REDBUBBLE

Redbubble Limited

ABN: 11 119 200 592

Year ended 30 June 2021

(Previous corresponding period: Year ended 30 June 2020)

Results for announcement to the market

	Year ended 30 June 2021 $'m	Year ended 30 June 2020 $'m	Movement	Change $'m	Change % [(1)(2)]
Marketplace revenue	**553.3**	348.9	Up	204.4	58.6%
Artist revenue	**104.0**	67.4	Up	36.6	54.3%
Total revenue from ordinary activities	**657.3**	416.3	Up	241.0	57.9%
Profit / (loss) from ordinary activities before tax attributable to members	**39.1**	(9.0)	Up	48.1	N/A
Profit / (loss) from ordinary activities after tax attributable to members	**31.2**	(8.8)	Up	40.0	N/A
Net profit / (loss) for the year attributable to members	**31.2**	(8.8)	Up	40.0	N/A

(1) Change % calculations are based on numbers to nearest thousand dollars ($000).

(2) Meaningful growth rates cannot be provided for metrics that have moved from a negative to a positive amount.

Dividends

Redbubble Limited has not paid and does not propose to pay dividends for the year ended 30 June 2021 (2020: Nil). There are no dividend or distribution reinvestment plans in operation.

Net tangible assets per security

	30 June 2021 cents	30 June 2020 cents
Net tangible assets per security [(1)]	**18.5**	(1.8)

(1) Net tangible assets include right-of-use assets recognised under AASB 16 Leases.

Other information

Detailed analysis of the results for the year ended 30 June 2021 is contained in the Redbubble ASX release and Investor Presentation announcing the full year financial results, the review of operations in the Directors' Report accompanying the attached Consolidated Financial Statements.

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in and should be read in conjunction with, the Consolidated Financial Statements for the year ended 30 June 2021.

This report is based on the Consolidated Financial Statements for the year ended 30 June 2021 which has been audited by Ernst & Young with the Independent Auditor's Report included in the 2021 Consolidated Financial Statements.

Martin Bede
Company Secretary
19 August 2021

Contents

Directors' Report

Your Directors present their report on the consolidated entity, consisting of Redbubble Limited (the Company or Redbubble) and the entities it controlled during the financial year ended 30 June 2021 (referred to hereafter as the RB Group or Group).

Directors

The following persons were Directors of the Company during the 2021 financial year and to the date of this Report:

Anne Ward	Chair, Non-executive Director
Martin Hosking	Non-executive Director (became a Non-executive Director on 27 January 2021 following the end of Mr Hosking's interim Managing Director and CEO tenure)
Jennifer (Jenny) Macdonald	Non-executive Director
Ben Heap	Non-executive Director
Greg Lockwood	Non-executive Director

Principal activities

RB Group, through its websites at Redbubble.com and TeePublic.com, owns and operates the Redbubble and TeePublic online marketplaces. These marketplaces facilitate the sale and purchase of art and designs on a range of products sold by independent creatives to 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 was no significant change in the nature of RB Group's activities during the year.

Review of operations

Redbubble delivered record financial results and operational achievements during FY2021, providing strong foundations from which to drive future growth. The business is well capitalised to pursue its medium term aspirations with confidence and conviction.

Redbubble's FY2021 financial metrics[1] (with year on year (YoY) growth rates, where applicable) are:

- Gross Transaction Value (GTV) of $701 million, up 48% (60% on a constant currency basis[2]);
- Marketplace Revenue of $553 million, up 58% (71% on a constant currency basis);
- Gross profit of $223 million, up 66% (79% on a constant currency basis);
- EBITDA of $53 million, up 930% (695% on a constant currency basis);
- EBIT of $39 million, compared to a loss of $9 million in FY20;
- Net profit after tax of $31 million, compared to a loss of $9 million in FY20;
- Operating cash inflow of $55 million, compared to $47 million in FY2020; and
- Closing cash balance at 30 June 2021 of $99 million.

[1] Please see table 1 on page 5 for calculations of the non-IFRS metrics

[2] "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 93% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources about 91% of its Marketplace Revenue in US dollars.

Review of operation (continued)

Marketplace Revenue of $553 million was up 58% (71% on a constant currency basis) on the prior period. Customer demand was sustained throughout the entire year, even as the second half of the year saw global macro conditions change noticeably with much of the offline economy opening back up, particularly in the US which is our largest market.

Growth of the business across all geographies showed the broad and global appeal of the Group's offering, while growth across multiple product categories demonstrated the breadth and variety of consumer markets in which the model can apply. Face masks were a significant contributor during FY2021 contributing $57m to Marketplace Revenue. FY2021 underlying Marketplace Revenue was $497 million excluding masks, which still represents substantial growth over FY2020 Marketplace Revenue of $349 million. Unique customers increased 40% to 9.5 million in FY2021, with repeat customer purchases accounting for $232 million in Marketplace Revenue.

Gross Profit margins were higher in FY2021 primarily due to the strong contribution of higher margin product categories such as face masks. This resulted in a Gross Profit of $223 million, up 66% (79% on a constant currency basis).

In FY2021 the marketplaces had a 54% increase in selling artists up to 728,000, with both new and earlier artist cohorts witnessing significant growth. Artists earned $104 million in revenue across the platforms in FY21, the largest ever annual amount, of which we are extremely proud. Artist activation and engagement remains a core growth pillar for Redbubble and we are committed to growing and optimising the library of unique content available on the platform.

The group holds $99m in cash at 30 June 2021. These cash reserves will be used to sustainably invest into our future business growth and gives management and the Board considerable strategic flexibility around a range of capital management options.

In January 2021, the Board was pleased to announce the appointment of Mr Michael Ilczynski as the new CEO of Redbubble. As a result of Mr Ilczynski's appointment, our interim CEO and Managing Director, Mr Martin Hosking, has returned to his role as Non-Executive Director, as was foreshadowed in last year's Remuneration Report.

COVID-19

The Group has experienced significant growth and is operating at a much larger scale than 12 months ago. Increased demand was evident across both marketplaces, in all core geographies and product categories as the Group has benefited from an acceleration in online activity since the beginning of the global pandemic.

The COVID-19 pandemic adds inherent uncertainty into global economic conditions, and as such, the business continues to monitor online sales, trends and the fulfillment networks.

Teams across the business have demonstrated remarkable resilience with the entire company operating remotely since April 2020. The agility of the team, supported by secure cloud based technology has supported a decentralised working model without losing productivity and has ensured the Group was able to exceed both customer and artist expectations.

The RB Group did not receive any Government benefits across the jurisdictions in which the Group operates.

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

Table 1: Reconciliation of reported results to non-IFRS [1] numbers

	FY2021 $'m [2]	FY2020 $'m [2]
Gross Transaction Value [3]	**700.7**	**474.1**
Less sales taxes and timing differences	(43.3)	(57.9)
Total reported revenue from services	**657.3**	**416.3**
Less Artists' margin	(104.0)	(67.4)
Marketplace revenue	**553.3**	**348.9**
Fulfiller expenses	(330.5)	(214.5)
Gross profit	**222.7**	**134.4**
Gross profit margin on Marketplace revenue	40.3%	38.5%
Paid acquisition costs	(71.2)	(39.8)
Gross Profit After Paid Acquisition costs (GPAPA)	**151.5**	**94.5**
GPAPA% (on MP Revenue)	**27.4%**	**27.1%**
Employee and contractor costs	(64.5)	(59.5)
Marketing expenses (excluding paid acquisition costs shown above)	(2.0)	(3.5)
Operations and administration costs	(28.9)	(24.3)
Other expenses	(3.3)	(2.1)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**52.7**	**5.1**
Depreciation and amortisation	(13.3)	(13.7)
Earnings before interest and tax (EBIT)	**39.4**	**(8.6)**
Interest expenses	(0.3)	(0.6)
Interest income	0.0	0.2
Total profit/(loss) before income tax	**39.1**	**(9.0)**
Income tax benefit/(expense)	(7.9)	0.2
Reported total profit/(loss) for the year	**31.2**	**(8.8)**

[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 (with the exception of Gross Transaction Value).

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

[3] Gross Transaction Value (GTV) represents total receipts from customers less fraud, refunds and chargebacks.

Strategic and Business Update

As flagged in the Letter to Shareholders in April, Redbubble is undertaking investment in its four strategic themes to build a strong foundation for future growth. These are across:

- Artist activation and engagement
- User acquisition and transaction optimisation
- Customer understanding, loyalty and brand building
- Product Range and 3rd Party fulfillment network

These investments will aid the Company to deliver continued top-line growth, reinforcing Redbubble's competitive position and enabling the Company to continue on its mission to create the world's largest marketplace for independent artists.

In pursuit of Redbubble's medium term aspirations, targeted investments will continue to be made across the Group. Specifically, investments in FY2022 will focus on key aspects of the customer experience, both digital and physical. These are aimed at driving cumulative increases in users, order rate, average order value and repeat rate. We remain focused on the tremendous opportunity we have as a business, and on our medium term aspirations to grow GTV to more than $1.5 billion, to grow Artist Revenue to $250 million, and to produce Marketplace Revenue of $1.25 billion per annum.

Significant changes in the state of affairs

In the Directors' opinion, there have been no significant changes in the state of affairs of RB Group during the 2021 financial year.

Significant events after end of the 2021 financial year

In the Directors' opinion, there have been no matters or circumstances arising since the end of the 2021 financial year that has significantly affected, or may significantly affect:

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

Dividends

No dividends were paid or declared since the start of the 2021 financial year. Given the opportunities to invest in key initiatives, coupled with the uncertain future macro environment, the Board does not expect to pay a dividend in the short to medium term.

Environmental, Social and Governance (ESG) Statement

RB Group's mission is to create the world's largest marketplace for independent artists. Empowering the global artist community to make a living doing what they love is key to our success. The business drives significant value for the artists, customers, third-party printers and manufacturers (fulfillers) that participate in the marketplace, as well as for our employees and shareholders.

The ESG landscape is ever-evolving, with increasing stakeholder expectations, a more stringent regulatory environment, a push for greater inclusivity in our workforce and through our marketplace. A range of external factors, including COVID-19, the Black Lives Matter (BLM) movement, climate change and the circular economy (designing products that can be reused, in contrast to the traditional linear model of make and dispose) continued to evolve and challenge our thinking and approach in FY2021. These will certainly not be the last of challenges that test our business model, company culture and mission.

The artists, customers, employees and third-party fulfillers that participate in the marketplace have high expectations of our approach to ESG. To keep true to our mission, to support our culture of passionate people working collaboratively for a cause, and to ensure a sustainable business model, we want to better understand our material ESG impacts and better integrate ESG into our strategy and decision-making.

We are currently developing our inaugural ESG Strategy. The strategy will help us identify and prioritise the areas where we can have the greatest positive impact across the value chain. We are conducting a materiality assessment to identify our key impact areas and to get a better understanding of our stakeholders' needs and expectations. These material topics will inform our broader strategic objectives, goals and future disclosure.

Below we cover our current approach to ESG and provide a preliminary indication of likely material topics. Further information on our ESG Strategy will be provided in our FY2021 Annual Report.

Environment

With the growing sense of urgency about climate change, concerns about human impacts on the environment and the global move towards a circular economy, responsible business practices are now non-negotiable. Our mission to create the world's largest marketplace for independent artists means that we have a duty to them and to customers to ensure that the products sold by artists on the marketplace are environmentally and socially responsible.

We designed our business model to have a small environmental footprint. The third-party fulfillers make products on-demand, which means there are no warehouses full of unsold stock, and as a result, less waste. Over 90% of the third-party fulfillers that use the marketplace are based in the same region as the customers, which significantly reduces the carbon emissions from international shipping. We also offset carbon emissions from shipping for all products sold via our marketplace.

This is a great start, but we have more to do to manage the Group value chain's environmental impacts. While we don't own the businesses in the supply chain, we are mindful of our collective environmental footprint. We identify environmental benchmarks for the third-party fulfillers and we are assessing how we can help artists be more sustainable in their designs and support the circular economy through setting specific goals and targets in these areas allowing us to track our impact.

RB Group is committed to compliance with all applicable environmental legislation. The Directors are not aware of any material breaches of any environmental legislation affecting the Group's operations.

Social

Social good is part of the Group's DNA. The artists, employees and third-party fulfillers that participate in the marketplace are crucial to the delivery of our social mission and ultimately our success. Being socially responsible means treating artists with respect, backing our employees on issues they care about and ensuring that we only engage with third-party fulfillers that ensure fair working conditions for their staff.

The Redbubble marketplace gives 728,000 independent artists a new way to express themselves. Artists have the flexibility to set their own pricing for their products to ensure they are paid fairly and have control over what they earn. We also have anti-piracy and watermark features to make sure that artists' creations are protected.

We have a diverse and distributed employee base in the United States, Australia and Germany, and are committed to building a workforce reflective of the communities we serve, of which we are individually and collectively members. Many of our employees choose to work in our organisation because they believe in our social mission.

In early 2021, we launched a new Group Diversity Policy, to restate, reinforce and raise the bar on our diversity objectives and commitments. We are proud to report that 40% of our Board identify as female and six of the eight direct reports to the Group CEO identify as female.

Redbubble and TeePublic have programs and strategies in place to promote diversity and inclusion, aligned to each company's business and community contexts. These enable us to achieve our Group objectives and commitments and deliver an inclusive workplace environment, where belonging underpins our collective impact and outcomes.

While we have been successful in achieving strong representation of women within our leadership team, we know that identity extends beyond gender; it is fluid, complex and multifaceted, and there is more work to be done to achieve greater representation in our broader workforce, and among our partners and artists.

The COVID-19 pandemic challenged us to better support our workforce during this time of uncertainty. We responded by giving our employees flexibility in their working conditions and greater support for their health and wellbeing.

The Group strives to inspire our employees and the marketplace customers every day, and to treat members of the artist and wider communities with compassion. Our Community Collective is an employee-driven initiative that looks to extend this compassion into our local communities. In previous years we've partnered with organisations who focus on issues like the environment, cancer, HIV/AIDS, domestic violence, and poverty. In the current year, due to the impacts of COVID, we have shifted our efforts to donating clothing and tech equipment to communities and schools in need.

For this year's Black History Month celebration, the Group partnered with Black Art Futures Fund (BAFF) to make a significant financial and cultural contribution to an artist community outside of the Group. Black Art Futures Fund provides general operating support for U.S. small and community-based Black-led and Black-benefitting arts and culture organisations.

Greater transparency and collaboration across the marketplace supply chain will help us continue to mitigate associated risks and promote responsible working practices. Like our supplier environmental standards above, we also have social standards that all third-party fulfillers have agreed to comply with in order to use the Group's marketplaces. We expect the fulfillers to ensure that their employees have safe working conditions and to treat their employees with respect and dignity, in line with the Australian Modern Slavery Act, the California Transparency in Supply Chains Act and the Fair Labor Association Code of Conduct.

Governance

To succeed in bringing more creativity into the world in a fair and ethical way, we rely on strong governance practices to help us navigate rapidly evolving regulations and stakeholder expectations. We look to our leadership team for direction on ethics and moral standards. We aim to maintain an open marketplace where artists are free to express themselves, whilst protecting marketplace users from abusive, hateful or racist content. While we do our best to strike a balance between freedom and protection, this can sometimes be challenging in a marketplace of user generated content.

We strive for the highest governance and risk management standards. These standards are described in Redbubble's Corporate Governance Statement - available to view in the Corporate Governance section of the Redbubble Ltd Investor Centre at: shareholders.redbubble.com. Our policies and statements guide how we address the issues that affect our business and enable us to take swift mitigating actions. We are now looking to more transparently and assertively address the key governance issue areas for our stakeholders, especially our shareholder base. We will also continue to improve our operational procedures for data security and privacy, content moderation and ethical business conduct to ensure we remain agile and responsive to changes in our operating landscape.

Risk Framework

The Group acknowledges that it has an obligation to shareholders, customers, employees, creatives and contractors to implement a risk management framework that reflects its risk appetite, thus contributing to the achievement of its strategic objectives. RB Group seeks to take and manage risk in ways that will generate and protect shareholder value.

