a new division and played a significant role in the bank's restructure: increasing profit and growth by over 25%. In Asia for Morgan Stanley, as Managing Director, he had success starting and growing a number of businesses. He has a BEc (Hons) from Australian National University and is a Graduate of the Australian Institute of Company Directors.

As Chair of the Board, Mr Cawsey is responsible for leadership and effective performance of the Board. The responsibilities of the Chair are set out in more detail in the Board Charter.

Mr Cawsey has a substantial shareholding interest in Redbubble, through his Directorship and shareholding interests in Cawsey Superannuation Fund Pty Ltd, Denali Venture Partners Fund 1 LP, Denali Investors Pty Ltd and Denali Venture Partners (Aust). He is also the stepbrother of the CEO. The Board does not consider that these roles, relationship nor any of his other commitments, interfere with the discharge of his duties to Redbubble. The Board is satisfied that Mr Cawsey commits the time necessary to discharge his role effectively.

The Board has determined that Mr Cawsey's shareholding means he is not independent, but considers he is best placed to chair Redbubble given his background with and knowledge of Redbubble as an initial investor and Director, and his extensive knowledge and expertise. He is also supported by a Board comprising a majority of independent Non-executive Directors.

### 1.4 Director independence

In assessing the independence of each Director, the Board considers, amongst other things, whether the Director:

- is, or has been, employed in an executive capacity by Redbubble or any of its subsidiaries and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- is, or has been within the last three years, a partner, director or senior employee of a provider of material professional services to the entity or any of its child entities;
- is, or has been within the last three years, in a material business relationship (e.g. as a supplier or customer) with Redbubble or any of its subsidiaries, or an officer of, or otherwise associated with, someone with such a relationship;
- is a substantial shareholder or an officer of, or otherwise associated with, a substantial security holder of Redbubble;
- has a material contractual relationship with Redbubble or its subsidiaries other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that his or her independence may have been compromised.

Applying the above criteria, the Board has determined that Mr Chris Nunn, Ms Stephanie Tilenius, Mr Greg Lockwood and Ms Teresa Engelhard are independent Directors.

The Board has determined that Mr Richard Cawsey is not an independent Director given his shareholding in Redbubble. It is also noted he is the CEO's stepbrother.

### 1.5 Conflicts of interest

Directors are required to disclose any actual or potential conflict or material personal interests on appointment as a Director and are required to keep these disclosures up to date.

In the event that there is, or may be, a conflict between the personal or other interests of a Director (Interested Director) in relation to a matter (Relevant Matter), then

the Board shall determine if the Interested Director shall or shall not participate in the conversation in relation to the Relevant Matter. An Interested Director shall not be entitled to vote on the Relevant Matter.

Redbubble has established a conflict of interest register and it is a standing agenda item for all Board meetings.

### 1.6 Board succession planning and performance evaluation

The Board manages its succession planning with the assistance of the Nomination Committee, reviewing its size, composition, diversity and effectiveness as a whole and the mix of existing and desired competencies across members.

The Board recognises the importance of rejuvenation via changes in Board membership and has recently completed that by the recruitment of Mr Chris Nunn and Mr Greg Lockwood. These appointments resulted from a search to identify suitably experienced and qualified Directors to add to the Board's composition and proficiency.

The Chair reviews the performance of individual Board members and meets individually with each Director to discuss their performance and his own performance. The Board will review the performance of individual Board members seeking re-election prior to any Board recommendation being given to Shareholders.

Any Director whose performance is consistently unsatisfactory will be asked to retire.

### 1.7 Director retirement and re-election

Non-executive Directors must retire and stand for re-election at the third annual general meeting ("AGM") following their election or most recent re-election. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves for election at the next AGM.

Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described above).



**1.8 Directors' appointment, induction training and continuing education**

All new Directors are provided with a formal letter of appointment setting out the key terms and conditions of the appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work.

Induction is provided to all new Directors. It includes comprehensive meetings with the CEO, key executives and management, information on key corporate and Board policies, and discussion on the operations of Redbubble.

All Directors are expected to maintain the skills required to discharge their obligations to Redbubble. Directors are encouraged to undertake continuing professional education and where this involves industry seminars and approved education courses, will be paid for by Redbubble where appropriate.

**1.9 Board access to information and independent advice**

Directors may, in carrying out their Redbubble-related duties, seek external professional advice. If external professional advice is sought, a Director is entitled to reimbursement of all reasonable costs where such a request for advice is approved by the Chair. In the case of a request made by the Chair, approval is required by Chair of the Audit and Risk Committee.

Copies of Board papers are circulated in advance of the meetings in either electronic or hard copy form. Directors are entitled to request additional information where they consider the information is necessary to support informed decision-making.

**1.10 Board meetings**

During the year ended 30 June 2015, the Board held 14 scheduled Board meetings. Details of Directors' attendance at Board and committee meetings are set out in the report.

The Chair sets the agenda for each meeting in conjunction with the CEO and Company Secretary. Any Director may request additional matters be added to the agenda. The Chief Financial Officer (CFO) and Chief Operating Officer (COO) attend the Board meetings by standing invitation and report on financial position and operating activities. Other members of senior management attend meetings of the Board by invitation.

The Board regularly includes an "in-camera" session in Board meetings for Non-executive Directors to meet without management present. This session is presided over by the Chair.

**1.11 Company Secretaries**

Details of Company Secretaries are set out in the Directors' Report. The appointment and removal of a Company Secretary is a matter for decision by the Board.

**2. Board committees**

**2.1 Board committees, membership and charters**

The Board delegates its powers and responsibilities to committees of the Board in order to allow the Directors to spend additional and more focused time on specific issues. All committees operate under individual charters approved by the Board.

The Board currently has the following standing committees to assist in discharging its responsibilities:

Board of Directors Committee	Description	Members
Audit and Risk Committee	Monitors the financial reporting process, external audit function, risk systems and internal controls	<ul style="list-style-type: none"> <li>Mr Chris Nunn (Chair)</li> <li>Mr Richard Cawsey</li> <li>Mr Greg Lockwood</li> </ul>
Remuneration Committee	Assists the Board in considering remuneration policies, practices and decisions	<ul style="list-style-type: none"> <li>Ms Teresa Engelhard (Chair)</li> <li>Mr Chris Nunn</li> <li>Ms Stephanie Tilenius</li> </ul>
Nomination Committee	Assists the Board to ensure it has the necessary range of skills and expertise.	<ul style="list-style-type: none"> <li>Mr Richard Cawsey (Chair)</li> <li>Ms Stephanie Tilenius</li> <li>Mr Martin Hosking</li> </ul>

Committee members are chosen for the skills, experience and other qualities they bring to the relevant committee. Executive management attends certain committee meetings by invitation only.

All papers considered by the standing committees are available on request to Directors who are not on that committee. Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of the respective committee. In addition, minutes of all committee meetings are available to all Directors.

A Company Secretary or delegate prepares minutes of Board and committee meetings.

**2.2 Audit and Risk Committee**

The Audit and Risk Committee's objectives are to ensure the Board can properly carry out its accounting, auditing, financial reporting and risk management responsibilities, including:

- maintaining and continually improving the quality, accuracy and integrity of Redbubble's external financial reporting and financial statements;
- overseeing the appointment, remuneration, independence and effective performance of Redbubble's external auditors;
- ensuring that Redbubble applies and maintains appropriate accounting and business policies and procedures;
- ensuring the effectiveness of Redbubble's risk management framework and internal controls; and
- ensuring the effectiveness of Redbubble's legal and regulatory compliance framework.

The Audit and Risk Committee is required to have a minimum of three members and be composed of all Non-executive Directors, a majority of whom must be independent. The Chair of the Audit Committee must not be the Chair of the Board and must be an independent Director.

The external auditor and the Directors who are not members of the Audit Committee, the CEO, and the CFO are all invited to attend Audit and Risk Committee meetings at the discretion of the Audit and Risk Committee.

Redbubble's aim is to ensure that risk management is embedded in all aspects of Redbubble's operations, by aligning strategy, processes, people, technology and knowledge to evaluate and manage uncertainties.

Management is responsible for designing, implementing, reviewing and providing assurance as to the effectiveness of the risk management policy. This responsibility includes developing business risk identification processes, implementing appropriate risk treatment, strategies and controls, monitoring effectiveness of controls and reporting on risk management capability and performance. The Committee oversees that the process is suitable to Redbubble and that it is working appropriately.

Key activities undertaken by the Audit and Risk Committee during the year included:

- approval of the scope, plan and fees for the 2015 external audit;
- review of the independence and performance of the external auditor;
- review of significant accounting policies and practices;
- review of tax compliance and developments in taxation matters;
- monitoring developments in accounting and financial reporting relevant to Redbubble;
- review and recommendation to the Board for the adoption of Redbubble's annual financial statements; and
- assessment of the risk management system and internal controls of Redbubble including the process of identification of key risk areas and the system used to monitor and deal with key risks.

Redbubble does not have an internal audit function, nor is it considered necessary at present to do so, as the risk management system and internal controls are periodically evaluated to ensure financial information flow is accurate and effective.

The number of Audit and Risk Committee meetings that were held during the reporting period and the attendance of the Committee members at those meetings are set out in the Directors' Report.

The Board has adopted a policy regarding the services that Redbubble may obtain from its external auditor. It is the policy of Redbubble that:

- the external auditor firm must be independent of Redbubble, the Directors and senior executives.

To ensure this, the Group will require a formal confirmation for independence from its external auditor on an annual basis; and

- the external auditor may not provide services to Redbubble that are perceived to be materially in conflict with the role of the external auditor. Services, which involve the external auditor acting in a managerial or decision-making capacity, or processing or originating transactions, are not appropriate. However, the external auditor may be permitted to provide additional services, which are not perceived to be materially in conflict with the role of the external auditor, if the Board or Audit and Risk Committee has approved those additional services or they fall within the terms of any approved policy. Such additional services may include financial audits, audits or reviews undertaken for regulatory purposes, procedures performed as part of completing funding agreements, completion audits, tax compliance, advice on accounting standards, and due diligence on certain acquisition or sale transactions.

In addition to oversight of the Audit and Risk Committee, the Board receives monthly reports about the financial condition and operational results of Redbubble and its controlled entities.

### 2.3 Remuneration Committee

The Remuneration Committee was established on 26 June 2015 and did not meet in the 2015 financial year.

The Remuneration Committee was established to ensure that:

- Redbubble implements appropriate remuneration, retention and succession strategies to enable it to execute the business strategy;
- Redbubble's remuneration policies and practices are:
  - fair and appropriate; and
  - designed to enable Redbubble to attract, retain and motivate Directors, executives and employees who will create value for shareholders; and
- Redbubble's remuneration structure is fair and equitable, aligned with the long-term interests of Redbubble and its shareholders and follows relevant Redbubble policies.

The Remuneration Committee is required to have a minimum of three members and have a majority of Non-executive Directors who are independent.

Apart from Greg Lockwood, Redbubble's Non-executive Directors receive fees as remuneration for acting as a

Director of Redbubble and, if applicable, acting as a member of a standing committee of the Board.

Remuneration for Redbubble's senior executives consists of elements of fixed salary, short-term incentives based on performance, participation in long-term incentive equity schemes and other benefits including superannuation.

Key activities undertaken by the Remuneration Committee since it was established include:

- reviewing Redbubble's remuneration policies and practices;
- reviewing Redbubble's recruitment and retention strategies;
- recommendation of remuneration packages of executives reporting directly to the CEO;
- reviewing and making recommendations to the Board on remuneration for the CEO and the criteria for the evaluation of the performance of the CEO.

The Directors who are not members of the Remuneration Committee and the CEO are invited to attend Committee meetings at the discretion of the Remuneration Committee. The CEO is not present where decisions are being made in respect of his own remuneration.

### 2.4 Nomination Committee

The Nomination Committee was established on 26 June 2015 and did not meet during the 2015 financial year.

The Nomination Committee was established to ensure the Board can properly carry out its responsibilities in relation to:

- Director selection and appointment practices;
- Director and Board performance evaluation processes and criteria;
- Board composition; and
- succession planning for the Board and senior management.

The Committee will ensure that the Board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills, and in the best interests of Redbubble as a whole.

The Nomination Committee is required to have a minimum of three members and be composed of a majority of Non-executive Directors.

Mr Cawsey is the Chair of the Committee. As noted in section 1.3, the Board has determined that Mr Cawsey's shareholding means he is not independent, but the Board considers he is best placed to chair the Committee given he is Chair of the Board, his background with and knowledge of Redbubble and having led the recent Board renewal process.

