



ANNUAL REPORT 2018





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Founded in 2006, Redbubble is a global online marketplace (redbubble.com) powered by over 700,000 independent artists. Redbubble's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, 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.

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

Year in Review

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

\$m for financial year (unless otherwise indicated)	FY17	FY18	% change**
Key financial metrics – financial performance			
Gross Transaction Value (GTV)*	175.4	231.3	31.9%
Repeat GTV*	66.6	87.6	31.7%
Revenue from ordinary activities	141.0	182.8	29.7%
Fulfiller expenses	90.8	118.8	30.8%
Gross profit*	50.1	63.9	27.5%
Gross profit margin (%)*	35.6%	35.0%	(1.7%)
Paid acquisition	12.2	16.8	36.9%
Gross profit after paid acquisition (GPAPA)*	37.9	47.1	24.4%
GPAPA margin (%)*	26.9%	25.8%	(4.0%)
Net operating expenses (exclusive of capitalised development costs)^	46.0	54.5	18.7%
Earnings before interest, tax, depreciation and amortisation (EBITDA) Profit / (Loss)* ^	(8.1)	(7.4)	8.4%
Net Loss After Tax	(7.6)	(10.1)	(33.1%)
Loss per security (cents)	0.04	0.05	(25%)
Key financial metrics – financial position (at 30 June)			
Cash at bank	27.8	21.3	(23.6%)
Intangible assets (Capitalised development costs)	8.9	10.5	19%
Deferred tax assets	14.0	8.7	60.2%

For other metrics please refer to the Redbubble FY18 Full Year Results Presentation

* GTV, Gross profit, Gross profit margin, GPAPA, GPAPA margin and EBITDA are non-IFRS measures that are presented to provide readers a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

** % change calculations for key financial metrics are based on unrounded numbers.

^ Net operating expenses and EBITDA includes share based payment expenses. EBITDA differs from Operating EBITDA in that Operating EBITDA excludes share based payment expenses and foreign exchange gains and losses.

Highlights & Commentary

- GTV, the total of sales processed through the Redbubble site less refunds, fraudulent transactions and chargebacks, was up \$55.9 million or 31.9% due to increase in major metrics:
 - Visits were up 70.4 million or 37.4% to 258.8 million with growth in visits from mobiles (46.3%) significantly outstripping growth from desktop (28.2%). Mobile visits represent 54.2% of total visits for the year, an increase of 3.3% from the prior year.
 - Conversion rate was steady at 1.96% despite the increase in the proportion of mobile visits which typically convert to sales at a lower rate than those from desktop.
 - AOV was down \$1.80 or 3.9% to \$45.70 reflecting foreign exchange impacts and changes in product mix.
 - Unique customers and repeat customers are both increasing. Unique customers up 38.1% to 4.0 million reflecting the overall growth in the marketplace. Repeat customers up 42.0% to 1.2 million the increase relative to unique customers reflecting the work undertaken on customer loyalty.
- Geographic split of GTV by region is largely unchanged compared to prior year (FY17) but does show Europe's increasing contribution and the impact of the strong AUD against the British pound in particular:
 - leverage increased throughout the year driving this improved EBITDA result.
 - A tax benefit of \$4.7 million has been recognised, largely due to current year losses, R&D offsets, and tax benefit arising from contributions to the Employee Share Trust.
 - Cash on hand balance at 30 June 2018 was \$21.3 million, down from \$27.8 million at 30 June 2017.
 - As at 30 June 2018, the company has no debt.

Key financial and other metric highlights (half year comparison)

Redbubble has a seasonal business which can be best demonstrated by a comparison of key financial and other metrics between 2HFY17, 1HFY18 and 2HFY18. The first half of the financial year incorporates the December quarter which includes not only the Christmas period, but also the major online sales days around US Thanksgiving. Redbubble's December quarter has typically represented over one-third of the full year's sales, comprising 36.4% in the current year (FY17: 35.6%). The first half outperforms the second half on many financial and non-financial metrics, however, the overall health of the marketplace can be seen by the comparison between 2HFY18 and the prior corresponding period.

FY18 / FY17

- North America 61.3% / 63.9%
- UK 13.4% / 14.3%
- Europe 16.8% / 13.2%
- AU & NZ 7.2% / 7.3%
- Rest of world 1.3% / 1.3%
- Net operating expenses of \$54.5 million were up 18.7%. Modest increases in operating expenses from FY17 to FY18 demonstrate emerging operating leverage.
- EBITDA Loss (GPAPA less operating expenses) was \$7.4 million (reduced from \$8.1 million loss) as the company continued to grow its marketplace. Operational

Highlights & Commentary

(continued)

\$m for half years (unless otherwise indicated)	2HFY17	1HFY18	2HFY18	% change** 2H17 v 2H18
Key financial metrics – financial performance				
GTV*	76.8	129.8	101.5	32.1%
Repeat GTV*	29.8	48.2	39.5	32.6%
Revenue from ordinary activities	62.2	102.3	80.5	29.3%
Fulfiller expenses	40.4	67.0	51.9	28.3%
Gross profit*	21.8	35.3	28.6	31.1%
Gross profit margin*	35.0%	34.5%	35.5%	1.4%
Paid acquisition	5.7	9.6	7.1	25.2%
GPAPA*	16.1	25.7	21.5	33.2%
Net operating expenses (exclusive of capitalised development costs)^	23.2	24.7	29.7	28.4%
Earnings before interest, tax, depreciation and amortisation (EBITDA) Profit / (Loss)*	(7.0)	0.9	(8.3)	(18.6%)
Net Loss After Tax	4.7	2.3	7.7	(64.4%)
Other metrics				
Site visits (million)	96.8	127.5	131.3	35.6%
Conversion rate (% of visits)	1.7%	2.2%	1.7%	-
AOV (\$ per order)	46.1	45.9	45.4	(1.6%)
Selling artists (thousands)	178	219	233	31.0%
Unique customers (millions)^	1.39	2.35	1.88	35.5%
Repeat customers (millions)^	0.46	0.75	0.64	39.0%

* GTV, Gross profit, Gross profit margin, GPAPA, GPAPA margin and EBITDA are non-IFRS measures that are presented to provide readers a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

** % change calculations for key financial metrics are based on unrounded numbers.

^ Customers that are unique purchasers in both 1H and 2H are counted as a single unique customer on a yearly basis. Customers that are repeat purchasers in both 1H and 2H are counted as a single repeat customer on a yearly basis.

^^ Net operating expenses and EBITDA includes share based payment expenses. EBITDA differs from Operating EBITDA in that Operating EBITDA excludes share based payment expenses and foreign exchange gains and losses.

Chair's Letter



We are pleased to present the 2018 Annual Report for Redbubble Limited.

Redbubble continues to grow strongly, establishing itself as a major global marketplace. Our growth is being driven by the trends highlighted last year: the continuing shift in retail demand toward broader, individualised choice in product design and decoration; the strength and vibrancy of our creative community; the increasing awareness and adoption of "on demand retail"¹; and the need for us to continue to rapidly evolve the organisation's executive and governance capabilities and bench strength as we quickly scale Redbubble's global presence.

This year's report highlights strong progress on all those fronts. All Redbubble's key markets are growing rapidly; not just our emerging European language businesses, but also our core US and UK markets. Growth in our artist community and our numbers of new and repeat customer underpins the robustness, resilience and relevance of the Redbubble marketplace.

Investment in Innovation is increasingly important to Redbubble's growth as we establish leadership in the world of on-demand commerce. We are seeing the impact of these investments in our new initiatives. The mobile app is rapidly becoming a key driver of revenue, loyalty and repeat business. Our deep investment in rapidly evolving the platform has led to increases in speed and a better user experience, with resultant reward in growth in non-paid traffic.

Well prior to our 2016 listing on the ASX, the board had focused on the long-term sustainability of the business, including the succession of leadership from the founding team to the next generation. It is with particular pleasure, that we were able to announce earlier this year, that Barry Newstead - a well-tested, impactful and well-rounded internal candidate - was appointed as Redbubble's next CEO and Managing Director, upon Martin Hosking's retirement from the executive. It is a testament to Martin's leadership and the growth in capability of the executive that such a smooth transition was possible.

We are delighted to report that Anne Ward and Jenny Macdonald joined the board in early 2018. Their ASX, commercial, operating and governance experience have enhanced the board operations and deliberations. Subsequent to his retirement as Managing Director, Martin Hosking remains on the board as a Non-executive Director, maintaining the company's access to his deep knowledge and insights. Redbubble's board will continue to develop and evolve, ensuring that we can readily meet the challenges and opportunities of a fast growing global company.

Redbubble's strong performance in FY2018 attests to the dedication, skills and growth orientation of the organisation's leadership and employees as a whole. On behalf of the board, I would like to thank all the Redbubble staff for their achievements over the year, not the least of which is maintaining focus and performance during our leadership succession.

To our shareholders, thank you for your continuing support. We will continue to focus on building a company of enduring value and look forward to our shareholders being fully rewarded for their support.

Yours faithfully,

Richard

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

Richard Cawsey

Chair

8th October 2018

¹ "On-demand retail" is defined as the creation or significant customisation of products for individual customers.

CEO's Review



I am honoured to have been appointed CEO of Redbubble in August 2018, following Martin Hosking's retirement. I am excited to serve our shareholders, artists, partners and our tremendous team and I am deeply committed to realising our mission to create the world's largest marketplace for independent artists, bringing more creativity into the world.

My thanks go to Martin Hosking for his incredible contribution to Redbubble as a founder and CEO. Martin has been instrumental in our success and I look forward to working with him in our new capacities. I would like to thank the board and employees of Redbubble for the confidence they have in me.

Redbubble is a revolutionary company. We are creating a world of opportunity for artists and entrepreneurial fulfillers and we are adding a depth of personal meaning and humanity to global commerce. We are leading the emergence of an era of personal commerce powered by consumer demand for the personally relevant and the sharing economy - and fueled by growth in third party print-on-demand technologies.

During the 2018 financial year, the Redbubble marketplace connected nearly 4 million customers around the world to the creative output of over 700,000 independent artists. Our fulfilment partners created and shipped over 5 and a half million packages, each carrying with it a very personal connection between artists and customer.

Redbubble's business model is only just starting to have a disruptive impact in global retail commerce. Our marketplace has the ingredients of massive scale. New artworks and products generate new content that customers are discovering through Redbubble's personalised search and exploration capabilities. When customers engage with artists' work, they inspire those artists to create more - what we call our 'discovery flywheel'.

The growth in customer demand has enabled a second flywheel in the service model of Redbubble - what we call the 'service flywheel'. This flywheel includes third party fulfilment and scalable operations that benefit from economies of scale and low capital costs of geographic localisation. As the scale benefits accrue, the customer value proposition in terms of service and price improve. This helps drive more customer demand and powers the service flywheel. Together the discovery and service flywheels are mutually reinforcing.

We see our market potential expanding as we accelerate our flywheels and innovate to provide customers and artists with a superior value proposition - a value proposition which incorporates unique content and an enjoyable, personalised discovery experience, quality products, timely delivery and affordable prices. We see no ceiling in our addressable market as we expand into new areas and take advantage of our flywheels.

We remain focused on executing strategically. A hallmark of Redbubble is our disciplined focus on the long run potential of the marketplace. For a number of years now, we have been focused on a core set of themes that we know have potential: new products and geographic expansion, transition to a mobile business, exceptional content discovery including personalisation, scalable and cost efficient marketing, artist and fulfiller services and building core technology and operational platforms that scale with the business. We have protected the marketplace by meeting and exceeding our responsibilities to rightsholders. Our relationships with rightsholders are emerging as a new opportunity, in particular with content partnerships focused on fan art. We have also been investing deeply in our people and culture in our three global offices, Berlin, Melbourne and San Francisco.

The 2018 financial year was another great year for Redbubble, as our financial performance and other key metrics show. In addition, our accomplishments during the year have set us up for long term success:

- In April, we started to roll out personalised home pages for members of Redbubble. This is the product of an 18 month effort to create a platform for members, with our data science work providing members with good quality content that fits their interests. We see this as a major step in the process of creating lasting customer relationships with the marketplace.

CEO's Review

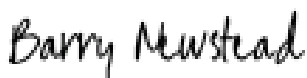
(continued)

- The Redbubble iOS app started to show its promise this year, after being launched globally in May 2017. It provides customers with an engaging platform that both supports a mobile first experience and deepens our customer relationships. In addition, our work on enhancing the mobile web experience has paid off, with overall mobile growth of close to 60%.
- Redbubble's artist community remains strong and highly generative. Their fresh content is what powers our marketplace. We have deployed a beta version of a dashboard using a modernised platform that helps artists with insights that will improve their results on Redbubble. The dashboard helps keep artists engaged and is the first step in our work to deepen our relationships with the Redbubble artist community of over 700,000 people.
- The third party supply chain continues to grow with further localisation of fulfilment in our major geographies and realisation of more competitive fulfillment costs for a number of products. This enabled Redbubble to selectively lower prices and use margin gains to invest in the platform. In June, we successfully launched a new platform to third party fulfillment partners that will provide for improved scaling over time enabling faster new product launches and fulfiller onboarding.
- Our marketing team thrived under the leadership of our new Chief Marketing Officer and a tight partnership with our new San Francisco-based Product Engineering team and Data Scientists. We expanded our automated Google Shopping feeds to 100 million content units and added sophisticated data science enable growth while remaining cost efficient.
- Redbubble's brand has begun to emerge with the strong storytelling of our creative team around the "Find Your Thing" and "Gift Original" themes supported by an expanding social presence via social influencers.
- Our customer support team has slowed contact growth and improved cost per contact. We continue to have a Net Promoter score in the mid-60s.
- Finally, it is critical that we invest in scalable platforms. During the year, we launched a new platform that dramatically sped up the performance of the website for customers. Our most trafficked pages now perform at world class speeds. Speed and scalability have been major themes and we delivered platform gains that benefited users, enabled internal efficiencies and future scaling.

We delivered robust growth across all aspects of the marketplace in FY2018. I am thrilled by the fact that we have delivered these results while reserving a lot of our growth investments for longer-term projects. What you see in our results is the fruits of earlier investing of this sort. Three years ago we committed to growing via new products and new markets. We shifted the business towards mobile and we invested in search, paid marketing and data science as core capability areas. These are driving the value we see today. We are aiming to sustain this level of performance for many years to come by focusing over multiple years on major areas for growth in the marketplace flywheel.

There is a lot of great work happening within Redbubble - all focused on accelerating the flywheels. I'm confident our strategic direction that invests in sustainable growth and are more confident than ever in our ability to execute effectively on the range of opportunities we have at hand.

Thank you for your commitment to Redbubble. I look forward to continuing the strong performance to realise our mission and create value for artists, customers, supply chain partners, employees and shareholders.



Barry Newstead
Chief Executive Officer
8th October 2018

DIRECTORS' REPORT



Directors' Report

This Directors' Report was released to the ASX on 23rd of August 2018.

Your Directors present their report on the consolidated entity, consisting of Redbubble Limited (the **Company**) and the entities it controlled during the financial year ended 30 June 2018 (referred to hereafter as **Redbubble**).

Directors

The following persons were Directors of Redbubble during the 2018 financial year.

Richard Cawsey	Chair, Non-executive Director
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Barry Newstead	CEO and Managing Director (appointed effective 1 August 2018)
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Martin Hosking	Non-executive Director – (previously CEO and Managing Director)
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Greg Lockwood	Non-executive Director
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Grant Murdoch	Non-executive Director
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Hugh Williams	Non-executive Director
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Jennifer (Jenny) Macdonald	Non-executive Director (appointed effective 22 February 2018)
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Anne Ward	Non-executive Director (appointed effective 22 March 2018)
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Teresa Engelhard	Non-executive Director (resigned effective 25 October 2017)
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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).

There were no significant changes in the nature of these activities during the year.

Review of operations

Redbubble continues to achieve high levels of Gross Transaction Value (GTV)¹ and Revenue growth. Revenue grew by 29.7% (30.4% on a constant currency basis)² to \$182.8 million.

