



1. Company details

Name of entity:	Booktopia Group Limited
ABN:	14 612 421 388
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$'000
Revenue from ordinary activities	up	35.1% to	223,886
Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ('Underlying EBITDA')	up	125.1% to	13,649
Loss from ordinary activities after tax attributable to the owners of Booktopia Group Limited	down	>100.0% to	(18,078)
Loss for the year attributable to the owners of Booktopia Group Limited	down	>100.0% to	(18,078)

Underlying EBITDA margin increased 2.4 percentage points to 6.1%.

Dividends

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

Comments

The loss for the Group after providing for income tax amounted to \$18,078,000 (2020: profit of \$196,000).

On 2 December 2020, Booktopia Group Limited ('BKG') was admitted to the Official List of ASX Limited ('ASX'). Official quotation of BKG's ordinary fully paid shares commenced on 3 December 2020. BKG raised \$25,000,000 pursuant to the offer under its prospectus dated 2 November 2020 ('Prospectus') by the issue of 10,870,000 new shares at an issue price of \$2.30 per share.

For further details refer to the Directors' Report and Audited Financial Statements that follows this Appendix 4E.

Underlying EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the profit/(loss) under AASBs adjusted for specific items, including the Initial Public Offering ('IPO') costs and conversion of preference shares. The directors consider Underlying EBITDA to be one of the key financial measures of the Group.



The following table summarises key reconciling items between statutory after tax result attributable to the shareholders of the Company and Underlying EBITDA:

	2021 \$'000	2020 \$'000
(Loss)/profit before income tax	(18,029)	830
Less: Interest income	(37)	(33)
Add: Interest expense	4,374	2,441
Add: Depreciation and amortisation	4,490	3,261
Reported EBITDA	(9,202)	6,499
IPO costs	4,102	-
IPO related employee share award	152	-
Changes in the fair value of redeemable preference shares	18,597	880
Pro forma public company costs *	-	(1,315)
Underlying EBITDA	<u>13,649</u>	<u>6,064</u>

* The costs of operating a publicly listed company for a full year have been added to the 2020 results to reflect the Underlying EBITDA of the Group as if it had already been listed. This is done to enable like for like comparability between periods. The amount presented is consistent with the Prospectus document.

3. Net tangible assets

	2021 Cents	2020 Cents
Net tangible assets per ordinary security	<u>16.36</u>	<u>(9.28)</u>

The net tangible assets have been calculated as the net assets of the Group, less the tax adjusted value of the intangibles. Right-of-use assets, related to the use of tangible assets, have been treated as tangible assets for the purpose of this calculation.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

The Group does not have foreign entities.



9. Audit qualification

The financial statements have been audited and an unmodified opinion has been issued.

10. Attachments

The Financial Report of Booktopia Group Limited for the year ended 30 June 2021 is attached.

11. Signed

Signed _____

Date: 30 August 2021

Christopher (Chris) Beare
Chairman
Sydney



Booktopia Group Limited

ABN 14 612 421 388

Financial Report - 30 June 2021



Directors	Christopher (Chris) Beare - Chairman Antony (Tony) Nash Wayne Baskin Steven Traurig Fiona Pak-Poy Marina Go Su-Ming Wong
Company secretaries	Anna Sandham Steven Traurig
Notice of annual general meeting	The details of the annual general meeting of Booktopia Group Limited are: 2:00pm on Monday 29 November 2021 Closing date for the receipt of Director nominations: 24 September 2021
Registered office	Unit E1 3-29 Birnie Avenue Lidcombe NSW 2141 Phone: 1300 187 187
Share register	Link Market Services Limited Level 12 680 George Street Sydney NSW 2000 Phone: 1300 554 474
Auditor	PricewaterhouseCoopers Watermans Quay, Barangaroo Sydney NSW 2000
Solicitors	Herbert Smith Freehills ANZ Tower 161 Castlereagh Street Sydney NSW 2000
Bankers	Commonwealth Bank Level 1 Harbour Street Sydney NSW 2000
Stock exchange listing	Booktopia Group Limited shares are listed on the Australian Securities Exchange (ASX code: BKG)
Website	www.booktopia.com.au
Business objectives	In accordance with Listing Rule 4.10.19 the Company confirms that the Group has been utilising the cash and assets in a form readily convertible to cash that it held at the time of its admission to the Official List of ASX since its admission to the end of the reporting period in a way that is consistent with its business objectives.



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Booktopia Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2021.