The Directors who are not members of the Nomination Committee are invited to attend Committee meetings at the discretion of the Nomination Committee.

All papers considered by the standing committees are available on request to Directors who are not on that committee. Following each committee meeting, generally at the next Board meeting, the Board is given a verbal update by the Chair of the respective committee. In addition, minutes of all committee meetings are available to all Directors.

## 3. Shareholders and corporate responsibility

Redbubble aims to produce positive outcomes for all stakeholders in managing its business and to maximise financial and social value from its activities. The outcome of this is a commitment to transparency, fair dealing, responsible treatment of employees and customers and positive links into the community.

Sustainable and responsible business practices within Redbubble are viewed as an important long-term driver of performance and Shareholder value. By doing this, Redbubble seeks to reduce operational and reputational risk and enhance operational efficiency.

The Board recognises that Shareholders, as the ultimate owners of Redbubble, are entitled to receive timely and relevant high quality information about their investment. Similarly, prospective investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

Redbubble aims to communicate all major activities affecting operations to investors through the Annual Report, half-year and full-year results announcements, letters to Shareholders when appropriate, and at the AGM. The AGM also provides an important opportunity for investors to ask questions and express views to the Board.

Periodic reviews of communication systems to take advantage of new technologies may further enhance Redbubble's ability to communicate effectively with its investors. Redbubble aims to provide advance notification of public briefings and make them widely accessible, including the use of webcasting or conference calls where possible. Redbubble also keeps, for internal use, a summary record of the issues discussed at briefings as well as a record of those present, and the time and place of the briefing.



# DIRECTORS' REPORT

Your Directors present their report on the consolidated entity, consisting of Redbubble Limited and the entities it controlled during the year ended 30 June 2015 (referred to hereafter as Redbubble).

## Directors

The following persons were Directors of Redbubble during the 2015 financial year and up to the date of this report:

Mr Richard Cawsey	Chair, Non-executive Director
Mr Martin Hosking	Managing Director and Chief Executive Officer (CEO)
Ms Stephanie Tilenius	Non-executive Director
Ms Teresa Engelhard	Non-executive Director
Mr Chris Nunn	Non-executive Director (appointed 1 April 2015)
Mr Greg Lockwood	Non-executive Director (appointed 1 June 2015)

## Dividends

No dividends were paid or declared since the start of the 2015 financial year; however, Redbubble accrued a dividend of \$87,054 under Cumulative Redeemable Preference Shares issued on 21 May 2015 (see Note 18 of the Financial Report).

## Review of operations

The CEO's Review contains a review of operations for the 2015 financial year and the results of those operations. The Directors have endorsed the CEO's Review and review of operations contained therein.

## Significant changes in the state of affairs

In the Directors' opinion, there have been no significant changes in the state of affairs of Redbubble during the year.

## Significant events after end of 2015 financial year

In the Directors' opinion, there have been no matters or circumstances arising since the end of the 2015 financial year that have significantly affected, or may significantly affect:

- Redbubble's operations in future financial years;
- the results of those operations in future financial years; or
- Redbubble's state of affairs in future financial years.

Likely developments in Redbubble's operations  
The CEO's Review describes likely developments in Redbubble's operations in future financial years and the expected results of those operations. The Directors have endorsed this description in the CEO's Review.

## Change in key management personnel during the 2015 financial year and since the end of that financial year

- Paul Coia resigned as Chief Technology Officer with effect from 2 April 2015.
- Andy Edmonds was appointed as Chief Product Officer with effect from 6 April 2015 and resigned as with effect from 4 September 2015.
- Vanessa Freeman was appointed as Chief People and Culture Officer to take effect from 25 August 2015.

## Governance

Redbubble is committed to strong and effective governance frameworks. Redbubble's corporate governance policies are described in the Corporate Governance Statement set out in the Directors' Report.

## Information on directors

### Mr Richard Cawsey

*Non-executive Director and Chair of the Board  
Chair of Nomination Committee  
Member of the Audit and Risk Committee*

Richard Cawsey has a 25-year track record of building high-performing organisations in Australia, Europe, North America and Asia. In addition to chairing Redbubble, he is Executive Chair of Denali Venture Partners, a team of advisors and execution partners that help fast growing companies realise their potential. He has held a number of board and senior executive roles for ASX listed companies: OAMPs Ltd (Non-executive Director), Centrepoint Alliance Ltd (MD and CEO), Advance Property Management Ltd (Chair) and Wealthpoint Ltd (Chair). As CEO of Centrepoint Alliance Ltd, during the global financial crisis, he drove cultural and organisational transformation required to survive as a listed finance company. At St. George Bank (then Australia's 5th largest), he created a new division and played a significant role in the bank's restructure: increasing profit and growth by over 25%. In Asia for Morgan Stanley, as Managing Director, he had success starting and growing a number of businesses. He has a BEc (Hons) from Australian National University and is a Graduate of the Australian Institute of Company Directors.

**Ms Stephanie Tilenius**

*Independent Non-executive Director  
Member of Remuneration Committee  
Member of Nomination Committee*

Stephanie Tilenius has been Executive-in-Residence at Kleiner Perkins Caufield & Byers, a venture capital firm, since June 2012, primarily focusing on companies within its Digital Growth Fund. From February 2010 until June 2012, Stephanie was vice president of global commerce and payments at Google, Inc., where she oversaw digital commerce, product search and payments. Prior to joining Google, she was at eBay, Inc. from March 2001 until October 2009, ultimately as Senior Vice President of eBay.com and global products. Stephanie was also a co-founder of PlanetRx.com and has worked at other technology and business enterprises. She has served as a member of Coach's Board of Directors since August 2012. Stephanie recently joined Seagate Technology's Board of Directors in October 2014. She is also on the Board of Tradesy, and Chair of the Advisory Board of the Harvard Business School California Research Center. She holds a Bachelor of Arts degree in Economics and a Master of Arts degree in International Finance from Brandeis University, and an MBA from Harvard University.

**Ms Teresa Engelhard**

*Independent Non-executive Director  
Chair of Remuneration Committee*

Teresa Engelhard has 18 years of experience working with growth technology companies in Australia and the US as a director, executive and venture capitalist. She has served on over 10 boards and is currently a Non-executive Director for Redbubble, Daintree Networks, Inc. and serves on the Entrepreneur's Program Committee for the Australian Government. She transitioned to a Non-executive Director path following six years as a Managing Partner with Jolimont Capital in Melbourne where she was responsible for the investment in Next Window, which received an AVCAL Chairman's Award in 2010 for outstanding exit performance. Prior to moving to Australia, Teresa worked as a C-level executive at both private and public IT companies and as a venture capitalist with Mohr, Davidow Ventures. Teresa spent the early years of her career at McKinsey & Company in Los Angeles. She has a BSc with Honours from the California Institute of Technology (Caltech) and an MBA from Stanford University.

**Mr Martin Hosking**

*CEO and Managing Director  
Member of Nomination Committee*

Martin Hosking is a co-founder of Redbubble and became the CEO in July 2010. Previously, he was the Chairman of Aconex, a SaaS provider to construction firms, and Southern Innovation, a digital pulse processing solution. He was instrumental in the development and subsequent listing on NASDAQ of search company, LookSmart. Martin started his career as a diplomat with the Australian Department of Foreign Affairs and Trade before joining McKinsey & Company, serving clients focusing on emerging technologies. He has a BA (Hons – First Class) from Melbourne University and MBA (with Distinction) from Melbourne Business School, where he has also lectured. He is a graduate of the Australian Institute of Company Directors.

**Mr Chris Nunn**

*Independent Non-executive Director  
Chair of Audit and Risk Committee  
Member of Remuneration Committee*

Chris Nunn was appointed as a Non-executive Director and Chair of the Audit and Risk Committee with effect from 1 April 2015. Chris has more than 28 years experience in the financial services and property funds management industries, and 20 years working with and reporting to ASX (and SGX) listed companies and property trust boards. He has led finance teams in a number of IPO situations in Australia and Singapore and has a detailed knowledge of the ASX reporting requirements for listed companies and funds. He has a BSc Economics, ACA and GAICD.

**Mr Greg Lockwood**

*Independent Non-executive Director  
Member of Audit and Risk Committee*

Greg Lockwood was appointed as a Non-executive Director with effect from 1 June 2015. Greg is a partner of Piton Capital LLP, a shareholder in Redbubble. Greg founded UBS Capital's early stage venture activities in Europe in 1999, and then started the pilot investment activities leading to the founding of Piton in 2006. Prior to this, he worked in telecoms corporate finance and held operating roles in classified media publishing. In his time with UBS he helped create Sunrise, the alternative telecom services provider in Switzerland, and made investments in sector-leading companies such as Betfair, which became the world's largest betting exchange. Greg has a Masters of Management degree from the Kellogg Graduate School of Management.

**Company Secretaries**

Redbubble's Company Secretaries are Ms Corina Davis and Mr Christopher D'Souza.

**Ms Corina Davis**

*General Counsel and Company Secretary*

Corina Davis is Redbubble's General Counsel based in San Francisco where she oversees the company's legal function. Corina has been with Redbubble since 2012 and has a wide range of cross-functional experience with particular expertise in copyright and trademark law, complex litigation, compliance and risk management. Before joining Redbubble, Corina practiced law in Los Angeles and New York City, at the law firms of Milstein Adelman, McCurdy & Fuller and Mendes & Mount. Corina is an active member of the Women's General Counsel Network and the San Francisco General Counsel Group.

She holds a bachelor's degree from the University of Michigan and a JD from the University of San Diego School of Law.

**Mr Christopher D'Souza**

*Finance Manager and Company Secretary*

Christopher D'Souza is Redbubble's Finance Manager based in Melbourne. Christopher was appointed as the Company Secretary of Redbubble on 30 October 2015. He is a Fellow member of CPA Australia (FCPA), CMA Australia (FCMA) and the Institute of Chartered Accountants of India (FCA) certificated member of Governance Institute of Australia (GIA). In a career spanning over three decades in the accounting profession, he has held senior managerial positions in different companies. He is also currently serving as Honorary Treasurer of CMA Australia.

**Meeting of directors**

	Board meetings held whilst in office	Board meetings attended whilst in office	Audit and Risk Committee meetings attended	Audit and Risk Committee meetings held
Richard Cawsey	14	14	4	4
Martin Hosking	14	13	Not a member of ARC	
Stephanie Tilenius	14	14	Not a member of ARC	
Teresa Engelhard	14	14	4	4
Chris Nunn*	4	4	0	0
Greg Lockwood*	1	1	0	0

\* Chris Nunn and Greg Lockwood joined the Audit and Risk Committee as Chair on 1 April 2015 and 1 June 2015 respectively. Their first meeting attendances were after the end of the Reporting Period.



**Retirement, election, continuation in office of directors**

Under Redbubble's constitution, directors cannot serve beyond three years or the third AGM after their appointment, whichever is longer. A retiring Director is eligible for re-election without needing to give any prior notice of an intention to submit for re-election and holds office as a Director (subject to re-election) until the end of the general meeting at which the Director retires.

**The Redbubble senior leadership team ("SLT")****Mr Martin Hosking, Chief Executive Officer**

Martin Hosking is a co-founder of Redbubble and became the CEO in July 2010. Previously he was the Chairman of Aconex, a SaaS provider to construction firms, and Southern Innovation, a digital pulse processing solution. He was instrumental in the development and subsequent listing on NASDAQ of search company, LookSmart. Martin started his career as a diplomat with the Australian Department of Foreign Affairs and Trade before joining McKinsey & Company, serving clients focusing on emerging technologies. He has a BA (Hons – First Class) from Melbourne University and MBA (with Distinction) from Melbourne Business School, where he has also lectured. He is a graduate of the Australian Institute of Company Directors.

**Mr Robert Baumert, Chief Financial Officer**

Robert's connection to Redbubble began with a small seed investment in 2007. He eventually joined the Melbourne team as CFO in April 2010, leading the company's finance, supply chain, customer support and analytics functions. In August 2011, Robert moved to San Francisco to establish Redbubble's US operations and has worked out of the San Francisco office since that time. Originally trained as a Chemical Engineer and naval officer (BEng RMC of Canada, MSc Queen's University), Robert worked in the fuel cell industry as head of test engineering for Xcellsis USA. After completing his MBA at the Melbourne Business School in 2004, he and two MBS classmates founded a niche investment firm, GGC Pty Ltd., where he was CFO and Director. GGC took seed stakes in a number of new media startup enterprises including Get Price Pty Ltd, Hiro Media, mig33, NCAH, and Redbubble.