Redbubble's business' unit economics improved significantly in the fourth quarter of FY2018 and provide a solid foundation for FY2019. Gross profit for the year was 35.0% inclusive of a second quarter in which fulfiller backlogs and severe weather events in the US and Europe affected delivery times and led to higher fulfilment cost from reprints or expedited shipping costs. In the fourth quarter of FY2018, margins returned to sustainable levels above 36.0% following the favourable impact of reduced fulfiller prices which came into effect in January and February 2018, benefitting the fourth quarter of FY2018 and carrying into FY2019.

Importantly, Redbubble's cash usage was significantly reduced. Aggregate operating and investing cash outflow (negative free cash flow) was \$6.9 million in FY2018, reduced by 48% compared to \$13.3 million in FY2017, demonstrating Redbubble's cash discipline and the scalability of the business.

Redbubble's ability to generate cash from its negative working capital cycle as it grows is a significant advantage reflected in FY2018's positive operating cash flow.

¹ Gross Transaction Value (GTV) is the Group's reported revenue, grossed up for artist margins and taxes.

² "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its GTV in currencies other than Australian dollars

Key financial measures for FY2018 (with year on year ("YoY") growth rates, where applicable) are:

- GTV of \$231.3 million, up 31.9% (up 32.2% on a constant currency basis)
- Revenue of \$182.8 million, up 29.7% (up 30.4% on a constant currency basis)
- Gross profit of \$63.9 million, up 27.5% (up 27.6% on a constant currency basis)
- Gross profit margin of 35.0%
- Gross profit after paid acquisition "GPAPA" of \$47.1 million, up 24.4% (up 23.6% on a constant currency basis)
- Operating (Cash) EBITDA loss of \$3.8 million, an improvement of 20.6% (6.0% on a constant currency basis)
- Cash operating expenses of \$51.0 million, up 19.3% (up 20.2% on a constant currency basis)
- Net loss after tax of \$10.1 million, up 33.1%

The last three quarters of the year demonstrated strong and sustained acceleration of unpaid GTV growth. Sales from unpaid channels in the fourth quarter grew at 41.8% YoY, contributing towards a full year unpaid growth rate of 29.4%. Benefiting from this, customer acquisition costs were kept at a low 9.2% of revenue for the year (slightly higher than last year's 8.7%, but with a favourable trend in the second half of this year).

Redbubble expects improving gross margins and continued low cost of customer acquisition to result in future GPAPA growth rates aligning more closely with growth in Revenue. The business is becoming increasingly sophisticated at balancing pricing and promotions, fulfilment and shipping margins as well as marketing spend to drive increases in GPAPA dollars.

A reconciliation of reported results to non-IFRS numbers in this Directors' Report is provided below.

	2018	2017
Reconciliation of reported results to non-IFRS ¹ numbers	\$'m ²	\$'m ²
Reported revenue from services	182.8	141.0
Fulfiller expenses	(118.9)	(90.8)
Gross Profit	63.9	50.1
Gross Profit Margin	35.0%	35.6%
Paid acquisition costs	(16.8)	(12.2)
Gross Profit After Paid Acquisition costs (GPAPA)	47.1	37.9
Cash Operating Expenses	(51.0)	(42.7)
Operating (Cash) earnings before interest, tax, depreciation and amortisation (EBITDA)	(3.8)	(4.8)
Depreciation and amortisation	(7.8)	(6.5)
Net foreign exchange losses	(0.8)	(0.7)
Share based payments	(2.7)	(2.6)
Interest income	0.4	0.4
Total Loss before income tax	(14.7)	(14.2)
Income tax benefit ³	4.7	6.7
Reported total loss for the year	(10.1)	(7.6)

¹ Non-IFRS measures are presented to provide readers a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

² For presentation purposes, numbers been rounded to millions of dollars, however calculations are based on unrounded numbers.

³ Details of the movement in the income tax benefit are found in note 5(b) of the financial statements. The movement is predominantly due to the tax benefit arising from the issue of shares to the Employee Share Trust.

Continuing to Build a Business of Enduring Value

Redbubble continues to build a robust, scalable and defensible business of enduring value, underpinned by its strong fundamentals: a healthy and vibrant marketplace, strong top-line growth, profitable customer acquisition and retention, and increasing operating leverage.

Marketplace Health

- FY2018 customers increased by 38.1% YoY to 3.97 million;
- FY2018 selling artists increased by 28.2% YoY to 298,700; and
- FY2018 visits to the site increased by 37.4% YoY to 258.8 million.

In FY2018, mobile visits represented 54.2% of total visits, with mobile sales growing at 57.1% YoY delivering 38.8% of GTV. Mobile GTV includes sales from the Mobile iOS App which represented 4.3% of total sales in 4Q and 4.5% in June 2018. Launched only in May 2017, Redbubble expects the App to be a growing contributor to overall GTV in future periods.

Top-line Growth

The growth in visit numbers drove GTV growth across all markets and most product categories. European markets continued to make strong contributions, with sales in Germany growing at 88%, Spain at 93%, and France at 63% compared to last year.

Redbubble believes revenue growth rates consistent with those achieved in FY2018 as a whole, can be sustained for the long term by Redbubble's commitment to delivering on strategic initiatives to accelerate the marketplace flywheel.

Profitable Customer Acquisition

Redbubble has seen an increased proportion of traffic coming from unpaid sources with the previous trend to paid reversing strongly in the second half of the year. Redbubble continues to drive unpaid traffic to generate sales via longer term and ongoing initiatives to improve search results algorithms and site optimisation, translation of artwork titles into the three European languages, the growth of the iOS app and improved personalisation.

Operating Leverage

Redbubble remains focused on its ability to prudently manage operating leverage while investing for growth. FY2018 operating expenses grew at approximately 19%

compared with a top-line growth rate of above 30%.

Employees

Redbubble's growth is facilitated by it retaining and attracting outstanding people in Melbourne, San Francisco and Berlin. Over the past year, we added 24 to the team taking us to 225 employees globally at 30 June 2018; and the web product team is now 88 engineers, product managers, designers and data scientists including a small team established in San Francisco.

New products and product extensions

Redbubble increased the range of physical products available on the marketplace during the year by adding men's & women's premium t-shirts.

Redbubble also added five new line extensions – cases for iPhone 8, 8+, X and Samsung S8, S8+, S9, S9+, three new pillow sizes and one new studio pouch size.

No products were discontinued during the year.

Third party fulfilment locations

The third party fulfilment network continued to expand during the year, improving Redbubble's customer experience by enabling shorter delivery times and reducing shipping costs. This included the addition of six new fulfilment locations (three in the United States, two in Germany and one in Australia).

The Company adheres to a Code of Conduct and policy for ethical sourcing of products by third party suppliers.

All fulfillers have now signed up to the Code of Conduct. See further page 6 below in relation to corporate social responsibility initiatives.

Strategy and likely developments in operations

A significant market opportunity lies ahead of Redbubble. The business is continuing to scale, driven by strong fundamentals, improving unit economics and good momentum. Nevertheless, Redbubble's business model is only just starting to disrupt global retail commerce and to realise the potential of its marketplace at scale. The market potential is expanding as Redbubble innovates to provide customers and artists with a superior value proposition that incorporates unique content, an enjoyable discovery experience, quality products, timely delivery and affordable prices. There is no discernable ceiling to Redbubble's addressable market.

Near term opportunities include the following strategic

themes and initiatives:

- **Find Your Thing** - improving content relevance, the discovery experience, artist engagement and maximizing opportunities in content partnerships;
- **Deeper Relationships** - growing member engagement through personalised discovery including engagement marketing, personalised 'collections' of content and continuing scaling of the Redbubble iOS app;
- **Global Acquisition** - the scaling of organic and unpaid channels through influencer and content marketing, new and expanded channels and applied Data Science, customer service automation for operational efficiencies; and
- **Scalability** - empowering engineers to deliver faster and more scalable platforms, specifically delivering high-performing APIs for products, pricing and fulfilment to enable scaling of product and fulfiller launches in the longer term.

Over the next year, we expect continued progress on these themes and initiatives, which are expected to deliver continued growth in new customer acquisition at a low cost, improved customer retention, and accelerated artist engagement and new content growth; thereby improving the underlying economics of the business.

Significant changes in the state of affairs

In the Directors' opinion, there have been no significant changes in the state of affairs of Redbubble during the 2018 financial year.

Significant events after end of the 2018 financial year

The Company appointed Mr Barry Newstead as its new CEO and Managing Director with effect from 1 August 2018, replacing Mr Martin Hosking who retired from those positions and became an Executive Director on that date. Mr Hosking became a Non-executive Director on 1 October 2018.

Apart from the change in CEO and Managing Director, in the directors' opinion, there have been no matters or circumstances arising since the end of the 2018 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.

Dividends

No dividends were paid or declared since the start of the 2018 financial year.

Corporate Sustainability Statement

Redbubble takes its corporate social responsibilities seriously and recognises that social, environmental and ethical conduct has an impact on Redbubble's reputation and the broader community.

The Redbubble Board is committed to creating enduring value for shareholders and other stakeholders. This is achieved through:

- Implementing sound corporate governance practices;
- Operating in a responsible manner towards employees through fair and equitable practices;
- Transparent reporting on operations and activities;
- Monitoring potential risks and applying mitigating policies; and
- Making a positive impact on the community.

Environmental regulations

Redbubble is committed to comply with all applicable environmental legislation in all jurisdictions in which the Group operates and to adopt responsible environmental practices. The directors are not aware of any material breaches of any environmental legislation affecting Redbubble's operations.

Ethical Policies

As a global marketplace, Redbubble places great emphasis on its contribution and impact in the wider community, both socially and environmentally.

Ethical Production

Redbubble is committed to ethically-sourced apparel. Only independent third party manufacturers who source high quality garments and value the health and welfare of their staff are permitted to participate in the Redbubble marketplace. All children's products sold through the marketplace are compliant with the US Consumer Product Safety Improvement Act. Third party manufacturers hold current Social Compliance Certifications such as Worldwide Responsible Accredited Production ("WRAP") and commit to the US Fair Labor Associations Guiding Principles. All of which ensure safe working conditions, conscientious treatment of workers and focus on minimizing environmental impact.

Major Global Incidents

When a global incident occurs, Redbubble often see works emerge on the Redbubble website as artists respond to real life events. In certain scenarios, we donate all profits from related works to the appropriate charity or organization, ensuring the funds will be used in a meaningful and relevant way. Any content created in response to such events must comply with Redbubble's User Agreement and all of Redbubble's usual policies.

Governance and risk

Redbubble is committed to strong and effective governance and risk management frameworks. Redbubble's corporate governance and risk management 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, consistent 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 and risk appetite 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.

Risk Framework

Redbubble seeks to take and manage risk in ways that will generate and protect shareholder value. For Redbubble the management of risk is a continual process and an integral part of the business.

Redbubble acknowledges that it has an obligation to shareholders, customers, employees, creatives and contractors to implement a risk management framework that reflects Redbubble's risk appetite, thus contributing to the achievement of its strategic objectives. Redbubble is committed to ensuring that a consistent and integrated

approach to managing risk is established at all levels and is embedded in Redbubble's processes and culture.

The objective of Redbubble's risk appetite is to foster a culture of innovation. Redbubble is aware that an overly cautious approach to risk management may have a harmful impact on the achievement of strategic and operational objectives. For this reason, the Board encourages prudent risk taking by Redbubble staff that balances the risks of action versus inaction and subject always to applicable Redbubble policies.

Redbubble has adopted a risk management strategy that aims to identify and minimize the potential for loss while also maximizing strategic opportunities for growth and enhanced service delivery and profitability. Redbubble's Risk Framework is based on the principles contained in AS/NZ ISO Risk Management Principles:

- Identifying and analysing the main risks facing Redbubble;
- Evaluating those risks – making judgments about whether they are acceptable or not;
- Implementing and Documenting appropriately designed control systems to manage these risks;
- Treating unacceptable risks – formulating responses following the identification of unacceptable risks, including action plans to reduce the probability or consequences of an event occurring; and
- Ongoing monitoring, communication, and review.

The Risk Framework outlines the responsibilities for risk management at all levels in the organization. The Framework also supports these responsibilities by defining a risk reporting structure, expectations and the resources and tools required. The risk management process includes risk assessment methodology with identification, analysis, evaluation and treatment in Redbubble's key risk areas.

Principal risks

The following are key risks that may impact Redbubble's financial and operating result in future periods:

- New disruptive business models entering the market and/or existing competitors increasing their market share. To mitigate the impact of this risk we focus on ensuring Redbubble's marketplace provides a market leading experience for artists and customers;
- A prolonged decline in content volume growth, as a result of the removal of problematic content following content management activities. This risk is mitigated by continuous addition of new artists following artist-experience and artist-services activities and the network

effects of continuous growth in website visitor numbers;

- A prolonged interruption to Redbubble's operations or website as a result of cyber-attacks. As a technology-focused business, managing security, and taking care of consumer and customer data is essential. To manage this risk, we have developed and tested our disaster recovery capability and procedures, implemented high availability infrastructure and architectures, and continually monitor our systems for signs of poor performance, intrusion or interruption. Redbubble maintains appropriate data management, security and compliance policies, procedures and practices in place;
- Litigation brought against Redbubble for intellectual property infringement and/or breach of consumer laws due to Redbubble's role as an intermediary for user-generated content. Redbubble mitigates this risk by responding expeditiously to content takedown notices from intellectual property rights-holders and collaborative relationships with rights-holders to promote the integrity of website content, as well as software tools that automate the content management activities;
- Failure to protect the confidential and personal data of artists and customers, resulting in significant legal action, damage to Redbubble's reputation and loss of significant customers. To minimise the impact of these risks we have implemented appropriate IT security measures; including preventative, detective and responsive capabilities and undergone an extensive compliance framework initiative leading up to the enactment of the European General Data Protection Regulation. Redbubble is committed to the 'Privacy by Design'³ method of embedding privacy considerations into the company's products, processes and systems;
- Attracting and retaining top talent in business critical functions. Redbubble is experiencing an increasingly competitive talent market in its Melbourne, San Francisco and Berlin locations. Changes to immigration visa rules in Australia have restricted Redbubble's ability to attract international talent, specifically in critical data science, product management, design, marketing and engineering areas. Redbubble's remuneration strategy and investments in cultural initiatives are designed to mitigate this risk; and
- Exposure to macroeconomic risks affecting consumer demand in relevant retail markets. This risk is largely outside of our control, and are mitigated by spreading our risk and investments across a wide range of countries and investments of varying sizes and value.

Change in key management personnel during the 2018 financial year and since the end of that financial year

The "Key Management Personnel" for the purposes of the FY2018 Remuneration Report have been determined to be:

- Martin Hosking - Chief Executive Officer; during the 2018 financial year.
- Barry Newstead - Chief Operating Officer during FY2018 and Chief Executive Officer from 1 August 2018; and
- Chris Nunn - Chief Financial Officer.

The remainder of the Senior Leadership Team are each key employees to the Company, but not considered "Key Management Personnel" within the definition in 'AASB 124 - Related Party Disclosures'.

Information on Directors

At the date of this report, the Board comprises eight Directors, who collectively have a diverse range of skills and experience. The names of Directors and details of their skills, qualifications, experience can be found below on pages 17 to 19 of this Report.

Between the end of the 2018 financial year and the date of this Report, the Nomination Committee and Remuneration Committee were merged to create a new People and Nomination Committee. The members of the new Committee are Anne Ward (Chair), Grant Murdoch and Jenny Macdonald.

Details of the number of Board and Board Committee meetings held during the year and Directors' attendance at those meetings are shown on page 20. Details of the qualifications and experience of the directors and their directorships of other listed companies held by each current Director in the three years before the end of the 2018 financial year are listed below.

³ The "Privacy by Design" provisions of the GDPR and Privacy Act (AU) require privacy and data protection compliance considerations to be taken into account in product and technology design, where processing of personal data is involved.

Directors' qualifications and experience

Mr Richard Cawsey

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

Richard Cawsey has a 31-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 consultancy that works with fast growing companies to realise their potential and chairs two private companies.

