



REDBUBBLE



Annual Report 2016

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Founded in 2006, Redbubble is a global online marketplace (redbubble.com) powered by over 400,000 independent artists. Redbubble's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationary, housewares, bags, wall art and so on. Through the Redbubble marketplace independent artists are able to profit from their creativity and reach a new universe of adoring fans. For customers, it's the ultimate in self-expression. A simple but meaningful way to show the world who they are and what they care about. Redbubble is listed on the ASXw

This report covers Redbubble Limited as a consolidated entity consisting of Redbubble Limited (referred to in this report as *Redbubble* or *the Company*) and its controlled entities. Redbubble is a company limited by shares, incorporated and domiciled in Australia (ACN 119200592). Its registered office is at Level 3, 271 Collins Street, Melbourne VIC 3000. Redbubble is listed on the Australian Securities Exchange (ASX:RBL). Through the use of the internet, the Company ensures that our corporate reporting is timely, complete and available globally. All press releases, financial reports and other information are available on the Redbubble Investor Centre at shareholders.redbubble.com



FY2016 in Review

Key financial and other metric highlights (year on year comparison)

<i>\$m for financial year (unless otherwise indicated)</i>	FY15	FY16	% change**
Key financial metrics – Income Statement			
GTV*	88.4	142.9	61.7%
Repeat GTV*	28.8	50.7	76.0%
Revenue from ordinary activities	71.1	114.6	61.2%
Fulfiller expenses	47.0	75.6	60.8%
Gross profit*	24.1	39.0	61.8%
Gross profit margin (%)*	33.9%	34.0%	0.5%
Operating expenses (exclusive of capitalised development costs)	30.1	49.2	57.2%
EBITDA Loss* (inclusive of IPO costs \$2.0M)	6.5	10.7	64.2%
Loss per security (cents)	0.07	0.13	85.7%
Key financial metrics – Balance Sheet (at 30 June)			
Cash at bank	14.0	42.0	200%
Borrowings	15.2	0.0	(100%)
Intangible assets (Capitalised development costs)	4.6	7.4	61.5%
Net tangible assets per security (cents)	(7.4)	15.1	304%
Other metrics			
Site visits (millions)	103.1	147.8	43.4%
Conversion rate (% of visits)	1.75%	1.87%	6.9%
Average Order Value (AOV) (\$ per order)	49.60	52.60	6.0%
Selling artists (thousands)	96	154	61.6%
Unique customers (millions)	1.44	2.20	52.8%
Products (as at 30 June) (number)	48	57	18.8%
People (incl. contractors) (as at 30 June) (FTE)	138	182	31.9%

* GTV, Gross profit, Gross profit margin and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS measures that are presented to provide readers a better understanding of Redbubble's financial performance and position. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

** % change calculations for key financial metrics based on numbers to nearest thousand dollars (\$000).

Highlights and Commentary

- Gross Transaction Value (GTV), Revenue, Gross Profit and EBITDA Loss for FY16 are in line with or better than the forecast set out in the company's prospectus issued in May 2016.
- GTV, the total of sales processed through the Redbubble site less refunds, fraudulent transactions and chargebacks, was up \$54.5M or 61.7% due to increase in all major metrics:
 - Visits were up 44.7M or 43.4% to 147.8M with growth in visits from mobiles (70.9%) significantly outstripping growth from desktop (28.5%) with mobile visits representing 44.5% of total visits for the year.
 - Conversion rate up 6.9% to 1.87% despite the increasing incidence of mobile visits which typically convert to sales at a lower rate than those from desktop.
 - Average Order Value (AOV) up \$3.00 or 6.0% to \$52.60 entirely as a result as of the impact of foreign exchange rates. Nominally, AOV was down by 4.2% reflecting product mix with minimal price movements.
- Geographic split of GTV by region is largely unchanged compared to prior year (FY16/ FY15):
 - Americas 65%/64%
 - Europe 27%/27%
 - Oceania 7%/8%
 - Rest of world 1%/1%
- Revenue (GTV less sales taxes and artists' margin, adjusted for unearned revenue pending shipment) was up \$43.5M or 61.2%.
- Gross profit (Revenue less Fulfiller expenses) as a percentage of Revenue was 34.0% up from 33.9% in the prior year.
- Operating expenses of \$47.2M (exclusive of costs relating to the IPO) were up 57.2% although the increase slowed significantly in 2HFY16 (see half-year by half-year analysis below).
- Paid marketing expense was \$7.7M up 79.8% and generated \$45.9M in GTV (\$12.3M in gross profit). Total paid marketing spend was 5.4 cents for every dollar of GTV generated.

An analysis of FY16 operating expenses and the extent they were expended to generate growth can be found on slide 39 of the attached Investor Presentation.
- EBITDA Loss (Gross profit less operating expenses) was \$8.7 million (before IPO costs) (up from \$6.5 million) as the company continued to grow its marketplace. The scaling benefits began to show in the second half of the year.
- Tax expense of \$3.4M despite the loss before tax, due largely to the non-recognition of tax losses and R&D offsets totalling \$25.9M incurred prior to IPO. This comprises \$15.5M of accumulated tax losses and R&D offsets as at June 2015 and \$10.4M relating to FY16 up until the IPO.
- IPO completed on 16 May 2016 raising \$30.0M of new equity capital and resulting in conversion of \$15.5M Cumulative Redeemable Preference Shares and \$12.25M of Pre-IPO convertible notes into equity.
- Cash on hand balance at 30 June was \$42.0M, up from \$14.0M following completion of the IPO.
- As at 30 June 2016, the company has no debt.

Chairman's Letter



The past year has been a big year for Redbubble, the highlight being our successful listing on the ASX on 16th May. The arduous listing process did not distract the operating teams. Redbubble delivered strong financial performance and high growth across all strategic measures.

Redbubble continues to make great strides on its goal to build a company of enduring value. To achieve the goal, Redbubble's is creating the world's largest marketplace for independent artists. In doing so, Redbubble will bring more creativity into the world. I am more confident than ever that Redbubble will deliver and become a great Australian-based company on the global stage.

Redbubble is not immune from global economic conditions and foreign exchange volatility. Redbubble seeks to mitigate this by diversifying and broadening its business while localising production. To this end, Redbubble brought on new fulfillment partners around the world. Redbubble also launched its German and Spanish language websites.

Redbubble also continues to strengthen and develop its governance practices, processes and capabilities. They are described in our 2016 Corporate Governance Statement on our Investor Centre website.

During the year Grant Murdoch joined our board as an independent Non executive Director and Chair of the Audit and Risk Committee. Grant has tremendous listed company experience and has proved to be an invaluable addition to the board. Chris Nunn, moved from the board into an executive role, becoming our CFO.

Redbubble's strong FY2016 results reflect the skill and dedication of a strong and capable executive team. On behalf of the board, I would like to thank all the Redbubble staff for all their achievements over the year. We look forward to continuing to grow Redbubble with you. The best is yet to come!

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Richard Cawsey'.

Richard Cawsey
Chairman
19 September 2016

CEO's Review



FY2016 was an exceptional year for Redbubble. The Company achieved outstanding growth in its top-line and continued rapid scaling in its business. At the same time it concluded a successful IPO raising a total of \$42 million (including the conversion of a pre-IPO round).

Redbubble is well positioned for continued strong growth. It has the capabilities, resources and balance sheet to pursue the opportunity before it. Future growth is not limited by the Australian domestic market as over 90% of the Company's revenue is from offshore.

The Company participates in large consumer categories, online apparel, accessories and homewares, where the ability to grow is limited only by effective execution capabilities. Further the Company can grow in a highly scalable way given its strong cash flow cycle and low customer acquisition costs.

During FY2016 Redbubble's full year revenue was \$114.6M (up 61.2% on FY2015) with a Gross Profit of \$39.0M (up 61.8% on FY2015) and an EBITDA loss of \$8.7M. The EBITDA loss was \$1.5M better than forecast at the time of the IPO. These results show that the business is scaling well. Revenue growth is ahead of operating expenditure growth, margins are stable and customer acquisition costs are low.

The success in the business during FY 2016 reflects over 9 years of work that has gone into building a dynamic marketplace that matches artists with consumers who love their work. We are committed to building a company of enduring value, focused on our mission of **"creating the world's largest marketplace for independent artists, bringing more creativity into the world."**

One measure of the Company's success in pursuing the mission is that during FY2016 artists earned \$20.7 million through the marketplace (up 56.8% on FY2015), taking their total earnings since the launch of Redbubble in 2007 to \$53.3m.

The Company's mission reflects the value it delivers to the various participants in the Redbubble marketplace. Redbubble is not just a business, it is a myriad of human experiences. As some of the customers have said:

- "Redbubble is overflowing with wonderful and creative designs that offer so much for reasonable prices. I am a very happy repeat customer who is looking forward to my next purchase." Nichole via Delighted
- "I love how Redbubble provides independent artists with a platform for selling their work. The customer service, quality, and range of pieces is amazing!" Coppelia via Delighted
- "It was just an awesome experience. The products are beyond unique, you can't find certain t-shirts, throw pillow cases, or iPad cases anywhere else. And the quality of the t-shirts is great. Very much worth the money." David via Delighted

Or in the words of some of the artists:

- "I sell my artwork on a lot of different sites, but my success on Redbubble is leaps and bounds ahead of any of the other websites. It's crazy - because Redbubble is the only one that lets me set my royalty. Thank you for being the BEST at what you do." Kelly, USA.
- "I've tried most of the others but have found Redbubble to be far superior as it is incredibly easy to upload, the community is much more open and friendly and I've earned much more money through it than any other site." Tom, Australia
- "One of the nicest things I've found about Redbubble is the fact that you actually seem to care about artists and the people behind the work." Michaela, Canada

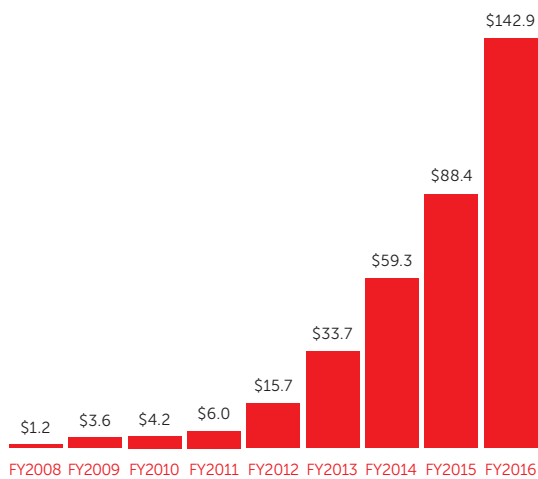
CEO's Review (continued)

FY2016 Summary

The core of the Company's strategy is building on the distinctive value created in the Redbubble marketplace. In summary, this involves enhancing the marketplace dynamics by attracting more artists, content and customers in a virtuous cycle. In FY2016 the strategy has been successful in delivering top-line Gross Transaction Value (GTV) growth of 61.7% to \$142.9 million, revenue growth of 61.2% to \$114.6 million and gross profit growth of 61.8% to \$39.0 million.

The growth in the business builds on nine years of strong, organic growth. Over the past 3 years the compound annual growth rate in GTV was 62% per year.

Gross Transaction Value by Financial Year, \$Millions



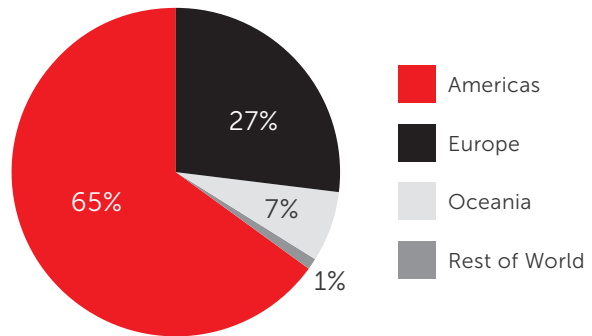
Growth in financial outcomes have been supported by growth in the key operating metrics:

- Visits to the site – Up 43% to 147.8 million for the year
- Conversion of those visits to purchase – Up 7% to 1.87% of visits
- Average Order Value (AOV) – Up 6% to \$52.60

The geographic split of sales (as shown below) remained essentially unchanged from last year, reflecting the strong, balanced growth across all regions.

¹ GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks

FY2016 Operational Review



New Products

Over the year Redbubble increased the range of physical products, with a particular focus on women's apparel. Redbubble introduced advanced technology that involves printing on the material before laser cutting and sewing.

Overall, twelve new products were added:

- Journals
- Women's Fitted Scoop Neck Tee
- Women's V-neck Tee
- Women's Relaxed Fit Tee
- Laptop Sleeve
- Graphic Tee
- Women's A-Line Dress
- Men's Tri-blend Tee
- Women's Chiffon Top
- Women's Contrast Tank
- Men's Heavy Tee
- iPhone Wallet

Three products were discontinued during the year.

Artists

The number of selling artists grew in line with GTV growth, with 154,000 artists making sales during the year (a growth of 62%). At year end there were 438,000 artists and 10.2 million works in the Redbubble marketplace. During FY2016 the artists earned a total of \$20.7 million.

Mobile

Reflecting general trends in internet user behaviour, over 50% of traffic to the Redbubble marketplace now comes from mobile devices. Significant work has gone into improving the functionality and performance of

CEO's Review (continued)

the mobile website and growth in mobile visits has been the primary driver of overall growth in visits. Mobile visits tend to convert to sales at a lower rate than those from desktop. Despite this, improvements in the site experience overall, and particularly in mobile, generated increased overall conversion rates.

Fulfilment

An expanded and more localised third party fulfilment network has significantly improved the customer experience by enabling shorter delivery times. One new fulfiller and eight new production locations were added to the network during the year. The average delivery time fell from 5.1 business days to 4.2 business days (June 2015 vs June 2016). Customer satisfaction, as measured by Net Promoter Score, increased from 59 to 63 (June 2015 vs June 2016).

New Markets

Considerable investment was made into developing the technology and capabilities to launch native language websites in order to increase penetration into non-English speaking markets. A German language site was launched in March, a French language site launched in June and a Spanish language site launched in August.

FY2017 Outlook

In FY2017, Redbubble will continue to pursue a strategy of enhancing the marketplace dynamics, focusing in particular on improving the on-site user experience, launching new physical products, increasing delivery speeds, growing artist earnings and strengthening penetration into the western European markets.

On-site user experience

Redbubble will continue to focus on the mobile experience. There will be renewed attention on site speed as the total content library expands and it becomes increasingly important to serve customers images quickly and seamlessly. Personalisation will be a new theme, enabling Redbubble to learn about users (and groups of users) and to serve more relevant content to every unique visitor to the site. A prototype native iOS application, with different capabilities than the core experience, will also be trialled.

New products

A strong flow of new product is in the pipeline for FY2017, with a focus on homewares and art categories for the first half of the year. At this stage, it is anticipated the second half focus will be line extensions to the existing apparel categories, offering customers greater choice and better value.

Supply chain enhancements

In the first half of FY2017 Redbubble will focus on delivering greater direct-to-garment print capacity in core markets (specifically West Coast of the USA and Canada) for peak Christmas demand as well as more home-ware capability including bringing on new fulfillers. The second half will likely bring additional fulfillers including for wall art and associated print products and home-ware in Europe.

Artist community

Redbubble's main focus this year will be on enhancing the ability of artists to drive traffic from social networks by improving the set of tools available to them to easily share new works, promotions and special activities on the Redbubble platform. Work will also continue on piracy protection for artists and further automation of artist authentication.

New markets

Redbubble's new markets team will be concentrating on bedding down the three new sites (German, French and Spanish) and driving deeper penetration into these new markets.

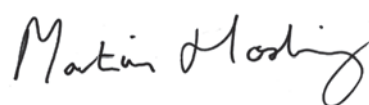
Change in Key Management Personnel (KMP)

During FY2016

- Vanessa Freeman was appointed as Chief People and Culture Officer with effect from 25 August 2015.
- Chris Nunn was appointed as the Chief Financial Officer with effect from 1 November 2015 (following his time as a Director and Chair of Redbubble's Audit & Risk Committee).
- Victor Kovalev was appointed as the Chief Technology Officer with effect from 14 December 2015.

Additional Information

Additional background on Redbubble, the core drivers and metrics for the business and strategy is covered in the Management Presentation delivered on the release of the FY2016 Full Year Results. These may be found at: shareholders.redbubble.com.



Martin Hosking
Chief Executive Officer
19 September 2016

Directors' Report



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 2016 (referred to hereafter as Redbubble).