The Group is committed to ensuring that a consistent and integrated approach to managing risk is established at all levels and is embedded in its processes and culture.

The Group has a risk appetite the objective of which is to foster a culture of innovation. The Redbubble Board 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 RB Group staff that balances the risks of action versus inaction and subject always to applicable RB Group policies.

The Board and management have agreed on specific risk tolerance levels for each risk within these categories and review the tolerance levels in the annual risk review:

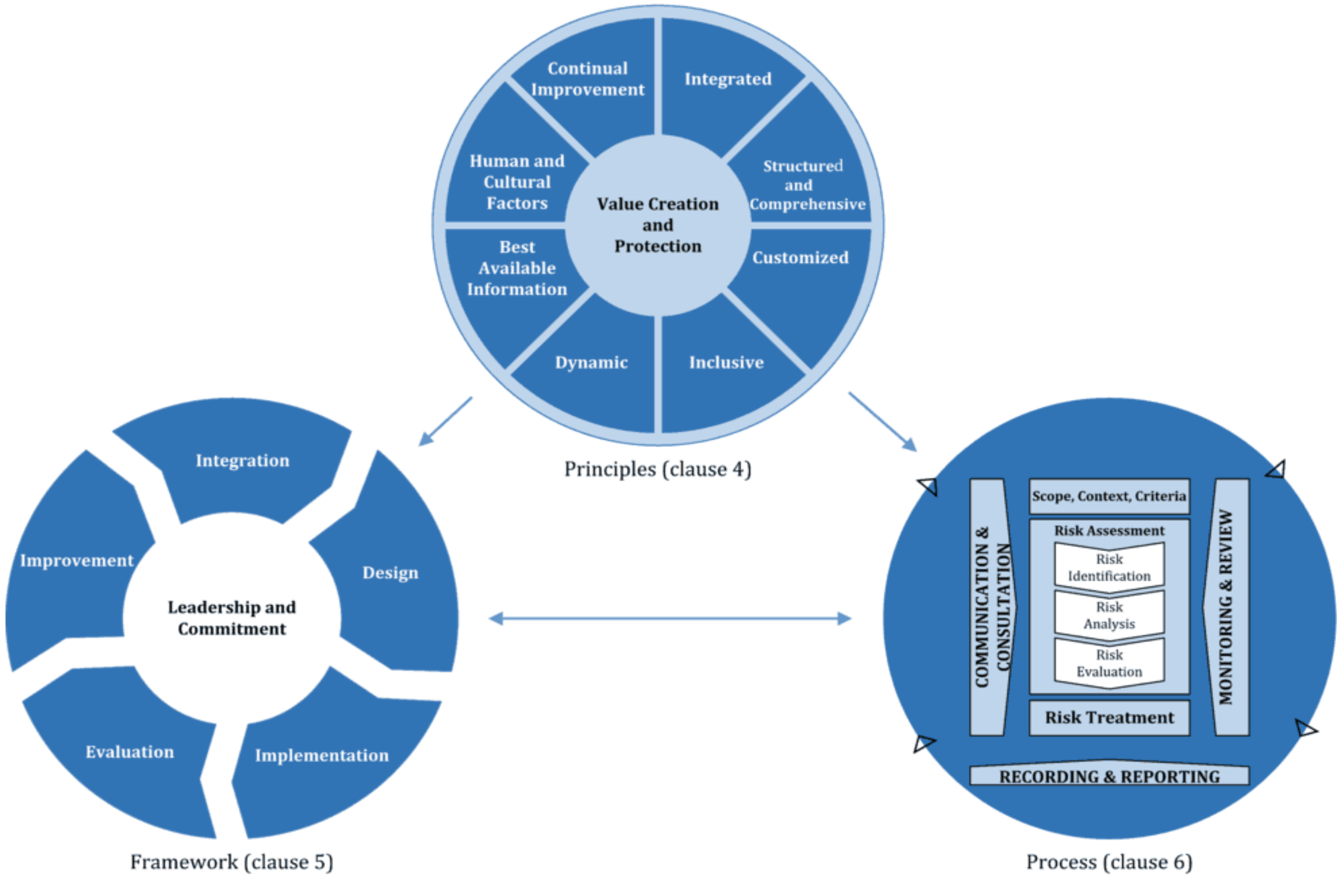
- Strategic risk;
- Operational risk;
- Reputational risk;
- Financial risk;
- People and Culture risk; and
- Legal & Regulatory Compliance risk.

Governance

The Redbubble Board is ultimately responsible for ensuring risk management processes have been established and are operating effectively. The Redbubble Audit and Risk Committee, through its Charter, is responsible for overseeing the Group's ongoing risk management program framework and any key supporting policies and procedures. The Audit and Risk Committee ensures that the scope of the annual risk review encompasses whether the Group is operating with due regard to the Board's risk appetite. The CEO and the Executive Team are responsible for managing and embedding risk management practices throughout the Group.

Framework for Managing Risk

The Group has adopted a risk management strategy that aims to identify and minimise the potential for loss while also maximising strategic opportunities for growth and enhanced service delivery and profitability. RB Group's Risk Framework, Principles and Process is consistent with the following model from AS/NZ ISO 31000:2018:



The Risk Framework outlines the responsibilities for risk management at all levels in the organisation. The Board approves a Delegation Register that provides for delegation to management in specific areas and prescribes the limits on such delegations. The Framework also supports these responsibilities by defining a risk reporting structure, expectations and the resources and tools required.

Principal risks

The following are key risks that may impact RB Group's financial and operating results in future periods:

- Competitive activity - To mitigate the impact of this risk RB Group is focussing on ensuring that its marketplaces provide a market leading experience for artists and customers.

- Macroeconomic Risks - RB Group is subject to macroeconomic risks affecting consumer demand in relevant retail markets. These risks are largely outside of RB Group's control, and are mitigated by current diversity in both product mix and geographic presence, combined with the intention to continue to grow the size of the overall revenue base. Whilst the Group benefited from an acceleration in online activity due to the impacts of the COVID-19 pandemic on consumer behaviour, as the business cycles these comparatives and various geographies move to a post COVID normal there may be some short term volatility.

- Google search channel risk - RB Group has prioritised search engine optimisation initiatives, including improved user and crawler navigation experience and site speed. RB Group is also focussed on further diversification of customer acquisition sources to reduce reliance on Google search.

- Litigation brought against RB Group for intellectual property infringement - Litigation risk arises from the RB Group marketplace's roles as intermediaries for user-generated content. RB Group mitigates this risk in various ways, including by responding expeditiously to takedown notices from intellectual property rights holders; engaging in collaborative relationships with rightsholders to promote the integrity of hosted content (including by facilitating licensing through our Partner Program and by proactively finding and removing content through our Policing Program); developing automated platform software to manage content at scale; building our litigation capabilities and holding appropriate levels of insurance. RB Group will continue to mitigate its IP infringement litigation risk by further building its capabilities through process and technology improvements.

- Technology Security and Reliability Risk - As a technology-focused business, managing security, and taking care of consumer and customer data is essential. To manage this risk, the Group has developed and tested its disaster recovery capability and procedures, implemented high availability infrastructure and architectures, and continually monitors our systems for signs of poor performance, intrusion or interruption. The Group maintains appropriate data management, security and compliance policies, procedures and practices in place.

- Platform / Technology constraints - 'Technical debt' slows delivery of marketplace improvements. Consistent investment in eliminating platform and technology constraints will be required to further improve the Group's marketplaces.

- Privacy and Data Protection Compliance Risk - Compliance with applicable Privacy and Data Protection Laws, including the GDPR, California Consumer Privacy Act and the Australian Privacy Act 1988 remains an ongoing focus. The Group has implemented appropriate data security measures; including preventative, detective and responsive capabilities. A Data Breach Response Plan is in place and is strictly adhered to.

- Attracting and retaining top talent in business critical functions - The Group continues to encounter competition for talent across all our locations. The mitigations for this risk have included improvements to the executive compensation plan in FY2021 and compensation adjustments for key talent roles.

Change in key management personnel during the 2021 financial year and since the end of that financial year

The "Key Management Personnel" for the purposes of the FY2021 Remuneration Report have been determined to be the current Redbubble Limited directors and the following members of the Redbubble Executive Team:

- Michael Ilczynski - Chief Executive Officer from 27 January 2021; and
- Emma Clark - Chief Financial Officer.

There were no changes to the membership of the Redbubble Limited Board during the 2021 financial year, however Martin Hosking transitioned from Managing Director and CEO to Non-executive Director upon Michael Ilczynski's commencement as CEO on 27 January 2021.

Information on Directors

At the date of this report, the Board comprises five Non-executive 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 14 to 16 of this Report.

Details of the number of Board and Board Committee meetings held during the year and Directors' attendance at those meetings are shown on page 16 of this report.

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 2021 financial year are listed below.

Directors' qualifications and experience

Ms Anne Ward
Independent Non-executive Director and Board Chair
Member of the People and Nomination Committee
Member of the Audit and Risk Committee
Chair of the Disclosure Committee

Anne Ward is a highly experienced company director with extensive experience in business management, strategy, finance, risk and governance across a range of industries including financial services, technology, healthcare, government, education and tourism. In addition to chairing Redbubble, Anne is independent Chairman of MNF Group Ltd (ASX:MNF), a Council member at RMIT University, a Director of the Foundation for Imaging Research, and a Governor of the Howard Florey Neuroscience Institutes. Anne was formerly Chairman of Colonial First State Investments Ltd, Chairman of Qantas Superannuation Ltd, Chairman of Zoos Victoria and a director of MYOB Group Ltd, Flexigroup Ltd (ASX:HUM), the Transport Accident Commission, Epworth Hospital and the Brain Research Institute. 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 and a partner at Minter Ellison in Melbourne. Anne holds a Bachelor of Laws and a Bachelor of Arts from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors and a Life Member of ASFA.

Anne has held the following listed company directorships in the last 3 years:
- MNF Group Ltd (from July 2021 to current)
- MYOB Group Ltd (from March 2015 to May 2019)

Mr Martin Hosking
Non-executive Director
Member of the People and Nomination Committee
Member of the Disclosure Committee

Martin Hosking is a co-founder of Redbubble. He first became the CEO and Managing Director in July 2010. Martin resigned from executive duties and commenced as a Non-executive Director on 1 October 2018. Martin was then re-appointed CEO and Managing Director on 18 February 2020, before resuming as a Non-executive Director upon Michael Ilczynski's appointment as CEO on 27 January 2021. 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 last 3 years.

Ms Jenny Macdonald
Independent Non-executive Director
Chair of the Audit and Risk Committee
Member of the People and Nomination Committee
Member of the Disclosure Committee

Jenny Macdonald brings extensive expertise in corporate finance, accounting, and auditing, coupled with a strong focus on and understanding of market trends, customer and consumer behaviour. She has a proven track record in developing and implementing strategy with a focus on risk management, growth, and value creation.

Jenny spent her executive career in customer facing organisations primarily in technology, retail, travel services and manufacturing, where she was responsible for strategic turnaround and digital transformation.

Her last executive role was CFO and interim CEO at Helloworld Limited, where she oversaw the merger with AOT Group to create the second largest integrated travel distribution business in Australia and New Zealand. Prior to that, Jenny was the CFO and General Manager International of the REA Group, with responsibility for the financial growth strategy and execution for operations in South East Asia and parts of Europe, having delivered record revenue and net profit for the company.

Jenny holds a Masters of Entrepreneurship and Innovation: Swinburne University (Victoria) 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 last 3 years:

- Healius Limited (from 2 November 2020 to present)
- Bapcor Limited (from 1 September 2018 to present)
- Australian Pharmaceutical Industries Limited (from 9 November 2017 to present)
- Redflow Limited (from 22 December 2017 to 30 September 2019)

Mr Greg Lockwood
Independent Non-executive Director
Member of the Audit and Risk Committee
Member of the Disclosure Committee

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

Greg has not held any other listed company directorships in the last 3 years.

Mr Ben Heap
Independent Non-executive Director
Chair of the People and Nomination Committee
Member of the Audit and Risk Committee

Ben Heap is a Sydney-based non-executive director with a portfolio of public, private, government and non-for-profit roles. Ben is currently the independent chairman of CBA New Digital Businesses, a non-executive director of The Star Entertainment Group Limited (ASX:SGR) and of Colonial First State Investments Limited. He is also a founding partner and chairman of H2 Ventures, a venture capital investment firm, and a member of the Commonwealth Government's Fintech Advisory Group. Ben was previously CEO of UBS Global Asset Management in Sydney and a managing director with UBS in New York. Ben has extensive experience in a range of sectors including asset management, digital & technology transformation, fintech & data science innovation and venture capital investment. He has a bachelor's degrees in science (Mathematics) and Commerce (Finance) from the University of NSW and is a graduate of the Australian Institute of Company Directors (GAICD).

Ben has held the following listed company directorships in the last 3 years:
- The Star Entertainment Group Limited (from 23 May 2018 to present)

Board and Committee Meetings - attendance during FY2021:

	Board		Audit and Risk Committee (ARC)		People and Nomination Committee (PNC)	
	Held whilst in office	Attended whilst in office	Held whilst an ARC member	Attended whilst an ARC member	Held whilst a PNC member	Attended whilst a PNC member
Anne Ward	14	14	5	5	8	8
Martin Hosking	14	14	-	-	4	4
Greg Lockwood	14	14	5	5	-	-
Jenny Macdonald	14	14	5	5	8	8
Ben Heap	14	14	5	5	8	8

Directors' interests in shares and options

Name	Shareholdings	Options outstanding
Anne Ward	200,000	50,714
Martin Hosking	44,500,090	26,832
Ben Heap	50,000	-
Greg Lockwood	6,465,131	-
Jenny Macdonald	95,539	47,509
Total interests	**51,310,760**	**125,055**

Retirement, election, continuation in office of Directors

Under the Company'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.

Jenny Macdonald, Greg Lockwood and Martin Hosking are seeking re-election at the 2021 AGM.

Company Secretaries

RB Group's Company Secretaries are Ms Corina Davis (based in the US) and Mr Martin Bede (based in Australia).

Ms Corina Davis, Executive Vice President - Business Development, Chief Legal Officer and Company Secretary
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 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 Martin Bede, Company Secretary (Australia)
Martin Bede is a lawyer with experience in private practice and in-house legal roles. He holds Bachelor of Laws and Bachelor of Commerce degrees from the University of Melbourne, a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia (GIA) and is a fellow of the GIA.

Details of share options and performance rights for Directors and Executives

Below are details of options, share appreciation rights and performance rights in respect of ordinary shares in the Company granted to Directors or any of the 5 most highly remunerated officers of the Company (other than the Directors) during the 2021 financial year. For FY2021, Board fees are now paid entirely in cash and no equity has been granted to the Directors.

Name	Number of options / restricted stock units granted	Number of ordinary shares granted under options / restricted stock units	Number of share appreciation rights granted
Michael Ilczynski	338,549 [1]	338,549	159,854
Emma Clark	53,411	53,411	174,385
Corina Davis	30,881	30,881	100,824
Joseph Burns	12,910	12,910	-
Adam Schwartz	194,373	194,373	-
Total granted	**630,124**	**630,124**	**435,063**

[1] Options granted to Michael Ilczynski include shares purchased with a limited recourse loan. Under the requirements of AASB 2 - *Share Based Payment* these shares are considered to be options until the loan is repaid. Please see section 7.6 in the remuneration report for further details.

There are no options or performance rights granted to this group or since the end of the 2021 financial year to the date of this Report.

The following table shows the total numbers of ordinary shares in the Company subject to options, share appreciation rights or performance rights as at the date of this Report:

	Number outstanding	Last expiry date
Options	6,855,123	1 December 2030
Share appreciation rights [1]	4,523,698	1 June 2027
Restricted Stock Units [2]	1,388,175	
Total awards outstanding	**12,766,996**	

[1] Share appreciation rights (SARs) entitle the holder to equity equal to the appreciation of the Group's share price over a defined period. There is not a 1 to 1 relationship with the number of SARs on issue and the number of shares that will be issued upon exercise.