Directors

The following persons were directors of Booktopia Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Christopher (Chris) Beare – Chairman
Antony (Tony) Nash
Wayne Baskin (appointed on 1 October 2020)
Steven Traurig
Fiona Pak-Poy (appointed on 15 September 2020)
Marina Go (appointed on 1 October 2020)
Su-Ming Wong
Simon Nash (resigned on 30 October 2020)

Principal activities

Booktopia Group (the Group) is Australia's largest Australian owned online book retailer established in 2004 and was admitted to the Australian Securities Exchange ('ASX') in December 2020. The Group generates the majority of its revenue from the sale of physical books. It also sells eBooks, audiobooks, magazines and stationery. Customers largely consist of retail consumers with a growing number of corporate and government customers including schools, libraries, universities and government departments. Sales are generated via the Group's two websites as well as listing select titles on online marketplaces in Australia and New Zealand. In addition, the Group offers publishers a distribution solution to the Australian and New Zealand market and also publishes select titles in print and digital formats under the Booktopia Editions imprint.

The Group has developed an extensive supply chain with suppliers sourcing product from around the world with strong working relationships with Australia Post, various publishers, distributors and other affiliates. A key element in the supply chain is the Group's distribution centre (DC) located in Lidcombe, Western Sydney. The facilities in the centre have been custom designed and built from the ground up to enhance efficiency of key activities including picking and packing technologies. The DC is highly automated with conveyor lines and software systems which are central to the efficient moving of products into, within and out of the DC.

The Group's business model is supported by the following key factors that have been drivers to its success:

- In-house technology expertise: the Group's in-house software expertise assists it to understand its customer and inventory needs and supplier relationships;
- Specialist online marketing knowledge: the Group's management has significant experience in Search Engine Optimisation. The Group's strong in-house Search Engine Optimisation and paid search marketing skills further allow the business to target attractive customers with the goal of ensuring optimal return for its marketing spend;
- Stock availability and fast delivery times: the Group's supplier relationships and efficient DC, in addition to its commitment to holding Stocked Titles 'ready-to-ship', enhances the customer experience through titles being both available and able to be delivered quickly; and
- Customer-centric focus: the Group's customer focus from its senior management team to its DC staff and Australian-based Customer Service call centre, is a key differentiator to many competitors. Other initiatives it employs include in-house book experts who curate and enhance content (including conducting author interviews and books signings) and also enhance customer experience that leads to and drives repeat business and customer loyalty.

The Group's key expenses incurred in generating revenue include: book purchases, marketing and advertising costs (Pay-Per-Click advertising and affiliate commissions), marketing staff who manage the Group's marketing initiatives, distribution costs and email marketing costs.

The Group's proprietary software systems form a key part of its competitive strengths and support its business processes and practices. The Group uses a live data feed system that retrieves, manages and updates product data from suppliers' websites, email and File Transfer Protocol (FTP) locations, for millions of products (including bibliographic, pricing and stock information) which are potentially available for sale by the Group. The Group's proprietary systems also conduct 'dynamic pricing' for products (i.e. automatic price adjustment), maintain stock levels in line with expected demand and manage foreign currency exposure, to enhance stock turnover and revenue. The Group's software is developed by an in-house team of developers using a range of predominantly open source applications and platforms.



In 2017, the Group launched a distribution arm of the business called Booktopia Publisher Services (BPS). BPS is appointed by Australian and International publishers as their distributor in the Australian and New Zealand ('ANZ') market. BPS has been able to leverage off the investment in automation, software and logistics to accelerate the expansion of this division. In 2019, the Group launched Booktopia Publishing as the Group's trade publishing division that publishes books in print and digital formats under the Booktopia Editions imprint. All titles are sold and distributed to book retailers across the region via Booktopia's distribution division, BPS. The book publishing and BPS businesses continue to develop their footprint in the market but are yet to be a major contributor to the Group's results. As such, they are not separately reported and have been consolidated in the overall results.

Dividends

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

Operating and financial review

The ongoing COVID-19 pandemic created a positive business environment for the Group during the period, with a significant uplift in online retailing where many new online shoppers entered the market and existing shoppers increased the frequency of purchasing. Hence, customer demand grew considerably during the period and especially during lockdowns which translated into sustained increased demand even following the relaxing of restrictions. As a result, the number of active customers (1) grew from 1,532,000 to 1,819,000 during the period and the average spend per customer per year (2) at June 30, 2021 was \$126.85 compared to \$111.43 at the same time last year.

Sales were up on the previous comparable period by 35% with strong performances in NSW and Victoria. Average order value (3) grew from \$65.08 to \$71.07 and the average selling price (4) increased from \$25.80 to \$27.39. Units shipped during the period was 8.2 million, 27% above the corresponding previous period.

The COVID-19 pandemic also impacted the Group's supply chain causing issues in sourcing of product and with the delivery to customers. Some product continued to be difficult to source from international suppliers creating delays for customers. Delays were also experienced in the delivery of product to customers due to ongoing lockdown situations in various states. To help mitigate this risk the Group put in place strategies to reduce the reliance on overseas suppliers, redirecting orders that would normally be placed with UK suppliers to US suppliers (less lockdown) and updating messaging on the website to advise customers of potential delays. Working closely with a major supplier in Victoria during the Victorian lockdown also ensured continued and uninterrupted supply of product.