Directors

The following persons were directors of the Redbubble during the 2016 financial year (FY2016):

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 Greg Lockwood	Non-executive Director
Mr Grant Murdoch	Non-executive Director (appointed 1 January 2016)
Mr Chris Nunn	Non-executive Director (resigned 28 October 2015 to take up role as Chief Financial Officer commencing 1 November 2015)

Principal activities

Redbubble, through its website at Redbubble.com and three foreign language sites, is an online marketplace that facilitates the sale and purchase of art and designs on a range of products between independent creatives and

consumers. The products are produced and shipped by third party service providers (i.e., product manufacturers, printers and shipping companies) referred to as fulfillers. No significant change in the nature of these activities occurred during the year.

Dividends

No dividends were paid or declared since the start of FY2016.

Review of operations

Through FY2016 Redbubble focused on delivering growth by continuing to enhance the marketplace dynamics: attracting more artists, content and customers in a virtuous cycle. The strategy has been successful in delivering top-line Gross Transaction Value (GTV) growth of 61.7% to \$142.9 million, revenue growth of 61.2% to \$114.6 million and gross profit growth of 61.8% to \$39.0 million.

Growth in financial outcomes has been supported by growth in the key operating metrics:

- Visits to the site – Up 43% to 147.8 million for the year
- Conversion of those visits to purchase – Up 7% to 1.87% of visits
- Average Order Value (AOV) – Up 6% to \$52.60

Reflecting general trends in user behavior, over 50% of traffic to the Redbubble marketplace now comes from mobile devices. Significant activity has gone into improving the functionality and performance of the mobile website and growth in mobile visits has been the primary driver of overall growth in visits. Mobile visits tend to convert to sales at a significantly lower rate than those from desktop. Despite this, improvements in the site experience overall, and particularly in mobile, resulted in the increase overall conversion rates.

Over the year Redbubble increased the range of physical products, with a particular focus on women's apparel, including using advanced technology printing of the material before laser cutting it and sewing it.

Overall, twelve new products were added:

- Journals
- Women's Fitted Scoop Neck Tee
- Women's V-neck Tee
- Women's Relaxed Fit Tee
- Laptop Sleeve
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- Women's A-Line Dress
- Men's Tri-blend Tee
- Women's Chiffon Top
- Women's Contrast Tank
- Men's Heavy Tee
- iPhone Wallet

Three products were discontinued during the year.

An expanded and more localised third party fulfillment network has significantly improved the customer experience by enabling shorter delivery times. One new fulfiller and eight new production locations were added to the network during the year. The average delivery time fell from 5.1 business days in June 2015 to 4.2 business days in June 2016. Customer satisfaction as measured by Net Promoter Score increased from 59 in June 2015 to 63 in June 2016.

The number of selling artists grew in line with GTV growth with 154,000 artists making sales during the year (a growth of 62%). At year end there were 438,000 artists and 10.2 million works in the Redbubble marketplace.

Considerable investment was made into developing the technology and capabilities to launch native language websites in order to increase penetration into non-English markets. A German language site was launched in March and a French language site was launched in June (ahead of plan). A Spanish language site is now in final testing and will be launched in full in the September quarter of FY2017.

Significant changes in the state of affairs

Redbubble launched its initial public offering (IPO) and listed on the Australian Securities Exchange (ASX) on 16 May 2016. Apart from the IPO and ASX listing, 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 2016 financial year
In the Directors' opinion there have been no matters or

circumstances arising since the end of the 2016 financial year that has 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.

Strategy and likely developments in operations

In FY2017, Redbubble will continue to pursue a strategy of enhancing the marketplace dynamics, focusing in particular on improving the on-site user experience, launching new physical products, increasing delivery speeds, growing artist earnings and strengthening penetration into the German, French and Spanish language markets.

On-site user experience: There will be a continuing focus on the mobile experience. Site speed will receive renewed attention as the total content library expands and it becomes increasingly important to serve customers images quickly and seamlessly. Personalisation will be a new theme enabling Redbubble to learn about users (and groups of users) and to serve more relevant content to every unique visitor to the site. A prototype native iOS application, with different capabilities than the core experience, will also be trialed.

New products: A strong flow of new product is in the pipeline for FY2017 with a focus on homewares and art categories for the first half of the year. At this stage, it is anticipated the second half focus will be line extensions to the existing apparel categories, offering customers greater choice and better value.

Supply chain enhancements: In the first half of FY2017 there will be a focus on delivering greater direct-to-garment print capacity in core markets (specifically West Coast of the USA and Canada) for peak Christmas demand as well as more homewares capability including bringing on new fulfillers. The second half will likely bring additional fulfillers including for wall art and associated print products and homewares in Europe.

Artist community: The main focus this year will be on enhancing the ability of artists to drive traffic from social networks by improving the set of tools available to them to easily share new works, promotions and special activities on the Redbubble platform. Work will also continue on piracy protection for artists and further automation of artist authentication.

New markets: After full roll-out of the Spanish site early in FY2017, the new markets team will be concentrating on bedding down the three new sites (German, French and Spanish) and driving deeper penetration into these new markets.

Change in Key Management Personnel (KMP) during FY2016 and since the end of that financial year

- Vanessa Freeman was appointed as Chief People and Culture Officer with effect from 25 August 2015.
- Chris Nunn was appointed as the Chief Financial Officer with effect from 1 November 2015 (following his resignation as a Director and Chair of Redbubble's Audit & Risk Committee).
- Victor Kovalev was appointed as the Chief Technology Officer with effect from 14 December 2015.

Governance and risk

Redbubble is committed to strong and effective governance frameworks. Redbubble's corporate governance policies are described in the Redbubble Corporate Governance Statement - available in the Corporate Governance section of Redbubble's Investor Centre: shareholders.redbubble.com

The Company is committed to managing its risks in an integrated, systematic and practical manner. The overall objective of risk management is to assist the Company to achieve its objectives by appropriately considering both threats and opportunities, and making informed decisions. The Audit and Risk Committee oversees the process for identification and management of risk in the Company, as described in the Redbubble Corporate Governance Statement. The Company Secretaries are responsible for providing oversight of the risk management framework and assurance on the management of significant risks to the CEO and the Board.

The Company's risk management framework, responsibilities and accountabilities are aligned with the Company's business model. A statement of the Company's risk management policy is provided in the Redbubble Corporate Governance Statement. The key organisational controls within the risk management framework help to shape the strategies, capabilities and culture of the organisation, identify and address vulnerabilities, strengthen the system of internal controls and build a more resilient organisation. The Company also has a risk register with risk profiles populated across various functions within the organisation.

Information on directors

Mr Richard Cawsey

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

Richard Cawsey has a 27-year track record of building high-performing organisations in Australia, Europe, North America and Asia. In addition to chairing Redbubble, he is the executive chair of Denali Venture Partners, a team of advisers and execution partners that help fast growing companies realise their potential. Richard has held a number of board and senior executive roles for ASX listed companies including OAMPS Ltd (as a non-executive director), Centrepont Alliance Ltd (as the managing director and CEO), Advance Property Management Ltd (as chair) and Wealthpoint Ltd (as chair). As the managing director and CEO of Centrepont Alliance Ltd, Richard drove the cultural and organisational transformation required to survive as a listed finance company during the global financial crisis. At St. George Bank (then Australia's 5th largest), as group executive investment services, Richard created a new division and played a significant role in the bank's restructure and increased profit and growth by over 25%. In Asia for Morgan Stanley, as a managing director, Richard had success in both starting and growing a number of businesses. Richard has a Bachelor of Commerce (Hons) degree from Australian National University and is a graduate of the Australian Institute of Company Directors.

Mr Martin Hosking

*CEO and Managing Director
Member of Nomination Committee*

Martin Hosking has spent 20 years scaling Australian technology companies. He is a co-founder of Redbubble and became the CEO and Managing Director in July 2010. Previously, Martin was the chair 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 the 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. Martin has a Bachelor of Arts (Hons – First class) degree from the University of Melbourne and an MBA (with distinction) from Melbourne Business School, where he has also lectured. Martin is a graduate of the Australian Institute of Company Directors.

Ms Teresa Engelhard

*Independent Non-executive Director
Chair of Remuneration Committee*

Teresa Engelhard is a Silicon Valley transplant with 20 years of experience working with growth technology companies as a director, executive and venture capitalist. Teresa has served on over 10 boards and in addition to being a Non-executive director of Redbubble, is currently a non-executive director of Planet Innovation, Ltd. and StartupAUS. Teresa also serves on the Entrepreneurs' Programme Committee for the Australian Government, a sub-committee of the Innovation Australia Board. Teresa 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 Australian Private Equity & Venture Capital Association Limited 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 in California. Teresa spent the early years of her career at McKinsey & Company in Los Angeles. She has a Bachelor of Science (Hons) degree from the California Institute of Technology and an MBA from Stanford University. Teresa 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 an 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 a vice president of global commerce and payments at Google, Inc., where she oversaw digital commerce, product search and payments. Prior to joining Google, Stephanie was at eBay, Inc. from March 2001 until October 2009, where she progressed to senior vice president of eBay.com global products. Stephanie was also a co-founder of PlanetRx.com and has worked at other technology and business enterprises. Stephanie has served as a director of Coach, a NYSE-listed luxury accessories brand, since August 2012, and as a director of Seagate Technology since October 2014. She is also on the board of Tradesy, and is the chair of the advisory board of the Harvard Business School California Research Center. Stephanie holds a Bachelor of Arts degree and a Master's degree in International Finance from Brandeis University, Massachusetts, and an MBA from Harvard University, Massachusetts.

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 June 2015. Greg is a partner of Piton Capital, which is a shareholder in Redbubble. In 1999, Greg founded UBS Capital's early stage venture investing activities in Europe. Subsequently, he co-founded Piton Capital, the London-based venture capital fund specialising in marketplaces and business models with network effects. Prior to his venture capital activities, Greg worked in telecommunications corporate finance with UBS in London and Zurich and held operating roles in classified media publishing in Toronto. Greg has an Honours Business degree from the University of Western Ontario, and a Master's degree in management from the Kellogg Graduate School of Management.

Mr Grant Murdoch

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

Grant Murdoch joined the Board as an independent Non-executive Director and Chair of the Audit and Risk Committee in January 2016. Grant has subsequently joined the Remuneration Committee. Grant has more than 37 years' chartered accounting experience. From 2004 to 2011, Grant led the corporate finance team for Ernst & Young Queensland and was an audit and corporate finance partner with Deloitte from 1980 to 2000. Grant has extensive experience in providing advice in relation to mergers, acquisitions, takeovers, corporate restructures, share issues, pre-acquisition pricing due diligence advice, expert reports for capital raisings and initial public offerings. Grant is currently a director and the chair of the audit committees for each of ALS limited (formerly Campbell Brothers), QIC limited and OFX limited (previously Ozforex Limited). He is a senator of the University of Queensland (as well as chair of the risk committee and a member of the finance committee), an adjunct professor at the University of Queensland Business School and a director of UQ Holdings Limited. Grant has a Master's degree in Commerce (Honours) from the University of Canterbury, New Zealand, is a graduate of the Kellogg Advanced Executive Program and the Advanced Leadership Program at North Western University and a fellow of the Institute of Chartered Accountants in Australia (as well as past chair at the Queensland committee and a member of the national professional standards committee) and of the Australian Institute of Company Directors and is a member of the AICD Queensland State Council.

Company Secretaries

Redbubble's Company Secretaries are Ms Corina Davis (located in the United States) and Mr Paul Gordon (located in Australia).

Ms Corina Davis

General Counsel and Company Secretary (US)

Corina Davis joined Redbubble in 2012 and oversees the company's legal function. Corina has a wide range of cross-functional experience with particular expertise in copyright and trademark law, litigation, compliance and risk management. Before joining Redbubble, Corina practiced law in Los Angeles and New York City at 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. Corina holds a Bachelor of Arts degree from the University of Michigan, Ann Arbor and a Juris Doctor degree from the University of San Diego School of Law, California.

Mr Paul Gordon

Regional Counsel and Company Secretary (Australia)

Paul Gordon joined Redbubble in early 2015. Paul has broad corporate and commercial legal experience, gained in-house and in top-tier law firms in Australia, the UK and New Zealand. Before joining Redbubble, Paul was the General Counsel at ASX-listed REA Group Ltd, operator of realestate.com.au. Before that Paul was a Senior Corporate Associate at Nabarro in the UK and also practiced at Hogan Lovells (UK) and Chapman Tripp (NZ). Paul holds a Bachelor of Laws (Honours), Masters of Commerce from the University of Canterbury, New Zealand, and is currently completing a Diploma in Applied Corporate Governance.

Meetings of directors

	Board		Audit and Risk Management Committee		Remuneration Committee		Nomination Committee	
	Held whilst in office	Attended whilst in office	Held whilst in office	Attended whilst in office	Held whilst in office	Attended whilst in office	Held whilst in office	Attended whilst in office
Richard Cawsey	15	15	6	6	-	-	1	1
Martin Hosking	15	15	-	-	-	-	1	1
Teresa Engelhard	15	15	-	-	4	4	-	-
Greg Lockwood	15	15	6	6	-	-	-	-
Stephanie Tilenius	15	11	-	-	4	2	1	1
Grant Murdoch ⁽¹⁾	10	9	3	3	1	1	-	-
Chris Nunn ⁽²⁾	4	4	3	3	3	3	-	-

⁽¹⁾ Grant Murdoch joined the Audit and Risk Committee as Chair on 1 January 2016

⁽²⁾ Chris Nunn resigned from the Board and as Audit and Risk Committee Chair on 28 October 2015 (before commencing as CFO on 1 November 2015).

Retirement, election, continuation in office of directors

Under Redbubble's constitution, directors cannot serve beyond three years or the third Annual General Meeting (AGM) after their appointment, whichever is longer, without submitting for re-election by the Company. 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

Mr Martin Hosking, Chief Executive Officer

See above.

Mr Barry Newstead, Chief Operating Officer

Barry Newstead joined Redbubble in 2013 and has executive responsibility for Redbubble's web product, technology, physical product development, new markets and strategy teams. Barry has held internet focused executive roles at the Wikimedia Foundation (which runs Wikipedia) and Australia Post. Earlier he was a strategy consultant with the Boston Consulting Group and the Bridgespan Group. He has worked extensively in North America, Asia, Europe and Australia. Barry has a Bachelor's degree from Ivey Business School, Canada, and a Master's degree in Public Policy from Harvard University, USA. Barry is a graduate of the Australian Institute of Company Directors.

Mr Chris Nunn, Chief Financial Officer

Before Chris Nunn's appointment as Chief Financial Officer (CFO) in November 2015, Chris served as a Non-executive Director and Chair of the Audit and Risk Committee of Redbubble from April 2015. Chris has more than 28 years of experience in the financial services and property funds management industries, and has spent most of the past 21 years as the senior finance executive working with and reporting to the boards of ASX listed companies and property trusts. Chris is a Chartered Accountant, a Graduate of the Australian Institute of Company Directors and has a Bachelor of Science (Economics) degree from Loughborough University, United Kingdom.

Mr Robert Baumert, Chief Fulfilment and Analytics Officer

Rob Baumert joined Redbubble in April 2010 as head of operations and finance. In August 2011, he moved to San Francisco to establish Redbubble's United States operations, and has recently returned to Melbourne to continue in his role as head of Supply Chain, Logistics,

Customer Support and Business Intelligence. Originally trained as a chemical engineer, Rob completed his MBA at the Melbourne Business School and has held various senior roles in the fuel cell and e-commerce industries in North America and Australia.

Ms Corina Davis, General Counsel and Company Secretary

Corina Davis joined Redbubble in 2012 and oversees the Company's legal function. Corina has a wide range of cross-functional experience with particular expertise in copyright and trademark law, litigation, compliance and risk management. Before joining Redbubble, Corina practiced law in Los Angeles and New York City at 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. Corina holds a Bachelor of Arts degree from the University of Michigan, Ann Arbor and a Juris Doctor degree from the University of San Diego School of Law, California.

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 & Company, London, where she focused on corporate strategy, post-merger management and operational transformation. Vanessa has Bachelor of Arts and Bachelor of Commerce degrees from Auckland University and an MBA from Stanford University, California.

Mr Victor Kovalev, Chief Technology Officer

Victor Kovalev joined Redbubble in December 2015 as Chief Technology Officer. Previously, he led Indiegogo's technical team as vice president of engineering. Prior to that, Victor held technical leadership roles at Yelp (as head of mobile, business owner portal, Yelp platform for fulfiller transactions and partner APIs) and also VMware – having gone through both of their initial public offerings. His professional expertise is in building driven cultures to foster radical innovation through rapid scaling. Victor holds Bachelor of Science in Computer Engineering and Master of Science in Computer Science degrees from Georgia Institute of Technology and is a partner at a California-based non-profit artist accelerator, Zoo Labs.