**Mr Barry Newstead, Chief Operating Officer**

Barry Newstead joined Redbubble in 2013 and has executive responsibility for Redbubble's web products, technology, physical product development, new markets and strategy teams. Previously he held internet-focused executive roles at the Wikimedia Foundation (which runs Wikipedia) and Australia Post. Barry spent

14 years as a strategy consultant starting his career at the Boston Consulting Group and then was a Partner at the Bridgespan Group. He has a BA (Honors) from Ivey Business School in Canada and a Master's in Public Policy from Harvard University. He is a member of the Australian Institute of Company Directors.

**Ms Faith Sedlin, Chief Marketing Officer**

Faith Sedlin joined Redbubble in February 2014. She has 20 years experience creating successful digital consumer companies from fledgling concepts that became well-known brands. Previously, she was the CMO for Siri (acquired by Apple), Co-founder and CMO of Oodle, a pioneer of social classifieds acquired by QVC, a GM at Excite@home leading the communication services division, and eBay's first product manager defining eBay's initial brand and product strategies. She began her career in Europe working for the Boston Consulting Group and holds a BA from Wellesley College (Magna Cum Laude, Phi Beta Kappa,) and an MBA from Harvard University (with honors).

**Ms Corina Davis, General Counsel and Company Secretary**

Corina Davis is the General Counsel of Redbubble, where she oversees the company's legal function. Corina has been with Redbubble since 2012 and has a wide range of cross-functional experience with particular expertise in copyright and trademark law, complex litigation, compliance and risk management. Before joining Redbubble, Corina practiced law in Los Angeles and New York City, at the law firms of Milstein Adelman, McCurdy & Fuller and Mendes & Mount. Corina is an active member of the Women's General Counsel Network and the San Francisco General Counsel Group. She holds a bachelor's degree from the University of Michigan, Ann Arbor and a J.D. from the University of San Diego School of Law.

**Ms Vanessa Freeman, Chief People and Culture Officer**

Vanessa Freeman joined Redbubble as Chief People and Culture Officer in August 2015. Vanessa previously held senior human resources and strategy roles at Pacific Brands. Vanessa began her career with the New Zealand Trade Development Board in New York before joining McKinsey and Company, London, where she focused on corporate strategy, post merger management and operational transformation. She has a BA (Political Science) and BComm (Marketing) from Auckland University and an MBA from Stanford University.

**Mr Georg Freidrich, Acting Chief Technology Officer**

Georg Friedrich's experience spans 15 years of software development roles in industries ranging from printing to online fundraising and e-commerce. In 2007, he co-founded betterplace.org which quickly became Germany's biggest online donation platform. He joined Redbubble in 2009 and helped establish a lean delivery approach. He has continued to play a key role in its implementation as the team has undergone rapid growth. Georg graduated from the Berlin School of Economics in 2004 with a Diplom-Wirtschaftsinformatik (BA) in Business Informatics.

**Details of share options and performance rights**

Holders of options, performance rights or warrants do not have any right, by virtue of their holdings, to participate in any share issue of the Company or any related body corporate.

The table that follows shows:

- the number of unissued ordinary shares under options, performance rights and warrants, as at the date of this Report and as at 30 June 2015; and
- options exercised (and ordinary shares issued) as a result of exercise of options:

Unissued Ordinary Shares Under	As at the date of Directors' Report	As at 30 June 2015
Options	363,833	448,565
Performance Rights	191,058	211,635
Warrants	16,364	16,364
Total Unissued Ordinary Shares	<b>571,255</b>	<b>676,567</b>
Granted	Since 30 June 2015 to date of Directors' Report	2015 financial year
Options	-	249,515
Performance Rights	500	109,297
Total Granted	<b>500</b>	<b>358,812</b>
Options exercised		<b>70,350</b>
Weighted average exercise price		<b>\$2.52</b>

The tables that follows displays details of options and performance rights granted to Directors during or since the end of the 2015 financial year and total options and performance rights of these individuals at the date of this Report.

FY 2015	Options granted during the year as compensation	Options exercised during the year	Balance at the end of the year
<b>Non-executive directors</b>			
Richard Cawsey	-	-	36,000
Stephanie Tilenius	-	-	18,288
Teresa Engelhard	-	-	15,840
<b>Executive director</b>			
Martin Hosking	46,350	-	72,350
<b>Related Party</b>			
<i>Jellicom Pty Ltd as trustee for the Three Springs Family Trust (Martin Hosking is a beneficiary)</i>	-	-	40,005

FY 2015	Performance rights granted during the year as compensation	Performance rights forfeited during the year	Balance at the end of the 2015 financial year
<b>Non-executive directors</b>			
Stephanie Tilenius	-	-	2,034
Teresa Engelhard	-	-	7,491
Chris Nunn	7,374	-	7,374
<b>Executive director</b>			
Martin Hosking	19,759	-	39,518
<b>Related Party</b>			
Denali Venture Partners (Aust)	-	-	3,798

#### Insurance of officers

Redbubble has entered into Deeds of Indemnity with all Redbubble Limited directors in accordance with the Redbubble constitution. During the 2015 financial year, Redbubble paid a premium to insure the directors, officers and managers of Redbubble and its controlled entities. The insurance contract requires that the amount of the premium paid is confidential.

#### Rounding

The amounts contained in the Financial Report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC CO 98/100. The Company is an entity to which the class order applies.

#### Auditor

Moore Stephens resigned as Redbubble's Auditor on 25 November 2014.

EY Australia was appointed as Redbubble's Auditor on the same date, and continues in office in accordance with section 327 of the Corporations Act 2001.

To the extent permitted by law, the Company has agreed to indemnify EY Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the end of the 2015 financial year.

# FINANCIAL STATEMENTS

Your Directors present their report on the consolidated entity, consisting of Redbubble Limited and the entities it controlled during the year ended 30 June 2015 (referred to hereafter as Redbubble).



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## Consolidated statement of comprehensive income

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 Restated* \$'000
<b>Revenue from services</b>		71,070	48,561
<b>Operating expenses</b>	3		
Fulfiller expenses		(46,998)	(32,068)
Employee benefits		(12,778)	(6,627)
Marketing		(7,301)	(3,535)
Operations and administration		(9,974)	(4,298)
Depreciation and amortisation		(2,027)	(859)
Finance costs		(235)	(9)
<b>Total operating expenses</b>		<b>(79,313)</b>	<b>(47,396)</b>
Other income	4	178	433
Other expenses	3	(669)	(138)
<b>(Loss)/profit before income tax</b>		<b>(8,734)</b>	<b>1,460</b>
Income tax benefit	5	2,466	1,282
<b>Total (loss)/profit for the year attributable to owners</b>		<b>(6,268)</b>	<b>2,742</b>
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit or loss</b>			
(Loss)/gain on foreign currency translation		(541)	26
<b>Total other comprehensive (loss)/income attributable to owners</b>		<b>(541)</b>	<b>26</b>
<b>Total comprehensive (loss)/income for the year attributable to owners</b>		<b>(6,809)</b>	<b>2,768</b>
<b>(Loss)/earnings per share attributable to the ordinary equity holders of the company</b>			
Basic (loss)/earnings per share	6	(2.72)	2.38
Diluted (loss)/earnings per share	6	(2.72)	0.77

\* Refer to note 21 for restatements.

The above consolidated statement of comprehensive income should be read in conjunction with accompanying notes.

## Consolidated balance sheet

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 Restated* \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	13,974	4,621
Trade and other receivables	10	1,217	750
Inventories	11	184	42
Other current assets	12	113	-
Current tax assets		-	10
<b>Total current assets</b>		<b>15,488</b>	<b>5,423</b>
<b>Non-current assets</b>			
Property, plant and equipment	13	1,191	427
Intangible assets	14	4,591	2,113
Other non-current financial assets	15	517	436
Deferred tax assets	5	5,043	1,730
Related party loan	28	331	378
<b>Total non-current assets</b>		<b>11,673</b>	<b>5,084</b>
<b>Total assets</b>		<b>27,161</b>	<b>10,507</b>
<b>Current liabilities</b>			
Trade and other payables	16	10,285	4,604
Unearned revenue		1,652	894
Current tax liabilities		83	-
Employee benefit liabilities	17	692	453
<b>Total current liabilities</b>		<b>12,712</b>	<b>5,951</b>
<b>Non-current liabilities</b>			
Non-current borrowings	18	15,166	-
Employee benefit liabilities	17	46	22
<b>Total non-current liabilities</b>		<b>15,212</b>	<b>22</b>
<b>Total liabilities</b>		<b>27,924</b>	<b>5,973</b>
<b>Net assets</b>		<b>(763)</b>	<b>4,534</b>
<b>Equity</b>			
Contributed equity	19	9,532	9,167
Share based payment reserve	20	1,680	533
Foreign exchange translation reserve	20	(602)	(61)
Accumulated losses		(11,373)	(5,105)
<b>Total equity</b>		<b>(763)</b>	<b>4,534</b>

\* Refer to note 21 for restatements.

The above consolidated balance sheet should be read in conjunction with accompanying notes.

## Consolidated statement of changes in equity

for the year ended 30 June 2015

2014	Notes	Share Capital \$'000	Share based payment reserve \$'000	Foreign exchange translation reserve \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 1 July 2013</b>		7,070	462	(87)	(7,847)	(402)
<b>Profit for the year</b>		-	-	-	2,742	2,742
Other comprehensive income		-	-	26	-	26
<b>Total</b>		<b>7,070</b>	<b>462</b>	<b>(61)</b>	<b>(5,105)</b>	<b>2,366</b>
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity*	19	1,894	-	-	-	1,894
Exercise of share options	19	203	-	-	-	203
Issue of options as share based compensation		-	71	-	-	71
<b>Total transactions with owners in their capacity as owners</b>		<b>2,097</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>2,168</b>
<b>Balance at 30 June 2014</b>		<b>9,167</b>	<b>533</b>	<b>(61)</b>	<b>(5,105)</b>	<b>4,534</b>

2015	Notes	Share Capital \$'000	Share based payment reserve \$'000	Foreign exchange translation reserve \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance as at 1 July 2014</b>		9,167	533	(61)	(5,105)	4,534
<b>(Loss) for the year</b>		-	-	-	(6,268)	(6,268)
Other comprehensive (loss)		-	-	(541)	-	(541)
<b>Total</b>		<b>9,167</b>	<b>533</b>	<b>(602)</b>	<b>(11,373)</b>	<b>(2,275)</b>
<b>Transactions with owners in their capacity as owners:</b>						
Exercise of share options	19	177	-	-	-	177
Transfer of exercised options		188	(188)	-	-	-
Issue of options as share based compensation		-	461	-	-	461
Issue of performance rights as share based compensation		-	874	-	-	874
<b>Total transactions with owners in their capacity as owners</b>		<b>365</b>	<b>1,147</b>	<b>-</b>	<b>-</b>	<b>1,512</b>
<b>Balance at 30 June 2015</b>		<b>9,532</b>	<b>1,680</b>	<b>(602)</b>	<b>(11,373)</b>	<b>(763)</b>

\* Refer to note 21 for restatements.

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



# Consolidated statement of cash flows

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		87,901	59,187
Payments to artists		(12,092)	(8,885)
Payments to suppliers and employees		(74,928)	(46,656)
Interest received		40	22
Finance costs		-	(9)
Income taxes paid		(754)	(473)
<b>Net cash provided by operating activities</b>	8	<b>167</b>	<b>3,186</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(1,001)	(363)
Payment for intangible assets		(4,216)	(1,593)
Repayment of related party loan and interest		53	-
<b>Net cash (used in) investing activities</b>		<b>(5,164)</b>	<b>(1,956)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	19	177	1,703
Proceeds from issue of cumulative redeemable preference shares	18	15,500	-
Transaction costs for cumulative redeemable preference shares		(437)	-
Transaction costs for establishment of loan facility		(245)	-
<b>Net cash provided by financing activities</b>		<b>14,995</b>	<b>1,703</b>
Net increase in cash and cash equivalents held		9,998	2,933
Cash and cash equivalents at beginning of year		4,621	1,861
Effect of exchange rate changes on cash and cash equivalents		(645)	(173)
<b>Cash and cash equivalents at the end of the financial year</b>	7	<b>13,974</b>	<b>4,621</b>

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

# Notes to the Financial Statements

for the year ended 30 June 2015

## 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Redbubble Limited and its subsidiaries.

### (a) 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 and the Corporations Act 2001. Redbubble Limited is a for-profit entity for the purpose of preparing the financial statements.