During the period the Group introduced further automation of the DC to increase the outbound capacity from 30,000 units per day to a potential 60,000 units per day. In addition, inventory capacity was increased from 797,000 to 1,713,000 units, representing over 150,000 separate stocked titles. Further automation was trialled to introduce robotics to the DC for 'put away' and 'pulling' activities and to enable their integration within the DC facility. The trials were successful and post year end the robots have commenced operational activities.

Through proactive management the Group was able to optimise customer demand by limiting marketing activities to ensure the customer experience was maintained at an acceptable level. This resulted in substantial savings in marketing costs on a per unit basis from \$1.53 to \$1.25 largely due to a reduction in pay per click advertising. Offsetting this has been an increase in the labour costs for the DC due to the need to carefully manage our environment during the COVID pandemic. As a result operational costs increased on a per unit basis from \$25.05 to \$26.29.

Pleasingly the Group delivered revenues of \$223.9 million vs \$165.7 million for the same period last year. The increase in sales and gross margin together with cost savings from additional automation of the DC resulted in an underlying EBITDA of \$13.6 million (excluding IPO related costs and changes in the fair value of redeemable preference shares), a 125.1% improvement on the same period last year. During the period 8.2 million products were shipped to customers, up 27% on the same period last year.

The loss for the Group after providing for income tax amounted to \$18,078,000 (30 June 2020: profit of \$196,000) driven by the changes in the fair value of redeemable preference shares of \$18,597,000 (note 19) and \$4,102,000 of IPO costs (note 19) (30 June 2020: \$880,000 and \$nil).

(1) Active Customers is based on customers who have purchased from the Group within the past twelve months.

(2) Average Spend Per Customer Per Year is based on the amount spent by customers during the past twelve months.

(3) Average Order Value is based on revenue including GST but excluding any freight charged to customers, divided by the total number of orders in each financial period.

(4) Average Selling Price means average selling price per unit, calculated as net revenue for the period including GST but excluding any freight charged to customers divided by the number of units shipped for that period.



FY21 Key Financial Metrics

Pro Forma YTD
Forecast Jun-21

Revenue growth (% increase)	23.4%	35.1%
Underlying EBITDA margin % (EBITDA / revenue)	4.6%	6.1%
Gross profit growth (% increase)	28.2%	36.2%
Gross profit (\$ per unit shipped)	\$7.45	\$7.42
Net freight cost (\$ per unit shipped)	\$0.45	\$0.48
Distribution centre wages (\$ per unit shipped)	\$1.16	\$1.42
Marketing expenses (\$ per unit shipped)	\$1.70	\$1.25

The EPS for the year was (14.20) cents, (FY20: 0.17 cents). Adjusted for the IPO costs of \$2,871,000 (net of tax) and the change in the fair value of the redeemable preference shares (\$18,597,000) the EPS is 2.66 cents, (FY20: 0.95 cents).

The Group's balance sheet reflects the attractive cash flow profile of the business model where the majority of customers pay at the time of ordering, minimising any debtors; inventory as aligned to customer demand and trade creditors are according to accepted industry terms. Inventory levels remained largely consistent with the same period last year reflecting the increased throughput of the DC relative to the growth in revenue. Creditors and cash flow management also continue to support overall strength in working capital for the Group.

Historical software development costs have been capitalised including costs relating to the development of new systems for new business divisions, continued development of additional functionality of in-house software systems used in managing the Distribution Centre and the development of new or enhanced processes within the DC to optimise customer experience.

The directors consider that the Group will continue as a going concern, as explained in note 1 'working capital position' section to the financial statements.

Financing

During the period the Group became a listed entity on the ASX raising \$25,000,000 which was used to reduce debt and increase working capital in anticipation of more capital expenditure on further automation of the DC. Debt was reduced by the repayment of the Longreach Credit Investors borrowing balance of \$12,000,000 and as part of the IPO the Redeemable Preference Shares were converted to ordinary shares. Overall debt of the Group was significantly reduced and the net equity of the business increased from a negative \$3,086,000 to a positive \$30,391,000. The Group has an unused \$6,000,000 overdraft and a new \$12,000,000 facility with the CBA, which it secured in July 2021. The cash held by the business and the available facilities give the Group sufficient liquidity to fund future growth ambitions.

Underlying EBITDA

Underlying EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the statutory result adjusted for specific items, including the IPO costs and conversion of preference shares. The directors consider Underlying EBITDA to be one of the key financial measures of the Group.



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Business strategies and future growth

The retailing of physical and digital books in an online environment remains the core strategy of the Group with the focus of growing market share in Australia being the key short-term strategy. The Group considers that continued overall industry growth, a continued consumer shift towards buying books and other products online and its strong customer service focus will underpin the Group's opportunity to grow its market share. The Group also believes there is significant opportunity to further consolidate the industry value chain in Australia and to use this model to enter new markets internationally.