Details of share options and performance rights

The table that follows shows:

- (i) the total number of unissued ordinary shares under options, performance rights and warrants, as at the date of this Report and as at 30 June 2016 (including Directors, Executives and staff);
- (ii) details of options and performance rights granted to Directors during or since the end of the 2016 financial year and total options and performance rights of these individuals at the date of this Report; and
- (iii) 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 2016
Options	19,949,086	19,821,755
Performance rights	5,780,244	5,825,204
Warrants over ordinary shares	654,560	654,560
Total unissued ordinary shares	26,383,890	26,301,519

Granted	As at the date of Directors' Report	As at 30 June 2016
Options	9,606,260	9,256,260
Performance rights	60,000	60,000
Total granted	9,666,260	9,316,260

Exercised	As at the date of Directors' Report	As at 30 June 2016
Options	3,764,025	3,710,273
Performance rights	610,700	565,740
Total exercised	4,374,725	4,276,013

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

Indemnification and Insurance of officers

Redbubble has entered into Deeds of Indemnity with all Redbubble Limited directors in accordance with the Redbubble constitution. During the 2016 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.

it is not practicable to state the timing of any payment that may arise from an adverse finding. The Company considers that it is only possible but not probable that any of the actions will succeed. The Company does not consider that any of the current actions are likely to have a material adverse effect on the business or financial position of the Company.

The Company is not aware of any other current or threatened civil litigation proceedings, arbitration proceedings, administration appeals, or criminal or governmental prosecutions in which the Company or other members of the Redbubble Group are directly or indirectly concerned.

Proceedings against the Company

As at the date of this Report, there are current lawsuits filed against members of the Redbubble Group that relate to alleged intellectual property infringement and/or breach of consumer laws. It is not possible for the Company to provide any reliable assessment of the likely quantum of damages that may become payable upon an adverse finding under any of the actions. No trial dates have been set for any of the actions and therefore

CEO and CFO declaration

The CEO and CFO have provided a written statement to the Board in accordance with Section 295A of the Corporations Act. With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the CEO and CFO that the declaration was founded on a sound system of risk management and internal control, and that the system was operating effectively in all material aspects in relation to the reporting of financial risks.

Auditor

EY Australia was appointed as Redbubble's Auditor on 25 November 2014 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 2016 financial year.

Remuneration Report

The Remuneration Report is set out on pages 14 to 34 and forms part of the Directors' Report for the financial year ended 30 June 2016.

Non-audit services

During the year EY performed other services in addition to its audit responsibilities. The Directors are satisfied that the provision of non-audit services by EY during the reporting period did not compromise the auditor independence requirements set out in the Corporations Act. All non-audit services were subject to the Company's External Auditor Policy and do not undermine the general principles relating to auditor independence set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, or jointly sharing risks and rewards.

Rounding of Amounts

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 Class Order 2016/191. The Company is an entity to which the Class Order applies.

Details of the amounts paid to the auditor of the Company and its related practices for non-audit services provided throughout the FY2016 and FY2015 financial years are as set out below.

	2016 \$	2015 \$
Non-audit services		
Initial public offering	680,000	-
Taxation services	231,509	67,739
Other services	32,510	34,819
Total	944,019	102,558

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act, is set out on page 18. The Auditor's Independence Declaration forms part of the Directors' Report.



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Auditor's Independence Declaration to the Directors of Redbubble Limited

As lead auditor for the audit of Redbubble Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Redbubble Limited during the financial year.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'K Bodenham'.

Kylie Bodenham
Partner
25 August 2016

Remuneration Report



Remuneration Report

Letter from Remuneration Committee

Dear Shareholder,

To complement the first public Remuneration Report by Redbubble, this introductory letter provides background on Redbubble's remuneration policies.

Redbubble is pursuing a valuable mission: to create the world's largest marketplace for independent artists, bringing more creativity in the world. This mission is long-term and audacious. The Company is well advanced but building on the established position requires continued scalable growth. If the company is successful, significant shareholder value will be created and Redbubble will establish itself as an iconic Australian technology company.

Redbubble remuneration policies from the Board and CEO down are aligned to the mission and its long-term nature. Given the inevitable uncertainties, we have sought to craft policies that create an alignment of interests with long-term share value creation. Specifically, we opt to provide:

- Base level fixed compensation that is at market for the position
- Short-term incentives, for KMP, based on achievement of specific Key Performance Indicators (KPIs)
- Long-term incentives, across the organisation, in the form of stock options granted at no less than the share-price at time of grant and vesting out over 4 years.

These practices have served Redbubble well. In the five years prior to its listing, trailing twelve-month GTV, which is a sum total of all successful transactions on the platform, including taxes and artist margin, excluding refunds, fraud and chargebacks, expressed in Australian dollars, has grown from under \$10 million to over \$140 million and the share price Compound Annual Growth Rate (CAGR) has been 65%. Along the way, competitors, backed by some of Silicon Valley's best venture firms, have been outpaced by Redbubble. Application of these practices has allowed Redbubble to recruit and retain a strong board, executive team and exceptional employees. These practices have ensured that all parties are aligned on long-term share value price accretion and participate in the value created.

As we look to FY 2017 we are intending on moving further to bolster the focus on long-term shareholder value creation by increasing the importance of stock options in all remuneration packages. Such options only becoming valuable with share value growth and with Redbubble now publically listed, share value is more apparent and useful in attracting, retaining and motivating all parties.

The existing practices reflect the motivations and intentions of the CEO and co-founder, Martin Hosking to create a mission driven company of enduring value. His own shareholding in the Company, at ~25% ensures alignment between his interests and those of other shareholders. His own compensation is based on the same methodology as used for other executives.

With welcome and appreciation for both new and continuing shareholders,
Your Remuneration Committee,

Teresa Engelhard (Chair), Grant Murdoch (member) and Stephanie Tilenius (member)

1. Remuneration Report overview

The Directors of Redbubble Limited present the Remuneration Report (the **Report**) for the Company for the financial year ended 30 June 2016. This Report forms part of the Director's Report and has been audited in accordance with section 300A of the Corporations Act 2001.

The report details the remuneration arrangements for KMP. KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company.

The table below outlines the KMP of the Group and their movements during FY2016.

Key Management Personnel

	Name	Position
Non-executive directors	Richard Cawsey	Chair, Non-executive director
	Teresa Engelhard	Non-executive director
	Greg Lockwood	Non-executive director
	Grant Murdoch	Non-executive director (appointed 1 January 2016)
	Chris Nunn	Non-executive director (resigned 28 October 2015)
	Stephanie Tilenius	Non-executive director
Executive director	Martin Hosking	Managing Director and Chief Executive Officer (CEO)
Other key management personnel	Rob Baumert	Chief Fulfilment and Analytics Officer (CF&AO - effective 1 November 2015, CFO up to 31 October 2015)
	Corina Davis	General Counsel and Company Secretary (US)
	Vanessa Freeman	Chief People and Culture Officer (CP&CO - appointed 24 August 2015)
	Victor Kovalev	Chief Technology Officer (CTO - appointed 14 December 2015)
	Barry Newstead	Chief Operating Officer (COO)
	Chris Nunn	Chief Financial Officer (CFO - appointed 1 November 2015)

2. Overview of executive remuneration

2.1 What is Redbubble's remuneration strategy?

Redbubble's remuneration strategy is based on three principles:

- The creation of enduring value
- Motivating and rewarding an engaged ownership mindset
- Aligning remuneration to shareholder value growth

Redbubble's remuneration framework is designed to attract, motivate and retain qualified and experienced leaders; to fairly remunerate executives for their contribution to Redbubble; and to reward high performance and shareholder value growth.

Redbubble's executive remuneration framework has higher at risk and equity components than Australian and global peers (discussed below). Redbubble aims to set annual remuneration (fixed plus Short Term Incentives (**STI**)) below the 50th percentile. Total remuneration potential is above the 50th percentile if target share price appreciation over four years is realised.

Executive remuneration levels are reviewed annually by the Remuneration Committee with reference to both Redbubble's remuneration strategy, company performance and external benchmarks.

As a high-growth, online marketplace, Redbubble benchmarks itself against Australian and global peers. For Australian based roles, the primary source of remuneration benchmarking is a group of Australian listed companies in the technology sector with similar values for market capitalisation, employee headcount and revenue. For the CEO and Australian-based KMP remuneration levels for comparable roles in Silicon Valley are also taken into account. For US-based KMP, the primary source of remuneration benchmarking is a group of US-based private and public companies in consumer internet sector also with similar market capitalisation, revenue levels and headcount.

2.2 How does Redbubble's remuneration strategy take into account shareholders' interests?

Redbubble remuneration strategy is aligned with long-term shareholder value growth through the use of four-year option grants for Long Term Incentives (**LTIs**) and measurable KPIs which determine STI awards.

The company-wide KPI goals for the organisation in FY 2016 were GTV and repeat GTV growth as drivers of company valuation and Redbubble's share price. In addition, effective recruiting and staff satisfaction, measured via participation in the Great Place to Work (**GPTW**) survey, and organisational integration are part of the personal KPIs. The survey is conducted annually by The Great Place to Work Institute and is published in BRW magazine.

2.3 Elements of remuneration

The remuneration of the CEO and KMP are set out in section 6 (Statutory and Share-based reporting).

Redbubble provides an appropriate and competitive mix of remuneration components with an emphasis on value derived from share price growth and a long-term focus.

The three components of Redbubble's remuneration framework post listing are Fixed Remuneration, STIs and LTIs.

Fixed remuneration

The fixed component comprises base salary, allowances and superannuation (or foreign equivalent).

Fixed remuneration is designed to reward for:

- The scope of the executive's role
- The executive's skills, experience and qualifications
- Individual performance

Total fixed remuneration (**TFR**) is set to reflect the market for a comparable role. TFR for KMP is generally targeted at or below median levels compared to similar roles at comparator companies.

Short term incentives

STI awards are granted under the Company's Short Term Incentive Plan (**STI Plan**). The STI benefit for a participant is subject to the achievement of company and personal KPIs.

Where targets are achieved and a participant receives an STI benefit, a portion of the benefit is given in the form of cash, with the remainder given in the form of performance rights under the Company's Employee Equity Plan with a 2 year deferral.

The Redbubble Board retains discretion in approving STI cash payments and equity.

Under the Company's STI Plan, executives have the opportunity to earn an annual incentive award which is delivered in cash and Performance Rights. The terms of the STI Plan are set out below. It is anticipated that the terms of the STI awards will be reviewed and, if considered appropriate, amended on an annual basis. The aim of the STI program at Redbubble is to set, focus and align the organisation to actionable and measurable annual targets. While it is the smallest component of remuneration in terms of relative magnitude, the STI targets are key drivers of share price value, so an explicit outcome of performance against STI targets is a parallel increase in LTI value.

Annual remuneration (fixed + STI)

Due to higher than typical, albeit at risk, LTI potential, annual remuneration for KMP is generally targeted below median levels compared to similar roles at comparator companies.

<p>Who is eligible?</p>	<p>Invitation to participate in the STI Plan is at the discretion of the CEO. Participation is limited to executives who can materially impact the financial and operational performance of the Company.</p> <p>A participant must have six or more months' active employment to be eligible to receive an STI benefit in respect of a particular financial year. A participant's STI benefit will be pro-rated where they have not been actively employed (or participating in the STI Plan) for the whole of the financial year.</p>
<p>How is performance measured?</p>	<p>For FY2016, for the CEO, the STI benefit is dependent on the Company achieving specified performance targets which apply to the entire STI award.</p> <p>For participants other than the CEO, an STI award comprises two equal (i.e. 50%) components, the first being dependent upon achievement of the Company's performance targets, and the second upon achievement of the participant's personal performance targets (which are tailored to each participant).</p> <p>A participant will not receive a benefit in respect of either component unless they achieve at least a satisfactory review for the purpose of their personal performance targets (see further in 'STI benefits' below).</p>
<p>How much can executives earn in STI?</p>	<p>A target STI award is set for each participant, expressed as a dollar value. A participant's target STI award is set having regard to the participant's role and responsibilities.</p> <p>The amount of the STI benefit that a participant actually receives is dependent upon the extent to which Company and personal performance targets have been achieved.</p> <p>For FY2016, the CEO's STI benefit depends on the Company's performance against the GTV and Repeat GTV targets below. The Board has the discretion to adjust the benefit depending on the Company's Gross Profit (GP) and personal measures for the CEO, specifically the results of a 'Great Place to Work' survey and Completion of the IPO. The maximum STI benefit that the CEO may receive for FY2016 is 150% of target STI.</p>

<p>How much can executives earn in STI? (Continued)</p>	<p>For FY2016, for participants other than the CEO:</p> <ul style="list-style-type: none"> - assuming the participant meets their personal targets, their STI benefit for the component of STI relating to Company performance will range between 50% (where a minimum threshold GTV of \$116.0 million is achieved) to 125% (where the target GTV is exceeded by at least 30%) of the target for that component; and - the participant's STI benefit for the component of their STI award relating to personal performance will range between 50% (in the case of a 'large miss' of their personal targets) to 100% (in the case of achievement of their personal targets) of the target for that component. <p>In each case, the Board has the right to increase or decrease a participant's STI benefit by 20% to reflect 'headwind' or 'tailwind' conditions respectively. The maximum STI benefit a participant may receive for FY2016 is 132% of target STI.</p>
<p>How is an STI benefit provided</p>	<p>An STI benefit will be delivered partly in cash and partly in the form of \$Nil price options and Performance Rights granted under one of the Employee Equity Plans.</p> <p>For FY2016, the CEO will receive 60% of any STI benefit in cash and 40% in the form of Performance Rights.</p> <p>Other participants who joined the Company:</p> <ul style="list-style-type: none"> • prior to the start of FY2016 will receive two thirds of their STI benefits in cash and one third in the form of Performance Rights; and • after the start of FY2016 will receive half of their STI benefits in cash and half in the form of Performance Rights.
<p>When is it paid?</p>	<p>The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the CEO (and in the case of the CEO, by the Board). The Board approves the final STI award based on this assessment of performance.</p>
<p>Deferral terms</p>	<p>In calculating the number of Performance Rights to be granted, the dollar value of the relevant component of the STI benefit will be divided by the Volume Weighted Average Price (VWAP) over a representative 5-day period. The board retains the right to review the VWAP period for extraordinary events that are considered to have distorted the VWAP.</p> <p>All Performance Rights will be subject to time based vesting conditions with 50% of Performance Rights comprised in a particular award vesting one year after their date of allocation and the remaining 50% vesting two years after their date of allocation</p>
<p>What happens if an executive leaves?</p>	<p>If an executive voluntarily resigns from Redbubble, or has their employment with the Redbubble group terminated for poor performance or misconduct, prior to the relevant vesting date, no STI is awarded for that year. Similarly, any unvested deferred STI is forfeited, unless otherwise determined by the Board.</p> <p>The Board has the discretion to accelerate vesting of Performance Rights and may exert this discretion in certain cases (for example due to the death or disablement of a participant or a change of control of the Company).</p>

Long term incentives

LTIs, in the form of stock options that vest over four years are the remuneration differentiator at Redbubble. All executives have received LTI awards in the form of Options or Performance Rights that vest over multiple years.

Redbubble LTI plans have a 4-year vesting schedule and the realisable value of the options is 100% at risk.

All Redbubble executives have received LTI awards, in the form of Options or Performance Rights that vest over multiple years. LTI grants are made to executives to align remuneration with the creation of shareholder value over the long-term.

How is it paid?	KMP receive share options or performance rights in accordance with Redbubble's employee equity plan
How much can executives earn?	The value KMP will realise from LTI grants will depend on the appreciation of Redbubble's share price over four years.
How much is at risk?	Redbubble's LTIs are 4 year vesting options with the strike price set at the market value at time of issue. If Redbubble's share price does not increase or if it declines from the exercise price at issuance, the LTI will be worthless, thus it is effectively 100% at risk relative to share price performance.
What happens if an executive leaves?	If an executive resigns or is terminated for cause, any unvested LTI awards are forfeited, unless otherwise determined by the Board. The treatment of unvested and vested and unexercised awards will be determined by the Board with reference to the circumstances of cessation.

2.4 Changes in FY2016

The Board introduced the deferred component of STI in FY2016 to better align the STI plan to shareholder value.

3. Performance and executive remuneration outcomes in FY2016

A key underlying principle of the Group's executive remuneration framework is that the remuneration levels should be linked to Group performance.

The Group's key financial measures of performance over the last 5 years are summarised in the table below.

Redbubble's five year performance

Key indicators	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
Gross Transaction Value (GTV)	142,869	88,367	59,321	33,689	15,726
Revenue	114,578	71,070	48,561	27,467	12,455
Revenue as a % of GTV	80.2%	80.4%	81.9%	81.5%	79.2%

GTV less sales taxes and artists' margin, adjusted for unearned revenue pending shipment, equals Group's revenue. Revenue has consistently been approximately 80% of GTV.

The growth in the Group's revenue and GTV not its earnings has been the significant driver in the share price appreciation. The Company listed on the ASX on 16 May 2015 so limited trading history exists, however, the Company's offer price of \$1.33 at Listing represents a CAGR of 65% in its valuation from \$0.11 5 years ago.