### (i) Compliance with IFRS

The consolidated financial statements of Redbubble Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### (ii) Historical cost convention

These financial statements have been prepared under the historical cost convention.

### (iii) Critical accounting estimates

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

### (b) Principles of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. Control is established 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 relevant activities of the entity. Subsidiaries are fully consolidated from the date on which the Group gains control. They are deconsolidated from the date that control ceases. A list of the subsidiaries is provided in note 22 to the financial statements.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Foreign currency transaction

#### (i) Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

#### (ii) Transaction and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income.

#### (iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency (none of which has the currency of a hyperinflationary economy) as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

#### (d) Revenue recognition

##### (i) Revenue from rendering of services

The Group provides an internet based marketplace platform and associated logistics services to facilitate the sale of goods from artists to those who want to purchase goods bearing the artists designs. A community of artists display and sell art via the Group's website. The Group aggregates demand from the buyers to support preferential relationships between third party manufacturers and drop shippers and the artist community, using the Group's platform.

Revenue from services provided in connection with facilitating the sale of goods is recognised when the amount can be measured reliably at the value of the consideration received or receivable. The Group is acting as the artists' agent in arranging for the selling of the artist's goods to customers. The amounts collected on behalf of artists are not recognised in the income statement. The revenue recognised by the Group is effectively the cost of fulfilment and shipment plus Group's margin.

Amounts disclosed as revenue are net of trade discounts, returns, rebates, taxes and fraud.

##### (ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

#### (e) Government grants

Government grants are recognised at the fair value when there is reasonable assurance that the grant will be received and the consolidated entity has complied with the required conditions. Grants relating to expense items are recognised as income over the periods necessary to match the grant to costs they are compensating.

#### (f) Income tax

The tax expense recognised in the statement of comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year

and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset where there is or would be a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

#### (g) Property, plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

##### Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are shown below:

Class of Fixed Assets	Useful life
Leasehold improvements	Life of lease
Computer equipment	3 years
Furniture and equipment	2-5 years

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

#### (h) Intangible assets other than goodwill

##### Capitalised development costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.



Capitalised development costs have a finite useful life and are amortised on a straight-line basis based on the future economic benefits over the useful life of the project, typically between 2-5 years.

**(i) Impairment of non-financial assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to dispose, and value in use to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(j) Inventories**

Inventories of packing materials are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and are net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

**(k) Financial assets**

Loans, trade and other receivables and other financial assets do not include derivative financial assets without fixed or determinable payments that are quoted in an active market.

After initial recognition, these are measured at amortised cost using the effective interest method. Any change in their value is recognised in profit or loss.

Collectability of financial assets is reviewed on an ongoing basis. Financial assets which are known to be uncollectible are written off by reducing the carrying amount directly.

**(l) Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and short term deposits which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(m) Trade and other payables**

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(n) Employee benefits**

**(i) Wages, salaries, annual and long service leave**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cash flows are discounted using market yields on corporate bonds with terms to maturity that match the expected timing of cash flows.

Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

**(ii) Defined contribution schemes**

Obligations for contributions to defined contribution superannuation plans are recognised as an employee benefit expense in profit or loss in the periods in which services are provided by employees.

**(iii) Termination benefits**

Termination benefits are those benefits paid to an employee as a result of either the entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Termination benefits are recorded as a provision when the entity can no longer withdraw the offer of those benefits.

**(o) Leases**

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

**(p) Goods and Services Tax (GST), Value Added Tax (VAT) and Sales Tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), value added tax (VAT) and sales tax, except where the amount of GST, VAT and sales tax incurred is not recoverable from the Australian Taxation Office (ATO) or other similar International bodies.

Receivables and payable are stated inclusive of GST, VAT and sales tax.

The net amount of GST, VAT and sales tax recoverable from, or payable to, the ATO or other similar International bodies is included as part of receivables or payables in the statement of financial position.

The statement of cash flows includes cash on a gross basis and the GST, VAT and sales tax component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

US operations are subject to sales tax and UK operations are subject to VAT.

**(q) Equity-settled compensation**

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes into account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions. Non-market vesting conditions are taken into account when considering the number of options expected to vest and at the end of each reporting period, the Group revisits its estimate. Revisions to the prior period estimate are recognised in profit or loss and equity.

The fair value of performance rights is determined in accordance with the fair market value of the shares available at the grant date. The fair value of shares is ascertained by carrying out an independent valuation. Most of the performance rights are issued subject to a liquidity event condition. An expense is recognised in relation to all the performance rights granted on account of a liquidity event being probable.

**(r) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is amortised on a straight-line basis over the term of the facility.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**(s) Earnings per share****(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any cost of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year.

**(ii) 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 the dilutive potential ordinary shares;
- the weighted average number of shares assumed to have been issued for no consideration in relation to the dilutive potential ordinary shares.

**(t) Parent entity financial information**

The financial information for the parent entity, Redbubble Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements except investments in subsidiaries. They are accounted for at cost in the financial statements of the parent entity.

**(u) Comparative amounts**

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

**(v) Rounding of amounts**

The Company is of the kind referred to in class order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the class order to the nearest thousand dollars or in certain other cases, nearest dollars, unless otherwise stated.

**2. Critical accounting estimates and judgments**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under circumstances. The Group makes estimates and assumptions concerning the future which may not equal the related actual results. These are discussed below.

**(i) Revenue recognition principal versus agent**

The Group is acting as the artists' agent in arranging for the selling of the artist's goods to customers for accounting purposes only. The amounts collected on behalf of artists are not recognised in the income statement.

The revenue recognised by the Group is effectively the cost of fulfilment and shipping plus Group's margin. Given the nature of the relationship between the Group and product fulfillers and the associated risks and rewards, the Group has determined, for accounting purposes only, that it is acting as a principal as opposed to as an agent with respect to fulfillers.

**(ii) Development costs – capitalization, valuation and impairment**

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Determining the feasibility of the project and the likelihood of the project delivering future economic benefits, which can be measured reliably, is a significant management estimate and judgement.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project, typically between 2-5 years and are considered for impairment at each reporting date. Refer to note 14 for more details.

**(iii) Recognition of deferred tax assets (other tax issues)**

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating the Group's ability to recover deferred tax assets within the jurisdiction from which they arise, the entity considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the entity uses historical results adjusted for the results of changes in accounting policies and incorporates assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates, which the entity uses to manage the underlying businesses. Refer to note 5 for more details.



**(iv) Share-based payments**

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. Fair value of options is measured by using a Black-Scholes model and fair value of performance rights is measured by using the fair value of shares available at the grant date. The fair value of shares is determined by carrying out an independent valuation.

Most of the performance rights are subject to a liquidity event condition. No expense was recognised during the previous year on account of a liquidity event condition not being met. However, during the current year, the Group recognised the expense in relation thereto on account of a liquidity event being probable. Refer to notes 3 and 27 for more details.

**3. Expenses****Net losses and expenses**

Profit before income tax expense includes the following specific net losses and expenses:

	2015 \$'000	2014 Restated* \$'000
<b>Specific costs included within 'operations and administration'</b>		
Rental expenses relating to operating leases:		
Minimum lease payments	991	544
Net loss on the disposal of property, plant and equipment	34	20
<b>Specific cost included within 'other expenses'</b>		
Net foreign exchange loss recognised in (loss)/profit before income tax expense	661	42
<b>Finance costs</b>		
Interest expense	103	9
Other finance charges	132	-
<b>Total finance costs</b>	235	9
<b>Employee benefits</b>		
Share-based payments and other long-term incentives	1,340	78
Salary costs	10,848	6,238
Superannuation costs and other pension related costs	590	311
<b>Total employee benefits</b>	12,778	6,627

\* Refer to note 21 for restatements.

**4. Other Income**

	2015 \$'000	2014 Restated* \$'000
<b>Other income</b>		
Finance income	59	25
Government grants	119	408
<b>Total other income</b>	178	433

\* Refer to note 21 for restatements.

**5. Income Tax****(a) Income tax benefit**

	2015 \$'000	2014 Restated* \$'000
Current tax	951	361
Deferred tax	(3,313)	(1,643)
(Over) provision in prior years	(104)	-
<b>Total income tax (benefit)</b>	(2,466)	(1,282)
Deferred tax (benefit) included in the income tax (benefit) comprises:		
(Increase) in deferred tax assets	(3,917)	(1,643)
Increase in deferred tax liability	604	-
<b>Deferred tax</b>	(3,313)	(1,643)

\* Refer to note 21 for restatements.

**(b) Numerical reconciliation of income tax to prima facie tax payable**

	2015 \$'000	2014 Restated* \$'000
(Loss)/Profit from ordinary activities before income tax expense	(8,734)	1,460
Income tax calculated @ 30%	(2,620)	438
Tax effect of amounts that are not deductible/(taxable) in calculating income tax:		
Tax effect of non-allowable items	206	30
Tax effect of US tax rate	28	(92)
Recoupment of tax losses not previously brought to account	-	(386)
Tax losses brought to account	-	(570)
Research and development claim	(1,244)	(930)
Research and development claim tax base adjustment	933	345
Legal fees and acquisition costs	42	-
Share-based payments	252	-
Other non-deductible/non-assessable items	47	(117)
<b>Income tax adjusted for permanent differences:</b>		
Effect of movements in foreign exchange	(6)	-
(Over) provision in prior year	(104)	-
<b>Income tax (benefit) to profit from ordinary activities</b>	(2,466)	(1,282)

\* Refer to note 21 for restatements.

**(c) Deferred tax assets**

The balance comprises temporary differences attributable to:

	2015 \$'000	2014 Restated* \$'000
<b>Amounts recognised in profit or loss:</b>		
Unearned income	32	-
Employee benefits	563	287
Carry forward state tax credits	61	30
Accounting fees	15	5
Other provisions	-	57
Plant and equipment and intangible assets	-	65
Deferred expenditure - other	85	-
Unrealised foreign exchange losses	287	-
Legal and acquisition costs	171	-
Carried forward tax losses	2,474	571
Research and development tax offset	2,175	931
Property, plant, equipment and intangible assets	(769)	(203)
Other items	(51)	(13)
<b>Net deferred tax assets</b>	<b>5,043</b>	<b>1,730</b>
<b>Movements:</b>		
Opening balance at 1 July	1,730	87
Credited to the consolidated income statement	3,313	1,643
<b>Closing balance at 30 June</b>	<b>5,043</b>	<b>1,730</b>

\* Refer to note 21 for restatements.

## 6. (Loss)/earnings per share

### Information concerning the classification of securities

**(i) Fully paid ordinary shares**

All ordinary shares are fully paid and have been included in determination of both the basic (loss)/earnings per share (EPS) and the diluted (loss)/earnings per shares (EPS).

**(ii) Fully paid preference shares (issued up to 30 June 2014)**

During the current year, preference shares were converted into ordinary shares. Consequently, for the current year, these have been considered as potential ordinary shares up to the date of conversion. However, they have not been included in determination of diluted EPS since, they are anti-dilutive. From the date of conversion, they have been included in determination of basic EPS. For the previous year, these have been considered as potential ordinary shares and included in the determination of diluted EPS.

**(iii) Options over ordinary shares**

Options over ordinary shares, other than those whose vesting is subject to a liquidity event condition, have been considered as potential ordinary shares. However, they have not been included in determination of diluted EPS for the current year since they are anti-dilutive. For the previous year, these have been considered as potential ordinary shares and included in the determination of diluted EPS. Options over ordinary shares, whose vesting is subject to a liquidity event condition, have been considered as contingently issuable shares and have not been included in determination of diluted EPS.

**(iv) Warrants over ordinary shares (2014: Warrants over preference shares)**

During the year, warrants over preference shares were converted to warrants over ordinary shares. These have been considered as potential ordinary shares. However, they have not been included in the determination of diluted EPS for the current year since they are anti-dilutive. For the previous year, these have been considered as potential ordinary shares and included in the determination of diluted EPS.

**(v) Performance rights**

Vesting of performance rights is subject to a liquidity event condition. Hence, these have been considered as contingently issuable shares and have not been included in the determination of diluted EPS. During the current year, certain rights were granted that are not subject to a liquidity event condition and in case of certain rights the liquidity event condition was waived. These have been considered as potential ordinary shares. However, they have not been included in the determination of diluted EPS since they are anti-dilutive.