Richard has held a number of board and senior executive roles for ASX listed companies including St. George Bank (then Australia's 5th largest). Prior to returning to Australia, Richard was a managing director with Morgan Stanley working senior roles in Europe, the US and Asia. Richard has a Bachelor of Commerce (Hons) degree from Australian National University and is a graduate of the Australian Institute of Company Directors.

Richard has not held any other listed company directorships in the 3 years to 30 June 2018.

Mr Martin Hosking

Executive Director

Martin Hosking is a co-founder of Redbubble. He became the CEO and Managing Director in July 2010. Martin resigned as CEO and Managing Director and became an Executive Director on 1 August 2018 (upon the appointment of Barry Newstead as CEO and Managing Director) and will transition from Executive Director to Non-executive Director on 1 October 2018.

Martin has spent over 20 years scaling Australian technology companies. 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.

Martin has not held any other listed company directorships in the 3 years to 30 June 2018.

Mr Barry Newstead

CEO and Managing Director from 1 August 2018 (previously Chief Operating Officer)

Barry Newstead was appointed CEO and Managing Director with effect from 1 August 2018. He joined Redbubble in 2013 and as Chief Operating Officer had executive responsibility for Redbubble's growth and culture. Under his leadership, the technology, product, design, marketing, strategy, commercial and operations teams have been built to scale driving much of Redbubble's growth and strengthening economics, while building platforms and team culture for the long term. Prior to joining Redbubble, Barry held internet focused executive roles at the Wikimedia Foundation (which runs Wikipedia) in San Francisco and at Australia Post. He spent 14 years as a strategy consultant with the Boston Consulting Group and the Bridgespan Group (an affiliate of Bain & Company). Barry has lived and worked in North America, Asia, Europe and Australia.

Barry earned his bachelor's degree from Ivey Business School, Canada, and a Master's degree from Harvard University, USA. Barry is a graduate of the Australian Institute of Company Directors. He is a board member of the Foundation for Young Australians.

Barry has not held any other listed company directorships in the 3 years to 30 June 2018.

Ms Jennifer (Jenny) Macdonald

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

Jenny Macdonald is a professional company director, currently serving on the board and audit committee of ASX-listed Australian Pharmaceuticals Ltd (ASX: API), the parent company of Priceline Pharmacy, Soul Pattinson Chemist and Pharmacist Advice, and is the Audit Chair for both Redflow Ltd (ASX:RFX) and Bapcor Ltd. (ASX:BAP). Jenny previously held Non-executive Director roles at online services marketplace hipages Group, and non-profit organisation Fitted for Work. She also has extensive experience working for ASX-listed and global companies at the CFO and general management level, including as CFO and interim CEO at Helloworld Limited, and CFO and General Manager International with REA Group. Jenny holds a Masters of Entrepreneurship and Innovation: Swinburne University (Victoria), a Graduate Diploma from the Securities Institute of Australia and a Bachelor of Commerce from Deakin University (Victoria). She is a Graduate of the Australian Institute of Company Directors and a Member of the Institute of Chartered Accountants ANZ.

Jenny has held the following listed company directorships in the 3 years to 30 June 2018:

- Australian Pharmaceuticals Ltd (from 9 November 2017 to present)
- Redflow Ltd (from 22 December 2017 to present)

Also as noted above, Jenny became a director of Bapcor Ltd since the end of the 2018 financial year.

Ms Anne Ward

Independent Non-executive Director
Chair of the People and Nomination Committee

Anne Ward is a professional company director with over 30 years extensive experience in business management, strategy, finance, risk and governance across a range of industries including banking, financial services, technology, healthcare, education, property and tourism. Anne is independent Chairman of Colonial First State Investments Ltd, Chairman of Qantas Superannuation Ltd, a Director of ASX listed MYOB Group Ltd (ASX:MYO), and, until recently, Chairman of the Zoological Parks and Gardens Board in Victoria. She is currently a member of the Council at RMIT University, a Director of the Foundation for Imaging Research, and a Governor of the Howard Florey Neuroscience Institutes. Prior to becoming a professional director, Anne was a commercial lawyer for 28 years and was General Counsel for Australia at the National Australia Bank. She holds a Bachelor of Laws and a Bachelor of Arts from the University of Melbourne, is admitted as a barrister and solicitor in the Supreme Court of Victoria and is a Fellow of the Australian Institute of Company Directors.

Anne has held the following listed company directorships in the 3 years to 30 June 2018:

- MYOB Group Ltd (from March 2015 to present)
- Flexigroup Ltd (from January 2013 to August 2015)

Mr Greg Lockwood

Independent Non-executive Director

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.

Greg has not held any other listed company directorships in the 3 years to 30 June 2018.

Mr Grant Murdoch

Independent Non-executive Director
Chair of Audit and Risk Committee
Member of the People and Nomination 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 more than 38 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), Lynas and OFX Limited (previously Ozforex Limited). He was previously a director and the chair of the audit committees for QIC from 2011 to 2017. 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 Northwestern University. He is fellow of both the Institute of Chartered Accountants in Australia and New Zealand and of the Australian Institute of Company Directors. He is a member of the AICD State Council for Queensland for the Australian Institute of Company Directors.

Grant has held the following listed company directorships in the 3 years to 30 June 2018:

- ALS Limited (from 1 September 2011 to present)
- Lynas Limited (from 1 November 2017 to present)
- OFX Group Limited (from 19 September 2013 to present)
- Cardno Limited (from 1 January 2013 to 6 November 2015)

Dr Hugh Williams*Independent Non-executive Director*

Hugh Williams joined the Board as an independent Non-executive director in February 2017. From 2004 to 2017, Hugh held technical executive roles at Google, eBay, Microsoft, Pivotal, and Tinder. Prior to that, he spent over ten years at RMIT University, and prior to that five years running his own startup and consultancy in Melbourne. He is currently a Distinguished Fellow at the Melbourne Business School, an Adjunct Professor at RMIT University, a director of MessageMedia Limited and an advisor to Doordash and Photobox. He has published around 120 works, including over 25 issued US patents. He has a PhD in Computer Science from RMIT University. He is a member of the Australian Institute of Company Directors.

Hugh has not held any other listed company directorships in the 3 years to 30 June 2018.

Board and Committee Meetings - attendance during FY2018

	Board		Audit and Risk 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	10	10	5	5	-	-	3	3
Martin Hosking ¹	10	10	5	5	5	5	3	3
Barry Newstead ²	-	-	-	-	-	-	-	-
Anne Ward ³	4	4	-	-	2	2	1	1
Grant Murdoch	10	9	5	5	5	5	-	-
Jenny Macdonald ⁴	5	5	1	1	-	-	-	-
Greg Lockwood	10	10	5	5	-	-	-	-
Hugh Williams	10	10	-	-	5	5	3	2
Teresa Englehard ⁵	3	3	-	-	3	3	-	-

¹ Martin Hosking attends Audit and Risk Committee and Remuneration Committee meetings by standing invitation to those meetings (as well as being a member of the Nomination Committee).

² Barry Newstead joined the Board effective 1 August 2018.

³ Anne Ward joined the Board, Remuneration and Nomination Committee effective 22 March 2018.

⁴ Jenny Macdonald joined the Board and Audit and Risk Committee effective 22 February 2018.

⁵ Teresa Engelhard resigned from the Board and Remuneration Committee effective 25 October 2017.

Directors' interests and shares and options

	Shareholdings	Options outstanding	Performance rights outstanding
Richard Cawsey	13,994,196	72,353	
Martin Hosking	52,796,178	2,087,505	32,960
Barry Newstead	326,224	2,750,303	36,192
Greg Lockwood	6,465,131	-	-
Jennifer Macdonald	20,000	-	-
Grant Murdoch	205,187	97,733	-
Anne Ward	-	-	-
Hugh Williams ¹	-	236,176	-
Total interests	73,806,916	5,244,070	69,152

¹ Hugh Williams was granted 200,000 options in prior years in his capacity as a consultant to Redbubble.

Share options granted

During and since the end of the financial year, an aggregate 2,521,730 share options were granted to the directors and to the five highest remunerated officers of the company and its controlled entities as part of their remuneration (see page 22).

Retirement, election, continuation in office of Directors

Under Redbubble's constitution, the following directors are eligible to and will seek election at the 2018 Annual General Meeting (AGM):

- Jenny Macdonald;
- Anne Ward;
- Greg Lockwood; and
- Martin Hosking.

Under Redbubble's constitution, Directors cannot serve beyond three years or the third 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.

Barry Newstead, who is Managing Director and Chief Executive Officer, is not required to be re-elected while he holds the position of Managing Director.

Company Secretaries

Redbubble's Company Secretaries are Ms Corina Davis (based in the US) and Mr Paul Gordon (based in Australia).

Ms Corina Davis

Executive Vice President, Business Development, Chief Legal Officer and Company Secretary (US)

Corina Davis joined Redbubble in 2012 and oversees the company's legal function. In 2017 Corina also assumed responsibility for Redbubble's partnerships and licensing initiatives. 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 is a board member of the Australian Digital Alliance, Australia's peak body representing copyright users and innovators in digital. 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 private practice in Australia, the UK and New Zealand. Before joining Redbubble, Paul was the General Counsel at ASX-listed REA Group. Before that Paul was a Senior Corporate Associate at Nabarro LLP in the UK and also practiced at Hogan Lovells (UK) and Chapman Tripp (NZ). Paul holds a Bachelor of Laws (Hons) and Master of Commerce from the University of Canterbury NZ and a Certificate in Governance Practice from the Governance Institute of Australia.

The Redbubble Senior Leadership Team

Please see above for the biographies of Senior Leadership Team members:

- **Barry Newstead**, *Chief Executive Officer and Managing Director*
- **Corina Davis**, *Executive Vice President, Business Development, Chief Legal Officer and Company Secretary*

Biographies for the remaining Senior Leadership Team members follow:

Mr Chris Nunn

Chief Financial Officer

Before Chris Nunn's appointment as Chief Financial Officer 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 29 years of experience in the financial services and property funds management industries, and has spent most of the past 22 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.

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.

Mr Nicholas Kenn*Chief Product Officer*

Nick Kenn joined Redbubble in February 2016 and heads up Product Management. Redbubble is the third marketplace Nick has worked on – after Betfair, where he headed up customer acquisition in the UK before moving to Australia to launch Betfair Australia. Nick also ran Flippa.com, where he was responsible for hyper growth of the websites, domains and apps marketplace. Nick has a Bachelor of Arts degree from the University of Sheffield, UK.

Mr Arnaud Deshais*Senior Vice President, Global Operations*

Arnaud Deshais joined Redbubble in 2014 and oversees the Global Operations function. Arnaud has a wide range of Operations experience with particular expertise in the areas of supply chain, fulfillment, logistics, quality and customer experience. Before joining Redbubble, Arnaud was the Director of Supply Chain for Art.com. Earlier, he was a Consultant Manager for Cap Gemini Ernst and Young within the Supply Chain and High Tech Practices. Arnaud is an active member of APICS and ISM. Arnaud holds an MBA from Clemson University, USA and ESC Rennes, France.

Ms Jorie Waterman*Chief Marketing Officer*

Jorie Waterman joined Redbubble as Chief Marketing Officer in September 2017. Jorie has over 20 years of performance marketing experience, including 8 years specifically focused on ecommerce businesses, previously holding senior marketing positions at Shutterstock, Ebay Enterprise, and McCann Worldwide. Jorie began her career in performance marketing working for companies like iCrossing and Microsoft where she primarily focused on search marketing and behavioral targeting. Jorie has a Bachelor of Arts in Comparative Religion from Harvard University, USA.

Details of share options and performance rights for Redbubble directors and executives

Below are details of options and performance rights in respect of ordinary shares in Redbubble Limited granted to directors or any of the 5 most highly remunerated officers of the company (other than the directors) during the 2018 financial year.

	Number of options granted	Number of ordinary shares under option
Richard Cawsey	72,353	72,353
Martin Hosking	555,405	555,405
Grant Murdoch	42,059	42,059
Hugh Williams	36,176	36,176
Barry Newstead	537,975	537,975
Victor Kovalev	333,734	333,734
Corina Davis	100,000	100,000
Chris Nunn	144,028	144,028
Jorie Waterman	700,000	700,000
Total options	2,521,730	2,521,730

There have been no options or performance rights granted to this group between the end of the 2018 financial year and the date of this Directors' Report.

The following table shows the total numbers of ordinary shares in Redbubble Limited subject to options or performance rights as at the date of this Directors' Report.

	Number outstanding	Last expiry date
Options	20,340,040	31 July 2028
Performance Rights ¹	251,775	NA
Total awards outstanding	20,591,815	

¹ Performance rights granted do not have an expiry date. Ordinarily these vest and are settled according to a participants' vesting schedule, and any outstanding performance rights are otherwise forfeited when a participant no longer satisfies the service conditions in their agreement.

Holders of options or performance rights 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.

The Financial Report contains details of the total number of ordinary shares in Redbubble Limited issued following exercise of options and vesting of performance rights during the 2018 financial year. The following table shows the total number of ordinary shares in Redbubble Limited issued following exercise of options and vesting of performance rights since the end of the 2018 financial year, to the date of this Report:

	Number	Exercise price paid
Settlement of vested performance rights	84,870	-
Exercise of options	2,220,976	734,479
Total	2,305,846	734,479

No amounts remain unpaid in respect of the shares issued, as outlined above.

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 2018 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.

Proceedings against the Company

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. There is no certainty around the amount or timing of any outflow should any of the actions ultimately be successful (at first instance or on appeal, as applicable).

The Company does not currently consider that any of the current proceedings 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 material threats of civil litigation proceedings, arbitration proceedings, administration appeals, or criminal or governmental prosecutions in which the Company or other members of Redbubble are directly or indirectly concerned.

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.

Remuneration Report

The Remuneration Report is set out on pages 26 to 44 and forms part of the Directors' Report for the financial year ended 30 June 2018.

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 Legislative Instrument 2016/191. The Company is an entity to which the Legislative Instrument applies.

Auditor

Ernst & Young 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 Ernst & Young, 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 Ernst & Young during or since the end of the 2018 financial year.

Non-audit services

During the year Ernst & Young performed other services in addition to its audit responsibilities. The Directors are satisfied that the provision of non-audit services by Ernst & Young 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.

Details of the amounts paid to the auditor of the Company and its related practices for non-audit services provided throughout the 2018 and 2017 financial years are set out below.

	2018 \$	2017 \$
Non-audit services		
Taxation services	19,750	37,471
Other services	48,751	18,073
Total	68,501	55,544

Fees for Audit services

Details of the amounts paid to the auditor for audit services provided throughout the 2018 and 2017 financial years are set out in Note 20 to the Consolidated Financial Statements.

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 25. The Auditor's Independence Declaration forms part of the Directors' Report.

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



Richard Cawsey
Chair
23 August 2018



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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 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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 black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that appears to read 'K Bodenham'.

Kylie Bodenham
Partner
23 August 2018

REMUNERATION REPORT



LETTER FROM THE REMUNERATION COMMITTEE

Dear Shareholder,

Thank you for your support of Redbubble Ltd (the Group). On behalf of the Board I am pleased to present the Group's Remuneration Report for the year ended 30 June 2018.

One of the things that attracted me to join Redbubble Ltd's Board in March 2018 was its focus on building lasting value for shareholders by creating the world's largest marketplace for independent artists, bringing more creativity into the world.

It is the responsibility of the Remuneration Committee to ensure the Group has a remuneration structure aligned to this mission. One that attracts, motivates and retains the best global talent and encourages Executives to build sustainable, long-term value.

Based on the Group's financial performance in FY2018, the short term incentive payments awarded to Executives averaged 87% of target. This reflected achievement of some, but not all, of the Group level KPI's set by the Board and performance against individual KPI's. Short term incentive payments remain a relatively small part of Executive remuneration, with a greater focus on equity grants which we believe better align Executive efforts with shareholders, long term decision making and company growth.

For FY2018, the Group introduced a new Non-executive Director (NED) remuneration model to more directly align NEDs with the creation of a company of enduring value. This followed a review of relevant similar sized ASX listed companies to benchmark NED remuneration. Group NEDs will continue to be compensated at a modest premium to the 50th percentile of the peer group, with $\frac{2}{3}$ paid in cash and $\frac{1}{3}$ in deferred shares, granted annually, with no hurdles or performance component.