3.1 Performance against STI measures

A combination of financial and non-financial measures are used to measure performance for STI awards. Redbubble performance against those measures is as follows for FY2016:

Financial measures

Measure	Target	FY 2016 performance	Assessment
GTV at stable GP	\$145.0 million	\$142.9 million	Threshold (98.5%)
Repeat GTV at stable GP	\$55.0 million	\$50.7 million	Threshold (92.1%)

Non-financial measures

Measure	Target	FY 2016 performance	Assessment
Percentage of employees who would recommend Redbubble as a Great Place to Work	80.0%	96.0%	Over achieved (120.0%)

In assessing holistically the performance of KMP in FY2016, the Board has used its discretion to award 100% of target STI. In making this decision the Board considered: higher than forecasted earnings before interest, tax, depreciation and amortisation (EBITDA) and GP, and significantly higher than targeted GPTW survey improvements. The STI award as a percent of maximum potential STI was 67% for the CEO and 76% for other KMP.

4. How remuneration is governed

4.1 Remuneration Committee role

The Committee is responsible for reviewing and advising the Board on remuneration policies and practices. The Committee also reviews and advises the Board on the design and implementation of short and long term incentive performance packages, superannuation entitlements, termination entitlements and fringe benefits policies.

The remuneration of Directors, the CEO, KMP, managers and team members is reviewed by the Remuneration Committee which then provides recommendations to the Board.

The members of the Committee during FY2016 were: Teresa Engelhard (Committee Chair), Stephanie Tilenius, Grant Murdoch (appointed 1 January 2016) and Chris Nunn (ceased 28 October 2015 upon appointment as CFO).

4.2 Use of remuneration advisors

The Committee obtains independent advice from remuneration consultants, Hewitt Associates Pty Ltd on the appropriateness of remuneration based trends in the US and Australia.

Both Hewitt Associates Pty Ltd and the Committee are satisfied the advice is free from undue influence from the KMP to whom the remuneration recommendations apply.

The Remuneration Committee engaged remuneration advisors to provide remuneration recommendations leading up to Redbubble's IPO. The remuneration advisors provided market remuneration data and recommendations on the remuneration mix and quantum for senior executives.

The remuneration advisor's recommendations were provided to Redbubble as an input into decision-making only. The Remuneration Committee considered the recommendations, along with other factors, in making its remuneration decisions.

Hewitt Associates Pty Ltd was paid a fees of \$40,000 for the remuneration recommendations.

4.3 Clawback of remuneration

In the event of serious misconduct or a material misstatement of the Group's financial statements, the Board has the discretion to reduce, cancel or clawback any unvested STI or LTI.

4.4 Executive employment agreements

CEO and Managing Director

The Company has entered into an employment agreement contract dated 10 August 2006 with Martin Hosking, the Company's CEO and Managing Director, to govern his employment with Redbubble.

The table below summarises the remuneration arrangements of the CEO.

Remuneration element	Value	Proportion of package	Nature of remuneration	Details
Base pay, including superannuation ⁽¹⁾	\$344,266	46%	Fixed pay	\$262,800 p.a. up to 30 September 2015; \$343,000 p.a. effective 1 October 2015 and \$395,120 p.a. (including housing allowance of \$52,120 p.a.) effective 1 April 2016
Cash bonus	\$75,000	10%	At risk	60% of target STI award in cash for FY 2016
Benefits	\$52,864	7%	Fixed pay	Benefits received include taxable value of an apartment up to 31 March 2016 and wellness allowance
Deferred short term incentive	\$6,363	1%	At risk	Represents share based payment expense recognised during the year for 40% of target STI award for which grant would be made in FY 2017
Performance rights	\$164,188	22%	At risk	Represents share based payment expense recognised during the year over the vesting period, for performance rights granted in prior years
Share options	\$93,330	12%	At risk	Represents share based payment expense recognised during the year over the vesting period, for options granted in prior year
Long service leave	\$17,588	2%	Fixed pay	Represents provision for long service leave made during the year
Total	\$753,599	100%		

⁽¹⁾ Includes superannuation on wellness allowance and bonus paid during the year.

Martin's contract provides that he will receive an amount of fixed annual remuneration, which amount is subject to review by the Company. His fixed annual remuneration is currently \$395,120 per annum (inclusive of 9.5% employer superannuation contribution).

The Company has also agreed to provide Martin with discretionary benefits of:

- Until 31 March 2016, personal accommodation at a leased premises in Melbourne during the working week. From 1 April 2016 the financial equivalent of this benefit was transferred into salary.
- A wellness allowance (a benefit that is generally available to all Redbubble employees). In FY2016 this allowance was valued at \$600.

In FY2016 Martin's target STI award is \$125,000, with a maximum STI benefit of \$187,500. Martin will receive 60% of any STI benefit in cash and the remainder in Performance Rights. The Performance Rights will be subject to time based vesting conditions with 50% of Performance Rights comprised in a particular award vesting one year after their date of allocation and the remaining 50% vesting two years after their date of allocation.

Under the terms of Martin's employment contract, either party is entitled to terminate Martin's employment contract by giving one month's written notice. The Company may, at its election, make a payment in lieu of that notice based on Martin's base remuneration package.

Other senior employment arrangements

All other executives are employed on open ended individual employment contracts that set out their terms of their employment. Each agreement varies according to the individual KMP but typically includes:

- Termination provisions incorporating notice periods and payments of one month
- Performance and confidentiality obligations on the part of both the employer and employee
- Eligibility to participate in the Company's Employee Equity Plan

Termination provisions

The Board considers the CEO's significant shareholding and the unvested options of all KMP to be more effective means of retaining critical talent than termination notice periods.

KMP contractual termination provisions are as follows:

	Resignation
CEO notice period (by company or executive)	1 month
CFO notice period (by company or executive)	6 months
Other executives' notice period (by company or executive)	1 month (AUS) None (US)

In the case of termination due to death, disablement, redundancy or notice without cause the Board may in certain circumstances use its discretion to approve a payment of up to 6 months' salary.

5. Overview of non-executive Director (NED) remuneration

Redbubble's NED policy is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and strong alignment of interests with long-term shareholder value creation. NED remuneration reflect the demands and responsibilities of the directors.

The Remuneration Committee reviews NED remuneration against comparable companies. The Board also considers advice from external advisors when undertaking the review process.

NED remuneration reflects the directors' board and committee activities.

Directors are also to be reimbursed for all reasonable travelling and other expenses properly incurred by them in attending Board meetings or any meetings of committees of Directors, in attending any general meetings of the Company or otherwise in connection with the business or affairs of the Company. Directors may be paid such additional or special remuneration if they, with the approval of the Board, perform any extra services or make special exertions for the benefit of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Maximum aggregate NED fee pool

The total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by shareholders in a general meeting. Upon establishment this amount has been fixed by the Board in accordance with the Constitution at \$1,200,000. Any changes to this amount in future will require approval by shareholders in a general meeting in accordance with the ASX Listing Rules.

6. Statutory and share-based reporting

6.1 Executive KMP remuneration for the year ended 30 June 2016

	Short term benefits			Post-employment benefits	Long-term benefits	Share-based payments			Total	Percentage of remuneration that consists of:				
	Cash Salary	Cash Bonus ⁽¹⁾	Non-monetary benefits ⁽²⁾	Superannuation	Long service leave ⁽³⁾	Share-based payments - Performance rights ⁽⁴⁾	Share-based payments - Share options (Performance & Time based) ⁽⁵⁾	Share-based payments - Share options (Time based) ⁽⁴⁾		Deferred STI ⁽⁶⁾	Fixed ⁽⁷⁾	At risk STI ⁽⁸⁾	At risk Performance Rights	At risk LTI ⁽⁹⁾
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive director														
Martin Hosking	307,962	75,000	52,864	36,304	17,588	164,188	93,330	-	6,363	753,599	55%	11%	22%	12%
Other key management personnel														
Rob Baumer ^(*)	305,365	61,794	28,293	18,845	-	19,009	64,885	3,996	6,749	508,936	69%	13%	4%	14%
Corina Davis ^(*)	247,816	48,062	26,908	13,378	-	27,351	51,908	-	5,249	420,672	68%	13%	7%	12%
Vanessa Freeman ⁽¹⁰⁾	136,370	31,011	150	12,969	109	-	-	50,324	6,797	237,730	63%	16%	0%	21%
Victor Kovalev ⁽¹¹⁾	155,769	23,171	-	14,798	116	-	-	97,553	4,512	295,919	58%	9%	0%	33%
Barry Newstead	245,857	80,000	600	30,646	1,418	126,356	127,769	103,248	8,737	724,631	38%	12%	17%	33%
Chris Nunn ⁽¹²⁾	191,781	33,151	-	18,219	135	-	-	38,957	7,313	289,556	73%	14%	0%	13%
Total	1,590,920	352,189	108,815	145,159	19,366	336,904	337,892	294,078	45,720	3,231,043				

⁽¹⁾ Represents cash bonus accrued for the year.

⁽²⁾ Non-monetary benefits for Martin Hosking include the taxable value of an apartment up to 31 March 2016. All other non-monetary benefits relate to wellness benefits for all the executives and health benefits for the US executives.

⁽³⁾ Only Australian executives are entitled to long service leave.

⁽⁴⁾ Amounts disclosed reflect the value of remuneration consisting of performance rights/options, based on the value of rights/options expensed during the year. The fair value of rights is equivalent to fair value of shares at the grant date and the fair value of options is ascertained using Black-Scholes model and is amortised over the vesting period.

⁽⁵⁾ Amounts disclosed reflect the value of remuneration consisting of options, based on the value of options expensed during the year. The fair value of options is ascertained using Black-Scholes model and is amortised over the vesting period. These options were subject to company performance conditions in FY 2015.

⁽⁶⁾ Represents value of deferred STI expensed during the year which would be granted as \$Nil price options to Australian executives and performance rights to US executives in FY 2017. The value of the deferred component is amortised over the vesting period.

⁽⁷⁾ Fixed remuneration includes cash salary, non-monetary benefits, all superannuation benefits and long service leave.

⁽⁸⁾ At risk STI includes cash bonus and deferred STI.

⁽⁹⁾ At risk LTI includes share based payments expense for options.

⁽¹⁰⁾ Vanessa Freeman was appointed effective 24 August 2015. She worked full-time for part of the year and part-time for the balance.

⁽¹¹⁾ Victor Kovalev was appointed effective 14 December 2015.

⁽¹²⁾ Chris Nunn was appointed effective 1 November 2015.

^(*) Remuneration is paid in USD. The numbers disclosed are in AUD and are derived by using USD to AUD average exchange rate of 1.3732.

6.2 NED remuneration for the year ended 30 June 2016

	Short term benefits	Post-employment benefits	Share-based payments		Total
	Director fees \$	Superannuation \$	Share-based payments - Performance rights ⁽¹⁾ \$	Share-based payments - Share options (Time based) ⁽¹⁾ \$	
Non-executive directors					
Richard Cawsey ⁽²⁾	97,667	-	7,271	40,973	145,911
Teresa Engelhard	-	-	36,117	-	36,117
Greg Lockwood	-	-	-	-	-
Grant Murdoch ⁽³⁾	20,548	1,952	-	20,231	42,731
Chris Nunn ⁽⁴⁾	-	-	17,586	-	17,586
Stephanie Tilenius	-	-	10,019	39,036	49,055
Total	118,215	1,952	70,993	100,240	291,400

⁽¹⁾ Amounts disclosed reflect the value of remuneration consisting of rights/options, based on the value of rights/options expensed during the year. The fair value of rights/options is ascertained using Black-Scholes model.

⁽²⁾ Director fees are paid to and performance rights are issued to Denali Venture Partners (Aust). In October 2014, the Board approved a grant of 248,360, \$Nil price options to Richard Cawsey, vesting over 3 years from 1 October 2014. However, the agreement was not executed at that time. This grant will be put up for shareholders' approval during the AGM.

⁽³⁾ Grant Murdoch was appointed effective 1 January 2016 and is entitled to directors fees (inclusive of superannuation) in cash of \$40,000 per annum for being a Director, and \$5,000 per annum for being Chair of the Audit & Risk Committee.

⁽⁴⁾ Chris Nunn resigned as a non-executive director effective 28 October 2015 to take up the position of the CFO.

7. Equity instruments held by Directors and KMP

7.1 Option, performance rights and warrant holdings

The tables below disclose the number of share options, performance rights and warrants granted, exercised, vested or forfeited during the year.

Option holdings

Share options do not carry any voting or dividend rights, and can only be exercised once the vesting conditions have been met, until their expiry date.

2016	Equivalent post-split numbers ⁽¹⁾				Balance at the end of the year	Vested and exercisable at the end of the year	Unvested options at the end of the year
	Balance at the start of the year	Granted during the year as compensation ⁽²⁾	Exercised during the year	Forfeited during the year ⁽³⁾			
Non-executive directors							
Richard Cawsey ⁽⁴⁾	1,440,000	-	-	-	1,440,000	1,440,000	-
Teresa Engelhard	633,600	-	(633,600)	-	-	-	-
Grant Murdoch	-	89,540	-	-	89,540	14,551	74,989
Stephanie Tilenius	731,520	-	-	-	731,520	508,000	223,520
Executive director							
Martin Hosking	2,894,000	-	(1,040,000)	(370,800)	1,483,200	617,920	865,280
Other key management personnel							
Rob Baumert	2,628,480	-	(961,280)	(240,000)	1,427,200	867,200	560,000
Corina Davis	960,000	-	(272,000)	(192,000)	496,000	320,000	176,000
Vanessa Freeman	-	600,000	-	-	600,000	-	600,000
Victor Kovalev	-	1,200,000	-	-	1,200,000	-	1,200,000
Barry Newstead ⁽⁵⁾	2,400,000	578,720	-	(480,000)	2,498,720	884,399	1,614,321
Chris Nunn	-	680,000	-	-	680,000	-	680,000
Related party							
Jellicom Pty Ltd as trustee for the Three Springs Family Trust (Beneficiary - Martin Hosking)	1,600,200	-	-	-	1,600,200	1,600,200	-
Total	13,287,800	3,148,260	(2,906,880)	(1,282,800)	12,246,380	6,252,270	5,994,110

⁽¹⁾ Effective 1 December 2015, each share of the company was split into 40. All the numbers have been converted to equivalent post-split numbers.

⁽²⁾ Options granted during the year with an exercise price of \$Nil:

Grant Murdoch: 89,540 options

Barry Newstead: 578,720 options

Vanessa Freeman: 120,000 options

⁽³⁾ The noting of options as forfeited (20% of the grant in each case) in fact reflects that 80% of a total pool of shares became subject to the option for each individual, following determination of company performance conditions outlined in the relevant option agreements.

⁽⁴⁾ In October 2014, the Board approved a grant of 248,360, \$Nil price options to Richard Cawsey, vesting over 3 years from 1 October 2014. However, the agreement was not executed at that time. This grant will be put up for shareholders' approval during the AGM.

⁽⁵⁾ The opening balance was subject to a liquidity event condition.

Performance rights holdings

Performance rights do not carry any voting or dividend rights. The liquidity event condition for the performance rights is satisfied on 16 November 2016, 6 months after the date of the IPO, whereupon a proportion of the rights will fully vest by reference to time-based vesting schedules.

2016	Equivalent post-split numbers ⁽¹⁾				Balance at the end of the year	Vested ⁽³⁾ at the end of the year	Unvested at the end of the year
	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited during the year ⁽²⁾			
Non-executive directors							
Teresa Engelhard	299,640	-	-	-	299,640	208,080	91,560
Chris Nunn ⁽⁴⁾	294,960	-	(57,360)	(237,600)	-	-	-
Stephanie Tilenius	81,360	-	-	-	81,360	54,240	27,120
Executive director							
Martin Hosking	1,580,720	-	-	-	1,580,720	856,240	724,480
Other key management personnel							
Rob Baumert	200,160	-	-	-	200,160	133,440	66,720
Corina Davis	288,000	-	-	-	288,000	192,000	96,000
Barry Newstead	1,157,440	-	-	-	1,157,440	602,800	554,640
Related Party							
Denali Venture Partners (Aust) - (Beneficiary - Richard Cawsey)	151,920	-	-	-	151,920	151,920	-
Total	4,054,200	-	(57,360)	(237,600)	3,759,240	2,198,720	1,560,520

⁽¹⁾ Effective 1 December 2015, each share of the company was split into 40. All the numbers have been converted to equivalent post-split numbers.

⁽²⁾ Forfeited during the year on termination.

⁽³⁾ 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 liquidity event condition will be met in FY 2017 on the date six months after the date of the IPO.

⁽⁴⁾ The performance rights exercised represent shares issued for performance rights that were not subject to a liquidity event condition. These were exercised in the capacity as a non-executive director, prior to taking up the position of CFO.