## Basic and diluted (loss)/earnings per share

	2015 \$ per share	2014 \$ per share
<b>Basic (loss)/earnings per share</b>		
Basic EPS attributable to the ordinary equity holders of the company	(2.72)	2.38
<b>Diluted (loss)/earnings per share</b>		
Diluted EPS attributable to the ordinary equity holders of the company	(2.72)	0.77

## Weighted average number of shares used as the denominator

	2015 number	2014 number
Weighted average number of shares used as denominator in calculating basic EPS	2,302,954	1,153,312
Weighted average of potential dilutive ordinary shares:		
Preference shares <sup>(1)</sup>	-	2,218,414
Options over ordinary shares <sup>(1)</sup>	-	164,517
Warrants over ordinary shares <sup>(1)</sup>	-	16,364
Weighted average number of shares used as the denominator in calculating diluted EPS <sup>(1)</sup>	2,302,954	3,552,607

<sup>(1)</sup> Due to loss made during the current year, inclusion of preference shares, options/warrants over ordinary shares would be anti-dilutive, as these would increase the denominator used in calculating diluted EPS and thereby reduce the loss per share.

## Reconciliations of earnings used in calculating earnings per share

	2015 \$'000	2014 \$ per share
Profit attributable to the ordinary equity holders of the company used in calculating basic and diluted EPS	(6,268)	2,742

## 7. Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash at banks and on hand (1)	3,974	4,621
Fixed term bank deposits (2)	10,000	-
<b>Total cash and cash equivalents</b>	<b>13,974</b>	<b>4,621</b>

<sup>(1)</sup> Cash at banks does not attract any interest except for cash in Australian savings account which attracts interest at normal bank rates on balances over \$10,000.

<sup>(2)</sup> Fixed term bank deposits attract interest at normal term deposit rates. They are placed for a period of 3 months and are not subject to any risk of change of values.

## 8. Reconciliation of profit for the year to net cash inflow from operating activities

	2015 \$'000	2014 \$'000
<b>(Loss)/Profit for the year</b>	<b>(6,268)</b>	<b>2,742</b>
<b>Non-cash items</b>		
Depreciation and amortisation	2,027	859
Amortisation of share-based payments	1,340	78
Unrealised foreign exchange losses	799	82
Shares issued for services	-	20
Net loss on the disposal of property, plant and equipment	34	20
Interest expense on cumulative redeemable preference shares	103	-
Amortisation of other financing arrangements	132	-
<b>Classified as investing activities</b>		
Interest on related party loan	(6)	-
<b>Change in operating assets and liabilities</b>		
(Increase) in trade and other receivables	(543)	(578)
(Increase)/Decrease in inventories	(142)	28
Decrease in current tax assets	10	-
(Increase) in other financial assets	(81)	(189)
(Increase) in deferred tax assets	(3,313)	(1,643)
Increase in trade and other payables	5,631	957
Increase in unearned revenue	730	769
Increase/(Decrease) in current tax liabilities	83	(181)
Increase in employee benefit liabilities	263	199
Exchange (loss)/gain on translation of foreign operations	(632)	23
<b>Net cash inflow from operating activities</b>	<b>167</b>	<b>3,186</b>

## 9. Financial risk management

This note explains the Group's financial risk management and how the exposure to these risks affects the Group's future financial performance.

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Recognised financial assets and liabilities not denominated in AUD Future commercial transactions	Sensitivity analysis	Natural hedge
Market risk - price risk	The Group does not hold any investments in securities and hence, it is not exposed to price risk	N/A	N/A
Market risk - interest rate	The Group's borrowings are at fixed interest rate and hence, it is not exposed to interest rate risk	N/A	N/A
Credit risk	Cash and cash equivalents, trade receivables, other financial assets and related party loan. The Group is not exposed to significant credit risk	N/A	N/A
Liquidity risk	Borrowings and other liabilities	Maturity time line	Availability of committed borrowing facilities

The Group's risk management is carried out by the senior management by delegation from the Board of Directors. The Board oversees and monitors senior management's implementation of the Group's risk management framework. This is based on recommendations from the Audit and Risk Committee, where appropriate. The risk management framework includes policies and procedures approved by the Board and managed by internal legal counsel and the finance function.

The Group holds the following financial instruments:

	Note	2015 \$'000	2014 Restated* \$'000
<b>Financial assets</b>			
Cash and cash equivalents	7	13,974	4,621
Trade and other receivables (1)	10	708	461
Other financial assets	15	517	436
Related party loan	28	331	378
<b>Financial liabilities</b>			
Trade and other payables	16	10,285	4,604
Non-current borrowings (principal)	18	15,500	-
Non-current borrowings (interest)	18	87	-

<sup>(1)</sup> Trade and other receivables in the table exclude prepayments which are not classified as financial instruments.

\* Refer to note 21 for restatements.

The carrying value of the assets and liabilities disclosed in the table equals their fair value.

Non-current borrowings are issued at a fixed interest rate (refer to note 18), cash and cash equivalents (refer to note 7) attract variable interest rates and related party loan attracts a fixed interest rate (refer to note 28). All other financial assets and liabilities are non-interest bearing.

### (a) Market risk

#### Foreign exchange risk

The Group collects funds from customers in five currencies (USD, AUD, EUR, CAD and GBP) and maintains bank accounts in these currencies. The Group has liabilities either to vendors or artists in these currencies. The Group settles its liabilities in the native currency hence creating a natural hedge. Any surplus funds are converted to AUD or USD in operating accounts when management feels it is prudent to do so. During the year, the Group began to employ European suppliers for European sales. The Group is progressively localising fulfilment which will further aid in the natural hedge.

Since the Group is largely naturally hedged, the exposure to foreign currency movements as at 30 June 2015 is not material. The foreign currency assets and liabilities held by the Group (expressed in AUD) are as below:

At 30 June 2015	GBP \$'000	USD \$'000	EUR \$'000	AUD \$'000	CAD \$'000	Total \$'000
Cash and cash equivalents	426	(17)	331	292	64	1096
Trade receivables	133	-	60	33	35	261
Other financial assets	-	-	-	51	-	51
Trade and other payables	(1,450)	(202)	(210)	(390)	(74)	(2,326)
Net exposure	(891)	(219)	181	(14)	25	(918)

At 30 June 2014	GBP \$'000	USD \$'000	EUR \$'000	AUD \$'000	CAD \$'000	Total \$'000
Cash and cash equivalents	675	8	582	366	202	1833
Trade receivables	76	-	39	31	24	170
Other financial assets	-	-	-	55	-	55
Trade and other payables	(591)	(16)	(519)	(211)	(43)	(1,380)
Net exposure	160	(8)	(102)	241	183	678



The following table demonstrates the effect of a 5% strengthening and a 5% weakening of exchange rates which would impact the Group's net profit and equity.

#### Exchange rate sensitivity analysis

	(Loss) or Profit			
	2015 \$'000		2014 \$'000	
	+5%	-5%	+5%	-5%
USD to GBP	(44)	44	8	(8)
USD to EUR	3	(3)	3	(3)
USD to AUD	1	(1)	12	(12)
USD to CAD	1	(1)	9	(9)
AUD to EUR	(1)	1	2	(2)
AUD to USD	(11)	11	(1)	1
GBP to EUR	6	(6)	-	-
<b>Net Movement</b>	<b>(45)</b>	<b>45</b>	<b>33</b>	<b>(33)</b>

#### (b) Credit risk

Credit risk is a risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group.

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The Group faces primary credit risk from potential default on receivables by payment service providers. The Group manages this risk by regularly sweeping funds out of the provider accounts into a portfolio of managed banking facilities held with highly rated and regulated financial institutions.

#### (i) Cash and bank balances/financial assets

As at 30 June 2015, the Group has \$10,000,000 (2014: Nil) held in bank deposits which attract interest at normal term deposit rates.

The Group's bank accounts are predominantly non-interest bearing accounts. In Australia, funds in excess of the short-term liquidity requirements are moved to a savings account that attracts interest at normal bank rates on balances over \$10,000.

The financial assets include deposits placed with banks as security and certain other operational deposits.

The banks with which the accounts are maintained/deposits are placed are reputable financial institutions and hence the credit risk is considered insignificant. Further, the balances are not concentrated with any one particular bank.

#### (ii) Trade receivables

The Group is not exposed to any significant credit risk on account of trade receivables. The Group accepts payments either via credit card or via Paypal or Amazon payments. In any case, the Group ensures that cash is received upfront prior to the product being manufactured. The trade receivables balance as at 30 June represents amounts receivable from these payment service providers. It is believed that the credit risk from collections from payment service providers is minimal.

The Group does encounter typical credit card fraud, which is typical for the industry. Such fraud has been immaterial to the Group.

#### (iii) Related party loan

This loan is granted to an employee and is secured by the shares of the Group that the employee purchased under the Share Purchase Agreement. However, under certain specific circumstances as stated in the promissory note governing the terms of this loan, the Group will have recourse on up to 51% of the amount of the loan. The Group believes that the circumstances which might lead to recovery of less than 100% of the note are unlikely.

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and ensuring that all term deposits can be converted to funds at short notice. Due to the dynamic nature of the underlying business, flexibility in funding is maintained by ensuring ready access to the cash reserves of the business.

Term deposits are placed for a period of three months. These can be withdrawn prematurely by giving one month's notice which would incur a minor penalty in the form of reduced interest.

The Group has an undrawn loan facility of \$5,000,000 (refer to note 12) as at 30 June 2015. The Group raised \$15,500,000 (refer to note 18) during the year by issue of cumulative redeemable preference shares.

All other financial liabilities are current and anticipated to be repaid over the normal payment terms, usually 30 days.

#### (i) Financial arrangements

The Group had access to the following borrowing facilities at the end of reporting period:

#### Borrowing facilities

	Drawn		Undrawn		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<b>Fixed rate</b>						
Expiring within one year (bank loan)	-	-	5,000	-	5,000	-
Expiring beyond one year (cumulative redeemable preference shares)	15,500	-	-	-	15,500	-
<b>Total</b>	<b>15,500</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>20,500</b>	<b>-</b>

The bank loan facility may be drawn down at any time up to 8 December 2015, refer to note 12.

#### (ii) Maturities of financial liabilities

The following table summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

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Contractual maturities of financial liabilities	Less than 6 months \$'000	6 to 12 months \$'000	Between 1 & 2 years \$'000	Between 2 & 3 years \$'000	Total contractual cash flows \$'000
<b>At 30 June 2015</b>					
Trade and other payables	10,285	-	-	-	10,285
Borrowings (principal)	-	-	-	15,500	15,500
Borrowings (interest)	-	-	-	2,325	2,325
<b>Total financial liabilities</b>	<b>10,285</b>	<b>-</b>	<b>-</b>	<b>17,825</b>	<b>28,110</b>

Contractual maturities of financial liabilities	Less than 6 months \$'000	6 to 12 months \$'000	Between 1 & 2 years \$'000	Between 2 & 3 years \$'000	Total contractual cash flows \$'000
<b>At 30 June 2014</b>					
Trade and other payables (*)	4,604	-	-	-	4,604
Borrowings (principal)	-	-	-	-	-
Borrowings (interest)	-	-	-	-	-
<b>Total financial liabilities</b>	<b>4,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,604</b>

\* Refer to note 21 for restatements.

#### (d) Capital risk management

The Group's policy is to maintain a capital structure for business which ensures sufficient liquidity, provides support for business operations, maintains shareholder confidence and positions the business for future growth.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

The ongoing maintenance of the Group's policy is characterised by ongoing cash flow forecast analysis and detailed budgeting processes which, combined with continual development of banking relationships, is directed at providing a sound financial positioning for the Group's operations and financial management activities.

The Group is not subject to externally imposed capital requirements. The Group has complied with all the bank lending requirements for maintain the loan facility during the year and at the date of this report.

## 10. Trade and other receivables

	2015 \$'000	2014 \$'000
Trade receivables	695	461
Prepayments	509	289
Other receivable	13	-
<b>Total trade and other receivables</b>	<b>1,217</b>	<b>750</b>

#### (a) Impairment

None of the above balances are impaired or past due.

#### (b) Ageing of net trade receivables from due date

	2015 \$'000	2014 \$'000
Current - 30 days	695	461
<b>Closing balance</b>	<b>695</b>	<b>461</b>

#### (c) Credit risk and fair value

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. Refer to note 9 for more information on the risk management policy of the group. The carrying amount of trade and other receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

#### (d) Collateral held as security

The Group does not hold any collateral in relation to these receivables.