On 1 August 2018 the Board appointed a new Managing Director and CEO, Barry Newstead, who took over from Martin Hosking who has served since 2010. The contract negotiated with the new CEO reflects the Board's intention to continue to evolve the Group's remuneration structure and to better align remuneration with the Group's strategic intent, recognising its unique challenges and opportunities. Details of Barry's contract were released to the market when his intended appointment was announced on 20 June 2018.

During FY2019, the Remuneration Committee will conduct a review of the effectiveness of the current remuneration model and identify any enhancements to best serve the Group in the future.

Finally, for 2019, the Committee has been merged with the Nomination Committee. The new committee is entitled 'the People and Nomination Committee' and will be chaired by myself.

Redbubble Remuneration Committee Chair
Anne Ward

1. Remuneration Report overview

The Directors of Redbubble Limited (the **Group**) present the Remuneration Report (the **Report**) for the Group for the financial year ended 30 June 2018. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001.

The report details the remuneration arrangements for Key Management Personnel (**KMP**). KMP are those persons who have authority and responsibility for planning, directing and controlling the activities of the Group.

In July 2017, the Group's management structure was reorganised. As part of this, the definition of KMP under the Corporations Act was evaluated and it was determined that the CEO, CFO and COO were the only executives with the authority and responsibility for planning, directing and controlling the activities of the Group. As a result the number of KMP disclosed in this year's Annual Report has been reduced.

The table below outlines the KMP of the Group and their movements during FY2018:

	Name	Position
Non-executive Directors	Richard Cawsey	Chair, Non-executive director
	Teresa Engelhard	Non-executive director (resigned 25 October 2017)
	Greg Lockwood	Non-executive director
	Jennifer Macdonald	Non-executive director (appointed 22 February 2018)
	Grant Murdoch	Non-executive director
	Anne Ward	Non-executive director (appointed 22 March 2018)
	Hugh Williams	Non-executive director
Executive Director	Martin Hosking ¹	Managing Director and Chief Executive Officer (CEO)
Other key management personnel	Barry Newstead ¹	Chief Operating Officer (COO)
	Chris Nunn	Chief Financial Officer (CFO)

(1) Subsequent to the end of the financial year, on 1 August 2018 Barry Newstead has been appointed as the Managing Director and CEO, replacing Martin Hosking.

2. Overview of executive remuneration

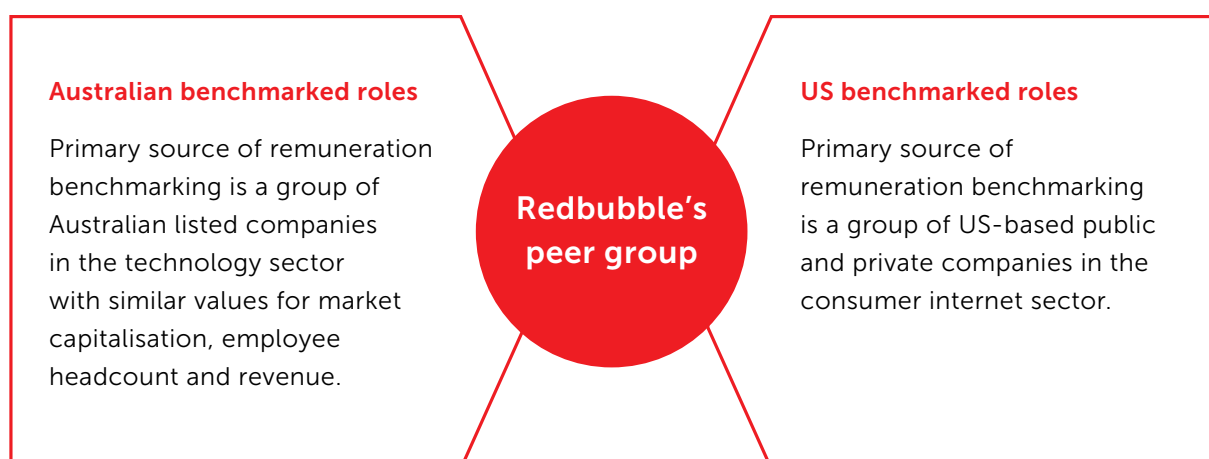
2.1 Group remuneration strategy

The Group's remuneration framework is intended to fairly remunerate executives and reward the creation of enduring value and shareholder value growth. It is based on four pillars:

The creation of enduring value	Motivating and rewarding an engaged ownership mindset	Aligning remuneration to long-term shareholder value	Attracting, motivating and retaining qualified and experienced global leaders
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Over the past two years the Group has faced increased competition for senior executive talent. At the same time, its need for high calibre executives with global expertise has intensified. As a result, increasing emphasis has been placed on the talent acquisition, motivation and retention pillar.

The Group continues to benchmark its remuneration against both Australian and US peer groups, reflecting the global nature of our business and the talent markets we compete in.



The Group's executive remuneration framework continues to focus on equity components, with a lesser emphasis on short-term cash incentives. The Group aims to set annual remuneration (Fixed plus Short Term Incentives (STIs) near the 50th percentile for both Australian benchmarked executive roles and US benchmarked executive roles. Total remuneration potential under the current model is above the 75th percentile if the target share price appreciation over four years is realised.

Executive remuneration levels are reviewed annually by the Remuneration Committee with reference to the Group's remuneration strategy, group performance, talent market activity and external benchmarks.

During FY2018 in response to increasing competition for the skill sets critical to the Group's continued growth the Remuneration Committee reviewed executive remuneration packages to mark them to market and an annual equity granting cadence was introduced to aid retention and alignment.

2.2 Elements of remuneration

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

The Group provides an appropriate and competitive mix of remuneration components with an emphasis on the creation of long-term enduring value through share price growth. The three components of the Group's remuneration framework are Fixed Remuneration, STIs and Long Term Incentives (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; and
- Competitiveness of the relevant functional and geographical talent market

Short term incentives

STI awards are granted under the Group's Short Term Incentive Plan (STI Plan). The actual STI award for a participant is determined by performance against group and personal key performance indicators (KPIs).

STI awards are paid 50% in cash, with the remainder given in the form of performance rights under the Group's Employee Equity Plan with a two-year deferral. The Group's Board retains discretion in approving STI awards.

Annual remuneration (fixed + STI)

Annual remuneration for KMP is generally targeted at median levels compared to similar roles at comparator companies, depending on role scope, the competitiveness of the talent market and the global mobility of the incumbent.

Long term incentives

All executives have received equity grants (stock options and performance rights) that vest monthly or annually over multiple years.

In the case of options, the exercise price is set to market at the time of the grant, thus the options align directly with shareholder returns when there is share price appreciation and their realisable value is 100% at risk in the event of a share price decline. Likewise with performance rights, the value is set to market at the time of grant with realisable value entirely dependent on the share price when vested.

2.3 Alignment of the Group's remuneration strategy to shareholders' interests

Remuneration component	How does the Group's remuneration policy take into account shareholders' interests
Fixed remuneration	The Group targets the 50th percentile for base salary. Set to be sufficient to attract and retain global talent capable of leading a high growth, innovative technology group, and who are attracted to the possibility of achieving greater compensation through long-term incentives.
Short-term incentive	Awarded based on the achievement of annual group and individual performance objectives. The aim of the STI program is to reward performance within the financial year, based on a set of actionable and measurable targets. It is the smallest component of remuneration and limited to the senior leadership team. The group-wide KPI goals in FY2018 were based on: - Gross Transaction Value (GTV) - Growth Profit After Paid Acquisition (GPAPA) growth - Operating Earnings before interest, tax, depreciation and amortisation (Operating EBITDA) - Minimum cash balance - The establishment of a strategic metrics dashboard Fifty percent of STI awards is paid in deferred performance rights to further align KMP to shareholder value growth.
Long-term incentive	The Group utilises multi-year equity grants for Long Term Incentives (LTIs) to align the remuneration strategy with long-term shareholder value growth and encourage executive share ownership. The structure of the Group's equity grants is based on US growth technology company norms. Group equity awards use time-based vesting over multiple years - an approach which is standard in the US technology sector and which ensures direct alignment with shareholder value creation as the grants only have value if the share price grows.

2.4 Changes in FY2018

In FY2018 STI potential was standardised as a percent of base salary for all executives. It is set at 50% of base pay for the CEO and COO and 35% for all other executives.

Also in FY2018, the Board standardised the split of participants' STI to be 50% in cash and 50% deferred equity for all executives including the CEO to better align the STI plan to shareholder value.

3. Performance and executive remuneration outcomes in FY2018

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:

Key indicators	2018	2017	2016	2015	2014
Gross transaction value (GTV) (\$'m)	231.3	175.4	142.9	88.4	59.3
Gross profit after paid acquisition (GPAPA)(\$'m)	47.1	37.9	31.3	19.8	13.9
Earnings before interest, taxes, depreciation and amortisation (EBITDA)(\$'m) ⁽¹⁾	(7.3)	(8.1)	(10.7)	(6.5)	2.3
Cash balance (\$1m) ⁽²⁾	21.2	27.8	42.0	14.0	4.6
Share price at year end (\$) ⁽³⁾	1.57	0.97	1.07	*	*

⁽¹⁾ EBITDA loss for 2016 includes Initial Public Offering (IPO) costs of \$2.0 million. EBITDA loss before IPO costs was \$8.7 million.

⁽²⁾ Cash balance for 2016 includes net proceeds from issue of pre-IPO convertible notes and shares issued pursuant to the IPO of \$39.7 million.

⁽³⁾ Redbubble Ltd was listed on 16 May 2016.

GTV less sales taxes and artists' margin, adjusted for unearned revenue pending shipment, equals Group's revenue.

3.1 Performance against STI measures

Group performance targets, on which 50 percent of an executive's STI award is made, are based on a combination of financial and non-financial measures. The Group's performance against those measures is as follows for FY2018:

Financial measures			
Measure	Target	FY2018 performance	Assessment
GTV ⁽¹⁾	\$234 million	\$234 million	Target achieved
GPAPA Growth ⁽¹⁾	33%	23.6%	Threshold achieved
Operating EBITDA	(\$2.7m)	(\$3.8m)	Threshold not achieved
Minimum Cash Balance	\$17 million	\$21.2 million	Target achieved

⁽¹⁾ For assessment of performance against STI measures, GTV and GPAPA growth are assessed on a constant currency basis.

Non-financial measures			
Measure	Target	FY2018 performance	Assessment
Establishment of strategic metrics dashboard	Establishment	Established	Target achieved

On balance, taking into account performance against the five metrics the Board granted 75% of the potential award. The personal component of the STI award is also based on group performance for the CEO, and on that basis 75% STI award was granted to the CEO for FY2018.

KMP have other non-financial measures appropriate to their positions. The individual goals of KMP other than the CEO are selected to focus on sustainable growth of the Group's platform. For KMP other than the CEO, 100% of the personal component of their STI was awarded, based on the achievement of individual goals.

The following table outlines the proportion of maximum STI earned in relation to the FY18 financial year (based on both group and individual components).

Name	% of target STI granted	% of target STI forfeited
Martin Hosking	75%	25%
Barry Newstead	87.5%	12.5%
Chris Nunn	87.5%	12.5%

4. How remuneration is governed

4.1 Remuneration Committee role

This Committee is responsible for reviewing and advising the Board on remuneration policies and practices. This 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, and other executives is reviewed by the Remuneration Committee which then provides recommendations to the Board.

The members of the Committee during FY2018 were: Anne Ward (Committee Chair appointed March 22, 2018) Teresa Engelhard (Committee Chair resigned October 25, 2017), Grant Murdoch and Hugh Williams.

For FY2019, the Committee has been merged with the Nomination Committee. The new committee is entitled 'the People and Nomination Committee'.

4.2 Use of remuneration advisors

The Remuneration Committee obtains independent advice from remuneration consultants Radford, a business unit of Aon plc, on the appropriateness of remuneration based trends in Australia and the US.

Both Radford and the Committee are satisfied that the advice is free from undue influence from the KMP to whom the remuneration recommendations apply.

The remuneration advisor's recommendations were provided to the Group as an input into decision-making only. The Remuneration Committee considered the recommendations, along with other factors, in making its remuneration recommendations to the Board. Radford was paid a fee of USD\$8,440 in FY2018 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 employment of Martin Hosking, the Group's CEO and Managing Director during the 2018 financial year, is governed by an employment contract dated 30 June 2017.

The table below summarises the remuneration arrangements of the CEO:

Remuneration element	Value	Proportion of package	Details
Base pay, including superannuation ⁽¹⁾	\$514,970	51%	\$450,000 p.a. up to 30 September 2017 and \$536,550 effective 1 October 2017 (FY2018 includes a housing allowance of \$13,030).
Cash bonus	\$183,750	18%	75% of the target short term incentive (STI) for FY2018 was granted, payable in cash.
Benefits	\$600	<1%	Includes a wellness allowance, a benefit that is generally available to all Redbubble employees.
Deferred STI	\$19,989	2%	Includes share based payment expense recognised during the year over the vesting period, in relation to deferred STI award for FY2016 and FY2017.
Performance rights	\$112,234	11%	Represents share based payment expense recognised during the year over the vesting period, for performance rights granted in prior years.
Share options	\$137,509	14%	Represents share based payment expense recognised during the year over the vesting period, for options granted in prior and current year.
Long service leave	\$39,934	4%	Represents provision for long service leave made during the year.
Total	\$1,008,986	100%	

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

In FY2018 Martin's target STI award was \$245,000 with a maximum STI benefit of \$367,500. In FY2018 75% of the target STI award was granted to Martin. The Board used its discretion to grant 100% of the award in cash given Martin's resignation as CEO subsequent to year end on 1 August 2018.

Other senior employment arrangements

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

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

Termination provisions

All KMP including the CEO have six month termination notice periods to manage business continuity risk during any KMP transition. KMP contractual termination provisions are as follows:

	Resignation	Termination for cause
CEO notice period (by company or executive)	6 months	None
CFO notice period (by company or executive)	6 months	None
Other executives' notice period (by company or executive)	6 months	None

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

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

The Group seeks to attract and retain high calibre Non-executive Directors who will provide good governance, strong oversight, independence, a range of skills and alignment of interests with long-term share price appreciation. The Group's NED remuneration policy was updated for FY2018. The changes were designed to more explicitly align NED remuneration with creating a company of enduring value.

The elements of the NED remuneration policy are as follows:

- The NED remuneration year runs from each 1 November to the following 31 October;
- The NED remuneration (inclusive of superannuation) is set at a modest premium to the 50th percentile of the Group's benchmark peer-set. The premium for 2018 was set +12.5% to ensure the best quality candidates can be attracted and to account for the greater restrictions applying to the stock;
- NED remuneration is paid two-thirds in cash and one-third in Deferred Stock (share options with a zero-exercise price) to provide for alignment with shareholders and the Group's objective of share price appreciation over the medium to long term;
- The Deferred Stock is awarded annually and is priced when the market is fully informed of the Group's previous financial year performance i.e. following the release of the Appendix 4C results for the final quarter for the previous financial year; and
- The Deferred Stock vests in 1/12th equal monthly instalments over the 12 months commencing from the grant date

NEDs are subject to restrictions on the sale of shares allotted following exercise of Deferred Stock, with the restrictions released incrementally over the four year period from the Deferred Stock grant date in accordance with the following release schedule:

- a third of the shares are released from sale restrictions on the two-year anniversary of the grant date;
- a further third of the shares are released from sale restrictions on the three-year anniversary of the grant date; and
- the final third of the shares are released from sale restrictions on the four-year anniversary of the grant date.

In FY2018 the NEDs' Deferred Stock remuneration was priced at 85 cents per share option (based on the Group's share price in July 2017). The fair value of the awards at grant date (November 2017) was 78 cents per share option. The Board Chair, Audit and Risk Committee Chair and Remuneration Committee Chair receive additional remuneration as follows (with the same cash/equity split applying to the full remuneration package):

- the Board Chair is paid twice the NED remuneration amount;
- the Audit and Risk Committee Chair receives an additional \$15,000; and
- the Remuneration Committee Chair receives an additional \$10,000.