To support this strategy, the Group has identified several initiatives to drive revenue and earnings growth including:

Australian market share growth

- Affiliate marketing and retargeting of existing and new customers: the Group continues to use Search Engine Optimisation, pay per click advertising, affiliate marketing and retargeting of customers and potential customers as its principal form of selling. The Group is focused on investing in the look, feel and functionality of its websites to increase website visits and conversion rates even further. The Group also continues to evolve and enhance its eBook and audiobook offering to drive increased sales.
- Continued expansion into education and corporate sales: the Group continues its expansion into education and corporate sales through targeted merchandising, website development and expanding its corporate and education sales team. The Group believes there is a substantial growth opportunity for it to increase sales in the pre-school, primary, secondary and tertiary sectors as well as across a range of corporate and government businesses.
- Continued investment into the distribution centre: the Group plans to continue investing in distribution facilities. This investment aims to expand the current DC facilities and to leverage automation further across all current and future facilities (for example by adding more robotics and conveyor lines, packing machines and put away/picking technologies) to increase efficiency and reduce required man hours per unit shipped. It also aims to increase the capacity to hold more stock to enable faster delivery times and improving customer service.



Partnerships and global expansion

- **Growth of partnerships and marketplaces:** the Group plans to increase its partnerships' leveraging its brand, customer databases and website traffic to allow it to sell wherever the Australian book buyer is shopping. The Group sells through a range of Australian online stores including Kogan, eBay, MyDeal, Zookal, Catch and Amazon and intends to increase sales through digital marketplaces locally and globally by expanding its range and presence on marketplaces that it currently partners with and continually seek and assess new marketplace partnerships. In addition, the Group will explore innovative partnerships with market participants, such as the Zookal arrangement, to further consolidate the book industry value chain.
- **Bolt on acquisition opportunities:** the Group will continue to seek further acquisitions of businesses in Australia and internationally which offer similar products to the Group and which may benefit from the application of the Group's expertise and existing infrastructure and systems. The Group believes that its investment in its websites, its Content, Customer and Order Management System, its Warehouse Management System and its internet marketing expertise, could be applied to businesses operating locally and internationally. All acquisitions will continue to be considered based on their merits, the long-term revenue goals and most importantly their ability to contribute to the profits of the Group.

Customer experience

- **Customer loyalty and subscription programs:** the Group plans to continue to roll out various loyalty programs to reward and encourage repeat purchasing from its customers. Offers such as free shipping offers, gift vouchers and discounts will be available at the customer level through its website and various sales and marketing channels. The Group believes this will form an important aspect of its customer service offering and assist in increasing customer loyalty in the future. The Group currently partners with the Qantas Frequent Flyer (QFF) program.
- **Leveraging customer database:** the Group has access to a substantial amount of historical customer data. The Group does not sell or permit access to its customer data to any other organisation other than for transaction processing. Through analysis of this information, the Group intends to assemble focused information on customers and customer groups, to facilitate more relevant and targeted marketing.

Additional value chain consolidation

- **Providing available inventory and / or competitive margins:** Our BPS distribution business is focused on adding more publishers to its list that it represents as its core growth strategy. The Group views BPS as a unique growth opportunity. BPS provides an attractive value proposition to publishers and bookstores by providing available inventory or competitive margins. Booktopia Publishing is planning to publish over 100 new books in the FY22 year. This is forecast to continue to grow by at least 100 new books in future years. The Publishing division uses BPS to distribute its books to retailers and resellers across Australia and New Zealand.

Significant changes in the state of affairs

On 2 December 2020, Booktopia Group Limited ('BKG') was admitted to the Official List of ASX Limited ('ASX'). Official quotation of BKG's ordinary fully paid shares commenced on 3 December 2020. BKG raised \$25,000,000 pursuant to the offer under its prospectus dated 2 November 2020 ('Prospectus') by the issue of 10,870,000 shares at an issue price of \$2.30 per share.

Beyond the impact of COVID-19 and the activities associated with the admission of the Group to the ASX, there were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, the recent Delta variant has resulted in further lockdowns in several States in Australia, particularly on the Eastern Seaboard, since the reporting date. It is not possible at this time to state how the pandemic will subsequently impact the Group's operations going forward, especially if these lockdowns continue.

On 14 July 2021, the Group entered into a new finance facility with Commonwealth Bank. Under the term of this agreement the total agreed facilities to the Group increased from \$7,247,000 to \$19,247,000 (of which \$18,000,000 is available).

On 22 July 2021, the Group announced their partnership with an UK-based Welbeck Publishing Group ('WPG') to ramp up expansion in the growing ANZ market. Booktopia has entered into a non-binding agreement to secure a 25% stake in the London-based publisher's new standalone Australian subsidiary (Welbeck ANZ). The deal is expected to be finalised by 30 September 2021 and Welbeck ANZ is expected to be fully operational in January 2022.