## 11. Inventories

	2015 \$'000	2014 \$'000
At cost:		
Packaging supplies	184	42
<b>Total inventories</b>	<b>184</b>	<b>42</b>

Write downs of inventories to net realizable value during the year were \$Nil (2014: \$Nil).



## 12. Other current assets

	2015 \$'000	2014 \$'000
Unamortised borrowing cost <sup>(1)</sup>	113	-
<b>Total trade and other receivables</b>	<b>113</b>	<b>-</b>

<sup>(1)</sup> Loan facility agreement with the Commonwealth Bank of Australia (CBA):

On 8 December 2014, the Group entered into a loan facility agreement with the CBA for \$5,000,000. The facility term is one year. As at the date of this report, there has been no drawdown on the facility. The facility is secured by a floating charge on the Group's present and after acquired property. Transaction costs of \$245,000 which were incurred towards establishment of the facility have been capitalised on the consolidated balance sheet; \$113,000 remains unamortised.

## 13. Property, plant and equipment

	2015 \$'000	2014 \$'000
<b>Leasehold improvements</b>		
At cost	754	188
Accumulated depreciation	(136)	(44)
<b>Net book amount at 30 June</b>	<b>618</b>	<b>144</b>
<b>Furniture and equipment</b>		
At cost	344	151
Accumulated depreciation	(94)	(45)
<b>Net book amount at 30 June</b>	<b>250</b>	<b>106</b>
<b>Computer equipment</b>		
At cost	691	422
Accumulated depreciation	(368)	(245)
<b>Net book amount at 30 June</b>	<b>323</b>	<b>177</b>
<b>Net book amount of property, plant and equipment at 30 June</b>	<b>1,191</b>	<b>427</b>

## (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

	2015 \$'000	2014 \$'000
<b>Leasehold improvements</b>		
Cost at 1 July	188	70
Additions	537	143
Exchange differences	29	(1)
Disposals	-	(24)
<b>Cost at 30 June</b>	<b>754</b>	<b>188</b>
Accumulated depreciation at 1 July	(44)	(45)
Charge for the year	(81)	(18)
Exchange differences	(11)	1
Disposals	-	18
<b>Accumulated depreciation at 30 June</b>	<b>(136)</b>	<b>(44)</b>
<b>Carrying amount at 30 June</b>	<b>618</b>	<b>144</b>
<b>Furniture and equipment</b>		
Cost at 1 July	151	100
Additions	184	73
Exchange differences	23	(1)
Disposals	(14)	(21)
<b>Cost at 30 June</b>	<b>344</b>	<b>151</b>
Accumulated depreciation at 1 July	(45)	(35)
Charge for the year	(47)	(19)
Exchange differences	(9)	-
Disposals	7	9
<b>Accumulated depreciation at 30 June</b>	<b>(94)</b>	<b>(45)</b>
<b>Carrying amount at 30 June</b>	<b>250</b>	<b>106</b>
<b>Computer Equipment</b>		
Cost at 1 July	422	279
Additions	280	147
Exchange differences	35	(2)
Disposals	(46)	(2)
<b>Cost at 30 June</b>	<b>691</b>	<b>422</b>
Accumulated depreciation at 1 July	(245)	(167)
Charge for the year	(121)	(80)
Exchange differences	(21)	2
Disposals	19	-
<b>Accumulated depreciation at 30 June</b>	<b>(368)</b>	<b>(245)</b>
<b>Carrying amount at 30 June</b>	<b>323</b>	<b>177</b>
<b>Carrying amount of property, plant and equipment at 30 June</b>	<b>1,191</b>	<b>427</b>

## (b) Impairment

No impairment was recognised in the current year (2014: \$Nil).

## 14. Intangible Assets

	2015 \$'000	2014 \$'000
<b>Capitalised development costs</b>		
Cost	7,434	3,157
Accumulated amortisation and impairment	(2,843)	(1,044)
<b>Net book amount at 30 June</b>	<b>4,591</b>	<b>2,113</b>

Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. These have finite useful lives of 2-5 years.

### (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

	2015 \$'000	2014 \$'000
Cost at 1 July	3,157	1,564
Additions	4,216	1,593
Exchange differences	61	-
<b>Cost at 30 June</b>	<b>7,434</b>	<b>3,157</b>
Accumulated depreciation at 1 July	(1,044)	(303)
Charge for the year	(1,778)	(742)
Exchange differences	(21)	1
<b>Accumulated depreciation at 30 June</b>	<b>(2,843)</b>	<b>(1,044)</b>
<b>Carrying amount at 30 June</b>	<b>4,591</b>	<b>2,113</b>

### (b) Impairment

No impairment was recognised in the current year (2014: \$Nil).

## 15. Other financial assets - Non-current financial assets

	2015 \$'000	2014 \$'000
Security held with banks	263	209
Non-current deposits	254	227
<b>Total non-current financial assets</b>	<b>517</b>	<b>436</b>

## 16. Trade and other payables

	2015 \$'000	2014 Restated* \$'000
Trade and other payables	9,806	4,379
GST and other value added taxes payable	479	225
<b>Total trade and other payables</b>	<b>10,285</b>	<b>4,604</b>

\* Refer to note 21 for restatements.

## 17. Employee benefit liabilities

### (a) Current employee benefit liabilities

	2015 \$'000	2014 \$'000
Annual leave	627	388
Long service leave	65	65
<b>Total current employee benefit liabilities</b>	<b>692</b>	<b>453</b>

### (b) Non-current employee benefit liability

	2015 \$'000	2014 \$'000
Long service leave	46	22
<b>Total non-current employee benefit liability</b>	<b>46</b>	<b>22</b>

### (c) Unrecognised contingent liabilities

There are no unrecognised contingent liabilities at 30 June 2015 (2014: \$Nil).



## 18. Borrowings - Non-current borrowings

	2015 \$'000	2014 \$'000
Cumulative redeemable preference shares <sup>(a)</sup>	15,166	-
<b>Total non-current borrowings</b>	<b>15,166</b>	<b>-</b>

<sup>(a)</sup> Cumulative redeemable preference shares (unsecured):

On 21 May, 2015, the Group raised \$15,500,000 by issuing 476,774 cumulative redeemable preference shares (CRPS) at \$32.51 per share (face value). The terms of issue are as under:

(a) Dividend:

The CRPS are entitled to an initial dividend of \$0.01 per share over the initial dividend period and 5% of face value thereafter. The payment of dividend is at the sole discretion of the Directors. The entitlement of dividend is cumulative in nature and has preference over dividend on any other capital.

(b) Redemption:

The CRPS are redeemable at the discretion of the holders anytime after 3 years of the issue or under certain other circumstances. On redemption, they are entitled to receive the face value of the CRPS and any accumulated unpaid dividend thereon.

(c) Conversion:

The CRPS can be converted into ordinary shares at the discretion of the holders. However, they mandatorily convert into ordinary shares upon the occurrence of certain liquidity events. In order to calculate the number of ordinary shares to be issued on conversion, both the face value and the accumulated unpaid dividends will be aggregated.

(d) Voting rights:

The holders do not have any voting rights unless dividend entitlements are unpaid.

(e) General rights:

CRPS rank equally among themselves and are unsecured and subordinated to all creditors. In the event of winding up, they are entitled to receive face value and accumulated unpaid dividends in preference of ordinary shareholders. They have no further rights to participate in any surplus assets on winding up.

Transaction costs of \$437,000 were incurred in relation to CRPS.

The value of CRPS disclosed above includes \$87,054 representing a 5% dividend entitlement for the period up to 30 June 2015.

## 19. Contributed equity

(a) Share capital

	Consolidated and parent entity			
	2015 Shares	2014 Restated*	2015 \$'000	2014 Restated* \$'000
<b>Ordinary shares</b>				
Issued and fully paid	3,531,591	1,196,225	9,344	974
<b>Preference shares</b>				
Issued and fully paid	-	2,265,016	-	8,193
Transfer of exercised options	-	-	188	-
<b>Total share capital</b>	<b>3,531,591</b>	<b>3,461,241</b>	<b>9,532</b>	<b>9,167</b>

\* Refer to note 21 for restatements.

(b) Movements in ordinary share capital

Date	Details	Number of Shares	Issue price \$	\$'000
<b>1 July 2013</b>	Balance	1,112,587		397
15 August 2013	Exercise of options	15,000	1.00	15
20 December 2013	Issued under share purchase agreement	35,488	10.55	374
26 March 2014	Exercise of options	25,740	5.00	129
26 March 2014	Exercise of options	7,410	8.00	59
<b>30 June 2014</b>	Balance	1,196,225		974
17 July 2014	Exercise of options	4,514	8.00	36
25 September 2014	Exercise of options	10,000	1.50	15
2 December 2014	Exercise of options	19,992	1.00	20
2 December 2014	Exercise of options	12,760	5.00	64
24 December 2014	Exercise of options	3,024	2.00	6
9 January 2015	Conversion of preference shares to ordinary shares	2,265,016		8,193
16 June 2015	Exercise of options	11,996	1.00	12
16 June 2015	Exercise of options	4,032	3.00	12
26 June 2015	Exercise of options	4,032	3.00	12
<b>30 June 2015</b>	<b>Balance</b>	<b>3,531,591</b>		<b>9,344</b>

## (c) Movements in preference share capital

Date	Details	Number of Shares	Issue price \$	\$'000
1 July 2013	Balance	2,156,053		6,673
2 December 2013	Issued for capital raising	107,529	13.95	1,500
12 December 2013	Issued for services	1,434	13.95	20
30 June 2014	Balance	2,265,016		8,193
9 January 2015	Conversion of preference shares to ordinary shares	(2,265,016)		(8,193)
30 June 2015	Balance	-		-

## (d) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

## (e) Preference shares (issued up to 30 June 2014)

Preference shares had preferential rights to all dividends ahead of ordinary shareholders; to the subscription amount and to the declared but unpaid dividends in the event of liquidation; to the subscription amount in the event of a sale of the existing shares in the Company; to convert to ordinary shares at any time.

During the year, all these preference shares were converted into ordinary shares.

## (f) Exercise of staff options

During the year, 70,350 (2014: 48,150) shares were issued to fulfill employee options exercised in the year.

## (g) Shares issued under share purchase agreement

During the previous year, the Group entered into a share purchase agreement dated 20 December 2013 with an employee. Under the share purchase agreement, the employee purchased 35,488 shares at \$10.55 (\$374,398 in the aggregate) with a partial recourse promissory note issued by the Group for an equivalent amount. Refer to notes 21 and 28 for more details.

## (h) Transfer from share based payment reserve

During the year, an amount of \$188,000 was transferred out of the share based payment reserve to the share capital representing aggregated fair value of options exercised up to 30 June 2015.

## (i) Dividends

No dividends were declared or paid during the year.

## 20. Reserves - nature and purpose of reserves

## (a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

## (b) Share based payment reserve

The share based payment reserve arises on issue of share options/performance rights as payment for services to suppliers and employees.

## 21. Prior year restatements

## (a) The following prior year errors were identified during the year ended 30 June 2015.

## (i) Deferred tax asset

Deferred Tax Asset (DTA) as at 30 June 2014 was overstated by \$491,839 and has been restated in these financial statements. The reduction relates to the net impact of a reduction in the carried forward tax losses to correct an overstatement in prior year tax returns, together with an adjustment to the tax base of fixed assets to correctly reflect the corresponding R&D offset entitlement.

## (ii) Related party loan, share capital and bonus accrual

The Group entered into a Share Purchase Agreement dated 20 December 2013 with an employee. Under the Share Purchase Agreement, the employee purchased 35,488 shares at \$10.55 (\$374,398 in the aggregate) with a partial recourse promissory note issued to the Group for an equivalent amount. Interest accrues under the note at the rate of 1.64%, compounded semi-annually. Further, under the offer letter, the employee is entitled to a retention bonus of \$94,000 each year for four years beginning on 10 February 2015. No accounting entries emerging from this agreement were recorded during the year ended 30 June 2014.



(b) These errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	2014 \$'000
Deferred tax asset	(492)
Loan granted	374
Interest accrued on loan	4
Accrual of bonus	(36)
<b>Net impact on equity</b>	<b>(150)</b>

Impact on statement of profit or loss - increase/(decrease) in profit

	2014 \$'000
Income tax expense	(492)
Interest	4
Bonus expense	(36)
<b>Net impact on profit</b>	<b>(524)</b>

Impact on share capital - increase in share capital

	2014 \$'000
Shares purchased under share purchase agreement	374
<b>Net impact on share capital</b>	<b>374</b>

These errors did not have an impact on the Group's operating, investing and financing cash flows.