[2] Restricted stock units granted do not have an expiry date. Ordinarily these vest and are settled according to a participants' vesting schedule, and any outstanding restricted stock units 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 the Company issued following exercise of options and vesting of performance rights during the 2021 financial year. The following table shows the total number of ordinary shares in the Company issued following exercise of options and vesting of performance rights since the end of the 2021 financial year, to the date of this Report:

	Number	Exercise price paid $
Settlement of vested restricted stock units	23,000	-
Exercise of options	68,145	73,324
Total	**91,145**	**73,324**

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

Indemnification and insurance of officers

The Company has entered into Deeds of Indemnity with all its Directors in accordance with the Company's constitution. During the 2021 financial year, the Company paid a premium to insure the Directors, Officers and Managers of RB Group entities. The insurance contract requires that the amount of the premium paid is confidential.

Proceedings against entities within the Group

Although the Group is strictly a service provider that does not sell or manufacture the products sold on the Redbubble and TeePublic marketplaces, it periodically receives notices alleging infringement of third party copyright, trade marks, other intellectual property rights or publicity rights via the marketplaces or for breach of consumer protection laws. This is not uncommon for marketplaces that host user generated content.

As at the date of these financial statements there are current lawsuits filed against entities within RB 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 (or inflow from related insurance recoveries) should any of the actions ultimately be successful (at first instance or on appeal, as applicable).

RB Group 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 Group.

RB Group 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 entities within the Group 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 23 to 43 and forms part of the Directors' Report for the financial year ended 30 June 2021.

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 the Group'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 2021 financial year.

Mr Ashley Butler, Partner at Ernst & Young, commenced as the Group's Audit Partner from the Company's 2020 AGM. Mr Butler succeeded Ms Kylie Bodenham, Partner at Ernst & Young, as Ms Bodenham rotated off the RB Group engagement in accordance with independence requirements of Section 324DA of the Corporations Act 2001 and Ernst & Young's policy.

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 Group'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 Group, or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group and its related practices for non-audit services provided throughout the 2021 and 2020 financial years are set out below.

Non-audit services	2021 $	2020 $
Taxation services	43,630	39,400
Assistance in developing the Group's inaugural ESG strategy	30,370	-
Total	**74,000**	**39,400**

Fees for Audit services

Details of the amounts paid to the auditor for audit services provided throughout the 2021 and 2020 financial years are set out in Note 24 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 22. 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.

Anne Ward
Chair
19 August 2021

Building a better
working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Redbubble Limited

As lead auditor for the audit of the financial report of Redbubble Limited for the financial year ended 30 June 2021, 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 and the entities it controlled during the financial year.

Ernst & Young

Ashley Butler
Partner
19 August 2021

Remuneration Report (audited)

Letter from the People and Nomination Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present our Remuneration Report for FY2021.

Overview of company performance and remuneration outcomes

The business has performed exceptionally well within a challenging macro environment. Record Marketplace Revenue of $553m and EBITDA of $53m, driven by a 54% increase in selling artists (to 728,000) and a 40% increase in unique customers (to 9.5million) have demonstrated the strength of the marketplace model. This level of business performance enables Redbubble to commit to the investment required for continued growth, including investing in our people – domestically and around the world - that will underpin our ability to build long term value for shareholders.

Turning to our people, COVID-19 continued to impact business operations throughout the entire period. Our teams in Melbourne, San Francisco, New York and Berlin, continued to operate almost completely remotely. Given the operating environment and the level of business growth experienced, our management and staff have experienced significantly increased workloads during FY2021. We are very proud of the outcomes our people have achieved in these challenging circumstances.

Other marketplace participants, such as the third party fulfillers and logistics partners faced their own workplace limitations but were able to continue producing and shipping products to customers and we thank them for continuing to meet Redbubble's service standards, and to service the artist community with such care and diligence.

This Report details the remuneration arrangements for the KMP being those persons who have authority and responsibility for planning, directing and controlling the major activities of RB Group, directly or indirectly, including any director (whether executive or otherwise).

The FY2020 long-term incentive share price appreciation target was achieved in July 2020, as is detailed in Section 4.3. Further remuneration decisions and outcomes are detailed in Sections 4 & 5 of this Remuneration Report.

Successful transition to a new CEO

In January 2021, the Board was pleased to announce the appointment of Mr Michael Ilczynski as the new CEO of Redbubble. Mr Ilczynski has extensive experience in helping Australian companies to become global forces in the technology and consumer space, having worked in a range of senior roles in Australia and overseas. That track-record, including the successful development of his teams, evolution of products and his experience in scaling businesses are the right combination to continue Redbubble's transition from a niche to mainstream global consumer marketplace.

Further information on Mr Ilczynski's remuneration and contractual arrangements can be found in section 4.4.

As a result of Mr Ilczynski's appointment, our interim CEO and Managing Director, Mr Martin Hosking, has returned to his role as Non-Executive Director, as was foreshadowed in last year's Remuneration Report.

Remuneration Report (audited)

Remuneration strategy overview

Our remuneration strategy is designed to support the business strategy and drive sustainable outperformance over the long-term. The remuneration framework itself is subject to ongoing improvement to ensure it maintains the strongest alignment possible with shareholder experience and with contemporary executive compensation philosophy and practice.

As shareholders may recall, the RB Group Executive Compensation Model (RECM) applies to the Company's senior executives and provides a strong foundation to attract and retain talent and align them with building long-term value for shareholders. The objectives of the RECM are to:

- Link executive performance with RB Group's financial goals;
- Motivate executives to create sustainable, long-term value for shareholders;
- Align the leadership team by providing consistent goals that encourage a long-term focus; and
- Attract and retain exceptional talent in globally competitive, highly mobile markets.

Our RECM creates strong shareholder alignment through the incorporation of significant deferred equity components to encourage executives to behave like owners of the business. It is through this ownership that executives are driven to create long-term shareholder value.

We are committed to engage with our shareholders and other key stakeholders in relation to the Company's remuneration strategy and to continuously improve the effectiveness of our remuneration arrangements.

Remuneration Framework Changes

During FY2021, the Board implemented several changes to the RECM framework to further strengthen the alignment between senior executives and shareholders (refer to section 4.2 for further detail on these changes):

- The Long Term Incentive (LTI) performance period has been amended (in relation to future awards), with a minimum of 3 years required for any awards to vest (previously the minimum performance period was 1 year). The share appreciation rights remain as the instrument, with a 10% compound TSR requirement needed to be achieved for any LTI awards to vest. The awards, should they not vest after 3 years, are able to vest after years 4 or 5, with the required compounding rate continuing throughout these years; and
- The former long term equity award has been repositioned as Base Equity (BE), forming part of the base compensation of senior executives, but with a direct link to shareholder value creation.

The Board also implemented several changes in relation Non-Executive Directors (NEDs) remuneration (refer to section 5.1 for further detail on these changes):

- Removal of the deferred equity component such that Board Fees are now paid entirely in cash, but with the introduction of a minimum shareholding expectation; and
- Increases to NED base fees, in consideration of the increasing scale and complexity of the business.

On behalf of the Board, we invite you to read the Report and we look forward to receiving your feedback at the Annual General Meeting (AGM).

Ben Heap
Chair, People and Nomination Committee

Contents

In this Remuneration Report the following definitions are used:

- Redbubble means Redbubble Limited (ACN 119 200 592);
- Board means the Board of Directors of Redbubble;
- Committee means the People and Nomination Committee of the Board of Redbubble;
- Executives means the members of the RB Group senior executive team;
- NED means the Non-executive Directors of the Company;
- RB Group means Redbubble and its subsidiaries; and
- RECM means the RB Group Executive Compensation Model.

1. Remuneration Report Overview

The Directors of Redbubble present the Remuneration Report (Report) for the RB Group for the financial year ended 30 June 2021. 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) being those persons who have authority and responsibility for planning, directing and controlling the activities of RB Group.

The table below outlines the KMP of RB Group during FY2021:

Classification	Name	Position
NED	Anne Ward	Non-executive Chair
	Ben Heap	Non-executive Director
	Martin Hosking	Non-executive Director (re-appointed from 27 January 2021)
	Greg Lockwood	Non-executive Director
	Jennifer (Jenny) Macdonald	Non-executive Director
Executive KMP	Michael Ilczynski	CEO (appointed 27 January 2021)
	Emma Clark	CFO
Former Executive KMP	Martin Hosking	Interim CEO and Managing Director (retired 27 January 2021)

2. How Remuneration is Governed

2.1 People and Nomination Committee Role

The role of the People and Nomination Committee (Committee) is to ensure that the RB Group has appropriate remuneration and retention strategies to attract and retain high quality talent - both locally and globally - to enable the Company to execute its mission and purpose, in order to build long-term value for shareholders.

The members of the Committee during FY2021 were:

- Ben Heap — Independent Non-Executive Chair;
- Anne Ward — Independent Non-Executive Member;
- Jenny Macdonald — Independent Non-Executive Member; and
- Martin Hosking — Non-Executive Member (from 9 February 2021)

2.2 Remuneration Governance Overview

Redbubble Board

- Overall Responsibility for the remuneration strategy and outcomes for executives and non-executive directors
- Reviews and approves recommendations from the People and Remuneration Committee

People and Nomination Committee

- Four Non-Executive Directors (75% independent with an independent Chair) make recommendations to the Board on remuneration strategy, governance and policy for Executive KMP and Non-Executive Directors
- The 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 performance packages, superannuation entitlements, termination entitlements and fringe benefits policies. The Committee also manages the nomination process of Board members and the selection of the CEO.
- The remuneration of Directors, the CEO, KMP, and other Executives is reviewed by the Committee which then provides recommendations to the Board.

Management

Provides information to the PNC in relation to:

- Incentive targets and outcomes
- Remuneration Policy
- Short and Long-term incentive participation eligibility
- Individual remuneration and contractual arrangements for executives
- Annual performance reviews and target setting

Remuneration Advisors

- Provide external independent advice, information and recommendations relevant to remuneration decisions
- The Committee periodically engages the services of independent external consultants to provide insights on KMP remuneration trends, regulatory and governance updates, pros and cons of possible alternatives, and market data. No remuneration recommendations as defined in Section 9B of the Corporations Act 2001 were obtained during FY21.

2.3 Remuneration Benchmarking

The quantum of both Fixed Salary and the Total Remuneration Package are generally positioned having consideration for benchmarking data, relevant market conditions and sentiment, the trajectory of the company's growth, strategic objectives, competency and skillset of individuals, scarcity of talent, changes in role complexities and the geographical spread of the company and of the relevant talent pool.

Market benchmarks are undertaken independently and set with reference to market capitalisation, and with reference to industry sector and levels of business complexity, as determined by external advisors, in collaboration with the Committee each year.

2.4 Clawback of Remuneration

In the event of serious misconduct or a material misstatement of RB Group's financial statements, the Board has the discretion to reduce, cancel or clawback any unvested equity or other long term incentive.

2.5 Standard Employment Arrangements

Executives are employed on open ended individual employment agreements that set out the terms of their employment. Each Agreement varies according to the individual Executive but typically includes:

- Termination provisions incorporating six month notice periods (to manage business continuity risk during any executive transition)
- The Board may in certain circumstances apply discretion to approve a payment of up to six months' salary;
- Performance and confidentiality obligations on the part of both the employer and employee;
- Limited non-solicitation and post-employment restriction provisions; and
- Eligibility to participate in the RB Group RECM (or other transitional compensation plans).

Specific employment arrangements for our CEO, Mr Ilczynski, are included in section 4.4.

3. Company Performance in FY2021

3.1 Performance against Financial Metrics

RB Group's key financial measures of performance over the last five financial years are summarised in the table below:

Gross Transaction Value FY2021 $700.7m

Marketplace Revenue FY2021 $553.3m

Artist Revenue FY2021 $104.0m

Key indicators [1]	FY2021	FY2020	FY2019 [2]	FY2018 [3]	FY2017	CAGR [4]
Gross Transaction Value (GTV) ($'m)	700.7	474.0	328.0	231.3	175.4	41%
Total Revenue ($'m)	657.3	416.3	307.0	218.7	141.0	47%
Marketplace Revenue ($'m)	553.3	348.9	256.9	182.8	141.0	41%
Artist Revenue ($'m)	104.0	67.4	50.1	35.9	N/A	43% [5]
Gross profit (GP) ($'m)	222.7	134.4	94.5	63.9	50.1	45%
Gross profit after paid acquisition (GPAPA) ($'m)	151.5	94.5	67.5	47.1	37.9	41%
Earnings before Interest, taxes, depreciation and amortisation (EBITDA) ($'m)	52.7	5.1	(2.0)	(7.4)	(8.1)	N/A
Cash balance ($'m)	98.7	58.1	29.0	21.2	27.8	37%
Share price at year end ($)	3.61	2.06	0.91	1.57	0.97	39%

[1] The non-IFRS metrics in the table above are defined as follows:

- Gross Transaction Value (GTV) represents total receipts from customers less fraud, refunds and chargebacks.
- Gross Profit represents marketplace revenue less fulfiller expenses
- Gross Profit After Paid Acquisition costs (GPAPA) represents Gross Profit less paid acquisition cost

Non-IFRS metrics are unaudited.

[2] On 1 July 2019 the Group adopted AASB 16 - *Leases* using the full retrospective method of adoption. EBITDA for FY19 and onwards includes the impact of this new standard.

[3] On 1 July 2018 the Group adopted AASB 15 - *Revenue from Contracts with Customers* using the full retrospective method of adoption. The revenues for FY18 and onwards include the impact of this new standard.

[4] Compound Annual Growth Rates (CAGR) are shown for the period since FY2017. Meaningful growth rates cannot be provided for metrics that have moved from a negative to a positive amount.

[5] Artist Revenue as a reported metric began in FY2018 with the introduction of AASB 15 - *Revenue from Contracts with Customers*. The CAGR has been calculated from FY18 to FY21.

4. Executive Remuneration

4.1 Remuneration Objectives & Strategy

RB Group's vision is to scale the business to be a global leading online marketplace platform and an enduring organisation that creates value for shareholders over the long-term. RB Group operates in four highly competitive global talent markets - Melbourne, San Francisco, New York and Berlin. Attracting and retaining talent in these markets must be supported by a compelling remuneration strategy.

The RECM is designed to attract, motivate and retain proven, global executive talent who will successfully execute on RB Group's vision and strategy in a manner that aligns with the company's values. The RECM recognises compensation needs to be positioned to extract mid-career executives on a strong earnings trajectory from roles in companies that provide them with the experience that RB Group needs.

The Board sets key annual result areas for the CEO and tracks performance against those objectives. The CEO sets semi-annual performance objectives with each senior executive, in support of company objectives, behaviours that are in line with our purpose and values, key results and personal development areas. Performance against these objectives, along with total company performance informs annual compensation reviews for all executives. The performance of all senior executives reporting to the CEO is also discussed with the Committee semi-annually to ensure all leaders are meeting performance expectations in terms of both behaviours and outcomes.

The Committee believes that traditional short term incentives may encourage a focus on short-term performance at the expense of long-term value creation. This is compounded by the difficulty of setting short-term targets in a fast paced growth environment. Under the RECM, the value of Base Equity and Long Term Incentive components are fundamentally dependent on share price performance, aligning executives with shareholder interests. Furthermore, the Committee has carefully considered a wide range of performance scenarios and outcomes in order to ensure the remuneration outcomes are consistent with its expectations in those circumstances.

Executive remuneration levels are reviewed regularly by the Committee with reference to RB Group's remuneration strategy, company performance, talent competitor market activity and external benchmarks.

LINK
executive performance with RB Group's financial goals

MOTIVATE
executives to create sustainable, long-term value for shareholders

ALIGN
the leadership team by providing consistent goals which encourage a long-term focus

ATTRACT & RETAIN
exceptional talent in globally competitive, highly mobile markets

4.2 Elements of Remuneration

The following remuneration mix summarises the key components, and weightings associated, that make up the RECM:

Executive KMP	Role	Fixed Salary	Base Equity (BE)	Long Term Incentive (LTI)[1]
Michael Ilczynski	CEO	$800,000	$400,000	$800,000
Emma Clark	CFO	$450,000	$225,000	$450,000

Footnote: 1 Assumes full vesting of LTI.

Fixed Salary

Fixed salary and superannuation[3] intended to provide the Executives with the financial resources commensurate with executives at companies of a similar size in that location.