NEDs who are appointed to fill a casual vacancy during the year are paid entirely in cash until the next AGM, following which the cash/equity split applies from the following 1 November subject to their re-election at the AGM and shareholders' approval of their equity grant.

The new policy applies to all the Group's NEDs except for Greg Lockwood. Greg is a partner with Piton Capital, a private equity firm with a shareholding in Redbubble Ltd. Greg receives no remuneration from the Group, in accordance with Piton Capital's policy that their partners do not accept remuneration for external board positions.

The remuneration packages of the existing directors were aligned with this policy at the Group's 2017 AGM held on 25 October 2017, commencing from the start of the NED remuneration year on 1 November 2017.

The variability in the actual reported Directors' fees is due to the transitioning of existing NEDs to the new NED remuneration policy in 2017, namely the Board Chair - Richard Cawsey, Audit and Risk Committee Chair - Grant Murdoch and Hugh Williams. Hugh was appointed to fill a casual vacancy in February 2017 and paid fully in cash until approval of his equity grant under the new policy at the 2017 AGM commencing from 1 November 2017. Jenny Macdonald and Anne Ward are paid fully in cash in accordance with the new policy, having been appointed to fill casual vacancies in February and March 2018 respectively.

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 Group or otherwise in connection with the business or affairs of the Group. 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 Group. 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 2018

		Short term benefits			Post-employment benefits	Other benefits	Long-term benefits	Share-based payments					
		Cash salary ⁽¹⁾ \$	Cash bonus ⁽²⁾ \$	Non-monetary benefits ⁽³⁾ \$	Superannuation ⁽⁴⁾ \$	Termination benefits ⁽⁵⁾ \$	Long service leave ⁽⁶⁾ \$	Share-based payments - Performance rights (Time based) ⁽⁷⁾ \$	Share-based payments - Share options (Performance based) ⁽⁸⁾ \$	Share-based payments - Share options (Time based) ⁽⁷⁾ \$	Deferred STI ⁽⁹⁾ \$	Total remuneration	Performance - related ⁽¹⁰⁾ \$
Executive director													
Martin Hosking	2018	489,970	183,750	600	25,000	-	39,934	112,234	92,948	44,561	19,989	1,008,986	29%
	2017	408,463	-	600	35,000	-	18,590	163,739	92,948	-	26,561	745,901	16%
Other key management personnel													
Barry Newstead	2018	347,512	76,563	600	25,000	-	4,991	86,463	122,855	219,221	45,438	928,643	26%
	2017	292,782	30,000	600	30,000	-	2,603	119,894	122,855	177,762	31,566	808,062	23%
Chris Nunn	2018	317,362	49,766	-	25,000	-	1,698	-	-	133,553	29,818	557,197	18%
	2017	296,547	12,500	-	28,707	-	499	-	-	58,758	22,846	419,857	8%
Former key management personnel*													
Rob Baumert ⁽⁵⁾	2018	-	-	-	-	-	-	-	-	-	-	-	-
	2017	282,973	-	17,852	13,542	235,473	-	17,520	62,792	-	17,406	647,558	12%
Corina Davis ⁽¹¹⁾	2018	-	-	-	-	-	-	-	-	-	-	-	-
	2017	318,261	13,264	26,563	16,859	-	-	25,093	50,036	12,553	17,210	479,839	17%
Vanessa Freeman	2018	-	-	-	-	-	-	-	-	-	-	-	-
	2017	257,283	12,500	582	26,872	-	433	-	-	60,622	18,010	376,302	8%
Victor Kovalev	2018	-	-	-	-	-	-	-	-	-	-	-	-
	2017	300,689	18,750	-	29,997	-	468	-	-	172,833	18,277	541,014	7%
Total	2018	1,154,844	310,079	1,200	75,000	-	46,623	198,697	215,803	397,335	95,245	2,494,826	
	2017	2,156,998	87,014	46,197	180,977	235,473	22,593	326,246	328,631	482,528	151,876	4,018,533	

* In July 2017, the Group's management structure was reorganised. As part of this, the definition of KMP under the Corporations Act was evaluated and it was determined that the CEO, CFO and COO were the only individuals with the authority and responsibility for planning, directing and controlling the activities of the group. As a result the number of KMP disclosed in this year's Annual Report has been reduced.

⁽¹⁾ Includes base salary and excess superannuation - refer to footnote 4.

⁽²⁾ Represents cash bonus accrued for the year.

⁽³⁾ Non-monetary benefits include wellness benefits for all the executives and health benefits for the US executive.

⁽⁴⁾ Staff can elect to have their superannuation capped at \$25,000 (2017: \$30,000 or \$35,000 (aged based)), with any amount above this included in cash salary. These amounts include superannuation on bonus paid during the year.

⁽⁵⁾ Rob Baumert ceased employment effective 30 June 2017.

⁽⁶⁾ Only Australian executives are entitled to long service leave. The annual charge reflects length of service.

⁽⁷⁾ 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.

⁽⁸⁾ 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 FY2015.

⁽⁹⁾ Includes share based payment expense recognised during the year over the vesting period, in relation to deferred STI awards for prior years and share based payment expense accrued during the year for STI award for the current year.

⁽¹⁰⁾ Cash bonus, share options with a performance condition and deferred STI are all considered to be performance-related remuneration, based on their nature at grant date.

⁽¹¹⁾ Cash remuneration is paid in USD. The FY2017 numbers disclosed are in AUD and are derived by using USD to AUD average exchange rate of 1.3264.

6.2 NED remuneration for the year ended 30 June 2018

		Short term benefits	Post-employment benefits	Share-based payments		
		Director fees \$	Superannuation \$	Share-based payments - Performance rights ⁽¹⁾ \$	Share-based payments - Share options (Time based) ⁽¹⁾ \$	Total \$
Non-executive directors						
Richard Cawsey ⁽²⁾	2018	117,000	-	-	50,442	167,442
	2017	105,000	-	-	34,784	139,784
Teresa Engelhard ⁽³⁾	2018	37,500	3,563	-	-	41,063
	2017	-	-	30,123	-	30,123
Jennifer Macdonald ⁽⁴⁾	2018	29,702	2,822	-	-	32,524
	2017	-	-	-	-	-
Grant Murdoch	2018	57,230	5,437	-	39,217	101,884
	2017	41,096	3,904	-	34,943	79,943
Stephanie Tilenius ⁽⁵⁾	2018	-	-	-	-	-
	2017	-	-	5,528	21,198	26,726
Anne Ward ⁽⁶⁾	2018	25,859	2,457	-	-	28,316
	2017	-	-	-	-	-
Hugh Williams ⁽⁷⁾	2018	96,232	-	-	11,673	107,905
	2017	-	-	-	7,035	7,035
Total	2018	363,523	14,279	-	101,332	479,134
	2017	146,096	3,904	35,651	97,960	283,611

⁽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⁾ Richard Cawsey's fees are paid to and options/ performance rights are issued to Denali Venture Partners (Aust).

⁽³⁾ Teresa Engelhard resigned effective 25 October 2017. The director fees and superannuation reported above includes remuneration for services rendered until this date.

⁽⁴⁾ Jennifer Macdonald was appointed effective 22 February 2018.

⁽⁵⁾ Stephanie Tilenius resigned effective 16 February 2017.

⁽⁶⁾ Anne Ward was appointed effective 22 March 2018.

⁽⁷⁾ Hugh Williams was appointed effective 22 February 2017. On appointment, the Board approved certain grants which were to be put up for shareholders' approval at the AGM. However, before the AGM, these were cancelled and new grants were presented for shareholders approval. Accordingly, the share based payment expense recognised during the prior year was reversed during the current year. As the grants made on appointment were cancelled, he was remunerated in cash for services rendered from 22 February to 30 June 2017. This amount is included in the directors fees disclosed above. Hugh Williams' fees are paid to and options are issued to Los Gatos Pty Ltd ATF Los Gatos Investment Trust.

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.

2018	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited during the year ⁽¹⁾	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year	Vested during the year
Non-executive Directors								
Grant Murdoch	89,540	42,059	-	(33,866)	97,733	80,204	17,529	36,625
Executive Director								
Martin Hosking	1,532,100	555,405	-	-	2,087,505	1,384,050	703,455	395,250
Other key management personnel								
Barry Newstead	2,393,168	537,975	(180,840)	-	2,750,303	1,827,784	922,519	644,232
Chris Nunn	712,600	144,028	-	-	856,628	455,454	401,174	186,292
Related party								
Denali Venture Partners Pty Ltd (Beneficiary: Richard Cawsey)	248,360	72,353	(248,360)	-	72,353	42,204	30,149	76,705
Jellicom Pty Ltd as trustee for the Three Springs Family Trust (Beneficiary - Martin Hosking)	1,600,200	-	-	-	1,600,200	1,600,200	-	-
Los Gatos Pty Ltd ATF Los Gatos Investment Trust (Beneficiary - Hugh Williams)	-	36,176	-	-	36,176	21,100	15,076	21,100
Total	6,575,968	1,387,996	(429,200)	(33,866)	7,500,898	5,410,996	2,089,902	1,360,204

⁽¹⁾ On 1 November 2017 Grant Murdoch's equity award was modified. 33,866 unvested options with a \$nil exercise price were cancelled and replaced by a new grant of 42,059 options with a \$nil exercise price. The market price of Redbubble Ltd shares on this date was \$0.78. The total fair value (immediately before the alteration) of the options cancelled was \$26,415. The total fair value of the new options immediately after the alteration was \$32,806. For further details about the new options granted refer to section 8 of the Remuneration Report.

Performance rights holdings

Performance rights do not carry any voting or dividend rights.

2018	Balance at the start of the year	Settled during the year	Balance at the end of the year	Unvested at the end of the year	Vested during the year
Executive Director					
Martin Hosking	329,360	(263,470)	65,890	65,890	263,470
Other key management personnel					
Barry Newstead	265,280	(204,976)	60,304	60,304	204,976
Total	594,640	(468,446)	126,194	126,194	468,446

7.2 Shares on exercise of options/rights

2018	Nature of grant	Number of ordinary shares on exercise of options / settlement of performance rights	Exercise price per option	Share price per share at exercise/settlement dates ⁽¹⁾	Value at exercise/settlement dates ⁽²⁾
Executive Director					
Martin Hosking	Performance rights	263,470	-	Between \$0.70 and \$1.88	294,135
Other key management personnel					
Barry Newstead	Options	180,840	\$0.00	\$1.89	341,788
	Performance rights	204,976	-	Between \$0.70 and \$1.88	224,803
Related party					
Denali Venture Partners (Aust) (Beneficiary: Richard Cawsey)	Options	248,360	\$0.00	\$0.85	211,106
Total		897,646			1,071,832

⁽¹⁾ Performance rights have monthly vestings and are hence settled over multiple dates. The share price per share at settlement dates represents VWAP for the previous 5 trading days.

⁽²⁾ Value at exercise / settlement date is calculated as:

- for options: share price on exercise date less exercise price paid, multiplied by number of options exercised

- for performance rights: share price on settlement date, multiplied by the number of performance rights settled

For presentation purposes, share price has been rounded to two decimal places, however the value at exercise / settlement date has been calculated based on unrounded numbers.

7.3 Shareholdings of Directors and KMP

2018 - Redbubble Limited ordinary shares ⁽¹⁾		Balance at the start of the year	Received during the year on exercise of options / settlement of performance rights	Purchase of Shares	Sale / transfer of shares	Balance at the end of the year
Non-executive Directors						
Richard Cawsey		1,440,000	-	-	-	1,440,000
Teresa Engelhard ⁽²⁾		1,046,020	-	-	-	1,046,020
Jennifer Macdonald		-	-	20,000	-	20,000
Executive Directors						
Martin Hosking		2,893,240	263,470	-	(2,500,000)	656,710
Other key management personnel						
Barry Newstead		748,160	385,816	-	(831,864)	302,112
Chris Nunn ⁽³⁾		57,360	-	-	(57,360)	-
Related parties	Beneficiary					
Cawsey Superannuation Fund Pty Ltd	Richard Cawsey	9,138,980	-	-	(95,000)	9,043,980
Denali Venture Partners Fund 1 LP	Richard Cawsey	1,840,240	-	-	-	1,840,240
Denali Capital Managers Pty Ltd	Richard Cawsey	654,560	-	-	-	654,560
Denali Investors Pty Ltd	Richard Cawsey	587,500	-	137,700	-	725,200
Denali Venture Partners (Aust)	Richard Cawsey	209,280	248,360	-	(209,280)	248,360
Denali Ventures Pty Ltd	Richard Cawsey	-	-	41,856	-	41,856
Jellicom Pty Ltd as trustee for the Three Springs Family Trust	Martin Hosking	48,006,338	-	-	-	48,006,338
Three Springs Foundation Pty Ltd as trustee for the Three Springs Foundation	Martin Hosking	-	-	2,500,000	-	2,500,000
Piton Capital Venture Fund II LP	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
G & M Murdoch Pty Ltd as trustee for the Murdoch Family	Grant Murdoch	-	-	130,000	-	130,000
Overan Holdings Pty Ltd as trustee for the Nunn Family Super Fund	Chris Nunn	76,000	-	-	-	76,000
Total		73,237,996	897,646	2,829,556	(3,693,504)	73,271,694

⁽¹⁾ Includes shares held directly, indirectly and beneficially by KMP.

⁽²⁾ Teresa Engelhard resigned 25 October 2017. The total balance represents her shareholding at the date she ceased to be a Director.

⁽³⁾ The shares owned by Chris Nunn were awarded to him in lieu of directors fees whilst he was a non-executive director from 1 April 2015 to 31 October 2015.

8. Details of equity awards granted

	Grant date	# of options / rights granted	Vest period/date	Expiry date	Exercise price	Value per options / right at grant date	Value of options / rights at grant date ⁽¹⁾
Non-executive Directors							
Grant Murdoch	01-Nov-17	42,059	1/4th vest on 1 February 2018 and 1/12th over the next 9 months in equal monthly numbers up to 1 November 2018	01-Nov-27	\$0.00	\$0.78	\$32,806
Executive Director							
Martin Hosking	01-Nov-17	150,000	1/3rd vest every year commencing from 1 October 2019 to 1 October 2021	01-Nov-27	\$0.00	\$0.78	\$117,000
	01-Nov-17	405,405	1/36th vest every month commencing from 1 November 2018 to 1 October 2021	01-Nov-27	\$0.78	\$0.30	\$121,476
Other key management personnel							
Barry Newstead	01-Sep-17	37,975	50% vest on 1 September 2018, and the remaining 50% vest on 1 September 2019	01-Sep-27	\$0.00	\$0.79	\$30,000
	01-Nov-17	150,000	1/3rd vest every year commencing from 1 October 2019 to 1 October 2021	01-Nov-27	\$0.00	\$0.78	\$117,000
	01-Nov-17	350,000	1/36th vest every month commencing from 1 November 2018 to 1 October 2021	01-Nov-27	\$0.78	\$0.30	\$104,874
Chris Nunn	01-Sep-17	15,823	50% vest on 1 September 2018, and the remaining 50% vest on 1 September 2019	01-Sep-27	\$0.00	\$0.79	\$12,500
	01-Nov-17	128,205	All vest on 1 October 2018	01-Nov-27	\$0.00	\$0.78	\$100,000
Other related parties							
Denali Venture Partners (Aust) - (Beneficiary - Richard Cawsey)	01-Nov-17	72,353	1/4th vest on 1 February 2018 and 1/12th over the next 9 months in equal monthly numbers up to 1 November 2018	01-Nov-27	\$0.00	\$0.78	\$56,435
Los Gatos Pty Ltd ATF Los Gatos Investment Trust (Beneficiary - Hugh Williams)	01-Nov-17	36,176	1/4th vest on 1 February 2018 and 1/12th over the next 9 months in equal monthly numbers up to 1 November 2018	01-Nov-27	\$0.00	\$0.78	\$28,217
Total		1,387,996					\$720,309

⁽¹⁾ Value at grant date for options / performance rights has been determined by using the Black-Scholes method. For presentation purposes, share price has been rounded to two decimal places, however the value at grant date has been calculated based on unrounded numbers.