## 22. Interests in subsidiaries

### Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of Entity	Country of incorporation	Principal activities	Equity holding 2015 %	Equity holding 2014 %
Redbubble Incorporated	USA	Limited risk distributor engaged in worldwide marketing and logistics operations for the parent entity	100	100
Redbubble Limited	UK	Marketing and logistics operations in Europe	100	100

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

## 23. Parent entity financial information

The following information has been extracted from the books and records of the parent entity, Redbubble Limited, and has been prepared in accordance with accounting standards.

### (a) Summary financial information

	2015 \$'000	2014 Restated* \$'000
Statement of financial position		
Assets		
Current assets	42,521	12,065
Non-current assets	9,631	4,098
<b>Total assets</b>	<b>52,152</b>	<b>16,163</b>
Liabilities		
Current liabilities	52,249	11,440
Non-current liabilities	46	22
<b>Total liabilities</b>	<b>52,295</b>	<b>11,462</b>
Equity		
Issued capital	9,532	9,167
Share based payment reserve	1,680	372
Retained earnings	(11,355)	(4,838)
<b>Total equity</b>	<b>(143)</b>	<b>4,701</b>
(Loss)/Profit and other comprehensive income		
(Loss)/Profit for the year	(6,480)	2,396
<b>Total comprehensive (loss)/profit</b>	<b>(6,480)</b>	<b>2,396</b>

### (b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees.

### (c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2015 (2014: \$Nil).

### (d) Contractual commitments

As at 30 June 2015, the parent entity had contractual commitments for minimum lease payments in relation to non-cancellable operating leases totaling to \$562,227 (2014: \$815,514). There were no other commitments as at 30 June 2015 (2014: \$Nil).

## 24. Contingent liabilities

The Group has no contingent liabilities as at 30 June 2015 (2014: \$Nil).

## 25. Commitments for expenditure

### Capital commitments

The Group had no capital commitments as at 30 June 2015 (2014: Nil).

### Other commitments

The Group had no material other commitments as at 30 June 2015 (2014: Nil).

### Lease commitments

#### Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2015 \$'000	2014 \$'000
Within one year	1,089	845
Later than one year but not later than five years	2,394	2,349
More than five years	468	848
<b>Total lease commitments</b>	<b>3,951</b>	<b>4,042</b>

The Group leases various offices under non-cancellable operating leases expiring within 2 to 6 years, with rent payable monthly in advance. The leases have varying terms, escalation clauses and renewal rights. Rental provisions within the lease agreement provide for increase in the minimum lease payments as contracted.

## 26. Events occurring after the balance sheet date

The financial report was authorised for issue on 29 September 2015 by the Board of Directors. There have been no significant events after the balance sheet date that require disclosure.

## 27. Share-based payments

### Options over ordinary shares

These are provided as an incentive to certain senior managers of the Group, as well as to Board members. Once granted, the options have a predetermined time-based vesting schedule and grantees may exercise the options for a further set number of years after the options are vested.

### Warrants over ordinary shares (previously over preference shares)

Redbubble was converted from a private company to a public company on 9 January 2015. At the same time, all preference shares then on issue were converted to ordinary shares. Consequently, the warrants over preference shares were converted to warrants over ordinary shares. These were issued in FY 2012 to Denali Capital Managers Pty Ltd under terms of a loan facility agreement in addition to the interest therein. The loan facility terminated on 31 December 2012.

### Performance rights

These are provided to senior executives and all employees, as well as to board members. All the performance rights are subject to service conditions and most of them are subject to a liquidity event condition. Once granted, the rights have a predetermined time-based vesting schedule.

### Executive options

These are provided as an incentive to senior executives of the Group. Once granted, the options have a predetermined time-based vesting schedule and grantees may exercise the options for a further set number of years after the options are vested. The options granted during the current year are subject to certain performance-based requirements in relation to the Group's achievements against sales and gross profit targets or organic visit growth targets and personal performance assessment. The options granted prior to FY 2015 do not have performance targets.



## Movement

The tables below summarise the movement in the number of options/warrants/rights during the year:

2015 Grant date	Expiry date/years <sup>(1)</sup>	Exercise price	Number of options or warrants or rights					Options/warrants/rights vested and exercisable at the end of the year <sup>(3)</sup>
			Opening balance	Granted during the year <sup>(2)</sup>	Exercised during the year	Forfeited during the year	Closing balance	
<b>Options over ordinary shares</b>								
16 Sep 2006	1 Oct 2014	\$1.50	10,000	-	(10,000)	-	-	-
16 Jul 2007	1 Jun 2015	\$1.00	2,000	-	(2,000)	-	-	-
1 Jan 2008	1 Jan 2015	\$2.00	3,024	-	(3,024)	-	-	-
23 May 2008	1 Jun 2015	\$1.00	9,996	-	(9,996)	-	-	-
19 Aug 2008	1 Sep 2015	\$1.00	19,992	-	(19,992)	-	-	-
27 Oct 2009	1 Sep 2015	\$2.00	26,000	-	-	-	26,000	26,000
27 Oct 2009	1 Mar 2017 <sup>(4)</sup>	\$2.00	18,000	-	-	-	18,000	18,000
29 Sep 2010	1 Oct 2017 <sup>(4)</sup>	\$2.00	18,000	-	-	-	18,000	18,000
15 Nov 2010	1 Dec 2015	\$3.00	4,032	-	-	-	4,032	4,032
15 Nov 2010	1 Dec 2017 <sup>(4)</sup>	\$3.00	8,064	-	(8,064)	-	-	-
21 Jul 2011	11 Dec 2014	\$5.00	12,760	-	(12,760)	-	-	-
21 Jul 2011	21 Jul 2018 <sup>(4)</sup>	\$5.00	15,840	-	-	-	15,840	15,840
1 Sep 2011	21 Jul 2017	\$5.00	31,680	-	-	-	31,680	30,360
25 Jan 2012	25 Jan 2018	\$8.00	4,514	-	(4,514)	-	-	-
1 Oct 2011	1 Oct 2018	\$5.50	40,005	-	-	-	40,005	40,005
20 Feb 2014	20 Feb 2024	\$14.99	27,208	-	-	-	27,208	9,069
12 May 2014	12 May 2021	\$14.99	18,288	-	-	-	18,288	6,604
24 Oct 2014	1 Jul 2024	\$19.22	-	10,000	-	-	10,000	-
24 Oct 2014	1 Oct 2024	\$19.22	-	69,000	-	-	69,000	-
28 Jan 2015	28 Jan 2025	\$20.34	-	26,000	-	-	26,000	-
5 Mar 2015	5 Mar 2025	\$20.34	-	106,350	-	-	106,350	-
22 May 2015	14 May 2025	\$20.34	-	26,665	-	-	26,665	-
29 Jun 2015	1 Apr 2025	\$29.90	-	7,500	-	-	7,500	-
29 Jun 2015	29 Jun 2025	\$29.90	-	4,000	-	-	4,000	-
<b>Total options over ordinary shares</b>			<b>269,403</b>	<b>249,515</b>	<b>(70,350)</b>	<b>-</b>	<b>448,568</b>	<b>167,910</b>
<b>Warrants over ordinary shares</b>								
8 Mar 2012	31 Dec 2016	\$5.50	16,364	-	-	-	16,364	16,364
<b>Total warrants over ordinary shares</b>			<b>16,364</b>				<b>16,364</b>	<b>16,364</b>

2015 Grant date	Expiry date/years <sup>(1)</sup>	Exercise price	Number of rights options or warrants					Options/warrants/rights vested and exercisable at the end of the year <sup>(3)</sup>
			Opening balance	Granted during the year <sup>(2)</sup>	Exercised during the year	Forfeited during the year	Closing balance	
<b>Performance rights</b>								
28 Mar 2013	7	\$0.00	3,462	-	-	-	3,462	2,308
1 Oct 2013	7	\$0.00	54,895	-	-	(8,434)	46,461	23,082
1 Oct 2013	5	\$0.00	17,712	-	-	(504)	17,208	7,170
14 Nov 2013	7	\$0.00	336	-	-	-	336	224
18 Nov 2013	7	\$0.00	14,468	-	-	-	14,468	5,726
20 Feb 2014	5	\$0.00	16,340	-	-	-	16,340	-
1 Jun 2014	5	\$0.00	2,034	-	-	-	2,034	678
3 Jun 2014	7	\$0.00	7,491	-	-	-	7,491	2,705
1 Oct 2014	5	\$0.00	-	13,771	-	(2,266)	11,505	-
1 Oct 2014	7	\$0.00	-	43,519	-	(3,196)	40,323	-
25 Nov 2014	7	\$0.00	-	14,468	-	-	14,468	-
28 Jan 2015	5	\$0.00	-	8,000	-	-	8,000	-
20 Mar 2015 <sup>(5)</sup>	-	\$0.00	-	7,374	-	-	7,374	614
22 May 2015	7	\$0.00	-	21,165	-	-	21,165	-
29 Jun 2015	5	\$0.00	-	1,000	-	-	1,000	-
<b>Total performance rights</b>			<b>116,738</b>	<b>109,297</b>	<b>-</b>	<b>(14,400)</b>	<b>211,635</b>	<b>42,507</b>
<b>Total all plans</b>			<b>402,505</b>	<b>358,812</b>	<b>(70,350)</b>	<b>(14,400)</b>	<b>676,567</b>	<b>226,781</b>
<b>Weighted average exercise price for options</b>			<b>\$5.39</b>	<b>\$20.43</b>	<b>\$2.52</b>	<b>-</b>	<b>\$14.21</b>	<b>\$4.90</b>

Number of options or warrants or rights								
2014 Grant date	Expiry date/years <sup>(1)</sup>	Exercise price	Opening balance	Granted during the year <sup>(2)</sup>	Exercised during the year	Forfeited during the year	Closing balance	Options/warrants/rights vested and exercisable at the end of the year <sup>(3)</sup>
<b>Options over ordinary shares</b>								
16 Sep 2006	1 Oct 2014	\$1.50	10,000	-	-	-	10,000	10,000
16 Jul 2007	1 Jun 2015	\$1.00	2,000	-	-	-	2,000	2,000
1 Jan 2008	1 Jan 2015	\$2.00	3,024	-	-	-	3,024	3,024
23 May 2008	1 Jun 2015	\$1.00	9,996	-	-	-	9,996	9,996
19 Aug 2008	1 Sep 2015	\$1.00	19,992	-	-	-	19,992	19,992
27 Oct 2009	1 Sep 2015	\$2.00	26,000	-	-	-	26,000	26,000
27 Oct 2009	1 Oct 2013	\$1.00	15,000	-	(15,000)	-	-	-
27 Oct 2009	1 Mar 2015	\$2.00	18,000	-	-	-	18,000	18,000
29 Sep 2010	1 Oct 2015	\$2.00	18,000	-	-	-	18,000	18,000
15 Nov 2010	1 Dec 2015	\$3.00	12,096	-	-	-	12,096	10,836
21 Jul 2011	11 Dec 2014	\$5.00	15,840	-	-	(3,080)	12,760	12,760
21 Jul 2011	21 Jul 2016	\$5.00	15,840	-	-	-	15,840	15,840
21 Jul 2011	21 Jul 2017	\$5.00	47,520	-	(25,740)	(21,780)	-	-
1 Sep 2011	21 Jul 2017	\$5.00	31,680	-	-	-	31,680	22,440
25 Jan 2012	25 Jan 2018	\$8.00	8,000	-	-	(3,486)	4,514	4,514
1 Oct 2011	1 Oct 2018	\$5.50	40,005	-	-	-	40,005	40,005
15 Jun 2012	15 Jun 2019	\$8.00	23,712	-	(7,410)	(16,302)	-	-
20 Feb 2014	20 Feb 2024	\$14.99	-	27,208	-	-	27,208	-
12 May 2014	12 May 2021	\$14.99	-	18,288	-	-	18,288	508
<b>Total options over ordinary shares</b>			<b>316,705</b>	<b>45,496</b>	<b>(48,150)</b>	<b>(44,648)</b>	<b>269,403</b>	<b>213,915</b>
<b>Warrants over preference shares</b>								
8 Mar 2012	31 Dec 2016	\$5.50	16,364	-	-	-	16,364	16,364
<b>Total warrants over preference shares</b>			<b>16,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,364</b>	<b>16,364</b>

Number of rights options or warrants								
2014 Grant date	Expiry date/years <sup>(1)</sup>	Exercise price	Opening balance	Granted during the year <sup>(2)</sup>	Exercised during the year	Forfeited during the year	Closing balance	Options/warrants/rights vested and exercisable at the end of the year <sup>(3)</sup>
<b>Performance rights</b>								
28 Mar 2013	7	\$0.00	3,462	-	-	-	3,462	1,154
1 Oct 2013	7	\$0.00	-	56,839	-	(1,944)	54,895	-
1 Oct 2013	5	\$0.00	-	19,620	-	(1,908)	17,712	-
14 Nov 2013	7	\$0.00	-	336	-	-	336	112
18 Nov 2013	7	\$0.00	-	14,468	-	-	14,468	-
20 Feb 2014	5	\$0.00	-	16,340	-	-	16,340	-
1 Jun 2014	5	\$0.00	-	2,034	-	-	2,034	-
3 Jun 2014	7	\$0.00	-	7,491	-	-	7,491	208
<b>Total performance rights</b>			<b>3,462</b>	<b>117,128</b>	<b>-</b>	<b>(3,852)</b>	<b>116,738</b>	<b>1,474</b>
<b>Total all plans</b>			<b>336,531</b>	<b>162,624</b>	<b>(48,150)</b>	<b>(48,500)</b>	<b>402,505</b>	<b>231,753</b>
<b>Weighted average exercise price for options</b>								
			<b>\$3.97</b>	<b>\$14.99</b>	<b>\$4.22</b>	<b>\$6.33</b>	<b>\$5.39</b>	<b>\$3.41</b>

<sup>(1)</sup> The performance rights are subject to a liquidity event condition and expire if the liquidity event does not occur within the specified number of years.