On 27 August 2021, the Group signed a lease agreement for an additional Distribution Centre to be based in Strathfield. The estimated value of the right-of-use asset balance and related lease liability balance arising from the execution of this contract are \$14,353,000.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information relating to the likely developments in the operations of the Group and the expected results of those operations in future financial years is set out in the operating and financial review section above and elsewhere in this report.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Christopher (Chris) Beare
Title:	Independent Non-Executive Director - Chairman
Qualifications:	BSc, BE (Hons) and PhD (Electrical) from Adelaide University, MBA from the Harvard Business School and a Fellow of the Australian Institute of Company Directors.
Experience and expertise:	Chris Beare joined the Booktopia Board as Chairman in October 2016. He has over 35 years' experience in international business, technology, strategy, finance and management.
	Chris joined investment bank Hambros Australia in 1991, became Head of Corporate Finance in 1994 and joint Chief Executive in 1995. After Hambros was acquired by Societe Generale ('SG') in 1998 Chris remained a Director of SG Australia until 2002. Prior to Hambros, Chris was Executive Director of Melbourne based Venture Capital firm Advent Management Group which he joined in 1987 after various roles in Telecom Australia culminating in the Head of Strategy.
	Chris has experience in technology. In 1998 he helped form Radiata, a technology start-up in Sydney and Silicon Valley, and as Chair and Chief Executive Officer steered it to a sale to Cisco Systems in 2001. He has been a Director of a number of other technology companies and was formerly the Chairman of ASX listed businesses; DEXUS Property Group, Flexigroup Limited and m.Net.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration and Nomination Committee and member of the Audit and Risk Committee
Interests in shares:	400,000 ordinary shares
Interests in rights:	None



Name: Antony (Tony) Nash
Title: Chief Executive Officer and Managing Director
Qualifications: Computer programming at Control Data Institute.
Experience and expertise: Tony Nash was involved in the establishment of Booktopia while working in his family's company as a sideline to the core internet marketing consulting business, Globalise Pty Ltd, which was established in 2001. Tony has been instrumental in growing Booktopia and formulating its business strategy throughout that time. Since 2007 Tony has held the role of Chief Executive Officer.

Tony received a series of business awards and is an industry-recognised leader in the book retail and online retailing industry in Australia. In 2018 he won the Industry Recognition Award at the Online Retailer Industry Awards. He was listed in Who's Who of Australia in 2019.

Prior to Booktopia, in 1996 Tony established Best People International (an internet recruitment agency), having previously worked as a recruiter. Best People grew to employ more than 35 people. It was ultimately sold to Volante Group Limited, which was ASX listed at the time of the sale.

Tony is a Life Member of the Wilderness Society, the RSPCA (NSW) and the Australian Republican Movement.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 22,839,343 ordinary shares
Interests in rights: 37,217 unvested and 9,305 vested performance rights over ordinary shares

Name: Wayne Baskin
Title: Deputy CEO, Chief Technology Officer, Executive Director
Qualifications: Bachelor of Engineering (Software) (Hon), UNSW
Experience and expertise: Wayne Baskin started as Booktopia's first developer in 2008, having spent 4 years at GE Commercial Finance. In his first five years he built the company's bespoke website, their custom Warehouse Management System and was responsible for the implementation of the business' pricing and inventory algorithms.

Today in his position as Deputy CEO, Wayne is responsible for the overall business strategy, vision and customer experience while also overseeing logistics and the businesses pricing and inventory strategy.

In his role as Chief Technology Officer, Wayne oversees all R&D for both Booktopia and Angus & Robertson which includes all system development and the business' integrations into external systems and third-party channels.

In 2017 and 2018, Wayne was a finalist for the Online Retail Industry Recognition Award, taking out the award in 2019. He has also been named in Inside Retail's Top 50 People in E-Commerce for five years, in 2019 and 2020 being awarded Number 8 on the list, as well as being a finalist for the BRW's Best Rising Star Award.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 5,000,000 ordinary shares
Interests in rights: 37,217 unvested and 9,305 vested performance rights over ordinary shares



Name: Steven Traurig
Title: Chief Commercial Officer and Executive Director
Qualifications: Bachelor of Applied Science (Computing), sub-majoring in Organisations and Management from University of Technology, Sydney
Experience and expertise: Steven Traurig was involved in the establishment of Booktopia. He began his career at IBM Australia as a software engineer and subsequently pre-sales systems engineer, before joining Somerset Systems in 1992 specialising in business development and consulting in ecommerce and workflow. He joined Tony Nash in his online recruitment company Best People International in 1998. Tony and Steven have been in business together for 22 years. Steven has been in the online commerce industry for over 20 years and is Tony's brother-in-law.

Steven provided technical direction and services during Booktopia's early formation and built a development team to establish Booktopia's in-house website and logistics systems in 2007. He has been the Chief Information Officer and is currently Chief Commercial Officer for Booktopia, as well as overseeing a number of business programs including infrastructure, security and HR.

Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None
Interests in shares: 20,691,877 ordinary shares
Interests in rights: 18,797 unvested and 4,699 vested performance rights over ordinary shares

Name: Fiona Pak-Poy
Title: Independent Non-Executive Director
Qualifications: Honours Degree in Engineering from the University of Adelaide and an MBA from Harvard Business School. She is a Fellow of the Australian Institute of Company Directors.
Experience and expertise: Fiona is an experienced non-executive director and has been involved in a wide array of industries including healthcare, e-commerce, software, financial services, retail and manufacturing. Her involvement ranges from start-ups to publicly listed companies, not-for-profits and State and Federal Government Boards.

Currently Fiona is a non-executive director of Tyro, iSentia and the Sydney School of Entrepreneurship.

She is a former member of the Federal Government's Innovation Australia Board, ASIC's director Advisory Panel and a Councillor for The Australian Investment Council. She practiced as an engineer and was a management consultant with The Boston Consulting Group in Boston and Sydney, during which time she was a member of both the Consumer Goods and Technology and Financial Services Practice Group. She co-founded an e-commerce start-up in the late 1990s and subsequently worked as a General Partner in an Australian/US venture capital fund that invested in Australian start-ups with unique IP.

Other current directorships: Non-Executive director of Tyro Payments Ltd (ASX: TYR), iSentia Group (ASX: ISD)
Former directorships (last 3 years): Director of MYOB (formerly ASX: MYO) prior to its purchase by KKR
Special responsibilities: Chairman of the Audit and Risk Committee
Interests in shares: 21,738 ordinary shares
Interests in rights: None



Name: Marina Go
Title: Independent Non-Executive Director
Qualifications: Bachelor of Arts from Macquarie University, Master of Business Administration from the University of New South Wales, a member of O'Connell Street Associates, the Australian Institute of Company Directors, Chief Executive Women and the University of New South Wales Business Advisory Council.
Experience and expertise: Marina has over 30 years of experience as a multi-media executive across a range of listed and private companies and as an independent non-executive director across a diverse range of industries including retail, e-commerce, health, energy and sport.
Other current directorships: Marina is Chair of Netball Australia, Ovarian Cancer Australia and The Walkley Foundation, and is a non-executive director on the boards of Energy Australia and 7-Eleven.
Autosports Group (ASX: ASG), Adore Beauty (ASX: ABY) and Pro-Pac Packaging (ASX: PPG)
Former directorships (last 3 years): None
Special responsibilities: Member of the Remuneration and Nomination Committee
Interests in shares: 8,695 ordinary shares
Interests in rights: None

Name: Su-Ming Wong
Title: Independent Non-Executive Director
Qualifications: ME MBA
Experience and expertise: Su-Ming has over 35 years of direct investment and corporate advisory experience. In 2001, he co-founded CHAMP Ventures which is an Australian mid-market private equity funds manager. Su-Ming is Non-Executive Director of Booktopia Group Limited and has been chairman/director of over 20 Australian companies operating across retail, technology, manufacturing, financial services, healthcare and tourism sectors. Su-Ming is a Professor of Practice at UNSW, a director of Sydney Writers' Festival and a member of UNSW Business School Advisory Council. He was a member of the Council of University of Technology Sydney and a director of several other NGOs. A Fellow of the AICD, Su-Ming holds a ME from the University of Canterbury, NZ and a MBA from AGSM, UNSW.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Committee and the Remuneration and Nomination Committee
Interests in shares: 6,707,472 ordinary shares
Interests in rights: None

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

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

Company secretaries

Anna Sandham - Joint Company Secretary

Anna Sandham was appointed Booktopia's Company Secretary on 1 December 2020. Anna is a Senior Company Secretary at Company Matters, Link Group's governance and company secretarial team and has over two decades of experience as a company secretary and governance professional. Anna holds a Bachelor of Economics degree (University of Sydney) and a Graduate Diploma of Applied Corporate Governance (Governance Institute of Australia). Anna is a Fellow of the Governance Institute of Australia and a member of its Legislative Review Committee.

Steven Taurig - Joint Company Secretary

Steven has held the role of Company Secretary since 16 May 2016. See 'Information on directors' above for further information.



Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Christopher (Chris) Beare - Chairman	10	10	3	3	2	2
Antony (Tony) Nash	10	10	-	-	-	-
Wayne Baskin	8	8	-	-	-	-
Steven Traurig	10	10	-	-	-	-
Fiona Pak-Poy	8	8	3	3	-	-
Marina Go	8	8	-	-	2	2
Su-Ming Wong	10	10	3	3	2	2
Simon Nash	3	5	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the Key Management Personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to KMP
- Changes to the remuneration framework for 2021 / 2022

Principles used to determine the nature and amount of remuneration

Booktopia became a listed company on the ASX on 2 December 2020. In preparation for the listing the Group took advice and re-structured its remuneration framework to be more aligned with listed company norms. The restructured framework was outlined in the prospectus, introduced on 1 January 2021, and is reported in this report. The objective of the Group's executive remuneration framework is to ensure remuneration is market competitive and aligned to shareholder value.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

For the 6 months to 30 June 2021 the new remuneration framework was only applied to the KMP and as foreshadowed in the prospectus the Board has now examined how the framework can be rolled out further into the Group (see below).