FY2021 Base Equity (BE)

BE ensures immediate alignment between executives and shareholders and creates an owner mindset in executives that has a retention impact within the compensation year. Executives are taking on risk when accepting part of their base compensation in equity. Equity is also required to be held for one year post vesting to ensure focus on sustainable share value appreciation.

The BE is part of the base compensation and does not have a performance hurdle but rather varies in value with the Company's share price. It is designed to ensure executives act as owners from the outset with a focus on sustainable value creation rather than short-term financial metrics which may be incompatible with shareholder longer-term interests. Further, with US and other overseas remuneration practices in mind, the Board has assessed many alternative remuneration structures, noting that we acknowledge this award does not reflect typical Australian market practice. The Board determined that having a deferred equity component such as this BE award to be best fit-for-purpose at this time to best align executives with shareholder experience in conjunction with the newly structured LTI award, noting that this approach to remuneration is widely accepted internationally.
The BE component of the RECM operates as outlined below:

BE instrument	Restricted Stock Units (RSUs) for US-based executives and US citizens resident in Australia or Germany. RSUs are rights to be issued Redbubble shares upon satisfaction of the applicable vesting conditions. Zero-priced options (ZPOs) for Australian-based (non-US resident) executives. ZPOs are call options to acquire Redbubble shares, with a zero exercise price to convert the option into shares.
Grant quantum	The grant quantum of the BE award to executives is calculated as a percentage of fixed salary.

(3) Australia only

Grant date	Grants are made on 1 October of the relevant year following the setting of total compensation for the year and Board approval.
Vesting date	Grants vest after 12 months, subject to the executive remaining in service with an RB Group company at the vesting date. The Board has unfettered discretion to determine any adjustment to awards at time of vesting.
Disposal restriction period	12 months following vesting. Holding period remains in place even if employment ends. Officers & Executives of the Group are subject to the RB Group share trading policy.
Termination	Executives forfeit grants that have not vested. Holding periods remain on foot. The Board has unfettered discretion to award pro rata vesting in the event of an employee's termination.
Clawback	In the event of serious misconduct or a material misstatement of RB Group's financial statements, the Board has the discretion to reduce, cancel or clawback BE to the extent that the law will allow.
Change of Control	The early vesting of any unvested awards may be permitted by the Board in other limited circumstances such as a change in control of Redbubble. In these circumstances the Board will determine the timing and proportion of any unvested awards that vest.

FY2021 Long-Term Incentive (LTI)

It is intended that LTI will allow executives to access uncapped fair upside based on strong shareholder value creation, while assuming significant risk as the SARs have no value unless the executive remains with the business for a minimum of 3 years and enterprise value grows at a rate that provides shareholders with attractive returns.

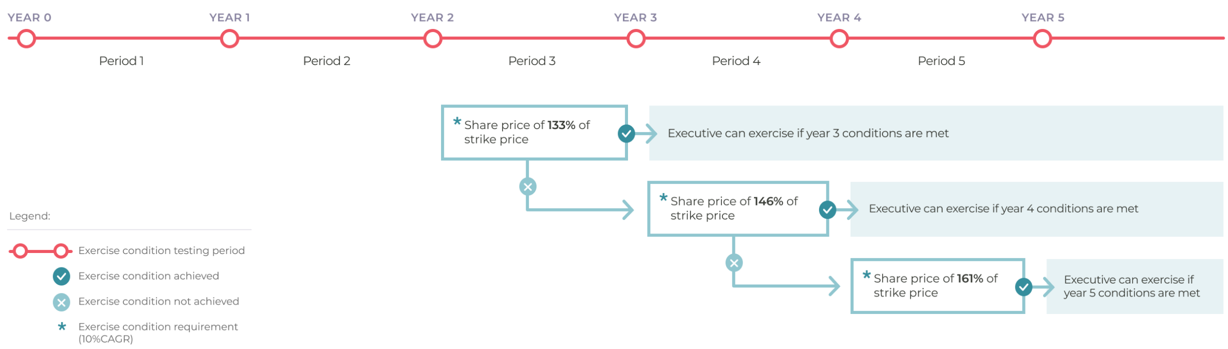
The LTI component of the RECM operates as outlined below:

LTI instrument	Share Appreciation Rights (SARs)
Grant quantum	The grant quantum of the LTI award to executives is calculated as a percentage of fixed salary.
Grant date	Grants are made on 1 October of the relevant year following the setting of total compensation for the year and Board approval.
Vesting date & conditions	The LTI's vest on the earlier of either the third, fourth or fifth anniversaries following the grant date subject to: - The Executive remaining employed at RB Group (time vesting)

	The achievement of a compounding target of 10% Total Shareholder Return (TSR) per annum on either the third, fourth or fifth anniversaries following the grant date. The compounding return target to be determined based on a 10% per annum Total Shareholder Return (TSR) from time of grant. TSR is calculated as the total of the share price appreciation plus any dividends paid during the period. TSR has been chosen as the appropriate target so that Executives are fully aligned with shareholders.
Disposal restriction period	12 months following vesting. Holding period remains in place even if employment ends.
Termination	Should a participant exit during the LTI vesting period, participants will retain pro-rata retention of LTI awards that have yet to vest. Pro-rata retention has the following conditions: - The employee must have been part of the RECM LTI program for at least 3 years - The employee must not be considered a "bad leaver" - The employee must have served at least 12 months of a grant's vesting period to be entitled to a pro-rata portion - The award retained will be pro-rata for the number of months since that award was granted and the employee's resignation, divided by the total number of months until first testing of that award - The pro-rata award remains subject to all testing, disposal restriction and other conditions - Once an award has achieved its TSR hurdle and has vested, the (former) employee will have 90 days to exercise before the equity expires The Board retains complete discretion in these matters.
Strike price	Strike price is set on 1 October based on 30 day VWAP. The Board retains Board discretion in respect of adjusting the strike price if it considers there have been unusual trading circumstances within the 30 day period. For FY2021 the strike price was $4.2126.
SARs valuation used for the allocation of equity	The dollar amount of equity is converted to SARs at the fair market value determined at the beginning of grant period based on a Black Scholes valuation of the SAR. The Black Scholes valuation will use the 30 (calendar) day VWAP calculated on 1 October and be calculated on an "unhurdled" basis i.e.

	valued for the purposes of equity allocation as if there was no performance hurdle.
Expiration	6 years from grant date and therefore the SARs must be exercised by this point or they lapse. Upon resignation or termination, the exercise period for SARs ends 90 days following the date of resignation or termination unless the Board decides otherwise.
Hedging	Executives are prohibited from hedging under RB Group's Share Trading policy and clawback under existing rules.
Clawback	In the event of serious misconduct or a material misstatement of RB Group's financial statements, the Board has the discretion to reduce, cancel or clawback LTI to the extent that the law will allow.
Change of Control	The early vesting of any unvested awards may be permitted by the Board in other limited circumstances such as a change in control of Redbubble. In these circumstances the Board will determine the timing and proportion of any unvested awards that vest.

Vesting and exercise periods of the LTI



4.3 LTI Outcomes

Ms Clark, our CFO, was the only KMP Executive to have an eligible LTI Award vest during the year, as is outlined in the table below:

	FY2020 LTI Award
Participant	Emma Clark
Grant Date	1 October 2019
Vesting Date	1 October 2020
Share price performance calculated to trigger exercise condition achievement (90 day VWAP calculated from 25 April 2020 to 23 July 2020)	Increase of 11% at 23 July 2020
FY2020 Minimum health conditions (Cash Balance, Artist & Content Growth, Customer Loyalty, and People & Culture)*	Achieved
Percent vested due to service and performance based vesting	100%

* Minimum health conditions applied in relation to the LTI equity award issued for FY2020. *The principles behind the minimum health metrics remain an important part of annual Executive performance evaluation; however, these conditions have been removed from the LTI award methodology in FY2021. The Board continues to review the remuneration framework on an annual basis to ensure it provides a strong foundation to attract and retain talent and align them with building long-term value for shareholders.*

4.4 CEO Employment Arrangements

The employment of Mr Ilczynski, our CEO, is governed by an Employment Agreement that commenced 4 January 2021. The table below summarises the compensation arrangements of Mr Ilczynski:

Remuneration Element	Contracted Annual Remuneration
Fixed Salary	$800,000 inclusive of superannuation
Base Equity (BE)	$400,000 (50% of fixed salary)
Long-Term Incentive (LTI)	$800,000 (100% of fixed salary)

The Company also entered into a one-off limited recourse Loan Arrangement with Mr Ilczynski at the time of his appointment (see section 7.6 for further information).

4.5 Executive KMP Terminations during the year

Mr Hosking ceased to be the interim CEO and Managing Director of RB Group on 27 January 2021. Mr Hosking was paid a pro-rata proportion of his contracted bonus ($300,000) following his time as interim CEO and Managing Director at the period to 27 January, as well as being paid his agreed fixed remuneration until 27 January 2021. Mr Hosking has since returned to the Board as a non-executive director. Details of Mr Hosking's remuneration throughout FY2021 can be found in section 6.1.

5. Non-executive Director (NED) Remuneration

5.1 NED Remuneration Policy

RB 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.

During FY2021, the Committee undertook a review of the level of Board fees awarded to NEDs. As part of this review, the Committee considered not only the level, but also the structure of NED remuneration and how it could be enhanced to best align with shareholder expectations, whilst attracting and retaining high calibre NEDs. The Committee also considered the increasing scale and complexity of the business.

The following fees were approved, effective 1 November 2020, as a part of a review of the NED Remuneration Policy:

	Board	Audit & Risk Committee	People & Nomination Committee
Chair	$250,000	$15,000	$15,000
Member	$120,000	Nil	Nil

It was further resolved that all Board fees would be paid entirely in cash (and therefore, no deferred equity grants were made to NEDs in FY2021).

The above fees apply to all of Redbubble's NEDs, except for Mr Lockwood and Mr Hosking. Mr Lockwood is a partner with Piton Capital, a private equity firm with a shareholding in RB Group. Mr Lockwood receives no remuneration from RB Group, in accordance with Piton Capital's policy that their partners do not accept remuneration for external board positions. Mr Hosking has declined to accept remuneration for his role as a NED of Redbubble.

5.2 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, currently set at $1,200,000 which has remained unchanged since the Company's IPO in 2016. Any changes to this amount in future will require approval by shareholders in a general meeting in accordance with the ASX Listing Rules.

5.3 Other Information

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

There are no retirement benefit schemes for Directors.

The remuneration of the NEDs in FY2021 is set out in detail in section 6.2.

6. Statutory Reporting for FY2021

6.1 Executive KMP remuneration for the year ended 30 June 2021

The following table shows details of the nature and amount of each element of remuneration paid or awarded to Executives for services provided during the year while they were KMP.

		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	Long service leave [(5)]	Limited recourse loan (In-substance share options) [(6)]	Share options (Performance based) [(7)]	Share options (Time based) [(7)]	Share appreciation rights (Performance based) [(8)]	Deferred STI [(9)]	Total remuneration	Performance-related [(10)]
		$	$	$	$	$	$	$	$	$	$	$	$	%
Chief Executive Officer														
Michael Ilczynski	**2021**	**390,520**	-	**8,420**	**25,000**	-	**302**	**52,141**	-	**144,534**	**89,426**	-	**710,343**	**13%**
(appointed as CEO on 27 January 2021)	2020	-	-	-	-	-	-	-	-	-	-	-	-	0%
Executive director														
Martin Hosking	**2021**	**317,206**	**177,293**	**750**	**25,000**	-	**(275)**	-	-	-	-	-	**519,974**	**34%**
(resigned as CEO on 27 January 2021)[(11)]	2020	252,179	80,211	-	9,798	-	275	-	-	-	-	-	342,463	23%
Barry Newstead	**2021**	-	-	-	-	-	-	-	-	-	-	-	-	**0%**
(terminated as CEO 18 February 2020)	2020	333,464	12,760	-	25,000	316,976	(23,001)	-	(297,747)	66,102	157,312	(16,481)	574,385	(25%)
Other key management personnel														
Emma Clark (CFO)	**2021**	**431,322**	-	**770**	**25,000**	-	**2,112**	-	-	**225,659**	**214,547**	-	**899,410**	**24%**
	2020	416,499	-	-	25,000	-	742	-	-	262,783	527,489	-	1,232,513	43%
Total	**2021**	**1,139,048**	**177,293**	**9,940**	**75,000**	-	**2,139**	**52,141**	-	**370,193**	**303,973**	-	**2,129,727**	
	2020	1,002,142	92,971	-	59,798	316,976	(21,984)	-	(297,747)	328,885	684,801	(16,481)	2,149,361	

[(1)] Includes base salary, excess superannuation (refer to footnote 4) and short term compensated absences, such as leave entitlements accrued. In the prior period from 20 April 2020 to 30 June 2020 Martin Hosking and Emma Clark took a voluntary salary reduction of 20% of their base salary.

[(2)] Represents cash bonus accrued for the year.

[(3)] Non-monetary benefits include wellness benefits available to all executives. For Michael Ilczynski the amount also includes fringe benefits tax payable by the Group on the limited recourse loan.

[(4)] Staff can elect to have their superannuation capped at $25,000 (2020: $25,000), with any amount above this included in cash salary. These amounts include superannuation on bonus paid during the year.

[(5)] Australian executives are entitled to long service leave. The annual charge reflects long service leave accrued (or lapsed) during the period.

[(6)] The accounting standard, *AASB 2 – Share Based Payment,* requires limited recourse loans for the purchase of shares to be treated (for accounting) as an option. Amounts disclosed represent the deemed in-substance option cost for the limited recourse loan provided to Michael Ilczynski to acquire Redbubble shares. Please see section 7.6 for further details. The fair value of in-substance options is ascertained using the Black-Scholes model and is amortised over the loan period.

[(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. The fair value of options is ascertained using the Black-Scholes model and is amortised over the vesting period.

[(8)] Amounts disclosed reflect the value of remuneration consisting of share appreciation rights (SARs), based on the value of SARs expensed during the year. The fair value is ascertained using the Monte Carlo options model and is amortised over the vesting period.

[(9)] Includes share based payment expenses recognised during the year over the vesting period, in relation to deferred STI awards for prior years.

[(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)] Martin Hosking resigned as CEO on 27 January 2021 and resumed as a non-executive director of the Group at this time. The remuneration shown in this table is for his services as CEO only.

6.2 NED Remuneration for the year ended 30 June 2021 [1]

		Short term benefits	Post-employment benefits	Share-based payments	
		Director Fees [2][8] $	Superannuation $	Share-based payments - Share options (Time based) [3] $	Total $
Non-executive directors					
Ben Heap	**2021**	**116,473**	**11,065**	**-**	**127,538**
	2020	17,940	1,704	-	19,644
Martin Hosking [4]	**2021**	**-**	**-**	**-**	**-**
	2020	35,960	3,416	15,788	55,164
Greg Lockwood [5]	**2021**	**-**	**-**	**-**	**-**
	2020	-	-	-	-
Jenny Macdonald	**2021**	**115,025**	**-**	**17,642**	**132,667**
	2020	64,760	2,864	37,194	104,818
Anne Ward	**2021**	**201,275**	**19,121**	**17,642**	**238,038**
	2020	83,369	7,920	37,575	128,864
Richard Cawsey [6]	**2021**	**-**	**-**	**-**	**-**
	2020	94,803	-	29,658	124,461
Grant Murdoch [7]	**2021**	**-**	**-**	**-**	**-**
	2020	20,594	1,956	2,720	25,270
Total	**2021**	**432,773**	**30,186**	**35,284**	**498,243**
	2020	317,426	17,860	122,935	458,221

(1) The NED remuneration table has been prepared in accordance with Australian Accounting Standards and Section 300A of the Corporations Act 2001 (Cth).

(2) Effective 1 November 2020 all Board fees are paid in cash. See section 5 for further details on this change.

(3) Amounts disclosed reflect the value of remuneration from options granted in the prior year but still vesting in the current year. The fair value of options is ascertained using Black-Scholes model.

(4) Martin Hosking resigned as CEO on 27 January 2021 and resumed as a non-executive director at this time. The remuneration shown in this table is for his services as a non-executive director only. In FY2021, Mr Hosking did not accept remuneration as a non-executive director.