Warrant holdings

Warrants do not carry any voting or dividend rights, and can be exercised until their expiry date.

These were issued in terms of the Facility Agreement.

2016	Equivalent post-split numbers ⁽¹⁾						
	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Related Party							
Denali Capital Managers Pty Ltd (Beneficiary - Richard Cawsey) ⁽²⁾	654,560	-	-	-	654,560	654,560	-

⁽¹⁾ Effective 1 December 2015, each share of the company was split into 40. The warrant holdings above have been converted to equivalent post-split numbers.

⁽²⁾ Denali Capital Managers Pty Ltd (Denali), an associated entity of Richard Cawsey, was issued with the warrants set out above as consideration for Denali providing a loan facility to the Company. The loan facility agreement terminated in December 2012. The warrants may be exercised at any time up to and including 31 December 2016.

7.2 Shares issued on exercise of options/rights

2016	Date of exercise	Equivalent post-split numbers ⁽¹⁾			
		Number of ordinary shares issued on exercise	Exercise price per option	Fair value per share at exercise date	Value at exercise date ⁽²⁾
Non-executive directors					
Teresa Engelhard	29 September 2015	633,600	\$0.13	\$0.78	412,632
Executive director					
Martin Hosking	31 August 2015	1,040,000	\$0.05	\$0.78	755,300
Other key management personnel					
Rob Baumert	20 November 2015	161,280	\$0.08	\$1.20	182,125
	18 April 2016	800,000	\$0.13	\$1.33	964,000
Corina Davis	23 March 2016	272,000	\$0.48	\$1.20	196,860
Chris Nunn	11 November 2015	57,360	-	\$0.78	44,526
Total		2,964,240			2,555,443

⁽¹⁾ Effective 1 December 2015, each share of the company was split into 40. All the numbers have been converted to equivalent post-split numbers.

⁽²⁾ Value at exercise date is calculated as fair value available on exercise date less exercise price paid, multiplied by number of options exercised. For presentation purposes, price per option/value per share has been rounded to two decimal places, however the value at exercise date has been calculated based on unrounded numbers.

7.3 Shareholdings of Directors and KMP

		Equivalent post-split numbers ⁽¹⁾					
2016 - Redbubble Limited ordinary shares		Balance at the start of the year	Received during the year on exercise of options/performance rights	Purchase of shares	Sale/transfer of shares	Balance at the end of the year	
Non-executive directors							
	Teresa Engelhard	-	633,600	112,780	-	746,380	
Executive directors							
	Martin Hosking	601,880	1,040,000	-	-	1,641,880	
Other key management personnel							
	Rob Baumert	240,000	961,280	-	(1,201,280)	-	
	Corina Davis	-	272,000	-	-	272,000	
	Chris Nunn	-	57,360	-	-	57,360	
Related Parties	Beneficiary						
	Cawsey Superannuation Fund Pty Ltd	Richard Cawsey	8,966,480	-	760,000	-	9,726,480
	Denali Investors Pty Ltd	Richard Cawsey	760,000	-	-	(760,000)	-
	Denali Venture Partners Fund 1 LP	Richard Cawsey	1,840,240	-	-	-	1,840,240
	Denali Venture Partners (Aust)	Richard Cawsey	57,360	-	-	-	57,360
	Grattan Group Capital Pty Ltd	Rob Baumert	45,040	-	-	(45,040)	-
	Jellicom Pty Ltd as trustee for the Three Springs Family Trust	Martin Hosking	48,330,880	-	-	(421,360)	47,909,520
	Piton Capital Venture Fund II LP ⁽²⁾	Greg Lockwood	-	-	5,537,291	-	5,537,291
	Piton Capital Investments Cooperatief B	Greg Lockwood	-	-	927,840	-	927,840
	G & M Murdoch Pty Ltd as trustee for the Murdoch Family Superannuation Fund	Grant Murdoch	-	-	75,187	-	75,187
	Overan Holdings Pty Ltd	Chris Nunn	-	-	76,000	-	76,000
Total		60,841,880	2,964,240	7,489,098	(2,427,680)	68,867,538	

⁽¹⁾ Effective 1 December 2015, each share of the company was split into 40. All the numbers have been converted to equivalent post-split numbers.

⁽²⁾ Includes 3,681,571 shares issued as a consequence of conversion of cumulative redeemable preference shares to ordinary shares. For the purpose of conversion, both the face value and unpaid accumulated dividend were recreated.

8. Equity grants outstanding

	Grant date	# of options/ rights granted	Vest period/date	Expiry date	Exercise price	Equivalent post-split numbers ⁽¹⁾		Exercised %	Exercised #	Forfeited/ lapsed % ⁽⁴⁾	Forfeited/ lapsed # ⁽⁴⁾	Value of options/ rights post forfeiture
						Value of options/ rights at grant date ⁽²⁾	Vested during the year # ⁽³⁾					
Richard Cawsey ⁽⁵⁾	27-Oct-09	720,000	Equal monthly vesting over 36 months commencing from 1 April 2010 to 1 March 2013	01-Mar-17	\$0.05	\$15,840	-	0%	-	0%	-	\$15,840
	29-Sep-10	720,000	Equal monthly vesting over 36 months commencing from 1 October 2010 to 1 September 2013	01-Oct-17	\$0.05	\$15,840	-	0%	-	0%	-	\$15,840
Rob Baumert	01-Sep-11	1,267,200	Equal monthly vesting over 48 months commencing from 1 September 2011 to 1 August 2015	21-Jul-17	\$0.13	\$56,074	52,800	63%	800,000	0%	-	\$56,074
	24-Oct-14	1,200,000	25% on the first anniversary of the vesting commencement date, being 1 October 2015 and 1/48th over the next 36 months in equal monthly numbers up to 1 October 2018, subject to performance conditions	01-Oct-24	\$0.48	\$312,900	400,000	0%	-	20%	240,000	\$250,320
	01-Oct-13	200,160	25% on the first anniversary of the grant date, being 1 October 2014 and 1/48th over the next 36 months in equal monthly numbers up to 1 October 2017, subject to a liquidity event condition	01-Oct-18	\$0.00	\$69,806	50,040	0%	-	0%	-	\$69,806
Corina Davis	24-Oct-14	960,000	25% on the first anniversary of the vesting commencement date, being 1 October 2015 and 1/48th over the next 36 months in equal monthly numbers up to 1 October 2018, subject to performance conditions	01-Oct-24	\$0.48	\$250,320	320,000	28%	272,000	20%	192,000	\$200,256
	01-Oct-13	288,000	25% on the first anniversary of the grant date, being 1 October 2014 and 1/48th over the next 36 months in equal monthly numbers up to 1 October 2017, subject to a liquidity event condition	01-Oct-18	\$0.00	\$100,440	72,000	0%	-	0%	-	\$100,440
Teresa Engelhard	03-Jun-14	299,640	Equal monthly vesting over 36 months commencing from 3 June 2014 to 3 May 2017, subject to a liquidity event condition	03-Jun-21	\$0.00	\$104,499	99,880	0%	-	0%	-	\$104,499
Vanessa Freeman	01-Nov-15	120,000	25% to vest on 1 March 2017 and 1/48th over the next 36 months in equal monthly numbers up to 1 March 2020	01-Nov-25	\$0.00	\$93,150	-	0%	-	0%	-	\$93,150
	01-Nov-15	480,000	25% to vest on 1 March 2017 and 1/48th over the next 36 months in equal monthly numbers up to 1 March 2020	01-Nov-25	\$0.75	\$179,731	-	0%	-	0%	-	\$179,731

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Equivalent post-split numbers ⁽¹⁾												
	Grant date	# of options/ rights granted	Vest period/date	Expiry date	Exercise price	Value of options/ rights at grant date ⁽²⁾	Vested during the year # ⁽³⁾	Exercised %	Exercised #	Forfeited/ lapsed % ⁽⁴⁾	Forfeited/ lapsed # ⁽⁴⁾	Value of options/ rights post forfeiture
Martin Hosking	05-Mar-15	1,854,000	25% on the first anniversary of the vesting commencement date, being 1 October 2015 and 1/48th over the next 36 months in equal monthly numbers up to 1 October 2018, subject to performance conditions	05-Mar-25	\$0.51	\$464,891	617,920	0%	-	20%	370,800	\$371,912
	01-Oct-13	790,360	25% on the first anniversary of the grant date, being 1 October 2014 and 1/48th over the next 36 months in equal monthly numbers up to 1 October 2017, subject to a liquidity event condition	01-Oct-20	\$0.00	\$275,638	197,600	0%	-	0%	-	\$275,638
	01-Oct-14	790,360	25% on the first anniversary of the grant date, being 1 October 2015 and 1/48th over the next 36 months in equal monthly numbers up to 1 October 2018, subject to a liquidity event condition	01-Oct-21	\$0.00	\$379,768	329,320	0%	-	0%	-	\$379,768
Victor Kovalev	14-Dec-15	1,200,000	25% on the first anniversary of the vesting commencement date, being 1 December 2016 and 1/48th over the next 36 months in equal monthly numbers up to 1 December 2019	14-Dec-25	\$1.20	\$672,285	-	0%	-	0%	-	\$672,285
Grant Murdoch	01-Feb-16	79,590	4,340 vest immediately on grant date and 2,150 monthly thereafter over the next 35 months up to 1 January 2019 subject to holding the office of Director of the Company	01-Feb-26	\$0.00	\$95,846	12,940	0%	-	0%	-	\$95,846
	01-Feb-16	9,950	535 vest immediately on grant date and 269 monthly thereafter over the next 35 months up to 1 January 2019 subject to holding the office of Chair of the Company's Audit & Risk Committee	01-Feb-26	\$0.00	\$11,982	1,611	0%	-	0%	-	\$11,982
Barry Newstead	05-Mar-15	2,400,000	35.42% on the first anniversary of the grant date, being 5 March 2016 and 1/48th over the next 31 months in equal monthly numbers up to 1 October 2018, subject to performance conditions and liquidity event	05-Mar-25	\$0.51	\$614,400	800,000	0%	-	20%	480,000	\$491,520
	25-Nov-15	578,720	Equal monthly vesting over 48 months commencing from 1 December 2015 to 1 November 2019	01-Nov-25	\$0.00	\$696,924	84,399	0%	-	0%	-	\$696,924
	25-Nov-13	578,720	25% on the first anniversary of the grant date, being 25 November 2014 and 1/48th over the next 36 months in equal monthly numbers up to 1 November 2017, subject to a liquidity event condition	25-Nov-20	\$0.00	\$201,829	144,680	0%	-	0%	-	\$201,829
	25-Nov-14	578,720	25% on the first anniversary of the grant date, being 25 November 2015 and 1/48th over the next 36 months in equal monthly numbers up to 1 November 2018, subject to a liquidity event condition	24-Nov-21	\$0.00	\$278,075	229,080	0%	-	0%	-	\$278,075

Redbubble

Equivalent post-split numbers ⁽¹⁾												
Grant date	# of options/ rights granted	Vest period/date	Expiry date	Exercise price	Value of options/ rights at grant date ⁽²⁾	Vested during the year # ⁽³⁾	Exercised %	Exercised #	Forfeited/ lapsed % ⁽⁴⁾	Forfeited/ lapsed # ⁽⁴⁾	Value of options/ rights post forfeiture	
Chris Nunn	01-Nov-15	680,000	25% on the first anniversary of the grant date, being 1 November 2016 and 1/48th over the next 36 months in equal monthly numbers up to 1 November 2019	01-Nov-25	\$0.85	\$235,193	-	0%	-	0%	-	\$235,193
	20-Mar-15	88,480	Equal monthly vesting over 36 months commencing from 1 April 2015 to 1 March 2018, subject to holding the office of Chair of the Company's Audit & Risk Committee	n/a	\$0.00	\$44,992	17,200	19%	17,200	81%	71,280	\$8,746
	20-Mar-15	206,480	Equal monthly vesting over 36 months commencing from 1 April 2015 to 1 March 2018, subject to holding the office of Director of the Company	n/a	\$0.00	\$104,995	40,160	19%	40,160	81%	166,320	\$20,421
Stephanie Tilenius	12-May-14	731,520	Equal monthly vesting over 36 months commencing from 1 June 2014 to 1 May 2017	12-May-21	\$0.37	\$108,631	243,840	0%	-	0%	-	\$108,631
	01-Jun-14	81,360	1/3rd on the first anniversary of the grant date, being 1 June 2015 and 1/36th over the next 24 months in equal monthly numbers up to 1 June 2017, subject to a liquidity event condition	01-Jun-19	\$0.00	\$28,374	27,120	0%	-	0%	-	\$28,374
Denali Venture Partners (Aust) - (Beneficiary - Richard Cawsey)	28-Mar-13	138,480	Equal yearly vesting over 3 years commencing from 1 March 2014 to 1 March 2016, subject to a liquidity event condition	28-Mar-20	\$0.00	\$26,370	46,160	0%	-	0%	-	\$26,370
	14-Nov-13	13,440	Equal yearly vesting over 3 years commencing from 1 March 2014 to 1 March 2016, subject to a liquidity event condition	14-Nov-20	\$0.00	\$4,687	4,480	0%	-	0%	-	\$4,687
Denali Capital Managers Pty Ltd (Beneficiary - Richard Cawsey)	21-Dec-12	654,560	21 December 2012	31-Dec-16	\$0.14	\$19,146	-	0%	-	0%	-	\$19,146
Jellicom Pty Ltd as trustee for the Three Springs Family Trust (Beneficiary - Martin Hosking)	08-Aug-12	1,600,200	Equal monthly vesting over 12 months commencing from 1 October 2011 to 1 September 2012. These were transferred from Martin Hosking on 2 May 2014, effective 1 November 2011	01-Oct-18	\$0.14	\$148,019	-	0%	-	0%	-	\$148,019

⁽¹⁾ Effective 1 December 2015, each share of the company was split into 40. All the numbers have been converted to equivalent post-split numbers.

⁽²⁾ Value at grant date for options / performance rights has been determined by using the Black-Scholes method.

⁽³⁾ 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 liquidity event condition will be met in FY 2017 on the date six months after the date of the IPO.

⁽⁴⁾ For Barry Newstead, Corina Davis, Martin Hosking and Rob Baumert, the noting of options as 'forfeited/lapsed' (20% in each case) in fact reflects that 80% of a total pool of shares became subject to the option for each individual, following determination of company performance conditions outlined in the relevant option agreements.

⁽⁵⁾ In October 2014, the Board approved a grant of 248,360, \$Nil price options to Richard Cawsey, vesting over 3 years from 1 October 2014. However, the agreement was not executed at that time. This grant will be put up for shareholders' approval during the AGM.

9. Loans, transactions and other balances with KMP and their related parties

9.1 Other transactions with KMP

Richard 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 \$50,000 were paid. The consulting fees are based on the time and service provided and the rates are equivalent to other similarly sized entities. As at 30 June 2016, there was no balance outstanding towards the consulting fees.

Chris Nunn (CFO), is a director of Elite Executive Services Pty Ltd, which provided executive relocation services to the employees of Redbubble during the year for which the fees totaled \$12,710. The fees are based on the time and service provided and the rates are equivalent to other similarly sized entities. At the year end, the balance outstanding was \$1,865.

Rob Baumert (CF&AO), exercised a part of his options and sold the related shares during the year ended 30 June 2016, resulting in a receivable balance of \$79,000 in relation to exercise and withholding taxes on the sale. As at year end, the balance stands recovered.

The Directors' Report is made in accordance with a resolution of the Directors of the Company.