Executive remuneration

The Group has chosen to reward executives using a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- cash-based Short-Term Incentive ('STI') performance payments;
- share-based Long-Term Incentive ('LTI') payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.



Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits where it does not create any additional costs to the Group and provides additional value to the executive.

The STI program is designed to align the performance hurdles of the executives with the targets of the business. STI payments are based on specific annual targets and Key Performance Indicators ('KPI's') being achieved. As this was the first six months as a listed entity to 30 June 2021 the KPIs were set as team KPI's and were heavily focused towards meeting the prospectus forecast, and as such the EBITDA and Revenue KPIs were gateway hurdles for the plan. Each KMP has a target payment set as a percentage of salary. STI payments are made in cash once the KPI's are measured.

The LTI program is designed to reward sustainable long term performance and align executives to shareholder outcomes whilst allowing the Company to attract and retain the best talent. It uses Performance Rights ('PR') issued under the Group's Long Term Incentive Plan ('LTI Plan'). A PR entitles the participant to acquire a share on vesting at nil exercise price, subject to the satisfaction of vesting conditions. The PR will be automatically exercised and no exercise price is payable.

To satisfy PR vesting the Group has established an externally administered trust structure that buys Booktopia shares on market during trading windows that can then be transferred to executives once any PR vests.

The Board has determined to use PR because they create share price alignment between executives and shareholders but do not provide the executives with the full benefits of share ownership (such as dividend and voting rights) unless and until the PR vest and are exercised.

The Performance Rights are measured as follows:

- A: 50% of the rights will be tested against the Company's shareholder return ('TSR') relative to a comparator group over the performance period ('TSR rights').
- B: 50% of the rights will be tested against the absolute earnings per share ('EPS') compound annual growth rate ('CAGR') over the relevant performance period ('EPS rights').

These rights would normally vest over three years, but as this is a new plan for the Group the PR are divided into three equal tranches tested over three different performance periods as follows:

- Tranche 1: performance tested from 1 January 2021 - 30 June 2021
- Tranche 2: performance tested from 1 January 2021 - 30 June 2022
- Tranche 3: performance tested from 1 January 2021 - 30 June 2023

Group performance and link to remuneration

Executive remuneration is directly linked to the performance of the Group. A portion of the performance rights will vest on achieving predefined TSR percentile scores and a further portion on achievement of EPS CAGR. The remaining portion of the cash bonus and incentive payments (STI) are dependent on the achievement of seven predefined KPI's. The Financial KPI's are in relation to meeting Revenue and EBITDA targets and represent up to 70% of the opportunity. The remaining five KPI's are non-financial and include measures of customer satisfaction, employee retention and delivery of automation projects.

The Remuneration and Nomination Committee is of the opinion that the adoption of performance based compensation will contribute to future improvements in performance and will increase shareholder wealth over the coming years.

Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.



ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. As set out in the IPO Prospectus, a maximum annual aggregate remuneration available to non-executive directors was set at \$700,000. For FY2021, the fees payable to non-executive directors will not exceed \$410,000 in aggregate.

Use of remuneration consultants

During the financial year ended 30 June 2021, the Group, through the Remuneration and Nomination Committee, engaged Mercer Consulting, remuneration consultants, to advise on the implementation of remuneration policies and provide recommendations on how to structure the STI and LTI programs. Mercer Consulting was paid \$25,000 for these services.

An agreed set of protocols were put in place to ensure that the remuneration recommendations would be free from undue influence from KMP. These protocols include requiring that the consultant not communicate with affected KMP without a member of the Remuneration and Nomination Committee being present, and that the consultant not provide any information relating to the outcome of the engagement with the affected KMP. The Board is also required to make inquiries of the consultant's processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and as such there was no undue influence.

Details of remuneration

Prior to the ASX listing on 2 December 2020, Booktopia Group Limited was not required to prepare a Remuneration report in accordance with the Corporations Act 2001. As such, Remuneration report information is presented only for 2021.

The Board has deemed the following are or were KMP during the year:

The Non-Executive Directors of Booktopia Group Limited:

- Chris Beare (Chairman)
- Fiona Pak-Poy
- Marina Go
- Su-Ming Wong

The Executive Directors of Booktopia Group Limited:

- Tony Nash - CEO and Managing Director
- Wayne Baskin - Deputy CEO, Chief Technology Officer and Executive Director
- Steve Traurig - Chief Commercial Officer and Executive Director
- Simon Nash - Executive Director (resigned 30 October 2020)

And the following persons:

- Geoff Stalley - Chief Financial Officer (appointed on 14 October 2020)
- Ainsley Henderson - Chief Financial Officer (Ainsley tendered his notice of retirement on 8 October 2020, effective from 29 January 2021. From 8 October 2020 onwards he surrendered all authority and responsibility for planning, directing and controlling the activities of the Group, turning his attention to ensuring an orderly departure from the business and smooth handover to his successor).