(5) Greg Lockwood is a partner with Piton Capital, a private equity firm with a shareholding in Redbubble Ltd. Mr Lockwood receives no remuneration from the Group, in accordance with Piton Capital's policy that their partners do not accept remuneration for external board positions.

(6) Richard Cawsey resigned effective 30 March 2020. His fees were paid to and options / rights are issued to Denali Venture Partners (Aust). Amounts are provided for prior year comparatives.

(7) Grant Murdoch resigned effective 23 October 2019. Amounts are provided for prior year comparatives.

(8) In the prior year in response to the COVID-19 health crisis and resulting economic uncertainty, RB Group non-executive directors agreed to a 20% reduction in the cash component of their remuneration, effective from 20 April 2020 until 30 June 2020.

7. Other Information

7.1 Minimum Shareholding Expectation

The Board has set minimum shareholding expectations for the Directors and Executives to promote alignment between their interests and those of shareholders.

In the case of Executives, the design of the RECM ensures that all Executives progressively acquire shares or other equity instruments, so that they are aligned in building long term value for shareholders. The RECM operates to ensure that over time the Executives will acquire an equity exposure equal to or greater in value than 100% of their annual base salaries.

In the case of NEDs, who are paid entirely in cash and do not participate in any incentive program, the Board has introduced a minimum shareholding expectation. NEDs are expected to progressively acquire shares over a three year period from the date of their appointment (or, for existing directors, within three years from the 1 November 2020 commencement of this requirement) and within this timeframe are expected to hold shares equal in value to their annual base fees at the time of their appointment.

Direct and indirect shares and equity instruments (such as RSUs, ZPOs and SARs) count towards this minimum shareholding target.

7.2 Options and Share Appreciation Rights

The tables below disclose the number of share options and share appreciation rights 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.

2021	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Cancelled during the year	Expired during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year	Vested during the year
Non-executive directors									
Greg Lockwood	-	-	-	-	-	-	-	-	-
Jenny Macdonald	47,509	-	-	-	-	47,509	47,509	-	27,798
Anne Ward	50,714	-	-	-	-	50,714	50,714	-	27,798
Ben Heap	-	-	-	-	-	-	-	-	-
Martin Hosking	43,621	-	-	16,789 (1)	-	26,832	26,832	-	7,121
Chief executive officer									
Michael Ilczynski	-	49,388	-	-	-	49,388	-	49,388	-
Other key management personnel									
Emma Clark	233,097	53,411	233,097	-	-	53,411	-	53,411	233,097
Total	**374,941**	**102,799**	**233,097**	**16,789**	**-**	**227,854**	**125,055**	**102,799**	**295,814**

(1) The options granted to Martin Hosking were for his services as a non-executive director (NED). Mr Hosking was appointed as CEO on 18 February 2020 and ceased as a NED on this date. A portion of his NED options were cancelled at the November 2020 vesting date to reflect the proportion of the NED remuneration year that Mr Hosking was a NED for.

Share Appreciation Rights holdings

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

2021	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Cancelled during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year	Vested during the year
Chief executive officer								
Michael Ilczynski	-	159,854	-	-	159,854	-	159,854	-
Other key management personnel								
Emma Clark	1,069,298	174,385	91,000	-	1,152,683	978,298	174,385	1,069,298
Total	**1,069,298**	**334,239**	**91,000**	**-**	**1,312,537**	**978,298**	**334,239**	**1,069,298**

Limited recourse loan share option holdings [1]

Limited recourse loan 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.

2021	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Cancelled during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year	Vested during the year
Chief executive officer								
Michael Ilczynski	-	289,161	-	-	289,161	-	289,161	-
Total	**-**	**289,161**	**-**	**-**	**289,161**	**-**	**289,161**	**-**

[1] Under the requirements of *AASB 2 - Share Based Payment* the shares purchased by Michael Ilczynski with a limited recourse loan are considered to be options until the loan is repaid. Please see section 7.6 for further details.

7.3 Shares on exercise of options/rights

2021	Nature of grant	Number of ordinary shares on exercise of options/rights	Exercise price per option [1]	Share price per share at exercise / settlement dates	Value at exercise / settlement dates [2]
Key Management Personnel					
Emma Clark	Options	233,097	$0.00	Between $4.04 and $5.51	$996,364
Emma Clark	SARs	66,713	$1.41	Between $5.13 and $5.45	$353,651
Total		**299,810**			**1,350,015**

[1] For SARs, the exercise price represents the share price from which any share appreciation is measured.
[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 SARs: share price on exercise date multiplied by number of shares received upon exercising the SAR

7.4 Shareholdings of Directors and KMP

2021 - Redbubble Limited ordinary shares [1]		Balance at the start of the year	Received on exercise of options / SARs	Purchase of shares	Sale / transfer of shares	Balance at the end of the year
Non-executive directors						
Ben Heap		-	-	-	-	-
Greg Lockwood		-	-	-	-	-
Jennifer Macdonald		88,539	-	7,000	-	95,539
Anne Ward		100,000	-	-	-	100,000
Martin Hosking		2,393,552	-	-	(1,633,452)	760,100
Chief executive officer						
Michael Ilczynski [2]		-	-	72,339	-	72,339
Other key management personnel						
Emma Clark		-	299,810	-	(99,810)	200,000
Related parties	**Beneficiary**					
Jackson Alexander Capital Pty Ltd	Ben Heap	-	-	50,000	-	50,000
Jellicom Pty Ltd as trustee for the Three Springs Family Trust	Martin Hosking	46,606,538	-	-	(4,366,548)	42,239,990
Three Springs Foundation Pty Ltd as trustee for the Three Springs Foundation	Martin Hosking	1,500,000	-	-	-	1,500,000
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
Walros Pty Ltd as trustee for the Anagnostou Super Fund	Anne Ward	100,000	-	-	-	100,000
Total		**57,253,760**	**299,810**	**129,339**	**(6,099,810)**	**51,583,099**

[1] Includes shares held directly, indirectly and beneficially by KMP.
[2] Michael Ilczynski also holds 289,161 shares funded by a limited recourse loan from the Group. Under the requirements of *AASB 2 - Share Based Payment* these shares are not shown in this table until the loan is repaid. Please see section 7.6 for further details.

7.5 Details of equity awards granted

	Grant date	# of options / rights granted	Type of equity	Vest date [1]	Expiry date [2]	Exercise price	Unit value at grant date	Total Value at grant date [3]
Chief executive officer								
Michael Ilczynski	04-Jan-21	49,388	Options	04-Jan-22	04-Jan-27	$0.00	$5.95	$293,859
	04-Jan-21	159,854	SARs	01-Oct-23	04-Jan-27	$5.99	$3.10	$495,547
	04-Mar-21	289,161	In-substance[4] share options	04-Mar-26	04-Mar-26	$6.45	$2.77	$800,510
Other key Management Personnel								
Emma Clark	01-Oct-20	53,411	Options	01-Oct-21	01-Oct-26	$0.00	$4.09	$218,451
	01-Oct-20	174,385	SARs	01-Oct-23	01-Oct-26	$4.21	$2.06	$359,233
Total		**726,199**						**$2,167,600**

[1] The vesting of equity is subject to the CEO or KMP (as applicable) remaining in service with Redbubble as at the vest date and, in relation to the SARs, the total shareholder return hurdle being satisfied.

[2] For options and SARs, if the CEO or KMP (as applicable) leaves Redbubble service then the expiry date is brought forward to be 90 days after the employment end date. For in-substance share options, if the CEO leaves Redbubble service then the expiry date is the employment end date.

[3] The value at grant date for options and in-substance share options has been determined using the Black-Scholes valuation model. The value for share appreciation rights has been determined using the Monte Carlo valuation model. 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.

[4] Under the requirements of *AASB 2 - Share Based Payment* the shares purchased by Michael Ilczynski with a limited recourse loan are considered to be options until the loan is repaid. Please see section 7.6 for further details.

7.6 Other Transactions with KMP

On 10 February 2021, Redbubble Limited and Mr Ilczynski, CEO, entered into a limited recourse loan arrangement with a loan amount of $1,600,000. Mr Ilczynski used the loan amount plus $400,000 of his own funds to purchase Redbubble Limited shares on-market in the trading window that followed release of Redbubble's half-year 2021 results and Appendix 4D. This transaction was completed on 4 March 2021, with an average share price of $5.53. The loan amount plus interest equal to the RBA cash rate plus 3% (compounding annually) is to be repaid 5 years from date of loan, or on cessation of employment if earlier. The purchased shares are subject to dealing restrictions, including a prohibition on granting security interests, which fall away upon the loan being repaid in full. The security for the loan is limited to the shares acquired with the loan amount.

***

Consolidated statement of comprehensive income
as at 30 June 2021

	Notes	2021 $'000	2020 $'000
Revenue from contracts with customers			
Marketplace revenue		**553,285**	348,888
Artists' revenue		**104,038**	67,369
Total revenue from contracts with customers	3	**657,323**	416,257
Operating expenses			
Artists' margin		**(104,038)**	(67,369)
Fulfiller expenses [1]		**(330,541)**	(214,521)
Employee and contractor costs	4	**(64,534)**	(59,496)
Marketing expenses	5	**(73,180)**	(43,300)
Operations and administration	6	**(28,947)**	(24,342)
Depreciation and amortisation	12, 13 & 14	**(13,331)**	(13,727)
Total operating expenses		**(614,571)**	(422,755)
Other income [2]		**43**	342
Other expenses [3]		**(3,692)**	(2,838)
Profit / (Loss) before income tax		**39,103**	(8,994)
Income tax (expense) / benefit [4]	7(a)	**(7,856)**	223
Total profit / (loss) for the year attributable to owners		**31,247**	(8,771)
Other comprehensive income / (loss)			
Items that will be reclassified subsequently to profit or loss			
Gain / (loss) on foreign currency translation		**(3,073)**	1,512
Total other comprehensive income / (loss) attributable to owners		**(3,073)**	1,512
Total comprehensive income / (loss) for the year attributable to owners		**28,174**	(7,259)
Profit / (loss) per share attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic profit / (loss) per share	8	**11.57**	(3.38)
Diluted profit / (loss) per share	8	**11.28**	(3.38)

(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.

(3) Other expenses include interest expenses on lease liabilities, losses recognised on disposal of assets and net foreign exchange losses. Refer to note 10(a) for further details on foreign exchange losses.

(4) A portion of the income tax benefit applicable to the Group is recorded directly in equity. Please see note 7(b) for further details.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with accompanying notes.

Consolidated statement of financial position
as at 30 June 2021

	Notes	2021 $'000	2020 $000
Current assets			
Cash and cash equivalents	9	**98,686**	58,129
Other receivables	10(b)	**4,602**	5,236
Prepayments		**4,525**	4,063
Net investment in sublease	14(b)	**-**	994
Current tax assets	7(b)	**1,270**	1,032
Other assets	11	**4,693**	7,328
Total current assets		**113,776**	76,782
Non-current assets			
Property, plant and equipment	12	**1,928**	2,229
Intangible assets	13	**62,486**	71,576
Right of use assets	14(a)	**4,466**	6,649
Prepayments		**506**	46
Deferred tax assets	7(d)	**2,717**	617
Other assets	11	**723**	1,621
Total non-current assets		**72,826**	82,738
Total assets		**186,602**	159,520
Current liabilities			
Trade and other payables	15	**47,473**	45,036
Unearned revenue (1)		**12,235**	28,855
Employee benefit liabilities	16	**2,195**	5,059
Provisions		**2,561**	1,780
Lease liabilities	14(a)	**2,280**	3,944
Other liabilities	17	**-**	1,281
Total current liabilities		**66,744**	85,955
Non-current liabilities			
Lease liabilities	14(a)	**3,722**	5,819
Employee benefit liabilities	16	**268**	198
Other liabilities	17	**-**	70
Total non-current liabilities		**3,990**	6,087
Total liabilities		**70,734**	92,042
Net assets		**115,868**	67,478
Equity			
Contributed equity	18(a)	**162,552**	145,438
Treasury reserve	18(b)	**(7,351)**	(5,303)
Share based payment reserve	18(d)	**11,414**	13,699
Foreign currency translation reserve	18(d)	**(3,408)**	(335)
Accumulated losses		**(47,339)**	(86,021)
Total equity		**115,868**	67,478

(1) Unearned revenue represents the value of goods paid for by customers that are not yet delivered.

The above Consolidated Statement of Financial Position should be read in conjunction with accompanying notes.

Consolidated statement of changes in equity
as at 30 June 2021

REDBUBBLE

For the year ended 30 June 2021	Notes	Contributed equity $'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 2020		**145,438**	**(5,303)**	**13,699**	**(335)**	**(86,021)**	**67,478**
Profit / (loss) for the year		-	-	-	-	31,247	31,247
Other comprehensive income / (loss)					(3,073)	-	(3,073)
Total comprehensive loss for the year		**-**	**-**	**-**	**(3,073)**	**31,247**	**28,174**
Exercise of share options	18(b)	8,366	-	-	-	-	8,366
Transfer to issued capital [2]	18(b)	8,990	-	(8,990)	-	-	-
Share based payments expense	4	-	-	6,705	-	-	6,705
Shares issued to Employee Share Trust	18(b)	44,326	(44,326)	-	-	-	-
Shares issued / allocated to participants [3]	18(b)	(41,413)	41,413	-	-	-	-
Payment of withholding taxes [4]	18(b)	(3,155)	-	-	-	-	(3,155)
Limited recourse loan made to related parties [5]	18(b)	-	(1,600)	-	-	-	(1,600)
Income tax benefit recognised directly in equity for Employee Share Trust deductions [6]	18(b)	-	9,900	-	-	-	9,900
Transfer to accumulated losses [7]	18(b)	-	(7,435)	-	-	7,435	-
Balance as at 30 June 2021		**162,552**	**(7,351)**	**11,414**	**(3,408)**	**(47,339)**	**115,868**

(1) The Group operates an Employee Share Trust (the Trust) for the purpose of issuance of shares to participants on exercise of options / restricted stock units. The balance in the Treasury Reserve represents the book value of shares held by the Trust for future issue to participants on exercise of options / restricted stock units. In FY2021 the Treasury Reserve also includes shares used as security for the limited recourse loan provided to the CEO.

(2) Transfer to issued capital on issuance of shares for exercised options / restricted stock units.

(3) Shares issued / allocated to participants from the Employee Share Trust.

(4) Payment of withholding taxes to US tax authorities on issuance of restricted stock units funded by shares withheld.

(5) A limited recourse loan was provided to the Redbubble Group CEO to purchase Redbubble shares on-market. This is treated as an acquisition of treasury shares. Refer to Note 23(b) for further details.

(6) A tax benefit of $9.9m was recognised directly in equity for income tax benefits relating to contributions to the Employee Share Trust in excess of the associated cumulative remuneration expense.

(7) The balance transferred to accumulated losses represents the income tax benefit recorded in the reserve for equity rights that were converted into shares in the current period.

The above Consolidated Statement of Changes in Equity should be read in conjunction with accompanying notes.

Consolidated statement of changes in equity
as at 30 June 2021

REDBUBBLE

For the year ended 30 June 2020	Notes	Contributed equity $'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 2019		**135,194**	**(1,394)**	**8,677**	**(1,847)**	**(77,250)**	**63,380**
Profit / (loss) for the year		-	-	-	-	(8,771)	(8,771)
Other comprehensive income / (loss)		-	-	-	1,512	-	1,512
Total comprehensive loss for the year		**-**	**-**	**-**	**1,512**	**(8,771)**	**(7,259)**
Exercise of share options	18(b)	3,556	-	-	-	-	3,556
Transfer to issued capital [2]	18(b)	3,009	-	(3,009)	-	-	-
Share-based payments expense	4	-	-	8,031	-	-	8,031
Shares issued to Employee Share Trust	18(b)	10,321	(10,321)	-	-	-	-
Shares issued / allocated to participants [3]	18(b)	(6,412)	6,412	-	-	-	-
Payment of withholding taxes [4]	18(b)	(230)	-	-	-	-	(230)
Balance at 30 June 2020		**145,438**	**(5,303)**	**13,699**	**(335)**	**(86,021)**	**67,478**

(1) The Group operates an Employee Share Trust (the Trust) for the purpose of issuance of shares to participants on exercise of options / restricted stock units. The balance in the Treasury Reserve represents the book value of shares held by the Trust for future issue to participants on exercise of options / restricted stock units.