Richard Cawsey
Chairman
Melbourne
25 August 2016

Consolidated statement of comprehensive income

for the year ended 30 June 2016



Consolidated statement of comprehensive income for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue from services		114,578	71,070
Operating expenses			
Fulfiller expenses	4	(75,575)	(46,998)
Employee and contractor costs	5	(24,696)	(14,748)
Marketing expenses	6	(9,786)	(6,529)
Operations and administration	7 & 8	(14,761)	(8,776)
Depreciation and amortisation	9	(4,009)	(2,027)
Finance costs	10	(1,829)	(235)
Total operating expenses		(130,656)	(79,313)
Other income	11	300	178
Other expenses	12	(606)	(669)
Loss before income tax		(16,384)	(8,734)
Income tax (expense)/benefit	13	(3,433)	2,466
Total loss for the year attributable to owners		(19,817)	(6,268)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Loss on foreign currency translation		(304)	(541)
Total other comprehensive loss attributable to owners		(304)	(541)
Total comprehensive loss for the year attributable to owners		(20,121)	(6,809)
Loss per share attributable to the ordinary equity holders of the company			
Basic loss per share	14	(0.13)	(0.07)
Diluted loss per share	14	(0.13)	(0.07)

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

Consolidated statement of comprehensive income for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	15	41,977	13,974
Trade and other receivables	18	490	708
Inventories	19	181	184
Other financial assets	20	40	-
Other current assets	21	919	622
Current tax assets		637	-
Total current assets		44,244	15,488
Non-current assets			
Property, plant and equipment	22	1,245	1,191
Intangible assets	23	7,416	4,591
Other financial assets	20	1,088	517
Deferred tax assets	13	1,649	5,043
Related party loan	36	-	331
Total non-current assets		11,398	11,673
Total assets		55,642	27,161
Current liabilities			
Trade and other payables	24	13,079	10,285
Unearned revenue		2,443	1,652
Current tax liabilities		-	83
Employee benefit liabilities	25	1,070	692
Total current liabilities		16,592	12,712
Non-current liabilities			
Non-current borrowings	26	-	15,166
Employee benefit liabilities	25	67	46
Total non-current liabilities		67	15,212
Total liabilities		16,659	27,924
Net assets		38,983	(763)
Equity			
Contributed equity	27	67,865	9,532
Share based payment reserve	28	3,214	1,680
Foreign exchange translation reserve	28	(906)	(602)
Accumulated losses		(31,190)	(11,373)
Total equity		38,983	(763)

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

Consolidated balance sheet for the year ended 30 June 2016

		Share Capital	Share based payments reserve	Foreign exchange translation reserve	Accumulated Losses	Total
2015	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2014		9,167	533	(61)	(5,105)	4,534
Loss for the year		-	-	-	(6,268)	(6,268)
Other comprehensive loss		-	-	(541)	-	(541)
Total comprehensive loss		-	-	(541)	(6,268)	(6,809)
Exercise of share options	27	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
Balance at 30 June 2015		9,532	1,680	(602)	(11,373)	(763)
		Share Capital	Share based payments reserve	Foreign exchange translation reserve	Accumulated Losses	Total
2016	Notes	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015		9,532	1,680	(602)	(11,373)	(763)
Loss for the year		-	-	-	(19,817)	(19,817)
Other comprehensive loss		-	-	(304)	-	(304)
Total comprehensive loss		-	-	(304)	(19,817)	(20,121)
Issue of ordinary shares pursuant to the IPO	27	30,000	-	-	-	30,000
IPO costs, net of tax	8	(1,433)	-	-	-	(1,433)
Conversion of cumulative redeemable preference shares	26	16,273	-	-	-	16,273
Conversion of pre-IPO convertible notes	34	12,250	-	-	-	12,250
Exercise of share options	27	672	-	-	-	672
Transfer of exercised options / performance rights		571	(571)	-	-	-
Issue of options as share based compensation		-	1,361	-	-	1,361
Issue of performance rights as share based compensation		-	744	-	-	744
Balance at 30 June 2016		67,865	3,214	(906)	(31,190)	38,983

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

Consolidated statement of changes in equity for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		145,442	87,901
Payments to artists		(20,364)	(12,092)
Payments to fulfillers		(74,902)	(45,191)
Payments to other suppliers and employees		(54,886)	(29,856)
Finance income received		190	40
Other income		120	119
Income taxes paid		(285)	(754)
Net cash (used in)/provided by operating activities	16	(4,685)	167
Cash flows from investing activities			
Payment for property, plant and equipment		(812)	(1,001)
Payment for intangible assets		(6,121)	(4,216)
Payment for deposit on capital works		(331)	-
Repayment of related party loan and interest		333	53
Net cash used in investing activities		(6,931)	(5,164)
Cash flows from financing activities			
Proceeds from issue of share capital pursuant to the IPO	27	30,000	-
IPO costs	8	(1,902)	-
Proceeds from issue of pre-IPO convertible notes	34	12,250	-
Transaction costs for issue of pre-IPO convertible notes	10	(608)	-
Proceeds from issue of cumulative redeemable preference shares	26	-	15,500
Transaction costs for cumulative redeemable preference shares	26	-	(437)
Proceeds from exercise of share options	27	672	177
Transaction costs for establishment of loan facility		-	(245)
Net cash provided by financing activities		40,412	14,995
Net increase in cash and cash equivalents held		28,796	9,998
Cash and cash equivalents at beginning of year		13,974	4,621
Effect of exchange rate changes on cash and cash equivalents		(793)	(645)
Cash and cash equivalents at the end of the financial year	15	41,977	13,974

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

1. Corporate information

The consolidated financial statements of Redbubble Limited for the year ended 30 June 2016 were authorised for issue by a resolution of the Directors on 25 August 2016.

The financial report covers Redbubble Limited and its controlled entities as the consolidated group (the Group). Redbubble Limited is the ultimate parent company, the parent entity, of the Group.

Redbubble Limited (the Company) is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange. The Company completed an Initial Public Offering (IPO) on 16 May 2016 totalling \$39.83 million, which included \$30.0 million from a primary issue (note 27).

The Group is a global online marketplace for independent artists.

2. 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.

(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.

The financial report is presented in Australian dollars and all the values are rounded to the nearest thousand dollars (\$000) unless otherwise stated as disclosed in note 2(w).

(i) Compliance with IFRS

The consolidated financial statements 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 3.

(b) Principles of consolidation

Subsidiaries are all 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 would be deconsolidated from the date that control ceases. A list of the subsidiaries is provided in note 29 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 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 exchange 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 exchange rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at exchange 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 exchange 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. Artists display and sell art via the Group's website. The Group aggregates demand from the buyers to support preferential relationships between third party suppliers, fulfillers and drop shippers and the artists, 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 the 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

Grants from government are recognised at the fair value when there is reasonable assurance that the grant will be received and the Group 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:

- it is probable that future taxable profits will be available against which the deductible temporary differences and losses can be utilised
- the likelihood of continuing to meet the relevant definitions of "same business" are met
- there are no changes in tax legislation that adversely affect the ability to realise the deferred tax asset benefits.

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 is measured on a cost basis and is 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 to 3 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 (e.g. 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 packaging 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, loans and trade and other receivables 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 Group'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 Group 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, where applicable.

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.

USA 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. Up to the date of Listing, the fair value of shares was ascertained by carrying out an independent valuation.

(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 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 30 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) Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision makers, who provide the strategic direction and management oversight of the Group in terms of monitoring results and approving strategic planning for the business. Given that the internal reporting provided is not disaggregated in a way that identifies any unique reportable segments, the Group has identified being a global online marketplace as its only operating segment.

(v) Comparative amounts

Comparatives are consistent with prior years, unless otherwise stated.

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

(w) Rounding of amounts

The Company is of the kind referred to in class order 2016/191, 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.

3. Critical accounting estimates and judgements

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 with respect to fulfillers as opposed to as an agent.

(ii) Development costs – capitalisation, 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 to 3 years and are considered for impairment at each reporting date. Refer to note 23 for more details.

(iii) Recognition of deferred tax assets

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense, the incurrence of tax losses and entitlement to non-refundable tax offsets. In evaluating the Group's ability to recover deferred tax assets within the jurisdiction from which they arise, the Group considers all available positive and negative evidence, including probability of achieving appropriate continuity of ownership levels, likelihood of meeting relevant definitions of "same business", scheduled reversals of deferred tax liabilities, projected future taxable income and results of recent operations. This evaluation requires significant management judgment. Refer to note 13 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. Up to the date of Listing, the fair value of shares was determined by carrying out an independent valuation. Refer to notes 5 and 35 for more details.

(v) USA sales tax

The Group currently collects and remits sales tax on sales made via the Redbubble website to customers in the US state of California. Management believes a sales tax nexus may exist due to its own offices being situated in that state. Significant management judgement is required to determine if nexus exists in other states. Management has determined that no taxes are payable in relation to sales in other states.

4. Fulfiller expenses

	2016 \$'000	2015 \$'000
Fulfiller expenses ⁽¹⁾	75,575	46,998
Total fulfiller expenses	75,575	46,998

⁽¹⁾ Fulfiller expenses comprise of product and printing, shipping and transaction costs and are equivalent to cost of goods sold.

5. Employee and contractor costs

	2016 \$'000	2015 \$'000
Salary costs	16,819	10,745
Contractor costs	4,575	1,958
Share-based payments and other long-term incentives	2,105	1,340
Superannuation costs and other pension related costs ⁽¹⁾	1,197	705
Total employee and contractor costs	24,696	14,748

⁽¹⁾ Includes contribution to 401K funds, which is the superannuation equivalent for the USA subsidiary.

6. Marketing expenses

	2016 \$'000	2015 \$'000
Paid marketing	7,661	4,260
Other marketing expenses	2,125	2,269
Total marketing expenses	9,786	6,529

7. Operations and administration

	2016 \$'000	2015 \$'000
Technology infrastructure and software costs	4,352	2,071
IPO costs (note 8)	2,011	-
Travel expenses	1,480	998
Rental expense on operating leases	1,208	991
Recruiting expenses	1,009	1,098
Other operations and administration expenses	4,701	3,618
Total operations and administration	14,761	8,776

8. Initial Public Offering (IPO) costs

	2016	2015
	\$'000	\$'000
IPO costs expensed	2,011	-
IPO costs, net of tax, charged to equity	1,433	-
Total IPO costs	3,444	-

In May 2016, the Company completed an IPO totalling \$39.83 million. The IPO comprised a primary issue of 22,556,391 ordinary shares (\$30.00 million) and a secondary sale 7,393,401 shares (\$9.83 million). Total costs of \$3.44 million were incurred as a result of the offer of which \$1.43 million (\$1.90 million before tax) related to the primary issue and has been charged to equity in accordance with AASB132 (note 27).

9. Depreciation and amortisation

	2016	2015
	\$'000	\$'000
Depreciation of property, plant and equipment (note 22)	752	249
Amortisation of capitalised development costs (note 23)	3,257	1,778
Total depreciation and amortisation	4,009	2,027

10. Finance costs

	2016	2015
	\$'000	\$'000
Interest and amortised transaction costs on cumulative redeemable preference shares (CRPS) ⁽¹⁾	1,108	103
Transaction costs on pre-IPO convertible notes (Convertible Notes) ⁽²⁾	608	-
Transaction costs on loan facility with the Commonwealth Bank of Australia (CBA) ⁽³⁾	113	132
Total finance costs	1,829	235

⁽¹⁾ The CRPS were issued on 21 May 2015 and converted into ordinary shares upon the IPO. The interest for the year up to the date of IPO of \$0.69 million is included above. The transaction costs incurred in relation thereto were being amortised over a period of 3 years. On conversion, however, the remaining unamortised transaction costs of \$0.42 million were amortised (note 26).

⁽²⁾ On 21 March 2016, the Company raised \$12.25 million (face value) by issuing Convertible Notes which converted into ordinary shares upon the IPO. The transaction costs of \$0.61 million incurred in relation thereto have been expensed during the year (note 34).

⁽³⁾ Represents amortisation of transaction costs incurred for establishment of a loan facility with CBA that expired on 8 December 2015 and was not renewed.

11. Other income

	2016 \$'000	2015 \$'000
Finance income	180	59
Government grant - export market development grant	120	119
Total other income	300	178

12. Other expenses

	2016 \$'000	2015 \$'000
Net foreign exchange loss recognised in loss before income tax	598	661
Other expenses	8	8
Total other expenses	606	669

13. Income tax

(a) Income tax expense/(benefit)

	2016 \$'000	2015 \$'000
Current tax	(424)	951
Deferred tax	3,863	(3,313)
Over provision in prior years	(6)	(104)
Total income tax expense/(benefit)	3,433	(2,466)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:		
Decrease/(increase) in deferred tax assets	2,910	(3,917)
Increase in deferred tax liability	953	604
Deferred tax	3,863	(3,313)

13. Income tax (continued)

(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable

	2016 \$'000	2015 \$'000
Loss from ordinary activities before income tax expense/(benefit)	(16,384)	(8,734)
Income tax calculated @ 30%	(4,915)	(2,620)
Tax effect of amounts that are not deductible/(taxable) in calculating income tax:		
Tax effect of non-allowable items	153	206
Tax effect of US tax rate	14	28
Unrecognised tax losses and research and development tax offsets	7,764	-
Recognition of previously unrecognised deferred tax assets in the US subsidiary	(475)	-
US income tax benefit due to exercise/disposition of employee stock options	(401)	-
Research and development	923	(311)
Share-based payments	475	252
Other non-deductible/non-assessable items	115	89
Income tax adjusted for permanent differences:		
Effect of movements in foreign exchange	(214)	(6)
Over provision in prior year	(6)	(104)
Income tax expense/(benefit) attributable to loss from ordinary activities	3,433	(2,466)

13. Income tax (continued)

(c) Deferred tax assets

The balance comprises temporary differences attributable to:

	2016 \$'000	2015 \$'000
Amounts recognised in profit or loss:		
Employee benefits	536	563
Carry forward state tax credits	133	61
Deferred expenditure - other	361	85
Unrealised foreign exchange losses	-	287
Legal and acquisition costs	127	171
Carried forward tax losses	385	2,474
Research and development tax offset	-	2,175
Property, plant, equipment and intangible assets	(973)	(769)
IPO costs	939	-
Other items	141	(4)
Net deferred tax assets	1,649	5,043
Movements:		
Opening balance at 1 July	5,043	1,730
Credited to the consolidated balance sheet	469	-
(Debited)/Credited to the consolidated statement of comprehensive income	(3,863)	3,313
Closing balance at 30 June	1,649	5,043

(d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items ⁽¹⁾:

	\$'000	\$'000
Tax losses	5,088	-
Research and development tax offsets	2,676	-
Total	7,764	-

⁽¹⁾ During the current year, the Group de-recognised deferred tax assets (DTA) of \$4.65 million attributable to Australian carried forward tax losses and non-refundable research and development offsets up to 30 June 2015, reflecting a more conservative approach to the treatment of tax losses. Further, DTA of \$3.11 million in relation to tax losses incurred and non-refundable research and development offsets up to the date of IPO have not been recognised.

14. Loss 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 per share and the diluted loss per shares.

(ii) Potential ordinary shares

None of the options over ordinary shares, performance rights, warrants over ordinary shares and former preference shares that could be considered as potential ordinary shares have been included in determination of diluted EPS, since they are anti-dilutive. Due to losses incurred during the current as well the prior year, inclusion of potential ordinary shares in weighted average number of shares would increase the denominator used in calculating diluted EPS and thereby reduce the loss per share.

	2016 \$ per share	2015 \$ per share
Basic loss per share		
Basic loss per share attributable to the ordinary equity holders of the company	(0.13)	(0.07)
Diluted loss per share		
Diluted loss per share attributable to the ordinary equity holders of the company	(0.13)	(0.07)

Weighted average number of shares used as the denominator

	2016 number	2015 number
Weighted average number of shares used as denominator in calculating basic and diluted loss per share ⁽¹⁾	150,413,364	92,118,160

⁽¹⁾ Effective 1 December 2015, each share of the Company was split into 40. The weighted average number of shares has been converted to equivalent post split number.

Reconciliation of loss used in calculating loss per share

	2016 \$'000	2015 \$'000
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	(19,817)	(6,268)

15. Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash at bank and on hand	20,977	3,974
Fixed term bank deposits ⁽¹⁾	21,000	10,000
Total cash and cash equivalents	41,977	13,974

⁽¹⁾ Fixed term bank deposits attract interest at normal term deposit rates. They are placed for a period of 1-3 months and are not subject to any risk of change of values.

16. Reconciliation of loss for the year to net cash (outflow)/inflow from operating activities

	2016 \$'000	2015 \$'000
Loss for the year	(19,817)	(6,268)
Non-cash items		
De-recognition/(recognition) of deferred tax asset	3,863	(3,313)
Depreciation and amortisation	4,009	2,027
Amortisation of share-based payments	2,105	1,340
Unrealised foreign exchange losses	868	799
Net loss on the disposal/write off of property, plant and equipment and intangible assets	82	34
Finance costs on CRPS and loan facility with CBA	1,221	235
Classified as investing/financing activities		
Interest on related party loan	(2)	(6)
Transaction costs on Convertible Notes	608	-
Change in operating assets and liabilities		
Decrease/(Increase) in trade and other receivables	205	(323)
Increase in prepayments	(410)	(220)
Decrease/(Increase) in inventories	3	(142)
(Increase)/Decrease in current tax assets	(237)	10
Increase in other financial assets	(280)	(81)
Increase in trade and other payables	2,655	5,631
Increase in unearned revenue	867	730
(Decrease)/Increase in current tax liabilities	(83)	83
Increase in employee benefit liabilities	399	263
Exchange loss on translation of foreign operations	(341)	(632)
Net cash (outflow)/inflow from operating activities	(4,285)	167

17. 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.