<sup>(2)</sup> The options granted during FY 2015 were under Redbubble's 2014 option plan. The options granted during FY 2014 and prior years were governed by individual agreements.

<sup>(3)</sup> The vesting of performance rights is subject to a liquidity event condition and service conditions. The numbers disclosed represent time-based contingent rights (i.e. vesting contingent on the liquidity event condition being satisfied). The rights granted on 20 March 2015 did not any have a liquidity event condition and the numbers there against represent number of rights vested. Further, during FY 2015 the liquidity event condition and service conditions for 8,810 rights were waived.

<sup>(4)</sup> The expiry dates were extended during the year.

<sup>(5)</sup> These are not subject to a liquidity event condition and hence, the expiry period does not apply.

Weighted average fair value of	2015 \$	2014 \$
Share available at the date of exercise of options during the year	21.92	11.98
Share options granted during the year	10.92	7.15
Performance rights granted during the year	21.16	13.95

Weighted average remaining contractual life of	2015 \$	2014 \$
Share options outstanding at the end of the year	6.80	3.08
Warrants outstanding at the end of the year	1.51	2.51
Performance rights outstanding at the end of the year	5.34	5.75

Inputs to Black-Scholes (weighted average)	2015 \$	2014 \$
Expected volatility (%) <sup>(1)</sup>	49.61	52.19
Risk-free interest rate (%)	3.01	1.69
Expected life (years)	6.07	5.34
Fair market value of share (\$)	21.16	14.99

<sup>(1)</sup> The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

## 28. Related party transactions

The Group's main related parties are as follows:

### (a) Entities exercising significant influence over the Group

The CEO Martin Hosking and his family trust with Jellicom Pty Ltd as trustee have significant influence over the Group. During the current year, no transactions were made with Jellicom Pty Ltd (2014: \$Nil).

### (b) Compensation of the key management personnel of the Group

	2015 \$	2014 \$
Short-term employee benefits	1,958,680	1,420,138
Post-employment benefits	83,030	72,148
Share-based employee benefits	965,660	121,171
Other long-term benefits	(16,342)	6,714
Termination benefits	63,174	100,234
<b>Total transactions with key management personnel</b>	<b>3,054,202</b>	<b>1,720,405</b>

### (c) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

### (d) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

- (i) Mr Cawsey, the Chair of the Board, is a partner of Denali Venture Partners. Denali Venture Partners has provided various consulting services to the Group for which fees of \$92,043 were paid (2014:\$30,000 including \$20,000 in shares). As at 30 June 2015, there were no outstanding balances (2014: \$Nil).
- (ii) Ms Tilenius was appointed to the Board of Directors on 28 May 2014. Ms Tilenius is the CEO of Vida Health. Vida Health entered into a sublease agreement with the Group in April 2014 to sublease a portion of the Group's building located in San Francisco, California. Vida Health paid the Group \$25,457 as rent payments. (2014: \$7,000). The sublease was terminated on 26 March 2015. As at 30 June 2015, there were no outstanding balances (2014:\$Nil).
- (iii) The Group entered into a Share Purchase Agreement dated 20 December 2013 with an employee (the Chief Marketing Officer). Under the Share Purchase Agreement, the employee purchased 35,488 shares at \$10.55 (\$374,398 in the aggregate) with a partial recourse promissory note issued to the Group for an equivalent amount. Interest accrues under the note at the rate of 1.64%, compounded semi-annually.



Interest income earned during the year: \$5,957 (2014: \$3,230)

Loan and interest outstanding as at 30 June 2015: \$330,738 (2014: \$377,628)

The loan to the employee is secured by the shares of the Group that the employee purchased under the Share Purchase Agreement. However, under certain specific circumstances as stated in the promissory note governing the terms of this loan, the Group will have recourse on up to 51% of the amount of the loan. The Group believes that the circumstances that might lead to recovery of less than 100% of the note are unlikely, and therefore no provision is made for non-recovery of the non-recourse component of the note.

## 29. Remuneration of auditors

	2015 \$	2014 \$
<b>(a) Ernst &amp; Young<sup>(1)</sup></b>		
<b>Audit and other assurance services</b>		
Audit and review of financial reports	96,350	-
Other non-audit services	34,819	-
<b>Taxation services</b>		
Tax compliance/advisory	67,739	-
<b>Remuneration of Ernst &amp; Young</b>	<b>198,908</b>	<b>-</b>
<b>(b) Moore Stephens<sup>(1)</sup></b>		
<b>Audit and other assurance services</b>		
Audit and review of financial reports	-	65,350
Other non-audit services	-	2,000
<b>Taxation services</b>		
Tax compliance/advisory	-	28,551
<b>Remuneration of Moore Stephens</b>	<b>-</b>	<b>95,901</b>
<b>(c) Network firms of Moore Stephens<sup>(1)</sup></b>		
<b>Audit and other assurance services</b>		
Audit and review of financial reports	-	61,665
Other non-audit services	-	10,687
<b>Taxation services</b>		
Tax compliance/advisory	-	40,277
<b>Remuneration of related practices of Moore Stephens</b>	<b>-</b>	<b>112,629</b>

<sup>(1)</sup> During the FY 2014, the parent entity was audited by Moore Stephens and the subsidiaries were audited by network firms of Moore Stephens. However, during the year Moore Stephens resigned and Ernst & Young were appointed as the auditors for the parent entity as well as subsidiaries. Therefore, no disclosure is made for amounts paid to Moore Stephens/its network firms during the year.

## 30. New and amended accounting standards and interpretations

### (a) New and amended accounting standards and interpretations issued and effective

The Group has adopted the following new and amended standards which were applicable as disclosed in the table below. Adoption of these new and amended standards and interpretations has not had a material impact on the Group.

Reference	Title
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>  AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
AASB 1031	<i>Materiality</i>  The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality.  AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.  AASB 2014-1 Part C issued in June 2014 makes amendments to eight Australian Accounting Standards to delete their references to AASB 1031.
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments  The Standard contains three main parts and makes amendments to a number of Standards and Interpretations.  Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1.  Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards.  Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.

Reference	Title
AASB 2014-1 Part A -Annual Improvements 2010–2012 Cycle	<p>AASB 2014-1 Part A: This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) <i>Annual Improvements to IFRSs 2010–2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011–2013 Cycle</i>.</p> <p>Annual Improvements to IFRSs 2010–2012 Cycle addresses the following items:</p> <ul style="list-style-type: none"> <li>▶ AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.</li> <li>▶ AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.</li> <li>▶ AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.</li> <li>▶ AASB 116 &amp; AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.</li> </ul> <p>AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.</p>
86 Employee Contributions (Amendments to AASB 119)	<p>The amendments clarify that if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service.</p>

#### (b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the Group. Initial application of the following standards and interpretations will not affect any of the amounts recognised in the financial report, but may change disclosures presently made in relation to the Group.

The Group's interpretations of the impact of these new standards is set out below:

Title	Summary	Application date for Group
Financial Instruments	<p>AASB 9 (December 2014) is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 July 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments.</p> <p><b>Group Assessment</b> This is only expected to have an impact on the Group. This standard will not be early adopted by the Group.</p>	1 July 2018
Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.</p> <p><b>Group Assessment</b> This is only expected to impact the Group if acquisitions are made in the future. This standard will not be early adopted by the Group.</p>	1 July 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	<p>AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p> <p>The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.</p> <p><b>Group Assessment</b> This is not expected to impact the financial statements as the Group policy is to amortise based on consumption of economic benefits (useful lives of assets and intangibles). This standard will not be early adopted by the Group.</p>	1 July 2016

Title	Summary	Application date for Group
Revenue from Contracts with Customers	<p>In May 2014, the IASB issued IFRS 15 <i>Revenue from Contracts with Customers</i>, which replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i> and related Interpretations (IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfers of Assets from Customers</i> and SIC-31 <i>Revenue—Barter Transactions Involving Advertising Services</i>).</p> <p>The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <p>(a) Step 1: Identify the contract(s) with a customer  (b) Step 2: Identify the performance obligations in the contract  (c) Step 3: Determine the transaction price  (d) Step 4: Allocate the transaction price to the performance obligations in the contract  (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation</p> <p>Early application of this standard is permitted.</p> <p>The International Accounting Standards Board (IASB) in its July 2015 meeting decided to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015. At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018.</p> <p><b>Group Assessment</b>  Currently the Group has not made an assessment of whether this standard will be early adopted.</p>	1 July 2018
Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p>AASB 134 Interim Financial Reporting:  ► Disclosure of information 'elsewhere in the interim financial report' -amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information.</p> <p><b>Group Assessment</b>  Minimal impact to the Group's interim financial report.</p>	1 July 2016

Title	Summary	Application date for Group
Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	<p>The Standard makes amendments to AASB 101 <i>Presentation of Financial Statements</i> arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements.</p> <p>For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p> <p><b>Group Assessment</b>  The Group will continue to draft financial statements in the most effective manner in order to meet the requirements of this standard.</p>	1 July 2016





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## Directors' Declaration

### In the Directors' opinion:

(a) the financial statements and notes set out on pages 43 to 89 are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Redbubble Limited will be able to pay its debts as and when they become due and payable.

Note 1 (a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

Richard Cawsey  
Chair  
Melbourne  
29 September 2015

Martin Hosking  
Chief Executive Officer  
Melbourne  
29 September 2015

## Auditor's independence declaration to the Directors of Redbubble Limited

In relation to our audit of the financial report of Redbubble Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Kylie Bodenham  
Partner  
Melbourne  
29 September 2015

## Independent auditor's report to the members of Redbubble Limited

### Report on the financial report

We have audited the accompanying financial report of Redbubble Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

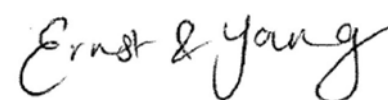
#### *Independence*

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

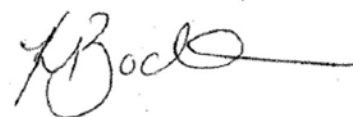
### *Opinion*

In our opinion:

- a. the financial report of Redbubble Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)(i).

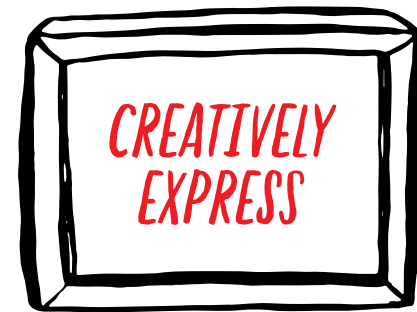


Ernst & Young



Kylie Bodenham  
Partner  
Melbourne  
29 September 2015

REDBUBBLE  
EMPOWERS  
INDIVIDUALS  
TO



THEMSELVES  
THROUGH  
THE DESIGNS  
OF

INDEPENDENT ARTISTS

ON A  
PORTFOLIO OF