(2) Transfer to issued capital on issuance of shares for exercised options / restricted stock units.

(3) Shares issued / allocated to participants from the Employee Share Trust.

(4) Payment of withholding taxes to US tax authorities on issuance of restricted stock units funded by shares withheld.

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 2021

REDBUBBLE

	Notes	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers		**715,556**	471,973
Payments to artists		**(100,907)**	(63,114)
Payments to fulfillers		**(330,093)**	(217,810)
Payments to other suppliers and employees		**(228,785)**	(142,058)
Payments of interest	14(a)	**(333)**	(456)
Receipts of interest		**27**	232
Income taxes received / (paid)		**(360)**	(2,165)
Net cash provided by / (used in) operating activities		**55,105**	46,602
Cash flows from investing activities			
Payments for property, plant and equipment		**(861)**	(476)
Payment of deferred consideration for TeePublic acquisition (1)		**(979)**	(7,104)
Proceeds from net investment in subleases	14(b)	**854**	785
Payments for development of intangible assets	13	**(5,384)**	(9,205)
Net cash provided by / (used in) investing activities		**(6,370)**	(16,000)
Cash flows from financing activities			
Proceeds from exercise of share options	18(b)	**8,366**	3,556
Payments for limited recourse loans to related parties (2)	23(b)	**(1,600)**	-
Payment of withholding taxes to US tax authorities on settlement of restricted stock units funded by shares withheld	18(b)	**(3,155)**	(230)
Payments for lease liabilities	14(a)	**(3,919)**	(3,576)
Net cash provided by / (used in) financing activities		**(308)**	(250)
Net increase / (decrease) in cash and cash equivalents held		**48,427**	30,352
Cash and cash equivalents at beginning of year		**58,129**	29,030
Effect of exchange rate changes on cash and cash equivalents		**(7,870)**	(1,253)
Cash and cash equivalents at the end of the financial year		**98,686**	58,129

(1) In FY2019, the Group acquired 100% of TP Apparel LLC and its subsidiary TP Apparel Europe Limited (TeePublic). The final deferred consideration payment of US $0.7 million (AU $1.0m) was made during the year (US $4.8 million (AU $7.1m) was paid in the prior year).

(2) During the year Redbubble provided a limited recourse loan to the Redbubble Group CEO to purchase Redbubble shares on-market. Refer to Note 23(b) for further details.

The above Consolidated Statement of Cash Flows should be read in conjunction with accompanying notes.

REDBUBBLE

1. Basis of preparation

The consolidated financial statements of Redbubble Limited and its controlled entities (the Group) for the year ended 30 June 2021 were authorised for issue by a resolution of the Directors on 19 August 2021. Redbubble Limited (the Company or the parent) is a for profit company incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Stock Exchange.

The Group, through its websites at Redbubble.com, TeePublic.com and three foreign language Redbubble.com websites, owns and operates the Redbubble and TeePublic online marketplaces. These marketplaces facilitate 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.

These financial statements:

- are general purpose financial statements;
- cover Redbubble Limited and its controlled entities as the consolidated 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.

2. Changes in significant accounting policies

There are no new or amended accounting standards that required Redbubble to change its accounting policies for the 2021 financial year.

3. Revenue from contracts with customers

The Group provides internet-based marketplace platforms 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 websites. 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 platforms.

Under AASB 15 *Revenue from Contracts with Customers* the Group is the principal for accounting purposes in the sale of goods bearing artists' designs. Artists' revenue is included in revenue with the corresponding artists' margin being recognised in operating expenses.

The Group has concluded there is only one performance obligation for goods bearing the artists' designs. Both the artist and the Group are involved in satisfying the performance obligation. The performance obligation is satisfied (and therefore revenue is recognised) when control of the goods is transferred to the customer, which is deemed to be when the product is delivered.

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

Critical accounting estimates and judgements

All of the unearned revenue balance as at 30 June 2020 was recognised as revenue during the FY2021 year. All of the unearned revenue balance at 30 June 2021 is expected to be recognised as revenue within the following month. Where possible the Group uses delivery tracking information to calculate the volume of goods in transit at the end of the reporting period. When delivery tracking information is not available the group estimates the likely delivery timeframe using average delivery times and information from shipping partners.

For information regarding disaggregated revenue from contracts with customers refer to note 25.

4. Employee and contractor costs

	2021 $'000	2020 $'000
Salary costs	**41,880**	39,113
Contractor costs	**13,219**	6,569
Share-based payments expense	**6,705**	8,031
Superannuation and other pension related costs [1]	**2,730**	2,708
Termination benefits	-	530
Restructure costs	-	2,545
Total employee and contractor costs	**64,534**	59,496

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

5. Marketing expenses

	2021 $'000	2020 $'000
Paid marketing [1]	**71,208**	39,840
Other marketing expenses	**1,972**	3,460
Total marketing expenses	**73,180**	43,300

(1) Paid marketing represents affiliate marketing and other paid marketing costs paid on a per click basis on search engines and social media platforms.

6. Operations and administration

	2021 $'000	2020 $'000
Technology infrastructure and software costs	**19,060**	14,704
Other operations and administration expenses	**9,887**	9,483
Total operations and administration	**28,947**	24,342

7. 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). The tax effect of share based payment awards granted is recognised in current income tax expense, except to the extent that the total tax deductions are expected to exceed the cumulative remuneration expense. In this situation, the excess of the associated current or deferred tax is recognised in equity and forms part of the treasury shares reserve.

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.

7. Income tax (continued)

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 or substantively 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.

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

Current and deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue, expense and equity items, 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", expected reversals of temporary differences, projected future taxable income and results of recent operations. This evaluation requires significant management estimates and judgments.

7. Income tax (continued)

Deferred tax (continued)

Critical accounting estimates and judgements (continued)

The Group has in aggregate $92.4 million (2020: $83.7 million) of unrecognised losses and $9.6 million (2020: $8.7 million) of unrecognised R&D tax offsets. An unrecognised deferred tax asset of $37.3 million exists as at 30 June 2021 (2020: $33.9 million), in relation to these items. These losses will be recognised at a future point in time when sustainable taxable income can be reliably estimated. In addition, the Group has unrecognised temporary deferred income tax items that will be recognised on a similar basis

(a) Income tax expense / (benefit) recorded in the Statement of Comprehensive Income

Recorded in the Statement of Comprehensive Income	2021 $'000	2020 $'000
Current tax		
Current tax expense / (benefit)	**9,902**	339
Under/(over) provision in prior years	**(24)**	18
Deferred tax		
Deferred tax expense / (benefit)	**(2,076)**	(530)
Under/(over) provision in prior years	**54**	(50)
Total income tax expense / (benefit) recorded in the Statement of Comprehensive Income	**7,856**	(223)

(b) Current tax assets / (liabilities)

The current tax asset is comprised of the following	2021 $'000	2020 $'000
Current tax expense recorded in the Statement of Comprehensive Income	**(9,902)**	(339)
Current tax benefit recorded in equity [1]	**9,900**	-
Total net current tax payable on current year operations	**(2)**	(339)
Tax instalments made and refunds due for prior years	**1,272**	1,371
Total current tax asset	**1,270**	1,032

[1] The tax effect of share based payment awards granted is recognised in current income tax expense, except to the extent that the total tax deductions are expected to exceed the cumulative remuneration expense. In this situation, the excess of the associated current or deferred tax is recognised in equity and forms part of the treasury shares reserve.

7. Income tax (continued)

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

	2021 $'000	2020 $'000
Profit / (loss) from ordinary activities before income tax expense / (benefit)	**39,103**	(8,994)
Income tax calculated @ 30%	**11,730**	(2,698)
Tax effect of amounts that are not deductible / (taxable) in calculating income tax:		
Tax effect of foreign jurisdictions' different tax rates	**(270)**	(171)
US income tax benefit due to exercise / disposition of employee stock options	**(3,335)**	(163)
Net Australian income tax benefit from funding the employee share trust	**(12,222)**	(1,579)
Tax effect of share based payment deduction recognised in equity	**9,900**	-
Research and development	**(99)**	(217)
Other non-deductible / non-assessable items	**(647)**	226
Effect of movements in foreign exchange	**(352)**	193
Under/(Over) provision in prior year	**30**	(32)
Unrecognised tax losses and R&D tax offsets	**3,121**	4,218
Income tax expense / (benefit) attributable to loss from ordinary activities	**7,856**	(223)

(d) Deferred tax asset / (liability)

Classification of deferred tax assets / (liabilities)	2021 $'000	2020 $'000
Deferred tax assets	**2,717**	617
Deferred tax liabilities	**-**	-
Net deferred tax asset / (liability)	**2,717**	617

The balance comprises temporary differences attributable to:

	2021 $'000	2020 $'000
Amounts recognised in profit or loss:		
Employee benefits	**1,039**	873
Property, plant, equipment	**(249)**	(275)
Lease assets and liabilities	**332**	395
Unrealised FX	**1,203**	1,347
Intangible assets	**(2,142)**	(1,395)
US Carried Forward Tax Losses	**2,781**	-
Other items	**(247)**	(328)
Net deferred tax (liability) / assets	**2,717**	617
Movements:		
Opening balance at 1 July	**617**	27
Credited / (debited) to the consolidated statement of comprehensive income	**2,022**	580
Exchange differences	**78**	10
Closing balance at 30 June	**2,717**	617

8. Earnings 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.

Basic and diluted earnings per share

The following table reflects the profit / (loss) and share data used in the basic and diluted EPS calculations:

	2021 $'000	2020 $'000
Profit / (loss) attributable to the ordinary equity holders of the company used in calculating basic and diluted earnings per share	**31,247**	(8,771)

Weighted average number of shares used as the denominator

	2021 Number	2020 Number [1]
Weighted average number of shares used as denominator in calculating basic earnings per share	**270,031,293**	259,379,690
Adjustments for calculation of diluted earnings per shares:		
Add: Options	**4,269,483**	-
Add: Restricted stock units	**1,156,139**	-
Add: Share appreciation rights	**1,652,778**	-
Weighted average number of shares used as denominator in calculating diluted earnings per share	**277,109,693**	259,379,690

(1) In the prior year, none of the options, restricted stock units and share appreciation rights 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, 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.

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.

9. Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank and on hand	**98,686**	58,219
Total cash and cash equivalents	**98,686**	58,219

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

	Notes	2021 $'000	2020 $'000
Profit/(Loss) for the year		**41,146**	(8,771)
Non-cash items			
(Recognition) / de-recognition of net deferred tax asset	7(d)	**(2,022)**	(580)
Depreciation and amortisation		**13,331**	13,727
Amortisation of share-based payments		**6,705**	8,031
Net exchange differences		**9,255**	2,233
Net loss on the disposal / write off of property, plant and equipment and intangible assets		**241**	171
Other		**(128)**	188
Change in operating assets and liabilities			
Net decrease / (increase) in trade and other receivables, prepayments and other assets		**3,245**	(9,077)
Net (decrease) in current tax liabilities		**(238)**	(1,881)
Net increase / (decrease) in trade and other payables, employee benefit and other liabilities and provisions		**190**	21,807
Net increase / (decrease) in unearned revenue		**(16,620)**	20,754
Net cash provided by operating activities		**55,105**	46,602

(b) Changes in liabilities arising from financing activities

Lease liabilities	Notes	2021 $'000	2020 $'000
Opening balance at 1 July		**9,763**	11,848
Cash flows from principal repayments	14(a)	**(3,919)**	(3,576)
New leases	14(a)	**826**	1,335
Foreign exchange movement	14(a)	**(668)**	156
Closing balance 30 June		**6,002**	9,763

10. 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 framework is maintained 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.

Financial assets	Notes	2021 $'000	2020 $'000
Cash and cash equivalents	9	**98,686**	58,129
Other receivables	10(b)	**4,602**	5,236
Security bonds	11	**1,685**	1,930
Net investment in sublease	14	-	994
Total financial assets		**104,973**	66,289

Financial liabilities	Notes	2021 $'000	2020 $'000
Fulfiller payables	15	**22,500**	22,319
Artist payables	15	**12,673**	9,892
Staff payables	15	**1,602**	1,781
Other payables	15	**6,810**	5,498
Deferred consideration	17	-	1,227
Lease liabilities	14(a)	**6,002**	9,763
Total financial liabilities		**49,587**	50,480

The carrying value of the assets and liabilities (excluding lease liabilities) disclosed in the table equals or closely approximates their fair value. Refer to note 14 for more information on lease liabilities.

(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 partial natural hedge. Any surplus funds are converted into the required currencies' operating accounts when management feels it is prudent to do so.

Increased sales volumes during the year have led to larger foreign currency cash balances as at 30 June 2021. The net exposure to foreign currency financial instruments (expressed in AUD) held by the Group, which are largely held by the US subsidiaries whose functional currency is USD and Redbubble Ltd whose functional currency is AUD, are as follows:

10. Financial risk management (continued)

(a) Market risk (continued)

Net exposure (asset / (liability) (expressed in $'AUD)	GBP $'000	USD $'000	EUR $'000	CAD $'000	Total $'000
30 June 2021	**3,924**	**35,964**	**4,361**	**2,809**	**47,058**
30 June 2020	4,206	(766)	(525)	2,984	5,899

The aggregate net foreign exchange gains / (losses) recognised in profit or loss were:

	2021 $'000	2020 $'000
Net foreign exchange loss included in other expenses	**(3,092)**	(1,860)
Total net foreign exchange losses recognised in profit / (loss) before income tax for the year	**(3,092)**	(1,860)

Foreign Currency Sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities.

		Effect on profit before tax (amounts shown in AUD)				
Year	Change in FX rate	GBP $'000	USD $'000	EUR $'000	CAD $'000	Total $'000
30 June 2021	**+ 10%**	**392**	**3,596**	**436**	**281**	**4,706**
	- 10%	**(392)**	**(3,596)**	**(436)**	**(281)**	**(4,706)**
30 June 2020	+ 10%	421	(77)	(53)	298	590
	- 10%	(421)	77	53	(298)	(590)

(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 2021, the Group holds $1.3 million (2020: $13 million) in bank deposits within cash and cash equivalents and other assets, that attract interest at normal rates.

The Group's bank accounts are predominantly non-interest bearing accounts.

The other financial assets include certain other operational deposits over and above the deposits placed with banks as security. The banks with which securities are held are reputable financial institutions and hence, the credit risk is considered low.

10. Financial risk management (continued)

(b) Credit risk (continued)

Other receivables

The Group is not exposed to any significant credit risk on account of other receivables. The Group accepts payments either via credit card platforms, PayPal, Amazon Pay or Apple Pay. In any case, the Group ensures that cash is received prior to the product being manufactured. The other receivables balance as at 30 June 2021 represents amounts receivable from these payment service providers and other non-trade receivable balances. It is believed that the credit risk from collections from payment service providers is low.

	2021	2020
	$'000	$'000
Receivables from payment service providers	**1,526**	4,614
Other receivables	**3,076**	622
Total other receivables [(1)]	**4,602**	5,236

(1) None of the other receivables 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 0.1% (2020: less than 0.1%) of marketplace revenue.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash 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.

All financial liabilities (excluding lease liabilities and deferred consideration in FY20) 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 reporting period nor at the end of the prior reporting period.

10. Financial risk management (continued)

Maturities of financial liabilities

Financial liabilities owed by the Group at 30 June 2021 are $50.0 million (2020: $51.5 million). These items are based on contractual undiscounted payments. The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

Year ended 30 June 2021	**Trade and other payables [1] $'000**	**Lease liabilities $'000**	**Deferred consideration $'000**	**Total $'000**
1 to 3 months	**43,585**	**840**	**-**	**44,425**
3 to 12 months	**-**	**1,751**	**-**	**1,751**
1 to 3 years	**-**	**3,097**	**-**	**3,097**
> 3 years	**-**	**745**	**-**	**745**
Total	**43,585**	**6,433**	**-**	**50,018**

(1) Excludes sales taxes.