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

9.1 Other transactions with KMP

Chris Nunn (CFO), is a director of Elite Executive Services Pty Ltd, which provided executive relocation services to the employees of the Group during the year for which the fees totaled \$22,944 (2017: \$19,329). 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 \$5,334 (2017: \$Nil).

In FY 2017, Stephanie Tilenius, a member of the Board at the time, but since resigned, sold 677,340 shares to the Employee Share Trust at \$0.66. The price represented 5-day VWAP and the off-market transaction was funded by the Group.

CONSOLIDATED FINANCIAL STATEMENTS



Consolidated statement of comprehensive income for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Revenue from services	1	182,769	140,961
Operating expenses			
Fulfiller expenses ⁽¹⁾		(118,879)	(90,844)
Employee and contractor costs	2	(34,701)	(29,731)
Marketing expenses	3	(18,334)	(13,984)
Operations and administration	4	(17,959)	(13,940)
Depreciation and amortisation	9 & 10	(7,797)	(6,517)
Total operating expenses		(197,670)	(155,016)
Other income ⁽²⁾		957	494
Other expenses ⁽³⁾		(769)	(669)
Loss before income tax		(14,713)	(14,230)
Income tax benefit/(expense)	5(a)	4,654	6,673
Total loss for the year attributable to owners		(10,059)	(7,557)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Loss on foreign currency translation		(660)	(229)
Total other comprehensive loss attributable to owners		(660)	(229)
Total comprehensive loss for the year attributable to owners		(10,719)	(7,786)
Loss per share attributable to the ordinary equity holders of the company			
Basic loss per share	6	(0.05)	(0.04)
Diluted loss per share	6	(0.05)	(0.04)

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

⁽²⁾ Other income includes finance income and lease income.

⁽³⁾ Other expenses represent net foreign exchange loss.

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

Consolidated statement of financial position for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	7	21,247	27,809
Trade and other receivables	8 (b)	997	720
Inventories ⁽¹⁾		83	283
Other financial assets	8 (b)	158	130
Prepayments		1,968	1,349
Current tax assets		-	212
Other assets		7	-
Total current assets		24,460	30,503
Non-current assets			
Property, plant and equipment	9	3,596	2,145
Intangible assets	10	10,532	8,853
Other financial assets	8 (b)	1,201	1,158
Prepayments		129	88
Deferred tax assets	5 (c)	13,952	8,707
Other assets		53	-
Total non-current assets		29,463	20,951
Total assets		53,923	51,454
Current liabilities			
Trade and other payables	11	19,524	12,868
Unearned revenue		2,477	2,527
Employee benefit liabilities	12	2,045	1,511
Provisions		192	303
Tax liabilities		438	45
Other liabilities	13	406	13
Total current liabilities		25,082	17,267
Non-current liabilities			
Employee benefit liabilities	12	149	84
Other liabilities	13	1,941	454
Total non-current liabilities		2,090	538
Total liabilities		27,172	17,805
Net assets		26,751	33,649
Equity			
Contributed equity	14 (a)	74,555	72,594
Treasury reserve	14 (b)	(1,895)	(2,475)
Share based payment reserve		4,692	3,412
Foreign exchange translation reserve		(1,795)	(1,135)
Accumulated losses		(48,806)	(38,747)
Total equity		26,751	33,649

⁽¹⁾ Inventories relate to packaging materials, measured at cost.

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

Consolidated statement of changes in equity for the year ended 30 June 2018

2017	Notes	Share capital \$'000	Treasury reserve ⁽¹⁾ \$'000	Share based payments reserve \$'000	Foreign exchange translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2016		67,865	-	3,214	(906)	(31,190)	38,983
Loss for the year		-	-	-	-	(7,557)	(7,557)
Other comprehensive loss		-	-	-	(229)	-	(229)
Total comprehensive loss		-	-	-	(229)	(7,557)	(7,786)
Exercise of share options/ warrants	14 (b)	706	-	-	-	-	706
Transfer to issued capital on issuance of shares for exercised options/settled performance rights		2,354	-	(2,354)	-	-	-
Share-based payments expense	2	-	-	2,552	-	-	2,552
Shares issued to Employee Share Trust	14 (b)	7,447	(7,447)	-	-	-	-
Purchase of shares to fund Employee Share Trust		-	(447)	-	-	-	(447)
Shares issued/allocated to participants from the Employee Share Trust	14 (b)	(5,419)	5,419	-	-	-	-
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	14 (b)	(359)	-	-	-	-	(359)
Balance at 30 June 2017		72,594	(2,475)	3,412	(1,135)	(38,747)	33,649

2018	Notes	Share capital \$'000	Treasury reserve ⁽¹⁾ \$'000	Share based payments reserve \$'000	Foreign exchange translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2017		72,594	(2,475)	3,412	(1,135)	(38,747)	33,649
Loss for the year		-	-	-	-	(10,059)	(10,059)
Other comprehensive loss		-	-	-	(660)	-	(660)
Total comprehensive loss		-	-	-	(660)	(10,059)	(10,719)
Exercise of share options	14 (b)	1,257	-	-	-	-	1,257
Transfer to issued capital on issuance of shares for exercised options / settled performance rights		1,421	-	(1,421)	-	-	-
Share-based payments expense	2	-	-	2,701	-	-	2,701
Shares issued to Employee Share Trust	14 (b)	2,866	(2,866)	-	-	-	-
Shares issued / allocated to participants from the Employee Share Trust	14 (b)	(3,446)	3,446	-	-	-	-
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	14 (b)	(137)	-	-	-	-	(137)
Balance at 30 June 2018		74,555	(1,895)	4,692	(1,795)	(48,806)	26,751

⁽¹⁾ During the prior year, the Group established an Employee Share Trust [Trust] for the purposes of issuance of shares to participants on exercise of options of shares to participants on exercise of options/settlement of performance rights. The Group contributed to the Trust by issuing a further 1,500,000 shares in 2018 (2017:7,876,342). The balance in the Treasury Reserve as at 30 June 2018 represents a book value of 991,706 shares (2017:2,971,749) held by the Trust for future issue to participants on exercise of options/settlements of performance rights.

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

Consolidated statement of cash flows

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		236,242	180,490
Payments to artists		(35,601)	(28,184)
Payments to fulfillers		(116,595)	(89,478)
Payments to other suppliers and employees		(82,629)	(67,836)
Other income received		913	508
Income taxes received/(paid)		14	54
Net cash provided by/ (used in) operating activities	7 (a)	2,344	(4,446)
Cash flows from investing activities			
Payment for property, plant and equipment	9	(904)	(1,736)
Payment for intangible assets	10	(8,380)	(7,159)
Net cash provided by/ (used in) investing activities		(9,284)	(8,895)
Cash flows from financing activities			
Proceeds from exercise of share options / warrants	14 (b)	1,257	706
Purchase of shares to fund Employee Share Trust		-	(447)
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	14 (b)	(137)	(359)
Net cash provided by/(used in) financing activities		1,120	(100)
Net (decrease)/increase in cash and cash equivalents held		(5,820)	(13,441)
Cash and cash equivalents at beginning of year		27,809	41,977
Effect of exchange rate changes on cash and cash equivalents		(742)	(727)
Cash and cash equivalents at the end of the financial year		21,247	27,809

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

Notes to the consolidated financial statements for the year ended 30 June 2018

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Basis of preparation

The consolidated financial statements of Redbubble Limited for the year ended 30 June 2018 were authorised for issue by a resolution of the Directors on 23 August 2018. Redbubble Limited (**the Company**), a global online marketplace for independent artists, is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange.

These financial statements:

- are general purpose financial statements;
- cover Redbubble Limited and its controlled entities as the consolidated group (**the Group**). Redbubble Limited is the ultimate parent entity of the Group;
- have been prepared in accordance with Australian Accounting Standards (**AASBs**) and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001;
- comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**);
- have been prepared on a going concern basis under the historical cost convention;
- are presented in Australian dollars with all values rounded off in accordance with the Australian Securities and Investments Commission 2016/191 Legislative Instrument, to the nearest thousand dollars or in certain other cases, nearest dollar, unless otherwise stated; and
- apply significant accounting policies consistently to all the years presented, unless otherwise stated. Comparatives are also consistent with prior years, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates and exercise of significant judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and use of estimates are disclosed in the relevant notes. Estimates and judgements 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 actual results.

1. Revenue from services

The Group provides an internet-based marketplace platform and associated 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 goods are shipped and 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 artists' 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 transaction fraud.

Critical accounting estimates and judgements - The Group is required to exercise critical judgement when determining whether it recognises revenue as either a principal or an agent. The Group has determined, for accounting purposes only, it is acting as the artists' agent in arranging for the selling of the artist's goods to customers.

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, it is acting as a principal with respect to fulfillers as opposed to as an agent.

The new revenue standard, AASB 15 – Revenue from contracts with customers, which supersedes all current revenue recognition requirements under Australian Accounting Standards, is effective for the Group for the next financial year (from 1 July 2018). The implications for the Group have been disclosed at note 23(i).

2. Employee and contractor costs

	2018 \$'000	2017 \$'000
Salary costs	24,976	20,765
Contractor costs	4,887	4,771
Share-based payments expense	2,701	2,552
Superannuation costs and other pension related costs ⁽¹⁾	2,137	1,643
Total employee and contractor costs	34,701	29,731

⁽¹⁾ Includes contribution to 401K funds, which is the superannuation equivalent for the US subsidiary, and contributions to pension funds in Germany.

3. Marketing expenses

	2018 \$'000	2017 \$'000
Paid marketing ⁽¹⁾	16,766	12,249
Other marketing expenses	1,568	1,735
Total marketing expenses	18,334	13,984

⁽¹⁾ Paid marketing represents marketing costs paid per click basis on search engines like Google, and advertising on social media platforms such as Facebook, Instagram and Pinterest.

4. Operations and administration

	2018 \$'000	2017 \$'000
Technology infrastructure and software costs	7,194	4,580
Travel expenses	1,700	1,272
Rental expense on operating leases	2,177	1,630
Recruiting expenses	342	699
Other operations and administration expenses	6,546	5,759
Total operations and administration	17,959	13,940

5. Income tax

Recognition of tax expense/(benefit)

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 and deferred tax is recognised as income or an expense and included in the income statement 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.

Current tax

Current tax is the amount of income taxes payable/(recoverable) in respect of the taxable profit/(taxable 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 by the end of the reporting period.

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.

5. Income tax (continued)

Deferred tax

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 achieving appropriate continuity of ownership levels and continuing to meet the relevant definitions of "same business" are met; and
- there are no changes in tax legislation that adversely affect the ability to realise the deferred tax asset benefits.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the intention is 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.

Critical accounting estimates and judgements - 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.

(a) Income tax (benefit) / expense

	2018 \$'000	2017 \$'000
Current tax		
Current tax expense / (benefit)	599	443
Over provision in prior years	(27)	(30)
Deferred tax		
Deferred tax (benefit) / expense	(5,127)	(6,956)
Under provision in prior years	(99)	(130)
Total income tax (benefit) / expense	(4,654)	(6,673)

5. Income tax (continued)

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

	2018 \$'000	2017 \$'000
Loss from ordinary activities before income tax (benefit) / expense	(14,713)	(14,230)
Income tax calculated @ 30%	(4,414)	(4,269)
Tax effect of amounts that are not deductible/(taxable) in calculating income tax:		
Tax effect of foreign jurisdictions' different tax rates ⁽¹⁾	(60)	74
US income tax benefit due to exercise/disposition of employee stock options	(388)	(444)
Research and development	(146)	(508)
Share-based payments	838	769
Other non-deductible/non-assessable items	475	281
Effect of movements in foreign exchange	27	(48)
Over provision in prior year	(126)	(160)
Australian income tax benefit arising from deductibility of the issue of shares to Employee Share Trust	(860)	(2,368)
Income tax (benefit) / expense attributable to loss from ordinary activities	(4,654)	(6,673)

⁽¹⁾ Effective 1 January 2018 the corporate income tax rate applicable to the Group in the United States of America reduced from 34% to 21%.

(c) Deferred tax assets

The balance comprises temporary differences attributable to:

	2018 \$'000	2017 \$'000
Amounts recognised in profit or loss:		
Employee benefits	751	630
Carry forward state tax credits	266	191
Deferred expenditure - other	248	189
Carried forward tax losses	13,395	7,803
Property, plant, equipment and intangible assets	(1,708)	(1,188)
IPO costs	542	822
Lease incentive	300	-
Other items	158	260
Net deferred tax assets	13,952	8,707
Movements:		
Opening balance at 1 July	8,707	1,649
Credited to the consolidated statement of comprehensive income	5,226	7,086
Exchange differences	19	(28)
Closing balance at 30 June	13,952	8,707

5. Income tax (continued)

(d) Group's position on deferred tax assets

During 2016, the year when the Group first listed on the ASX, the Group derecognised deferred tax assets (**DTA**) of \$7.8 million attributable to Australian carried forward tax losses and non-refundable research and development offsets, reflecting a conservative approach to the treatment of tax losses up to the date of IPO when there was a significant change in share ownership. The Group has recognised DTA on tax losses and non-refundable research and development offsets incurred post IPO.

The Group has in aggregate \$74.6 million (2017: \$52.5 million) of recognised and unrecognised losses and R&D tax offsets of which \$44.7 million (2017: \$25.5 million) have been recognised in the deferred tax asset balance of \$14.0 million (2017: \$8.7 million). The Group has forecast that it is probable that the taxable position in the relevant jurisdiction in the future will allow for the use of losses and R&D tax offsets.

(e) Unrecognised deferred tax assets

Unrecognised DTA of \$9.0 million exist as at 30 June 2018 (2017: \$8.1 million), in relation to carried forward tax losses and non-refundable research and development tax offsets.

6. Loss per share

Basic earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for the after income tax effect of interest and other financing costs associated with the dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares

None of the options over ordinary shares, performance rights 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 as 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.

6. Loss per share (continued)

Basic and diluted loss per share

Basic and diluted loss per share attributable to the ordinary equity holders of the company is \$0.05 (2017: loss per share of \$0.04). The calculation for basic and diluted loss per share is detailed below.

Reconciliation of loss used in calculating loss per share

	2018 \$'000	2017 \$'000
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	(10,059)	(7,557)

Weighted average number of shares used as the denominator

	2018 number	2017 number
Weighted average number of shares used as denominator in calculating basic and diluted loss per share	208,949,685	203,712,572

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements that would significantly impact the above calculations.

7. Cash and cash equivalents

Cash and cash equivalents comprise 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.

	2018 \$'000	2017 \$'000
Cash at bank and on hand	3,247	9,809
Fixed term bank deposits ⁽¹⁾	18,000	18,000
Total cash and cash equivalents	21,247	27,809

⁽¹⁾ Fixed term bank deposits attract interest at normal term deposit rates. They are placed for various periods of up to 12 months. All are capable of being called at 31 days' notice with minimal financial effect.

7. Cash and cash equivalents (continued)

(a) Reconciliation of loss for the year to net cash outflow from operating activities

	Note	2018 \$'000	2017 \$'000
Loss for the year		(10,059)	(7,557)
Non-cash items			
(Recognition) of net deferred of tax asset	5(c)	(5,226)	(7,086)
Depreciation and amortisation		7,797	6,517
Amortisation of share-based payments		2,701	2,552
Unrealised foreign exchange losses		733	770
Net loss on the disposal/write off of property, plant and equipment and intangible assets		107	7
Lease incentive offset		(143)	-
Change in operating assets and liabilities			
Net increase in trade and other receivables, prepayments, inventories and other financial assets		(879)	(984)
Net increase in current tax assets / liabilities		605	470
Net increase in trade and other payables, employee benefit and other liabilities and provisions		7,608	955
Net (decrease)/ increase in unearned revenue		(64)	77
Exchange loss on translation of foreign operations		(836)	(167)
Net cash inflow/(outflow) from operating activities		2,344	(4,446)

8. 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 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 and Risk Committee, where appropriate. The risk management framework includes policies and procedures approved by the Board and managed by internal legal counsel and the finance function.