The Group's risk management is carried out by the senior management through 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 & 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:

	Notes	2016 \$'000	2015 \$'000
Financial assets			
Cash and cash equivalents	15	41,977	13,974
Trade and other receivables	18	490	708
Other financial assets	20	1,128	517
Related party loan	36	-	331
Financial liabilities			
Trade and other payables	24	13,079	10,285
Non-current borrowings (principal)	26	-	15,500
Non-current borrowings (interest)	26	-	87

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

Cash and cash equivalents (note 15) and security held with banks (note 20) attract variable interest rates. 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 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 based 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.

17. Financial risk management (continued)

(a) Market risk (continued)

The foreign currency assets and liabilities (expressed in AUD) held by the Group, which are largely held by the USA subsidiary whose functional currency is USD, are as below:

	GBP \$'000	USD \$'000	EUR \$'000	CAD \$'000	Total \$'000
At 30 June 2016					
Cash and cash equivalents	1,677	105	1,389	450	3,621
Trade receivables	76	-	36	26	138
Trade and other payables	(1,275)	(272)	(1,043)	(118)	(2,708)
Net exposure	478	(167)	382	358	1,051
At 30 June 2015					
Cash and cash equivalents	426	(17)	331	64	804
Trade receivables	133	-	60	35	228
Trade and other payables	(1,450)	(202)	(210)	(74)	(1,936)
Net exposure	(891)	(219)	181	25	(904)

Since the foreign currency exposure as at year-end is minimal, the impact of movement in foreign exchange rates on Group's net profit and equity would be immaterial.

(b) Credit risk

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

The Group faces primary credit risk from potential default on receivables by payment service providers. The Group receives payments of the balance due from two service providers every 1-3 days. The credit risk of balances held with another service provider is managed 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 2016, the Group has \$21.0 million (2015: \$10.0 million) held in bank deposits, classified as cash and cash equivalents, and \$0.44 million (2015: \$0.26 million) in deposits placed with banks as security, classified as other financial assets, that 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 savings account that attracts interest at normal bank rates on balances over \$0.01 million.

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

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

17. Financial risk management (continued)

(b) Credit risk (continued)

(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, Paypal or Amazon payments. In any case, the Group ensures that cash is received up front prior to the product being manufactured. The trade receivables balance as at 30 June 2016 represents amounts receivable from two of these payment service providers. It is believed that the credit risk from collections from payment service providers is minimal.

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and ensuring that all term deposits can be converted to funds in accordance with forecast cash usage. 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 classified as cash and cash equivalents are placed for a period of 1 to 3 months. These can be withdrawn prematurely but may incur a minor penalty in the form of reduced interest earned.

During the year, the Group raised \$12.25 million by issuing pre-IPO convertible notes (note 34) that were converted into ordinary shares upon IPO. Further, the Group raised \$30 million through the IPO (note 27).

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

(i) Financial arrangements

The Group had no borrowing facilities at the end of reporting period.

	Drawn		Undrawn		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed rate						
Expiring within one year (bank loan)	-	-	-	5,000	-	5,000
Expiring beyond one year (cumulative redeemable preference shares)	-	15,500	-	-	-	15,500
Total	-	15,500	-	5,000	-	20,500

The cumulative redeemable preference shares were converted into ordinary shares upon the IPO (note 26).

(ii) Maturities of financial liabilities

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

17. Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 6 months \$'000	6 to 12 months \$'000	Between 1 and 2 years \$'000	Between 2 and 3 years \$'000	Total contractual cash flows \$'000
Contractual maturities of financial liabilities					
At 30 June 2016					
Trade and other payables	13,079	-	-	-	13,079
Borrowings (principal)	-	-	-	-	-
Borrowings (interest)	-	-	-	-	-
Total financial liabilities	13,079	-	-	-	13,079

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

The Group's policy is to maintain a capital structure for the 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 complied with all the bank lending requirements to maintain the loan facility during the prior year and this year until the facility expired in December 2015.

18. Trade and other receivables

	2016 \$'000	2015 \$'000
Trade receivables	441	695
Other receivable	49	13
Total trade and other receivables	490	708

(a) Impairment

None of the above balances are impaired or past due.

(b) Ageing of net trade receivables from due date

	2016 \$'000	2015 \$'000
Current - 30 days	441	695
Closing balance	441	695

(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 17 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.

19. Inventories

	2016 \$'000	2015 \$'000
At cost:		
Packaging supplies	181	184
Total inventories	181	184

20. Other financial assets

(a) Current other financial assets

	2016 \$'000	2015 \$'000
Security held with banks ⁽¹⁾	36	-
Current deposits/advances	4	-
Total current financial assets	40	-

(b) Non-current other financial assets

	2016 \$'000	2015 \$'000
Security held with banks ⁽¹⁾	409	263
Non-current deposits/advances ⁽²⁾	679	254
Total non-current financial assets	1,088	517

⁽¹⁾ Relates largely to term deposits held as security against lease obligations.

⁽²⁾ Includes capital advances of \$0.33 million (2015: \$Nil).

21. Other current assets

	2016 \$'000	2015 \$'000
Prepayments	919	509
Unamortised borrowing cost ⁽¹⁾	-	113
Total other current assets	919	622

⁽¹⁾ On 8 December 2014, the Group entered into a loan facility agreement with the CBA for \$5.00 million. The facility term was for one year and expired during the current year. It has not been renewed and there has been no drawdown. The facility was secured by a floating charge on the Group's present and after acquired property. The unamortised transaction costs of \$0.11 million as at 30 June 2015 have been amortised during the current year (note 10).

22. Property, plant and equipment

Cost	Note	Leasehold improvements \$'000	Furniture and equipment \$'000	Computer equipment \$'000	Total \$'000
Balance at 1 July 2015		754	344	691	1,789
Additions		124	84	604	812
Disposals		-	-	(30)	(30)
Exchange differences		10	6	6	22
Balance at 30 June 2016		888	434	1,271	2,593
Balance at 1 July 2014		188	151	422	761
Additions		537	184	280	1,001
Disposals		-	(14)	(46)	(60)
Exchange differences		29	23	35	87
Balance at 30 June 2015		754	344	691	1,789
Accumulated depreciation					
Balance at 1 July 2015		(136)	(94)	(368)	(598)
Charge for the year	9	(396)	(86)	(270)	(752)
Disposals		-	-	18	18
Exchange differences		(1)	(1)	(14)	(16)
Balance at 30 June 2016		(533)	(181)	(634)	(1,348)
Balance at 1 July 2014		(44)	(45)	(245)	(334)
Charge for the year	9	(81)	(47)	(121)	(249)
Disposals		-	7	19	26
Exchange differences		(11)	(9)	(21)	(41)
Balance at 30 June 2015		(136)	(94)	(368)	(598)
Net book value					
As at 30 June 2016		355	253	637	1,245
As at 30 June 2015		618	250	323	1,191

The property, plant and equipment shown above relates to Redbubble offices in Melbourne and San Francisco.

23. Intangible Assets

Cost	Note	Capitalised development costs \$'000
Balance at 1 July 2015		7,434
Additions		6,121
Disposals		(72)
Exchange differences		30
Balance at 30 June 2016		13,513
Balance at 1 July 2014		3,157
Additions		4,216
Disposals		-
Exchange differences		61
Balance at 30 June 2015		7,434
Accumulated amortisation		
Balance at 1 July 2015		(2,843)
Charge for the year	9	(3,257)
Disposals		2
Exchange differences		1
Balance at 30 June 2016		(6,097)
Balance at 1 July 2014		(1,044)
Charge for the year	9	(1,778)
Disposals		-
Exchange differences		(21)
Balance at 30 June 2015		(2,843)
Net book value		
As at 30 June 2016		7,416
As at 30 June 2015		4,591

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. The development costs have finite useful lives typically between 2 to 3 years with a weighted average of 2.2 years.

24. Trade and other payables

	2016 \$'000	2015 \$'000
Trade and other payables ⁽¹⁾	12,495	9,806
GST and other value added taxes payable	584	479
Total trade and other payables	13,079	10,285

⁽¹⁾ Largely includes payables to fulfillers and artists.

25. Employee benefit liabilities

(a) Current employee benefit liabilities

	2016 \$'000	2015 \$'000
Annual leave	976	627
Long service leave	94	65
Total current employee benefit liabilities	1,070	692

(b) Non-current employee benefit liability

	2016 \$'000	2015 \$'000
Long service leave	67	46
Total non-current employee benefit liability	67	46

(c) Unrecognised contingent liabilities

There are no unrecognised contingent liabilities as at 30 June 2016 (2015: \$Nil).

26. Non-current borrowings

	2016 \$'000	2015 \$'000
Unsecured cumulative redeemable preference shares (CRPS) ⁽¹⁾	-	15,166
Total non-current borrowings	-	15,166

⁽¹⁾ On 21 May, 2015, the Group raised \$15.50 million by issuing 476,774 CRPS at \$32.51 per share (face value) and incurred transactions costs of \$0.44 million of which \$0.02 million was amortised up to 30 June 2015. During the current year, the CRPS were converted into ordinary shares on occurrence of the IPO. In order to calculate the number of ordinary shares issued on conversion, both the face value and the accumulated unpaid dividends up to the date of IPO were aggregated. Effective 1 December 2015, each share of the Company was split into 40. Accordingly, the CRPS were converted at a value of \$0.81 (post-split) \$32.51 (pre-split) and 20,022,554 ordinary shares were issued for \$16.27 million.

27. Contributed equity

(a) Share capital

	Consolidated and parent entity			
	2016 Shares	2015 Shares ⁽¹⁾	2016 \$'000	2015 \$'000
Ordinary shares				
Issued and fully paid	198,352,517	141,263,640	67,106	9,344
Transfer from share based payments reserve for exercised options / performance rights	-	-	759	188
Total share capital	198,352,517	141,263,640	67,865	9,532

(b) Movements in ordinary share capital

	Number of Shares ⁽¹⁾	\$'000
At 1 July 2014	47,849,000	974
Exercise of options	2,814,000	177
Conversion of preference shares to ordinary shares	90,600,640	8,193
At 30 June 2015	141,263,640	9,344
Exercise of options	3,710,273	672
Shares issued to employees for vested performance rights	565,740	-
Shares issued pursuant to the IPO ⁽²⁾	22,556,391	30,000
IPO costs, net of tax ⁽²⁾	-	(1,433)
Shares issued on conversion of CRPS ⁽³⁾	20,022,554	16,273
Share issued on conversion of pre-IPO convertible notes (Convertible Notes) ⁽⁴⁾	10,233,919	12,250
At 30 June 2016	198,352,517	67,106

⁽¹⁾ Effective 1 December 2015, each share of the company was split into 40. All the numbers have been converted to equivalent post split numbers for better understanding and comparison.

⁽²⁾ Refer to note 8 for details of the IPO.

⁽³⁾ Refer to note 26 for details of the CRPS.

⁽⁴⁾ Refer to note 34 for details of the Convertible Notes.

(c) Movements in preference share capital

	Number of Shares	\$'000
At 1 July 2014	2,265,016	8,193
Conversion of preference shares to ordinary shares effective 9 January 2015	(2,265,016)	(8,193)
At 30 June 2015	-	-
At 30 June 2016	-	-

(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.

27. Contributed equity (continued)

(e) Preference shares (issued up to 30 June 2014 and converted to ordinary shares on 9 January 2015)

The holders of 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.

(f) Transfer from share based payment reserve

During the year, an amount of \$0.57 million (2015: \$0.19 million) was transferred out of the share based payment reserve to share capital representing aggregated fair value of options / performance rights exercised during the year. The prior year amount represents aggregated fair value of options exercised up to 30 June 2015.

(g) Dividends

No Dividends were declared or paid during the year.

28. Reserves

Nature and purpose of reserves

(a) Share based payment reserve

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

(b) 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 to which it relates is disposed of.

29. 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 parent entity, Redbubble Limited. The proportion of ownership interests held equals the voting rights held by the parent entity. 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 2016 %	Equity holding 2015 %
Redbubble Incorporated	USA	Limited risk distributor engaged in world wide marketing and logistics operations for the parent entity	100	100
Redbubble Europe Limited	UK	Marketing and logistics operations in Europe	100	100

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

30. 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

	2016 \$'000	2015 \$'000
Statement of financial position		
Assets		
Current assets	98,546	42,521
Non-current assets	9,003	9,631
Total assets	107,549	52,152
Liabilities		
Current liabilities	69,351	52,249
Non-current liabilities	67	46
Total liabilities	69,418	52,295
Equity		
Issued capital	67,865	9,532
Share based payment reserve	3,214	1,680
Accumulated losses	(32,948)	(11,355)
Total equity	38,131	(143)
Loss and other comprehensive income		
Loss for the year	(20,827)	(6,480)
Total comprehensive loss	(20,827)	(6,480)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as at 30 June 2016 (2015: \$Nil).

(c) Contingent liabilities of the parent entity

As at the date of these financial statements there are current lawsuits filed against entities within the Group that relate to alleged intellectual property infringement and/or breach of consumer laws.

It is not possible for the Company to provide any reliable assessment of the likely quantum of damages that may become payable upon an adverse finding under any of the claims.

No trial dates have been set for any of the claims and therefore it is not practicable to state the timing of any payment that may arise from an adverse finding.

The Company considers that it is only possible but not probable that any action will succeed and accordingly no provision for any liability has been made in these financial statements.

30. Parent entity financial information (continued)

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

The Company does not consider that any of the current actions are likely to have a material adverse effect on the business or financial position of the Company.

(d) Contractual commitments

As at 30 June 2016, the parent entity had contractual commitments for minimum lease payments in relation to non-cancellable operating leases totalling to \$4.67 million (2015: \$0.56 million). There was a capital commitment towards leasehold improvements as at 30 June 2016 of \$0.58 million (2015: \$Nil).

31. Contingent liabilities

As at the date of these financial statements there are current lawsuits filed against entities within the Group that relate to alleged intellectual property infringement and/or breach of consumer laws.

It is not possible for the Group to provide any reliable assessment of the likely quantum of damages that may become payable upon an adverse finding under any of the claims.

No trial dates have been set for any of the claims and therefore it is not practicable to state the timing of any payment that may arise from an adverse finding.

The Group considers that it is only possible but not probable that any action will succeed and accordingly no provision for any liability has been made in these financial statements.

The Group does not consider that any of the current actions are likely to have a material adverse effect on the business or financial position of the Group.

32. Commitments for expenditure

(a) Capital commitments

The Group had a capital commitment towards leasehold improvements of \$0.58 million as at 30 June 2016 (2015: \$Nil).

(b) Other commitments

The Group had no other material commitments as at 30 June 2016 (2015: \$Nil).

(c) Lease commitments

Operating leases

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

	2016 \$'000	2015 \$'000
Within one year	1,229	1,089
Later than one year but not later than five years	6,182	2,394
More than five years	184	468
Total lease commitments	7,595	3,951

The Group leases offices under non-cancellable operating leases for periods ranging 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.

33. Events occurring after the balance sheet date

The financial report was authorised for issue on 25 August 2016 by the board of Directors. There have been no significant events after the balance sheet date that require disclosure.

34. Pre-IPO convertible notes

On 21 March 2016, the Group raised \$12.25 million (face value) by issue of Pre-IPO Convertible Notes (Convertible Notes) and incurred transactions costs of \$0.61 million. These were converted into ordinary shares upon the IPO (note 27) at a price of \$1.197 and 10,233,919 ordinary shares were issued.

35. Share-based payments

Options over ordinary shares

In September 2015, the Group introduced the "Redbubble Equity Incentive Plan". Under this plan options over ordinary shares may be granted to Redbubble Limited board members, employees (including senior executives) and contractors. The options are subject to service conditions and have a predetermined time-based vesting schedule. The grantees of options under this Plan may exercise vested options at any time before the earlier of:

- (a) a specified expiry date (generally 10 years from the grant date); and
- (b) 90 days after ceasing to be a Director, employee or contractor for Redbubble Limited.

Some of the options already granted have a zero exercise price, so as to be akin to performance rights (or restricted stock units).

During FY 2015, options were granted under the "2014 Option Plan". Options granted prior to that were governed by individual agreements with the relevant participants, (i.e. not subject to centralised equity plan rules such as the 2014 Option Plan or Redbubble Equity Incentive Plan) and do not have performance targets.

Executive options for FY 2015

These were granted in FY 2015 as a short-term incentive (STI) to senior executives of the Group under the 2014 Option Plan. The number of options granted to participants was subject to: achievement of certain performance-based conditions in relation to the Group's Sales and Gross Profit targets or organic visit growth targets; and personal performance assessment. 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.

Performance rights

Up to the end of FY 2015, performance rights were granted under the Restricted Share and Performance Rights Plan to all employees including senior executives, consultants and board members. Two grants were made under this plan during the current year. Once granted, the rights have a predetermined time-based vesting schedule. All the performance rights are subject to service conditions, a liquidity event condition and share trading restrictions. The liquidity event condition will be met during FY2017 on the date 6 months after the date of the IPO and hence, none of the performance rights vest until then.