Year ended 30 June 2020	Trade and other payables [1] $'000	Lease liabilities $'000	Deferred consideration $'000	Total $'000
1 to 3 months	39,490	1,169	-	40,659
3 to 12 months	-	3,315	1,227	4,542
1 to 3 years	-	3,864	-	3,864
> 3 years	-	2,458	-	2,458
Total	39,490	10,806	1,227	51,523

(1) Excludes sales taxes.

(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.

11. Other assets

	Current		Non-current	
Consolidated	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Security bonds	**962**	309	**723**	1,621
Goods in transit [1]	**3,731**	7,019	**-**	-
Total other assets	**4,693**	7,328	**723**	1,621

(1) Goods in transit represents the cost of goods that have been manufactured but are in transit to customers.

12. 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 applicable lease
Computer equipment	3 years
Furniture and equipment	2-5 years

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

12. Property, plant and equipment (continued)

	Leasehold improvements $'000	Furniture and equipment $'000	Computer equipment $'000	Total $'000
Cost				
Balance at 1 July 2020	3,925	786	2,851	7,562
Additions	166	135	560	861
Disposals	-	-	(106)	(106)
Reclassification	-	(81)	81	-
Exchange differences	(192)	(43)	(105)	(340)
Balance at 30 June 2021	**3,899**	**797**	**3,281**	**7,977**
Balance at 1 July 2019	3,883	721	2,755	7,359
Additions	-	66	410	476
Disposals	-	(8)	(339)	(347)
Exchange differences	42	7	25	74
Balance at 30 June 2020	3,925	786	2,851	7,562
Accumulated depreciation				
Balance at 1 July 2020	(2,584)	(494)	(2,255)	(5,333)
Charge for the year	(464)	(116)	(415)	(995)
Disposals	-	-	71	71
Reclassification	-	19	(19)	-
Exchange differences	106	23	79	208
Balance at 30 June 2021	**(2,942)**	**(568)**	**(2,539)**	**(6,049)**
Balance at 1 July 2019	(2,017)	(356)	(2,061)	(4,434)
Charge for the year	(560)	(140)	(459)	(1,159)
Disposals	-	3	282	285
Exchange differences	(7)	(1)	(17)	(25)
Balance at 30 June 2020	(2,584)	(494)	(2,255)	(5,333)
Net book value				
As at 30 June 2021	**957**	**229**	**742**	**1,928**
As at 30 June 2020	1,341	292	596	2,229

Critical accounting estimates and judgements

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.

No items of property, plant and equipment have been impaired in the financial year ending 30 June 2021 (2020: $nil).

13. Intangible Assets

Recognition and measurement

Capitalised development costs	Development expenditure is capitalised when future economic benefits are probable. The Group capitalises internal engineering time spent on development of the Redbubble and TeePublic marketplace websites. Expenditure during the research phase of a project is recognised as an expense when incurred. All costs for Software as a Service (SaaS) are expensed.
Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. All of the goodwill held by the Group is attributable to the TeePublic cash generating unit (CGU).
Brand Name	The brand name asset is measured at cost less accumulated impairment losses. The brand name asset is attributable to the TeePublic cash generating unit (CGU).

Amortisation

Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives and is recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for current and comparative periods are as follows:

Capitalised development costs:	2–3 years
Goodwill (attributable to the TeePublic CGU)	Indefinite
Brand name asset (attributable to the TeePublic CGU):	Indefinite

The Brand name asset is considered to have an indefinite useful life as it is expected to contribute to future economic benefits as the Group continues to sell its products under the brand name indefinitely.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if deemed necessary.

13. Intangible Assets (continued)

Critical accounting estimates and judgements

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

The Group assesses the recoverability of its goodwill and brand name in the TeePublic CGU annually. Recoverable amounts have been determined based on a value in use calculation using cash flow projections over a 5 year period. Management have considered the potential impacts of trading volatility from COVID-19 in this assessment. The key assumptions in the calculation are as follows:

(a) Growth rate

The business growth rate in year 1 is based on the next financial year's budget approved by the board. Growth in years 2 to 5 is based upon Management's experience with the historical growth of the business and expectations about future performance. Cash flows beyond the forecast period are projected using a growth rate of 2.5% (2020: 2.5%).

(b) Gross margins

Gross margins are based on historical values and expectations about future performance. These values are increased over the forecast period for anticipated efficiency improvements as the business scales.

(c) Discount rates

The pre-tax discount rate applied to cash flow projections is 12.5% (2020: 13.9%). Discount rates represent the consideration of the time value of money and the individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Group and is derived from its weighted average cost of capital (WACC). Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Impairment

The Group performed an impairment test as at 30 June 2021. Using the above assumptions, it was concluded that the carrying value of the Group's CGUs does not exceed its value in use and therefore no impairment charge has been recognised. Sensitivity analysis has been completed which considered a range of possible scenarios. There is no reasonably possible change in key assumptions used to determine the recoverable amount that would result in impairment.

13. Intangible Assets (continued)

	Brand name $'000	Capitalised development costs $'000	Goodwill $'000	Total $'000
Cost				
Balance at 1 July 2020	**6,878**	**48,791**	**51,489**	**107,158**
Additions	-	5,384	-	5,384
Disposals	-	(140)	-	(140)
Exchange differences	(552)	-	(4,137)	(4,689)
Balance at 30 June 2021	**6,326**	**54,035**	**47,352**	**107,713**
Balance at 1 July 2019	6,756	39,692	50,501	96,949
Additions	-	9,205	-	9,205
Disposals	-	(109)	-	(109)
Exchange differences	122	3	988	1,113
Balance at 30 June 2020	6,878	48,791	51,489	107,158
Accumulated amortisation				
Balance at 1 July 2020	-	(35,582)	-	(35,582)
Charge for the year	-	(9,647)	-	(9,647)
Disposals	-	2	-	2
Exchange differences	-	-	-	-
Balance at 30 June 2021	**-**	**(45,227)**	**-**	**(45,227)**
Balance at 1 July 2019	-	(25,532)	-	(25,532)
Charge for the year	-	(10,041)	-	(10,041)
Exchange differences	-	(9)	-	(9)
Balance at 30 June 2020	-	(35,582)	-	(35,582)
Net book value				
As at 30 June 2021	**6,326**	**8,808**	**47,352**	**62,486**
As at 30 June 2020	6,878	13,209	51,489	71,576

No intangible assets have been impaired in the financial year ending 30 June 2021 (2020: nil).

14. Leases

a) Group as a lessee

The Group leases various offices in Australia, the United States and Germany. Rental contracts are typically made for fixed periods of between 1 to 8 years (2020: 1 to 8 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Set out below are the carrying amounts of right-of-use assets and lease liabilities and the movements during the period:

Right of use assets	2021 $'000	2020 $'000
Balance at 1 July	**6,649**	8,378
Additions	**953**	1,348
Disposals [1]	**-**	(654)
Depreciation and amortisation expense	**(2,689)**	(2,527)
Exchange differences	**(447)**	104
Balance as at 30 June	**4,466**	6,649

(1) The disposal is a result of recognising net investment in sublease in the prior year.

Lease liabilities	2021 $'000	2020 $'000
Balance at 1 July	**9,763**	11,848
Additions	**826**	1,335
Interest expense	**320**	456
Lease liability repayment	**(4,239)**	(4,032)
Exchange differences	**(668)**	156
Balance as at 30 June	**6,002**	9,763

Classification of lease liabilities	2021 $'000	2020 $'000
Current	**2,280**	3,944
Non-current	**3,722**	5,819
Total lease liabilities	**6,002**	9,763

Amounts recognised in the statement of cashflow	2021 $'000	2020 $'000
Operating – payments of interest	**(320)**	(456)
Operating – payments for short term leases [1]	**(4)**	(155)
Financing – payments of principal	**(3,919)**	(3,576)
Total cash (outflow) relating to leases	**(4,243)**	(4,032)

(1) Includes leases with a lease term of 12 months or less. This amount is also recognised in operations and administration expenses in the consolidated statement of comprehensive income.

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 20 (b).

REDBUBBLE

14. Leases (continued)

a) Group as a lessee (continued)

The Group has several lease contracts that include an extension option. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within five years $'000	More than five years $'000	Total $'000
Extension options not reasonably certain to be exercised	2,757	6,015	8,772

b) Group as a lessor

The Group sub-let offices in the United States. These subleases had original terms of up to 4 years and all ended in FY2021. Set out below are the carrying amounts of net investment in sublease and the movements during the year:

Net investment in sublease	2021 $'000	2020 $'000
Balance at 1 July	**994**	1,248
Additions	-	500
Interest income	**17**	53
Net investment in sublease receipts	**(871)**	(838)
Other	**(65)**	-
Exchange differences	**(75)**	31
Balance as at 30 June	-	**994**

Classification of net investment in sublease	2021 $'000	2020 $'000
Current	-	994
Non-current	-	-
Total net investment in sublease	-	994

Amounts recognised in the statement of cashflow	2021 $'000	2020 $'000
Operating – receipt of interest	**17**	53
Investing – receipt of principal	**854**	785
Total cash inflow relating to leases	**871**	838

The table below on page 69 summarises the maturity profile of the Group's net investment in sublease based on contractual undiscounted receipts with a reconciliation to the carrying amount of net investment in sublease:

14. Leases (continued)

b) Group as a lessor (continued)

Undiscounted lease receipts	2021 $'000	2020 $'000
Year 1	-	1,046
Year 2	-	-
Year 3	-	-
> 3 years	-	-
Total undiscounted lease receipts	-	1,046
Less: unearned finance income	-	(22)
Exchange differences	-	(30)
Net investment in sublease	-	994

15. Trade and other payables

	2021 $'000	2020 $'000
Fulfiller payables	**22,500**	22,319
Artist payables	**12,673**	9,892
Staff payables	**1,602**	1,781
Sales tax payables	**3,888**	5,546
Other payables (1)	**6,810**	5,498
Total trade and other payables	**47,473**	45,036

(1) Other payables consist of operations, administration and marketing payables.

16. 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 represent 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 service period 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 *Employee Benefits.*

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

16. Employee benefit liabilities (continued)

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 and restructure costs

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 and restructure costs are recorded as a provision when the Group can no longer withdraw the offer of those benefits.

	Current		Non-current	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Annual leave	**1,912**	2,572	**-**	-
Long service leave	**283**	307	**268**	198
Termination benefits	**-**	2,180	**-**	-
Total employee benefit liabilities	**2,195**	5,059	**268**	198

17. Other liabilities

	Current		Non-current	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Deferred consideration payable (1)	**-**	1,227	**-**	-
Other	**-**	54	**-**	70
Total other liabilities	**-**	1,281	**-**	70

(1) The final deferred consideration payment of US $0.7 million (AU $1.0 million) in relation to the TeePublic acquisition was made in June 2021.

18. Contributed equity and reserves

(a) Share capital

	Consolidated and parent entity			
	2021	2020	**2021**	**2020**
	Shares	Shares	**$'000**	**$'000**
Ordinary shares (1)				
Issued and fully paid	**273,620,223**	263,462,966	**162,552**	145,438
Total share capital	**273,620,223**	263,462,966	**162,552**	145,438

(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.

18. Contributed equity and reserves (continued)

(b) Movements in ordinary share capital and treasury reserve

Share Capital	Number of shares	$'000
Balance at 1 July 2019	**256,156,543**	**135,194**
Exercise of options	4,521,415	3,556
Settlement of restricted stock units (RSUs)	465,844	-
Transferred from share based payments reserve	-	3,009
Shares issued to Employee Share Trust	7,267,000	10,321
Shares allocated to participants from the Employee Share Trust	(4,795,461)	(6,412)
Payment of withholding taxes to US tax authorities (1)	(152,375)	(230)
Balance at 30 June 2020	**263,462,966**	**145,438**
Exercise of options	**12,004,768**	**8,366**
Settlement of restricted stock units (RSUs)	**1,344,372**	**-**
Transferred from share based payments reserve	**-**	**8,990**
Shares issued to Employee Share Trust	**10,100,000**	**44,326**
Shares allocated to participants from the Employee Share Trust	**(12,783,499)**	**(41,413)**
Other shares issued	**57,257**	**-**
Payment of withholding taxes to US tax authorities (1)	**(565,641)**	**(3,155)**
Balance at 30 June 2021	**273,620,223**	**162,552**

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

Treasury Reserve	Number of shares	$'000
Balance at 1 July 2019	**(1,394,118)**	**(1,394)**
Shares issued to Employee Share Trust and held in Treasury Reserve	(7,267,000)	(10,321)
Shares allocated to participants from the Employee Share Trust and released from treasury reserve	4,795,461	6,412
Balance at 30 June 2020	**(3,865,657)**	**(5,303)**
Shares issued to Employee Share Trust and held in Treasury Reserve	**(10,100,000)**	**(44,326)**
Shares allocated to participants from the Employee Share Trust and released from treasury reserve	**12,783,499**	**41,413**
Income tax benefit for contributions to the Employee Share Trust in excess of the associated cumulative remuneration expense	**-**	**9,900**
Transfer of the income tax benefit to accumulated losses for equity rights that were converted to shares in the current period	**-**	**(7,435)**
Shares held as security for limited recourse loan (2)	**(289,161)**	**(1,600)**
Balance at 30 June 2021	**(1,471,319)**	**(7,351)**

(2) Represents limited recourse loan provided to the CEO to purchase Redbubble shares on-market. Refer to Note 23(b) for further details.

18. Contributed equity and reserves (continued)

(c) Dividends
No dividends were declared or paid during the year (2020: $nil). The Group's franking account balance is $nil (2020: $nil).

(d) Nature and purpose of reserves
Share based payments reserve
The share-based payments reserve arises on issue of share options / restricted stock units 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 the foreign currency translation reserve within other comprehensive income. The cumulative amount is reclassified to the income statement when the foreign controlled entity 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 / restricted stock units. FY2021 also includes limited recourse loan provided to the Redbubble Group CEO to purchase Redbubble shares on-market. Refer to Note 23(b) for further details. The tax effect of tax deductions for contributions to the Employee Share Trust in excess of the associated cumulative remuneration expense is recorded directly in equity and forms part of the treasury shares reserve. Amounts are transferred out of this reserve and into accumulated losses when the relevant equity rights are converted into shares.

19. Interests in subsidiaries
Information about subsidiaries
The consolidated financial statements of the Group include:

Name of entity	Country of incorporation	Principal activities	Equity holding 2021 %	Equity holding 2020 %
Redbubble Incorporated	USA	Provider of global sales, marketing and distribution services in respect of the Redbubble marketplace	**100**	100
Redbubble Europe Limited	UK	Marketing and distribution services in Europe	**100**	100
Redbubble Europe GmbH	Germany	Marketing and distribution services in Europe	**100**	100
TP Apparel LLC	USA	Provider of global sales, marketing and distribution services in respect of the TeePublic marketplace	**100**	100

20. 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 for investments in subsidiaries. They are recognised at cost in the financial statements of the parent entity.

(a) Summary financial information

Statement of financial position	2021 $'000	2020 $'000
Assets		
Current assets	**98,041**	51,499
Non-current assets	**10,465**	15,006
Total assets	**108,506**	66,505
Liabilities		
Current liabilities	**6,122**	5,828
Non-current liabilities	**364**	381
Total liabilities	**6,486**	6,209
Equity		
Contributed equity	**162,559**	145,438
Share based payment reserve	**11,414**	13,699
Treasury reserve	**(7,351)**	(5,303)
Accumulated losses	**(64,602)**	(93,538)
Total equity	**102,020**	60,296
Profit / (loss) and other comprehensive income		
Profit / (loss) for the year	**23,301**	(7,686)
Total comprehensive profit / (loss)	**23,301**	(7,686)

(b) Commitments

The parent entity has signed a new lease agreement for new Melbourne office premises that has not yet commenced as at 30 June 2021. The future undiscounted lease payments for the lease contract are $0.9m (2020: $nil) within one year and $5.4m (2020: $nil) within five years.

At 30 June 2021, the parent entity had capital commitments of $3.4m (2020: $nil) relating to fit-out works for its new Melbourne office. These commitments have not been recognised as liabilities as the relevant asset has not yet been received. The Group will also receive a $2.3m lease incentive for the fit-out works.