8. Financial risk management (continued)

	Notes	2018 \$'000	2017 \$'000
Financial assets			
Cash and cash equivalents	7	21,247	27,809
Trade and other receivables	8 (b)	997	720
Other financial assets	8 (b)	1,359	1,288
Financial liabilities			
Fulfiller payables	11	11,322	8,167
Artist payables	11	2,755	1,959
Staff payables	11	1,617	471
Other payables	11	1,922	796

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

(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 fulfillers, artists and other suppliers in these currencies. Where possible, the Group settles its liabilities in the native currency hence creating a natural hedge. Any surplus funds are converted in to the required currencies' operating accounts when management feels it is prudent to do so. The Group is progressively localising fulfilment which will further aid the natural hedge.

The net exposure to foreign currency financial instruments (expressed in AUD) held by the Group, which are largely held by the US subsidiary whose functional currency is USD, are as below:

Net exposure (asset)(liability)	GBP \$'000	USD \$'000	EUR \$'000	CAD \$'000	Total \$'000
30 June 2018	278	717	(244)	(268)	483
30 June 2017	993	(147)	612	325	1,783

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

8. Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that a 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 of the three service providers, every day, two to three days in arrears. The credit risk of balances held with the third party 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.

Cash and bank balances/other financial assets

As at 30 June 2018, the Group holds \$18.0 million (2017: \$18.0 million) in bank deposits, classified as cash and cash equivalents, that attract interest at normal term deposit rates. All the term deposits are placed with one bank.

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 interest-bearing term deposit accounts. These operating bank accounts are not concentrated with any one bank.

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

	Current		Non-current	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Security held with banks ⁽¹⁾	-	-	1,063	1,034
Deposits/advances	158	130	138	124
Total other financial assets	158	130	1,201	1,158

⁽¹⁾ Relates largely to term deposits held as security against lease obligations of which \$0.5 million (2017: \$0.5 million) domiciled in Australia attract interest at normal term deposit rates.

The banks with which securities are held are reputable financial institutions and hence, the credit risk is considered low.

Trade and other 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 Pay. In any case, the Group ensures that cash is received upfront prior to the product being manufactured. The trade receivables balance as at 30 June 2018 represents amounts receivable from two of these payment service providers. It is believed that the credit risk from collections from payment service providers is low.

	2018 \$'000	2017 \$'000
Trade receivables ⁽¹⁾	997	471
Other receivables	-	294
Total trade and other receivables ⁽²⁾	997	720

⁽¹⁾ The trade receivables have an aging of less than 30 days from due date.

⁽²⁾ None of the trade and other receivables balances are impaired or past due date. The Group does not hold any collateral in relation to these receivables.

The Group encounters credit card fraud typical of the industry in which it operates, representing less than 0.3% (2017: less than 0.5%) of revenue.

8. Financial risk management (continued)

(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 various periods up to 12 months. These can, however, be called at 31 days' notice, with minimal financial impact.

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

Financial arrangements

The Group had no borrowing facilities at the end of the reporting period nor at the end of the prior reporting period.

Maturities of financial liabilities

Trade and other payables of \$19.5 million were the only financial liabilities owed by the Group at 30 June 2018 (2017: \$12.9 million) and based on contractual undiscounted payments, have a contractual maturity ranging between one to three months in both the current and the prior year.

(d) Capital management

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 which 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.

9. Property, plant and equipment

Plant and equipment is measured on a cost basis and 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 the lease ranging between 2-7 years
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.

9. Property, plant and equipment (continued)

Cost	Leasehold improvements \$'000	Furniture and equipment \$'000	Computer equipment \$'000	Work in progress \$'000	Total \$'000
Balance at 1 July 2017	1,908	470	1,822	82	4,282
Additions ⁽¹⁾	1,652	327	462	62	2,503
Transfers	87	53	3	(143)	-
Disposals	-	(194)	(6)	-	(200)
Exchange differences	107	15	33	(1)	154
Balance at 30 June 2018	3,754	671	2,314	-	6,739
Balance at 1 July 2016	888	434	1,271	-	2,593
Additions	1,033	43	578	82	1,736
Disposals	-	-	(11)	-	(11)
Exchange differences	(13)	(7)	(16)	-	(36)
Balance at 30 June 2017	1,908	470	1,822	82	4,282
Accumulated depreciation					
Balance at 1 July 2017	(857)	(264)	(1,016)	-	(2,137)
Charge for the year	(484)	(89)	(520)	-	(1,093)
Disposals	-	127	-	-	127
Exchange differences	(19)	(1)	(20)	-	(40)
Balance at 30 June 2018	(1,360)	(227)	(1,556)	-	(3,143)
Balance at 1 July 2016	(533)	(181)	(634)	-	(1,348)
Charge for the year	(330)	(86)	(402)	-	(818)
Disposals	-	-	9	-	9
Exchange differences	6	3	11	-	20
Balance at 30 June 2017	(857)	(264)	(1,016)	-	(2,137)
Net book value					
As at 30 June 2018	2,394	444	758	-	3,596
As at 30 June 2017	1,051	206	806	82	2,145

⁽¹⁾ Of the total additions during the year to 30 June 2018, \$2.0 million related to new leasehold premises at 111 Sutter Street, San Francisco. These additions included leasehold improvements amounting to \$1.5 million which were funded by the landlord. Refer to Note 13 for additional information.

Impairment

At the end of each reporting period, the Group assesses whether there is any indication that any property, plant & equipment 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 as a loss. 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. This policy is applied to both tangible and intangible assets.

No items of property, plant and equipment have been impaired in the financial year ending 30 June 2018.

10. Intangible Assets

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 systematic basis based on the future economic benefits over the useful life of the project, typically between two to three years.

Critical accounting estimates and judgements - Determining the feasibility of a project and the likelihood of a project delivering future economic benefits, which can be measured reliably, involves significant management estimate and judgement.

Cost	Capitalised development costs \$'000
Balance at 1 July 2017	20,612
Additions	8,380
Disposals	(37)
Exchange differences	122
Balance at 30 June 2018	29,077
Balance at 1 July 2016	13,513
Additions	7,159
Disposals	(7)
Exchange differences	(53)
Balance at 30 June 2017	20,612
Accumulated amortisation	
Balance at 1 July 2017	(11,759)
Charge for the year	(6,704)
Disposals	-
Exchange differences	(82)
Balance at 30 June 2018	(18,545)
Balance at 1 July 2016	(6,097)
Charge for the year	(5,699)
Disposals	-
Exchange differences	37
Balance at 30 June 2017	(11,759)
Net book value	
As at 30 June 2018	10,532
As at 30 June 2017	8,853

Refer to the bottom of note nine above for details on the Group's accounting policy in relation to impairment of Intangible Assets.

No intangible assets have been impaired in the financial year ending 30 June 2018.

11. Trade and other payables

	2018 \$'000	2017 \$'000
Fulfiller payables	11,322	8,167
Artist payables	2,755	1,959
Staff payables	1,617	471
Sales tax payables	1,908	1,475
Other payables	1,922	796
Total trade and other payables	19,524	12,868

12. Employee benefit liabilities

Wages, salaries, annual and long service leave

A 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 at the reporting date on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

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.

Changes in the measurement of the liability are recognised in the income statement.

Defined contribution schemes

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

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.

	Current		Non-current	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Annual leave	1,659	1,256	-	-
Long service leave	230	146	149	84
Termination benefits	156	109	-	-
Total employee benefit liabilities	2,045	1,511	149	84

13. Other liabilities

	Current		Non-current	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Deferred rent	129	-	714	454
Lease incentive liability	223	-	1,227	-
Other	54	13	-	-
Total other liabilities	406	13	1,941	454

The Group has recognised a lease incentive liability for the additions to leasehold improvements funded by the landlord at 111 Sutter Street, San Francisco. The benefit of this incentive is being released as a reduction in rental expense over seven years, the life of the lease. As at year-end, the liability that will be released over the next 12 months, which amounts to \$0.2 million (2017: \$Nil), has been classified as current with the balance of \$1.2 million (2017: \$Nil) being classified as non-current.

14. Contributed equity and reserves

(a) Share capital

	Consolidated and parent entity			
	2018 Shares	2017 Shares	2018 \$'000	2017 \$'000
Ordinary shares ⁽¹⁾				
Issued and fully paid	209,940,096	208,440,096	70,021	69,481
Transfer from share based payments reserve for exercised options/settled performance rights ⁽²⁾	-	-	4,534	3,113
Total share capital	209,940,096	208,440,096	74,555	72,594

⁽¹⁾ 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.

⁽²⁾ During the year, an amount of \$1.4 million (2017: \$2.4 million) was transferred out of the share based payment reserve to share capital representing aggregated fair value of options exercised / performance rights settled during the year. The prior year amount included \$1.5 million in relation to performance rights issued from March 2013 onwards which were settled in November 2016 (six months from the IPO in May 2016) on account of satisfaction of liquidity event condition.

14. Contributed equity and reserves (continued)

(b) Movements in ordinary share capital

	Number of shares	\$'000
Balance at 1 July 2016	198,352,517	67,106
Exercise of options/warrants	3,578,665	706
Settlement of vested performance rights	4,618,783	-
Shares issued to Employee Share Trust ⁽¹⁾	7,876,342	7,447
Shares issued/allocated to Participants from the Employee Share Trust ⁽¹⁾	(5,581,933)	(5,419)
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld ⁽²⁾	(404,278)	(359)
Balance at 30 June 2017	208,440,096	69,481
Exercise of options / warrants	2,676,107	1,257
Settlement of vested performance rights	911,766	-
Shares issued to Employee Share Trust ⁽¹⁾	1,500,000	2,866
Shares issued / allocated to Participants from the Employee Share Trust ⁽¹⁾	(3,480,043)	(3,446)
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld ⁽²⁾	(107,830)	(137)
Balance at 30 June 2018 (including treasury shares)	209,940,096	70,021
Treasury shares - unallocated ⁽³⁾	(991,706)	(1,895)
Balance at 30 June 2018 (excluding treasury shares)	208,948,390	68,126

⁽¹⁾ The Group operates an Employee Share Trust (Trust) for the purpose of issuance of shares to participants on exercise of options / settlement of performance rights. The Group contributed to the Trust by issuing 1,500,000 shares (2017: 7,876,342), of which 3,480,043 shares (2017: 5,581,933) were issued / allocated to the participants from the Trust.

⁽²⁾ Represents payment of withholding taxes accounted for as a deduction from equity in accordance with AASB 2 Share-based Payment.

⁽³⁾ The balance as at 30 June 2018 represents book value of shares held by the Trust for future issue to participants on exercise of options / settlement of performance rights.

(c) Dividends

No Dividends were declared or paid during the year (2017: \$Nil).

(d) Nature and purpose of reserves

Share based payment reserve

The share based payments reserve arises on issue of share options / performance rights as payment for services to board members, employees (including senior executives) and contractors.

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 the income statement when the net investment to which it relates is disposed of.

Treasury reserve

The treasury reserve is used to hold the book value of shares held by the Employee Share Trust for future issue to participants on exercise of options / settlement of performance rights.

15. Interests in subsidiaries

Information about principal subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares 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 2018 %	Equity holding 2017 %
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
Redbubble Europe GmbH	Germany	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.

16. Parent entity financial information

The financial information for the parent entity, Redbubble Limited, 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.

(a) Summary financial information

	2018 \$'000	2017 \$'000
Statement of financial position		
Assets		
Current assets	154,755	120,177
Non-current assets	24,377	18,273
Total assets	179,132	138,450
Liabilities		
Current liabilities	155,553	106,609
Non-current liabilities	519	426
Total liabilities	156,072	107,035
Equity		
Issued capital	75,002	72,594
Share based payment reserve	4,700	3,412
Treasury reserve	(2,340)	(2,475)
Accumulated losses	(54,302)	(42,116)
Total equity	23,060	31,415
Loss and other comprehensive income		
Loss for the year	(12,186)	(9,168)
Total comprehensive loss	(12,186)	(9,168)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as at 30 June 2018 (2017: \$Nil).

(c) Contingent liabilities of the parent entity

As at the date of these financial statements there are current lawsuits filed against the Company that relate to alleged intellectual property infringement and/or breach of consumer laws. There is no certainty around the amount or timing of any outflow should any of the actions ultimately be successful (at first instance or on appeal, as applicable). 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) Capital and lease commitments

The parent entity had no capital commitments as at 30 June 2018 (2017: \$Nil).

16. Parent entity financial information (continued)

(d) Capital and lease commitments (continued)

Operating 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.

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

	2018 \$'000	2017 \$'000
Within one year	1,006	770
Later than one year but not later than five years	2,326	3,333
More than five years	-	-
Total lease commitments	3,332	4,103

17. Commitments and contingencies

(a) Capital and lease commitments

The Group had no capital commitments as at 30 June 2018 (2017: \$Nil).

Operating 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.

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

	2018 \$'000	2017 \$'000
Within one year	2,856	2,267
Later than one year but not later than five years	8,878	10,073
More than five years	2,222	3,291
Total lease commitments	13,956	15,631

The Group leases offices under non-cancellable operating leases for periods ranging within two to seven 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.

Operating leases – Group as lessor

The Group entered into a sublease arrangement as lessor on an existing, non-cancellable operating lease during the year. Future minimum rental income under the sublease as at 30 June 2018 is as follows:

17. Commitments and contingencies (continued)

Operating leases – Group as lessor (continued)

	2018 \$'000	2017 \$'000
Within one year	662	-
Later than one year but not later than five years	1,234	-
More than five years	-	-
Total lease commitments	1,896	-

(b) Contingencies

Legal claim contingencies

As at the date of these financial statements there are current lawsuits filed against some of the entities within the Group that relate to alleged intellectual property infringement and/or breach of consumer laws. There is no certainty around the amount or timing of any outflow should any of the actions ultimately be successful (at first instance or on appeal, as applicable). 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.

Sales tax

A decision of the United States Supreme Court in June 2018 on a matter known as the Wayfair case has potentially changed the sales tax landscape in that country by creating an economic nexus for the imposition of sales tax based on the residence of the customer as opposed to the pre-existing nexus which depends upon the physical presence of the seller. Following the decision it is probable that a number of US States will enact legislation or enforce legislation that already exists to require the Group to collect and remit sales taxes in those States. It is likely that the various state legislations will have prospective effect but there is the possibility of some states applying those taxes retrospectively. Accordingly, there is considerable uncertainty when the taxes in each State will apply and the amount that might need to be collected and remitted.

The Group already collects and remits sales taxes in the state in which it has a physical presence in the US (California) and is preparing to do the same for other US states should the Wayfair decision get finalised in the manner it is expected.

18. Share-based payments

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 the income statement and equity.

18. Share-based payment (continued)

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. Since Listing, the fair value of performance rights has been calculated using the five-day volume-weighted average price (VWAP) of the five trading days immediately preceding grant date.

Critical accounting estimates and judgements - Some of the inputs to the Black-Scholes pricing model require application of significant judgement.

The Black-Scholes pricing model requires inputs for the expected share price volatility of Redbubble Limited shares for a period similar to the expected life of the options. As the Group listed on the Australian Stock Exchange (ASX) on 16 May 2016 there is insufficient trading history to calculate this input for the time period required. The Group uses a selection of ASX listed peer companies to calculate comparable expected volatility for the appropriate time periods.

Options over ordinary shares

Redbubble Equity Incentive Plan:

In September 2015, the Group introduced the "Redbubble Equity Incentive Plan". Under this plan options over ordinary shares are 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 have a zero exercise price, so as to be akin to performance rights (or restricted stock units). None of the options have any performance targets.

2014 Option Plan:

Options to employees / contractors of US subsidiary are granted under this plan. The vesting conditions and expiry period under this plan is akin to the Redbubble Equity Incentive Plan.

Performance rights

Performance rights are granted under the Restricted Share and Performance Rights Plan to certain employees including senior executives and consultants. Once granted, the rights have a predetermined time-based vesting schedule. All the performance rights are subject to service conditions. The performance rights were also subject to a liquidity event condition which was met on 14 November 2016, being the date six months after the date of the IPO.