Executive STI for FY2016 - Options and Performance Rights

The Company has contracted with executives who can materially impact the financial and operational performance of the Group to pay an STI benefit under the "Redbubble SLT Short Term Incentive (STI) Plan". The STI benefits for the current year are subject to: achievement of certain performance-based requirements in relation to the Group's Gross Transaction Value (GTV) and Repeat GTV; and personal performance assessment in the current year.

35. Share-based payments (continued)

The value of the STI is part cash and part equity, with the split depending on the date the executive joined the Company. The equity component will consist of options with a zero exercise price for executives employed by Redbubble Limited and performance rights for executives employed by Redbubble Inc. The options for Redbubble Limited executives will be granted under the Redbubble Equity Incentive Plan. The performance rights for Redbubble Inc. executives will be granted under the "Restricted Share and Performance Rights Plan". The target dollar value of the grants has been determined during the current year but the grants will be made in FY 2017, calculated by dividing the dollar value by the volume weighted average price over a representative 5 day period.

Warrants over ordinary shares (previously over preference shares)

Warrants over preference shares were issued in FY 2012 to Denali Capital Managers Pty Ltd, an entity related to Richard Cawsey, the Chair of the Board, under terms of a loan facility agreement in addition to the interest thereon. The loan facility terminated on 31 December 2012. The Warrants were converted to Warrants over ordinary shares when the Company was converted from a private company to a public company on 9 January 2015.

35. Share-based payments (continued)

(a) Movement

The table below summarises the movement in the number of options / performance rights / warrants during the year

	2016 Number (*)	2016 WAEP (\$) (*)	2015 Number (*)	2015 WAEP (\$) (*)
Options over ordinary shares				
Outstanding at 1 July	17,942,720	0.36	10,776,120	0.13
Granted during the year ⁽¹⁾	9,256,260	0.82	9,980,600	0.51
Exercised during the year	(3,710,273)	0.18	(2,814,000)	0.06
Forfeited during the year	(3,665,826)	0.53	-	-
Expired during the year	(1,126)	0.85	-	-
Outstanding at 30 June	19,821,755	0.57	17,942,720	0.36
Exercisable at 30 June	7,166,690	0.31	6,716,400	0.12
Performance rights				
Outstanding at 1 July	8,465,400	-	4,669,520	-
Granted during the year	60,000	-	4,371,880	-
Exercised during the year	(565,740)	-	-	-
Forfeited during the year	(2,134,456)	-	(576,000)	-
Expired during the year	-	-	-	-
Outstanding at 30 June	5,825,204	-	8,465,400	-
Vested at 30 June ⁽²⁾	3,201,959	-	1,700,280	-
Warrants over ordinary shares				
Outstanding at 1 July	654,560	0.14	654,560	0.14
Outstanding at 30 June	654,560	0.14	654,560	0.14
Exercisable at 30 June	654,560	0.14	654,560	0.14
All plans				
Outstanding at 1 July	27,062,680	0.35	16,100,200	0.13
Granted during the year	9,316,260	0.82	14,352,480	0.51
Exercised during the year	(4,276,013)	0.18	(2,814,000)	0.06
Forfeited during the year	(5,800,282)	0.53	(576,000)	-
Expired during the year	(1,126)	0.85	-	-
Outstanding at 30 June	26,301,519	0.56	27,062,680	0.35
Exercisable at 30 June	11,023,209	0.30	9,071,240	0.12

(*) WAEP stands for Weighted Average Exercise Price. All the numbers have been converted to equivalent post split numbers for better understanding and comparison.

⁽¹⁾ 1,068,720 options have zero exercise price (2015: Nil). The expiry period for grants made during the current year and FY 2015 was 10 years. For the grants made in prior years, the expiry period varied from 3-10 years.

⁽²⁾ 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) except 24,560 rights for FY 2015 which were actually vested. The liquidity event condition will be met in FY 2017 on the date six months after the date of the IPO. The performance rights would have expired in 5-7 years of grant date if the IPO would not have occurred. In FY 2015, 294,960 rights were granted that were not subject to a liquidity event condition.

35. Share-based payments (continued)

(b) Modifications to the awards ⁽¹⁾

The table below details modifications to a number of options/performance rights during the year:

	2016 Number (*)	2015 Number (*)
Waiver of liquidity event condition / accelerated vesting with respect to performance rights	221,904	352,400
Extension of expiry period by two years for options over ordinary shares	-	2,396,160
Cancellation pursuant to amendment of contract	100,000	-
Accelerated vesting of unvested options over ordinary shares upon termination	236,040	-
Total	557,944	2,748,560

⁽¹⁾ There was no incremental fair value granted as a result of the modifications.

(*) All the numbers have been converted to equivalent post split numbers for better understanding and comparison.

(c) Additional disclosures

Weighted average fair value of	2016 \$ (*)	2015 \$ (*)
Share available at the date of exercise of options/rights during the year	1.02	0.53
Share options granted during the year	0.49	0.27
Performance rights granted during the year	1.12	0.53

Weighted average remaining contractual life of	2016 (years)	2015 (years)
Share options outstanding at the end of the year	7.53	6.80
Warrants outstanding at the end of the year	0.50	1.51
Performance rights outstanding at the end of the year	0.38	5.34

Inputs to Black-Scholes (weighted average)	2016	2015
Expected volatility (%) ⁽¹⁾	44.68	49.61
Risk-free interest rate (%)	2.92	3.01
Expected life (years)	6.05	6.07
Fair market value of share (\$) (*)	0.91	0.53

(*) The \$ values have been converted to equivalent post split numbers for better understanding and comparison.

⁽¹⁾ 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.

36. 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 (2015: \$Nil).

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

	2016 \$	2015 \$
Short-term employee benefits	2,170,139	1,884,176
Post-employment benefits	147,111	83,030
Share-based employee benefits	1,185,827	938,829
Other long-term benefits ⁽¹⁾	19,366	(16,342)
Termination benefits	-	63,174
Total transactions with key management personnel	3,522,443	2,952,867

⁽¹⁾ The negative amount in the prior year relates to long service leave provision no longer required.

(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) Richard 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 \$50,000 were paid (2015: \$92,043). The consulting fees are based on the time and service provided at rates equivalent to other providers of the same services. As at 30 June 2016, there were no outstanding balances (2015: \$Nil).
- (ii) Stephanie Tilenius, a member of the Board, 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. The sublease was terminated on 26 March 2015. In FY 2015, Vida Health paid the Group rental payments of \$25,457 and there were no outstanding balances.

36. Related party transactions (continued)

- (iii) Chris Nunn, the Chief Financial Officer, is a Director of Elite Executive Services Pty Ltd, which has provided executive relocation services to employees of Redbubble during the year for which the fees totalled \$12,710 (2015: \$Nil). The fees are based on the time and service provided at rates equivalent to other providers of the same services. As at 30 June 2016, the outstanding balance was \$1,865 (2015: \$Nil).
- (iv) Rob Baumert, the Chief Fulfilment and Analytics Officer, exercised part of his options and sold the related shares during the year ended 30 June 2016, resulting in a receivable balance of \$79,000 (2015: \$Nil) in relation to exercise and withholding taxes on the sale. As at year end, the balance stands recovered (2015: \$Nil).

- (v) The Group granted a loan to Faith Sedlin, the Chief Marketing Officer, in an earlier year. During the year, the related party loan and interest thereon of \$331,145 was recovered (2015: \$52,847). As at 30 June 2016, there was no outstanding balance (2015: \$330,738).

37. Remuneration of auditors

	2016 \$	2015 \$
Ernst & Young		
Audit and review of financial reports	133,617	96,350
Taxation services	231,509	67,739
Initial public offering	680,000	-
Other services	32,510	34,819
Remuneration of Ernst & Young	1,077,636	198,908

38. Segment information

(a) Operating segment

The Group is a global online marketplace and accordingly, has identified that as its only operating segment.

(b) Geographical information

	2016		2015	
	Non-current		Non-current	
	Revenue \$'000	assets ⁽¹⁾ \$'000	Revenue \$'000	assets ⁽¹⁾ \$'000
Australia	7,525	7,290	5,197	4,545
United States	72,008	1,318	43,753	1,237
United Kingdom	16,734	53	10,317	-
Rest of the world	18,311	-	11,803	-
Total	114,578	8,661	71,070	5,782

⁽¹⁾ Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

39. New and amended accounting standards and interpretations

(i) 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	Application date
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.	1 July 2015
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.	1 July 2015

(ii) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 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:

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	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. Group Assessment 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.	1 January 2016	1 July 2016
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	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. 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. 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. Group Assessment 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.	1 January 2016	1 July 2016

39. New and amended accounting standards and interpretations (continued)

AASB 2015-1	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:</p> <ul style="list-style-type: none"> 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>Group Assessment Minimal impact to the Group's financial report.</p>	1 January 2016	1 July 2016
AASB 2015-2	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>Group Assessment The Group will continue to draft financial statements in the most effective manner in order to meet the requirements of this standard.</p>	1 January 2016	1 July 2016
AASB 2015-9	Amendments to Australian Accounting Standards - Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]	<p>This standard inserts scope paragraphs into AASB 8 and AASB 133 in place of application paragraph text in AASB 1057. This is to correct inadvertent removal of these paragraphs during editorial changes made in August 2015. There is no change to the requirements or the applicability of AASB 8 and AASB 133.</p> <p>Group Assessment Minimal impact to the Group's financial report.</p>	1 January 2016	1 July 2016
AASB 1057	Application of Australian Accounting Standards	<p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same. Accordingly, paragraphs 5 and 22 respectively specify the application paragraphs for Standards and Interpretations in general. Differing application paragraphs are set out for individual Standards and Interpretations or grouped where possible.</p> <p>The application paragraphs do not affect requirements in other Standards that specify that certain paragraphs apply only to certain types of entities.</p> <p>Group Assessment The Group will continue to apply standards that are applicable.</p>	1 January 2016	1 July 2016
2016-1	Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]	<p>This Standard amends AASB 112 Income Taxes (July 2004) and AASB 112 Income Taxes (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.</p> <p>Group Assessment This is only expected to impact the Group if there are deferred tax assets for unrealised losses on debt instruments measured at fair value in the future.</p> <p>This standard will not be early adopted by the Group.</p>	1 January 2017	1 July 2017
2016-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107	<p>This Standard amends AASB 107 Statement of Cash Flows (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</p> <p>Group Assessment Minimal impact to the Group's disclosures in the financial report.</p>	1 January 2017	1 July 2017

39. New and amended accounting standards and interpretations (continued)

AASB 9	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>Group Assessment This is only expected to have an impact on the Group if hedging is undertaken in the future.</p> <p>This standard will not be early adopted by the Group.</p>	1 January 2018	1 July 2018
AASB 15	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 (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>Group Assessment The Group has not yet made an assessment of whether this standard will be early adopted.</p>	1 January 2018	1 July 2018
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	<p>AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require:</p> <p>(a) A full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not) (b) A partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p> <p>AASB 2014-10 also makes an editorial correction to AASB 10.</p> <p>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016.</p> <p>Group Assessment This is only expected to impact the Group should such activities be undertaken in the future.</p> <p>This standard will not be early adopted by the Group.</p>	1 January 2018	1 July 2018

39. New and amended accounting standards and interpretations (continued)

AASB 16	Leases	The key features of AASB 16 are as follows:	1 January 2019	1 July 2019
		<p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <ul style="list-style-type: none"> (a) AASB 117 Leases (b) Interpretation 4 Determining whether an Arrangement contains a Lease (c) SIC-15 Operating Leases–Incentives (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p> <p>Group Assessment</p> <p>The Group has not yet made an assessment of whether this standard will be early adopted.</p>		

Directors' Declaration

In accordance with a resolution of the Directors of Redbubble Limited, we state that in the Directors' opinion:

(a) the financial statements and notes set out on pages 40 to 79 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 2016 and of its performance for the financial year ended on that date; and

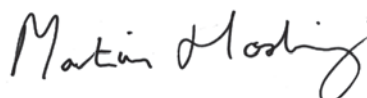
(b) there are reasonable grounds to believe that Redbubble Limited will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director & Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.



Richard Cawsey
Chairman
Melbourne
25 August 2016



Martin Hosking
Chief Executive Officer
Melbourne
25 August 2016



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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 2016, 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 2(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:



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- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 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 2(a)(i).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Redbubble Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Kylie Bodenham
Partner
Melbourne
25 August 2016

Shareholder and other ASX Required Information

The shareholder information set out below was applicable as at 12 September 2016.

A. Distribution of shareholders

Analysis of numbers of ordinary shareholders by size of holding:

Range	Total holders	Shares	% of Issued Capital
100,001 and Over	96	189,650,603	95.24
10,001 to 100,000	256	7,072,084	3.55
5,001 to 10,000	176	1,432,116	0.72
1,001 to 5,000	274	920,933	0.46
1 to 1,000	74	45,101	0.02
Grand Totals	876	199,120,837	100

There were 25 holders of less than a marketable parcel of ordinary shares.

B. Top 20 Holders of Fully Paid Ordinary Shares

The names of the twenty largest registered holders of quoted fully paid ordinary shares are listed below:

Name	Number of ordinary shares	% of Issued Capital
Jellicom Pty Ltd	47,909,520	24.06
CAV IH No5 Ltd	16,719,480	8.40
J P Morgan Nominees Australia Ltd	14,519,453	7.29
Blackbird FOF Pty Ltd	11,361,819	5.71
Cawsey Superannuation Fund Pty Ltd	9,726,480	4.88
National Nominees Ltd	8,062,760	4.05
Simon Yencken	5,890,160	2.96
Piton Capital Venture Fund II LP	5,537,291	2.78
HSBC Custody Nominees (Australia) Ltd	5,411,299	2.72
HSBC Custody Nominees (Australia) Ltd - a/c 2	4,833,497	2.43
Australian Direct Investments Pty Ltd	3,259,160	1.64
G A Bundy & N T Bundy	3,200,000	1.61
Radiata Investments Pty Ltd	2,966,200	1.49
Lonsdale Nominees Pty Ltd	2,408,640	1.21
Jabbour Holdings Pty Ltd	2,068,450	1.04
Citicorp Nominees Pty Ltd	1,919,674	0.96
Paul Vanzella	1,905,984	0.96
Gatum Pty Ltd	1,881,520	0.94
Denali Venture Partners Fund 1 LP	1,840,240	0.92
Martin Hosking	1,641,880	0.82
Top 20 holders of Ordinary Fully Paid Shares (TOTAL)	153,063,507	76.87
Total Remaining Holders Balance	46,057,330	23.13
Grand Totals	199,120,837	100.00

Shareholder and other ASX Required Information (continued)

C. Unquoted equity securities

The numbers of unquoted equity securities in the Company are set out below:

Type of equity security	Number held
Share Options	19,734,766
Performance Rights	5,780,244
Total number of ordinary shares subject of options and performance rights	25,515,010

D. Substantial Holders

Substantial holders in the Company* are set out below:

Name	Number held	% of Issued Capital
Martin Hosking (directly and through controlled entity)	49,620,449	24.92
Simon Baker (through controlled entity)	16,719,480	8.40
MXB Holdings LP	13,541,880	6.80
Richard Cawsey	12,278,640	6.17
Blackbird FOF Pty Ltd	11,361,819	5.71
Acorn Capital Ltd	10,483,680	5.26

*As disclosed in substantial shareholder notices received by the Company

E. Securities subject to escrow arrangements

As at 12 September 2016, these were 68,758,535 Ordinary Shares subject to voluntary escrow on issue. The escrow period for these shares ends two business days after release of Company's FY2017 full year results.

F. Voting Rights

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

- **Ordinary Shares**

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

- **Options and Performance Rights**

No voting rights

G. Other ASX Required Information

The Company has used the cash and assets in a form readily convertible to cash, that it had at the time of admission to the ASX, in a way consistent with its business objectives. This statement is made pursuant to ASX Listing Rule 4.10.19.

Corporate Information

Directors	Richard Cawsey (Chair) Martin Hosking (Chief Executive Officer and Managing Director) Stephanie Tilenius Teresa Engelhard Greg Lockwood Grant Murdoch (appointed 1 January 2016) Chris Nunn (resigned as Director on 28 October 2015 - and commenced as CFO on 1 November 2015)
Company Secretaries	Corina Davis Paul Gordon
Registered Office	Level 3, 271 Collins Street Melbourne VIC 3000 Australia
Share Register	Link Market Services Tower 4, 727 Collins St Melbourne VIC 3008 Australia
Auditors	Ernst & Young 8 Exhibition Street Melbourne VIC 3000 Australia
Bankers	Commonwealth Bank of Australia
Stock Exchange Listing	Redbubble Ltd shares are listed on the Australian Securities Exchange (listing code: RBL)
Website	redbubble.com
Investor Centre	shareholders.redbubble.com