(c) Guarantees entered into by the parent entity

During the year the parent entity obtained a bank guarantee as security amounting to $0.9m (2020: $nil) in respect of a lease agreement signed for its new Melbourne office. No liability is expected to arise.

REDBUBBLE

20. Parent entity financial information (continued)

(d) Contingent liabilities of the parent entity

Although the Group is strictly a service provider that does not sell or manufacture the products sold on the Redbubble and TeePublic marketplaces, it periodically receives notices alleging infringement of third party copyright, trade marks, other intellectual property rights or publicity rights via the marketplaces or for breach of consumer protection laws. This is not uncommon for marketplaces that host user generated content. 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 (or inflow from insurance recoveries) 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.

21. Commitments and contingencies

(a) Commitments

Other than the commitments mentioned in note 20(b), the Group had no other commitments as at 30 June 2021 (2020: $nil).

(b) Contingent liabilities/assets

Legal claim contingencies

Although the Group is strictly a service provider that does not sell or manufacture the products sold on the Redbubble and TeePublic marketplaces, it periodically receives notices alleging infringement of third party copyright, trade marks, other intellectual property rights or publicity rights via the marketplaces or for breach of consumer protection laws. This is not uncommon for marketplaces that host user generated content. 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 (or inflow from insurance recoveries) 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.

(c) Guarantees

Other than the guarantees mentioned in note 20(c), the Group did not obtain any other guarantees as at 30 June 2021 (2020: $nil).

22. 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.

22. Share-based payments (continued)

The fair value of options with a strike price and share appreciation rights are ascertained using industry standard valuation models. A Black-Scholes pricing model is used for options and the Monte Carlo simulation model is used for share appreciation rights. 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.

The fair value of zero priced options and restricted stock units is equal to the fair market value of a Redbubble Ltd share at the grant date.

Critical accounting estimates and judgements
Some of the inputs to the pricing models require application of significant judgement.

The Black-Scholes and Monte Carlo simulation pricing models require inputs for the expected share price volatility of Redbubble Limited shares for a period similar to the expected life of the options. The Group has used its historical share price volatility to estimate expected future volatility.

Options over ordinary shares

Redbubble Equity Incentive Plan for Australian and German employees
The "Redbubble Equity Incentive Plan" has been established to grant options over ordinary shares to Redbubble Limited employees (including senior executives under the RB Group Executive Compensation Model (RECM)) and contractors. In FY21, board members are no longer granted equity. Board fees are now paid entirely in cash.

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 the Group.

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

2014 Option Plan
Options to employees / contractors of the US subsidiaries are granted under this plan. The vesting conditions and expiry period under this plan are akin to the Redbubble Equity Incentive Plan.

22. Share-based payments (continued)

Limited recourse loans for the purchase of shares

The granting of limited recourse loans to purchase Redbubble shares is considered to be an in-substance option grant in accordance with AASB 2 *Share Based Payment*. An option pricing model is used to determine the fair value of the in-substance option and expensed in the financial statements over the service period. During the year a limited recourse loan has been provided to the Chief Executive Officer (CEO). The CEO does not have a beneficial interest in the shares until the loan is repaid. The repayment of the loan principal plus accrued interest represents the exercise of the option, and returning the shares as settlement of the loan is the expiry of an unexercised option. Further details on the loan are provided in Note 23(b).

Restricted Stock Units (RSUs)

Restricted Stock Units 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 restricted stock units are subject to service conditions.

Share Appreciation Rights (SARs)

Share appreciation rights have been granted to the Chief Executive Officer and the Executive team. Refer to the Remuneration Report for further details.

22. Share-based payments (continued)

(a) Movement

The table below summarises the movement in the number of options, restricted stock units and share appreciation rights during the year:

	2021 Number	2021 WAEP ($) [1]	2020 Number	2020 WAEP ($) [1]
Options over ordinary shares				
Outstanding at 1 July	**18,510,058**	**0.85**	23,376,683	0.76
Granted during the year [2]	**867,545**	-	2,921,778	0.04
Exercised during the year	**(10,405,267)**	**0.80**	(4,521,415)	0.77
Forfeited during the year	**(2,188,371)**	**0.64**	(2,788,674)	0.83
Expired during the year	**(11,969)**	**0.93**	(478,314)	1.28
Outstanding at 30 June	**6,771,996**	**0.90**	18,510,058	0.85
Exercisable at 30 June	**3,401,054**	**0.87**	9,510,335	0.81
Restricted stock units				
Outstanding at 1 July	**2,200,400**	-	727,766	-
Granted during the year	**942,592**	-	2,110,590	-
Settled during the year	**(1,344,372)**	-	(465,844)	-
Forfeited during the year	**(333,567)**	-	(172,112)	-
Outstanding at 30 June	**1,465,053**	-	2,200,400	-
Share appreciation rights (SARs) [3]				
Outstanding at 1 July	**7,276,161**	-	5,666,668	-
Granted during the year	**985,378**	-	6,029,146	-
Exercised during the year	**(2,215,514)**	-	-	-
Forfeited during the year	**(1,522,327)**	-	(4,419,653)	-
Outstanding at 30 June	**4,523,698**	-	7,276,161	-
Exercisable at 30 June	**1,983,114**	-	-	-

(1) WAEP stands for Weighted Average Exercise Price.

(2) 867,545 options granted during the year have a zero exercise price (2020: 2,846,778). The expiry period for options and RSU grants made during the current and prior year is 10 years.

(3) SARs do not have an exercise price, however they do have a base share price from which any share appreciation is measured.

(b) Modifications to the awards

The table below details modifications to a number of options / restricted stock units (RSUs) during the year.

	2021 Number	2020 Number
Accelerated vesting of unvested options / RSUs over ordinary shares upon termination	**459,214**	154,082
Total	**459,214**	154,082

22. Share-based payments (continued)

(c) Additional disclosures

Weighted average fair value of	2021 $	2020 $
Share at the date of exercise of options / settlement of restricted stock units during the year	**4.23**	1.63
Share options granted during the year	**4.27**	0.45
Share appreciation rights granted during the year	**2.21**	0.42
Restricted stock units granted during the year	**4.34**	1.58

Weighted average remaining contractual life of	2021 (years)	2020 (years)
Share options outstanding at the end of the year	**7.07**	7.29

Inputs to pricing models for options and SARs granted during the year (weighted average)	2021	2020
Expected volatility (%) [(1)]	**69.94**	68.41
Risk-free interest rate (%)	**0.67**	0.41
Expected life (years)	**4.72**	4.29
Expected dividend yield (%)	**-**	-
Fair market value of share ($) [(2)]	**4.32**	1.42

(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 $1.62 (2020: $nil to $1.62).

(2) The fair market value of a share has been calculated using the close price on grant date.

23. Related party transactions

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

	2021 $	2020 $
Short-term employee benefits	**1,759,054**	1,412,539
Post-employment benefits	**105,186**	77,658
Share-based employee benefits	**761,591**	822,393
Other long-term benefits	**2,139**	(21,984)
Termination benefits	**-**	316,976
Total transactions with key management personnel	**2,627,970**	2,607,582

23. Related party transactions (continued)

(b) Transactions with key management personnel

Limited recourse loan

On 10 February 2021, Redbubble Limited and Mr Ilczynski, CEO, entered into a limited recourse loan arrangement with a loan amount of $1,600,000. Mr Ilczynski used the loan amount plus $400,000 of his own funds to purchase Redbubble Limited shares on-market in the trading window that followed release of Redbubble's half-year 2021 results and Appendix 4D. This transaction was completed on 4 March 2021, with an average share price of $5.53. The loan amount plus interest equal to the RBA cash rate plus 3% (compounding annually) is to be repaid 5 years from date of loan, or on cessation of employment if earlier. The purchased shares are subject to dealing restrictions, including a prohibition on granting security interests, which fall away upon the loan being repaid in full. The security for the loan is limited to the shares acquired with the loan amount.

The loan is recognised as an option grant under AASB 2 *Share Based Payment* and as a result this loan is not recognised in the consolidated statement of financial position.

(c) Transactions with related parties

There were no other related party transactions in the current and prior year.

24. Remuneration of auditors

Ernst & Young (Australia)	**2021** $	2020 $
Audit fees:		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	**285,890**	280,144
Fees for other services:		
Assistance in developing the Group's inaugural ESG strategy	**30,370**	-
Taxation services	**43,630**	39,400
Remuneration of Ernst & Young	**359,890**	319,544

25. Segment information

AASB 8 *Operating Segments* allows for the aggregation of operating segments where they exhibit similar economic characteristics. The Group considers the Redbubble and TeePublic marketplaces to have similar economic characteristics and therefore have been aggregated to form a single reportable operating segment.

Geographical information required per AASB 8 and disaggregated revenue reporting is detailed below:

	2021		2020	
	Revenue $'000	**Non-current assets [(1)] $'000**	Revenue $'000	Non-current assets [(1)] $'000
Australia	**37,715**	**7,939**	22,624	14,708
United States	**443,682**	**60,475**	287,810	66,564
United Kingdom	**73,476**	**-**	43,299	-
Rest of the world	**102,450**	**466**	62,524	176
Total	**657,323**	**68,880**	416,257	81,448

(1) Non-current assets for this purpose consist of property, plant and equipment, intangible assets, right of use assets and net investment in sublease.

26. Events occurring after the balance sheet date

The financial report was authorised for issue on 19 August 2021 by the Board of Directors.
Other than the above, there have been no further significant events after the balance sheet date that require disclosure.

27. 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 19 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 aligned where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operations and administration expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with AASB 9.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

27. Other significant accounting policies (continued)

(b) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a single cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) Foreign currency transactions

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 statement of comprehensive income, 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:

27. Other significant accounting policies (continued)

(c) Foreign currency transactions (continued)

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

(d) Other income

Finance income

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

(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 statement of comprehensive income.

The Group applies a simplified approach in calculating Expected Credit Losses (ECLs) in trade receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date, where appropriate, based on historical credit loss experience and adjusted for forward-looking factors specific to the receivables and the economic environment.

(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) Provisions

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

27. Other significant accounting policies (continued)

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

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.

(i) Leases

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

Group as a lessee

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date of the lease less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment in accordance with AASB 136 Impairment of Assets.

Lease liabilities

The Group recognises lease liabilities at the commencement date of the lease (i.e., the date the underlying asset is available for use), measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

Significant judgement in estimating the incremental borrowing rate

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The rate is determined using a government bond (risk free) rate adjusted for a risk premium commensurate with each lessee's profile. The bond rates used are for a bond with a term and security similar to each lease and are country specific.

27. Other significant accounting policies (continued)

(i) Leases (continued)

After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities are adjusted if there is a modification, a change in the lease terms or a change in the in-substance fixed lease payments.

Group as a lessor (subleases)

In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

- if the head lease is a short-term lease, the Group will classify the sublease as an operating lease.
- otherwise, the sublease will be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

Sublease classified as finance lease

The Group recognises net investment in sublease at the commencement date of the sublease (i.e., the date the underlying asset is subleased) due to the term of the sublease constituting a major part of the economic life of the right-of-use asset relating to the head lease. The net investment in the sublease is measured using the discount rate for the head lease. The Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and replaces it with a net investment in the sublease. Any difference between the right-of-use asset and the net investment in the sublease is recognised in profit or loss. The lease liability relating to the head lease is retained and represents the lease payments owed to the head lessor. During the term of the sublease, the Group recognises both interest income on the sublease and interest expense on the head lease.

Sublease classified as operating lease

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Short-term leases and leases of low-value assets

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

27. Other significant accounting policies (continued)

(i) Leases (continued)

Significant judgement in determining the lease term of contracts with renewal options (continued)

The Group has the option under some of its leases to extend the term of the original lease. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for the Group to exercise the renewal option. After the commencement date, the Group reassesses the lease term when there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew. The Group has determined that no lease extension options will be exercised as they are not reasonably certain that those options will be exercised and therefore, the extended periods have not been included in calculations.

(j) Accounting standards issued but not yet effective

A number of new accounting standards, amendments to standards and interpretations, have also been issued and will be applicable in future periods. While these remain subject to ongoing assessment, no significant impacts on the financial statements of the Group have been identified to date. These standards have not been applied in the preparation of these Financial Statements.

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, as set out on pages 44 to 86 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 2021 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.

Anne Ward
Board Chair
Melbourne
19 August 2021

Jenny Macdonald

Jennifer Macdonald
Audit and Risk Committee Chair
Melbourne
19 August 2021

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

Building a better working world

Capitalised development

Why significant	How our audit addressed the key audit matter
As disclosed in Note 13 to the financial statements, development costs associated with development and engineering activities of website and mobile applications are capitalised as intangible asset. The carrying value of capitalised development in the consolidated statement of financial position at 30 June 2021 was $8.8m. The accounting for capitalised development involves judgment, including considering technical and commercial feasibility, the Group's intention and ability to complete the intangible asset, future economic benefits to be generated by the asset, the ability of the Group to measure the costs reliably, and determining the useful lives for capitalised development costs. In addition, determining whether there is any indication of impairment of the carrying value of assets requires judgment in making assumptions which are affected by future market or economic developments. This was considered a key audit matter given the judgement required in accounting for it, the value of development cost assets relative to total assets, the rapid technological and economic change in the industry, and the specific Australian Accounting Standards criteria that have to be met to enable costs incurred to be capitalised.	Our audit procedures included the following: ▶ assessing the eligibility of the development costs for capitalisation as an intangible asset in accordance with Australian Accounting Standards; ▶ selecting a sample of capitalised development costs by project and assessing whether the nature of projects and costs incurred were supported by underlying evidence such as employee time sheets, employee contracts and supplier invoices; ▶ checked the clerical accuracy of the capitalised development cost rollforward; ▶ assessing whether the amortisation rates used are appropriate; ▶ testing for a sample of projects, the feasibility and benefits expected from each based on the current status, forecast performance and related assumptions. This included discussions with project managers and developers and reviewing project plan approvals and reporting; ▶ considering whether there were any indicators of impairment; and ▶ evaluation of the disclosures in Note 13 of the financial report.

Revenue recognition

Why significant	How our audit addressed the key audit matter
As disclosed in Note 3 to the financial report, revenue is recognised when the goods are transferred to the customer, which is deemed to be when the product is delivered. Due to the volume of online transactions processed on a daily basis, and the arrangement in place with fulfillers whereby fulfillers dispatch goods directly to the Group's customers, the judgement involved in the timing of when revenue is recognised is considered to be a Key Audit Matter.	Our audit procedures included the following: ▶ testing the operating effectiveness of controls over the capture, timing of revenue recognition and measurement of revenue transactions; ▶ for a sample of revenue transactions, testing whether the revenue was recorded in the appropriate period and whether management's estimate of sale transactions not delivered to the customer at 30 June 2021 were appropriately included as unearned revenue and Goods in Transit for items shipped but not yet delivered, as at that date; ▶ test the assumptions used in management's estimate based on the average delivery days between payment, shipment and delivery; ▶ assessing whether the revenue recognition policy applied to the terms and conditions of sale was in accordance with Australian Accounting Standards; and ▶ considered the adequacy of the revenue recognition policy disclosure contained in Note 3.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 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.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

Building a better working world

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

Building a better working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 43 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Redbubble Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

Ashley Butler
Partner
Melbourne
19 August 2021

Corporate Information

Directors	Anne Ward (Chair, Non-Executive Director) Martin Hosking (Non-Executive Director) Ben Heap (Non-Executive Director) Jennifer (Jenny) Macdonald (Non-Executive Director) Greg Lockwood (Non-Executive Director)
Chief Executive Officer	Michael Ilczynski
Company Secretaries	Corina Davis (US) Martin Bede (Australia)
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	Citibank, N.A.
Stock Exchange Listing	Redbubble shares are listed in the Australian Securities Exchange (ASX listing code: RBL) Redbubble has a Level 1 American Depository Receipt (ADR) facility trading in the Over-The-Counter (OTC) market in the United States and is managed by The Bank of New York Mellon (ADR Code: RDBBY)
Website	Redbubble.com and TeePublic.com
Investor Centre	Shareholders.redbubble.com