Executive STI - Options and Performance Rights

The Company has contracted with executives, who can materially impact the financial and operational performance of the Group to pay a benefit under the "Redbubble SLT Short Term Incentive (STI) Plan". The STI benefits are subject to: achievement of certain performance based requirements in relation to the Group's Gross Transaction Value, Gross Profit After Paid Acquisition, Earnings Before Interest, Taxes, Depreciation and Amortisation, minimum cash balance and personal performance assessment in the current year.

The value of the STI is 50% cash and 50% equity. 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 are granted under the Redbubble Equity Incentive Plan. The performance rights for Redbubble Inc. executives are granted under the Restricted Share and Performance Rights Plan. The target dollar value of the grants is determined during the year but the grants are made in the next year, calculated by dividing the dollar value by the volume weighted average price over a representative five-day period.

18. Share-based payment (continued)

(a) Movement

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

	2018 Number	2018 WAEP (\$) (*)	2017 Number	2017 WAEP (\$) (*)
Options over ordinary shares				
Outstanding at 1 July	18,908,594	0.69	19,821,755	0.57
Granted during the year ⁽¹⁾	7,490,236	0.83	3,589,927	0.99
Exercised during the year	(2,676,107)	0.47	(2,924,105)	0.21
Forfeited during the year	(1,453,699)	1.00	(1,486,787)	0.71
Expired during the year	(157,773)	0.99	(92,196)	0.88
Outstanding at 30 June	22,111,251	0.74	18,908,594	0.69
Exercisable at 30 June	11,283,920	0.64	9,350,584	0.54
Performance rights				
Outstanding at 1 July	1,165,124	-	5,825,204	-
Granted during the year	241,265	-	150,243	-
Settled during the year ⁽²⁾	(911,766)	-	(4,618,783)	-
Forfeited during the year	(156,916)	-	(191,540)	-
Outstanding at 30 June	337,707	-	1,165,124	-
Warrants over ordinary shares				
Outstanding at 1 July	-	-	654,560	0.14
Exercised during the year	-	-	(654,560)	0.14
Outstanding at 30 June	-	-	-	-
Exercisable at 30 June	-	-	-	-

^(*) WAEP stands for Weighted Average Exercise Price.

⁽¹⁾ 900,431 options have zero exercise price (2017: 476,007). The expiry period for grants made during the current and prior year is 10 years.

⁽²⁾ The number disclosed in the prior year includes 3,753,913 in relation to performance rights issued from March 2013 onwards which were settled in November 2016 (six months from the IPO in May 2016) on account of satisfaction of liquidity event condition.

(b) Modifications to the awards

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

	2018 Number	2017 Number
Waiver of liquidity event condition / accelerated vesting upon termination with respect to performance rights	17,274	24,569
Cancellation pursuant to amendment of contract	33,866	-
Accelerated vesting of unvested options over ordinary shares upon termination	68,750	122,000
Total	119,890	146,569

18. Share-based payments (continued)

(c) Additional disclosures

Weighted average fair value of	2018 \$	2017 \$
Share at the date of exercise of options / warrants / settlement of rights during the year	1.19	0.88
Share options granted during the year	0.41	0.33
Performance rights granted during the year	0.78	0.88

Weighted average remaining contractual life of	2018 (years)	2017 (years)
Share options outstanding at the end of the year	7.44	7.20

Inputs to Black-Scholes (weighted average)	2018	2017
Expected volatility (%) ⁽¹⁾	33.83	34.60
Risk-free interest rate (%)	2.96	2.61
Expected life (years)	6.00	5.92
Fair market value of share (\$)	0.92	0.98

⁽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.

The range of exercise prices for options outstanding at the end of the year is \$Nil to \$1.55 (2017: \$Nil to \$1.33).

19. Related party transactions

Compensation of the key management personnel of the Group

	2018 \$	2017 \$
Short-term employee benefits	1,829,646	2,436,305
Post-employment benefits	89,279	184,881
Share-based employee benefits	1,008,412	1,422,892
Other long-term benefits	46,623	22,593
Termination benefits	-	235,473
Total transactions with key management personnel ⁽¹⁾	2,973,960	4,302,144

⁽¹⁾ In July 2017, the Group's management structure was reorganised. As part of this, the definition of KMP under the Corporations Act was evaluated and it was determined that the CEO, CFO and COO were the only executives with the authority and responsibility for planning, directing and controlling activities of the group. As a result the number of KMP disclosed in this year's Annual Report has been reduced.

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.

19. Related party transactions (continued)

In FY 2017, Stephanie Tilenius, a member of the Board at the time, but since resigned, sold 677,340 shares to the Employee Share Trust at \$0.66. The price represented 5-day VWAP and the off-market transaction was funded by the Group.

The following transaction occurred with another related party:

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 \$22,944 (2017: \$19,329). The fees are based on the time and service provided at rates equivalent to other providers of the same services. As at 30 June 2018, the outstanding balance was \$5,334 (2017: \$Nil).

20. Remuneration of auditors

	2018 \$	2017 \$
Ernst & Young		
Audit and review of financial reports	159,005	158,386
Taxation services	19,750	37,471
Other services	48,751	18,073
Remuneration of Ernst & Young	227,506	213,930

21. Segment information

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 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.

Geographical information required as per AASB 8 is detailed below:

	2018		2017	
	Revenue \$'000	Non-current assets ⁽¹⁾ \$'000	Revenue \$'000	Non-current assets ⁽¹⁾ \$'000
Australia	11,762	10,245	9,233	9,647
United States	108,235	3,586	87,839	1,176
United Kingdom	22,483	28	18,464	108
Rest of the world	40,289	269	25,425	67
Total	182,769	14,128	140,961	10,998

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

22. Events occurring after the balance sheet date

The financial report was authorised for issue on 23 August 2018 by the Board of Directors. Subsequent to the end of the financial year, on 1 August 2018 Barry Newstead has been appointed as the Managing Director and CEO, replacing Martin Hosking who has transitioned to an Executive Director role on that date and is now a Non-executive Director.

Other than the above, there have been no further significant events after the balance sheet date that require disclosure.

23. Other significant accounting policies

(a) 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 15 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.

(b) Foreign currency transaction

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.

Transactions 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 the income statement, except where they relate to an item of other comprehensive income.

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.

23. Other significant accounting policies (continued)

(c) Other income

Finance income

Finance income is recognised on an accruals basis using the effective interest method.

Lease income

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(d) 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.

(e) Financial assets

Trade and other receivables and other financial assets are non-derivative financial assets with fixed or determinable payments that are not 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 the income statement.

The Group assesses at the end of each financial reporting period whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(f) 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.

(g) Other provisions

Other provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

(h) Sales Tax (includes Goods and Services Tax (GST) and Value Added Tax (VAT))

Revenue, expenses and assets are recognised net of the amount of sales tax, except where the amount incurred is not recoverable from the Australian Taxation Office (ATO) or other similar international bodies. Receivables and payables are stated inclusive of sales tax, where applicable. The net amount of 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 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.

23. Other significant accounting policies (continued)

(h) Sales Tax (includes Goods and Services Tax (GST) and Value Added Tax (VAT)) (continued)

Critical accounting estimates and judgements - The Group currently collects and remits sales tax on sales made to customers in the US state of California as management believes that a sales tax nexus may exist due to its own offices in that state. Significant management judgement is required to determine if nexus exists in other states. Management has determined that no other taxes are payable as at 30 June 2018. Note 17(c) outlines changes to the sales tax regime in the USA following a decision of the United States Supreme Court in June 2018 on a matter known as the Wayfair case which may impact the Group in FY19.

(i) New and amended accounting standards and interpretations

New and amended accounting standards and interpretations issued and effective

None of the new or amended accounting standards and interpretations adopted during the year have a material impact on the Group.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods. However, in the prior financial year, the Group early adopted AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions which had an initial application date of 1 January 2018. Accordingly, the withholding of shares to fund the payment of taxes to the US tax authorities in respect of the employee's tax obligation associated with the share-based payment is accounted for as a deduction from equity (Refer to Note 14(b), footnote (2)).

The Group continues to treat all share-based payment transactions with a net settlement feature for withholding tax obligations as equity-settled share-based payment transactions. The earlier adoption has no impact on accounting periods prior to FY 2017.

Other than the above, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group's interpretation of the impact of certain new standards / amendments is set out below. There are other new accounting standards issued but not yet effective, over and above the ones mentioned below, however they are not considered relevant to the activities of the Group and are not expected to have a material impact on the financial statements of the Group.

Reference	Title	Application date of Standard	Application date for the Group
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018

Summary:

In May 2014, the AASB issued AASB 15 Revenue from Contracts with Customers, which replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services).

The core principle of AASB 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.

23. Other significant accounting policies (continued)

(i) New and amended accounting standards and interpretations (continued)

An entity recognises revenue in accordance with that core principle by applying the following steps:

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

Group Assessment:

The Group has conducted a rigorous assessment of AASB 15. It has concluded that when the customer contracts there is only one performance obligation for goods bearing the artists' designs. Both the artists and the Group are involved in satisfying the performance obligation. However, as the Group controls a substantial part of the process and is construed to be the party primarily responsible for satisfying the performance obligation, the Group is seen as the principal in the sale. Therefore, the Group has determined that the artists' margin should be included in revenue. Simultaneously, the Group will also recognise a cost for artists' margin in operating expenses. The performance obligation is satisfied upon shipment.

The standard will be adopted for the 2019 financial year by applying the "full retrospective" approach. The impact of this change, should it be applied to 2018 revenue, would be an increase in Revenue of approximately \$35.9 million, with a corresponding increase in operating expenses. The adoption of the new standard will have no impact on the business model, pre or post tax earnings, cash flows or balance sheet representation.

Reference	Title	Application date of Standard	Application date for the Group
AASB 16	Leases	1 January 2019	1 July 2019

Summary:

The key features of AASB 16 are as follows:

Lessee accounting

- 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.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117 other than in respect of sub-leases. 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.

23. Other significant accounting policies (continued)

(i) New and amended accounting standards and interpretations (continued)

AASB 16 supersedes:

- (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

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.

Group Assessment:

The Group has made a preliminary assessment of the impact and is conducting further analysis.

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 45 to 78 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 2018 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.

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 Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.



Richard Cawsey
Chairman
Melbourne
23 August 2018



Barry Newstead
Chief Executive Officer
Melbourne
23 August 2018



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Independent auditor's report to the members of Redbubble Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Redbubble Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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.

In our opinion:

the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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



Capitalised development costs

Why significant

At 30 June 2018, the carrying value of development costs for the website to introduce new products and improve existing functionality, in the consolidated statement of financial position was \$10.5m. This was significant to our audit, given the value of the asset relative to total assets, the rapid technological change in the industry, as well as the specific Australian Accounting Standards criteria that have to be met to enable costs incurred to be capitalised.

The capitalisation of development costs involves judgment, including technical feasibility, the Group's intention and ability to complete the intangible asset, generation of future economic benefits and the ability to measure the costs reliably. In addition, determining whether there is any indication of impairment of the carrying value of assets requires judgment and assumptions which are affected by future market or economic developments.

The Group's disclosures with regards to capitalised development costs are included in Note 10 of the financial report.

How our audit addressed the key audit matter

Our procedures included an assessment of the eligibility of the development costs for capitalisation as an intangible asset against the criteria and evaluation of the assumptions and methodologies used by the Group to test these intangible assets for impairment. Our audit procedures included the following:

- Selected a sample of capitalised development costs by project and assessed whether the nature of projects and costs were supported by underlying evidence such as employee time sheets and supplier invoices and whether the costs related to projects that met the criteria for capitalisation.
- Considered the projects' function, current status and forecasted performance as well as external and internal environment of the Group to determine if any indicators of impairment exist and whether amortisation rates are appropriate.

Recognition and recoverability of deferred tax assets

Why significant

At 30 June 2018, the Group recorded deferred tax assets of \$14.0m, the majority of which comprises Australian carried forward tax losses and non-refundable Research and Development (R&D) offsets. The Group also has unrecognised deferred tax assets of \$9.0m originating prior to the Group listing on the Australian Stock Exchange.

The analysis of the recognition and recoverability of deferred tax assets was significant to our audit because the amounts are material, the assessment process requires judgment and is based on assumptions that are affected by expected future market or economic conditions.

The Group's disclosures are included in Note 5 of the financial report.

How our audit addressed the key audit matter

Involving our tax specialists, we evaluated the Group's assessment of the relevant eligibility requirements in order to recognise the deferred tax assets.

We evaluated the value of tax losses recognised in light of future projected profitability of the relevant subsidiary companies, by assessing the Group's forecasts of taxable income. We considered whether they were based on reasonable assumptions and were consistent with the most recent forecasts approved by the Board.

Additionally, we assessed the adequacy of the Group's disclosures regarding the application of judgment with respect to recognised deferred tax asset balances.



Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 39 of the Directors' Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Redbubble Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'K. Bodenham' in black ink.

Kylie Bodenham
Partner

Melbourne
23 August 2018

Shareholder and other ASX Required Information

The shareholder information set out below was applicable as at 21 September 2018 (except as otherwise stated).

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	97	194,905,977	2.93
10,001 to 100,000	394	10,076,094	11.90
5,001 to 10,000	453	3,393,833	13.68
1,001 to 5,000	1,570	4,066,555	47.40
1 to 1,000	798	497,587	24.09
Grand Totals	3,312	212,940,096	100

There were 91 holders of less than a marketable parcel of ordinary shares.

B. Top 20 Registered 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
JELICOM PTY LTD	49,509,720	23.25
J P MORGAN NOMINEES AUSTRALIA LIMITED	26,833,050	12.60
BLACKBIRD FOF PTY LTD	11,361,819	5.34
CAWSEY SUPERANNUATION FUND PTY LTD	9,043,980	4.25
CAV IH NO5 LIMITED	5,985,855	2.81
PITON CAPITAL VENTURE FUND II LP	5,537,291	2.60
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	5,393,171	2.53
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,107,342	2.40
NATIONAL NOMINEES LIMITED	5,012,492	2.35
SOLIUM NOMINEES (AUSTRALIA) PTY LTD	4,436,751	2.08
MR ANDREW RUDOLPH SYPKES & MRS ELIZABETH ANNE PETRUSMA	3,191,257	1.50
RADIATA INVESTMENTS PTY LTD	2,866,200	1.35
AUSTRALIAN DIRECT INVESTMENTS PTY LIMITED	2,509,160	1.18
THREE SPRINGS FOUNDATION P/L	2,500,000	1.17
BNP PARIBAS NOMS (NZ) LTD	2,470,649	1.16
LONSDALE NOMINEES PTY LTD	2,408,640	1.13
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,394,163	1.12
BNP PARIBAS NOMS PTY LTD	2,130,212	1.00
GROKCO PTY LTD	2,071,573	0.97
HB SUPER HOLDINGS PTY LTD	1,945,635	0.91
Top 20 holders of Ordinary Fully Paid Shares (TOTAL)	152,708,960	71.70
Total Remaining Holders Balance	60,231,136	28.30
Grand Totals	212,940,096	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	20,115,505
Performance Rights	286,649
Total number of ordinary shares subject of options and performance rights	20,402,154

D. Substantial Holders

Substantial holders in the Company* are set out below (as at 4 September 2018)

Name	Number Held	% of Issued Capital
Mr Martin Hosking	52,268,768	24.55
Osmium Partners LLC	14,498,211	6.81
Richard Cawsey	13,994,196	6.57
Blackbird Ventures	11,361,819	5.34

* As disclosed in substantial shareholder notices received by the Company

E. Securities subject to escrow arrangements

There are no shares on issue that are subject to voluntary escrow.

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

Corporate Information

Directors

Richard Cawsey (Chair)
Barry Newstead (CEO/MD from 1 August 2018)
Martin Hosking
Greg Lockwood
Grant Murdoch
Hugh Williams
Jenny Macdonald (appointed 22 February 2018)
Anne Ward (appointed 22 March 2018)
Teresa Engelhard (resigned 25 October 2017)

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 Street
Melbourne VIC 3008
Australia

Auditors

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
Australia

Bankers

Commonwealth Bank of Australia

Stock Exchange Listing

Redbubble shares are listed on the Australian Securities Exchange
(listing code: RBL)

Website

redbubble.com

Investor Centre

shareholders.redbubble.com