Amounts of remuneration

Details of the remuneration of KMP of the Group are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees \$	Cash bonus* \$	Non-monetary** \$	Super-annuation \$	Long service leave \$	Equity-settled*** \$	Total \$
2021							
<i>Non-Executive Directors:</i>							
Chris Beare-Chairman	111,121	-	-	10,581	-	-	121,702
Fiona Pak-Poy ¹	67,853	-	-	6,464	-	-	74,317
Marina Go ¹	59,712	-	-	5,688	-	-	65,400
Su-Ming Wong	55,309	-	-	5,269	-	-	60,578
<i>Executive Directors:</i>							
Tony Nash	443,608	100,935	57,431	25,095	29,623	63,169	719,861
Wayne Baskin ¹	440,753	100,935	45,751	23,395	25,432	63,169	699,435
Steven Traurig	295,621	68,837	35,369	25,035	19,320	31,903	476,085
Simon Nash ²	290,327	-	4,665	13,493	1,011	-	309,496
<i>Other KMP:</i>							
Geoff Stalley	246,937	79,536	23,003	25,440	234	37,221	412,371
Ainsley Henderson ³	241,811	-	18,185	18,428	3,940	-	282,364
	2,253,052	350,243	184,404	158,888	79,560	195,462	3,221,609

* Bonus was accrued based on the performance criteria as described in each executive director's service agreement below.

** Non-monetary benefits represents the net annual leave accrued by the individual.

*** In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of PR granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual KMP may ultimately realise should the equity instruments vest. In particular, vesting conditions for tranche A1 were not achieved and those rights are therefore forfeited, while tranche B1 has vested and the rights will be exercised.

¹ Represents remuneration from the date of appointment.

² Represents remuneration to date of resignation on 30 October 2020. Included in Simon's cash salary and fees is a termination payment of \$115,413.

³ Represents remuneration from 1 July 2020 to 29 January 2021.

STI achieved and forfeited

The maximum STI payable to each program participant was defined in the Prospectus. The table below presents the maximum that was payable at the Remuneration and Nomination Committee's discretion as well as the proportion that was effectively forfeited:

	Maximum payable \$	Percentage forfeited * %
Tony Nash	225,000	55%
Wayne Baskin	225,000	55%
Steven Traurig	75,000	11%
Geoff Stalley	87,500	11%

* The percentages forfeited are calculated based on the maximum STI opportunities presented in the Prospectus and the proportion of that not paid. Both figures exclude on-costs, while the figures presented in the remuneration table are inclusive of the on-costs.



Proportion of fixed and at risk revenue

Non-Executive Directors' fees are 100% fixed.

The proportion of remuneration linked to achieving targeted performance and the fixed proportion of Executive Directors and other KMP are as follows:

Name	Fixed remuneration 2021	At risk - STI 2021	At risk - LTI 2021
<i>Executive Directors:</i>			
Tony Nash	64%	29%	7%
Wayne Baskin	63%	30%	7%
Steven Traurig	76%	18%	6%
Simon Nash	100%	-	-
<i>Other KMP:</i>			
Geoff Stalley	68%	23%	9%
Ainsley Henderson	100%	-	-

The At risk – STI percentage reflects the maximum opportunity as a proportion of the total available remuneration. The proportions presented above differ from those proposed in the prospectus because the STI and LTI programs were only effective for part of the year, and the LTI proportion reflects the current year's accounting value for the performance rights granted, excluding the deferred costs for the tranches vesting 30 June 2022, and 30 June 2023.

Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements are as follows:

Name:	Chris Beare
Title:	Independent, Non-executive Chairman
Agreement commenced:	6 October 2017 (with additional terms effective from 27 October 2020)
Term of agreement:	NED's term subject to shareholder vote at each AGM
Details:	Chris is entitled to receive a remuneration package of \$140,000 including superannuation.



Name: Tony Nash
Title: CEO and Managing Director
Agreement commenced: 23 October 2020
Term of agreement: 2 years - refer below
Details: Tony is entitled to receive a remuneration package including superannuation of \$492,750 per annum and a cash bonus under Booktopia Group's STI Plan. The maximum STI opportunity as prescribed in the prospectus was \$225,000, achievable where the Remuneration and Nomination Committee consider KPIs to have been significantly over achieved.

The Company will pay a performance payment of \$1,500,000 in tranches over a period of up to four years commencing in FY22 for the over achievement of the respective annual budgeted EBITDA over those years as approved by the Board.

The amount paid in each tranche will be at the discretion of the Board and will only be paid upon achievement of the hurdles and subject to Company profitability and cash capacity.

Tony is also eligible to participate in Booktopia Group's LTI Plan. For FY2021, the Company issued \$148,500 of Performance Rights, being 33% of fixed annual remuneration (excluding superannuation).

Tony's contract has an initial fixed 2 year term, with a current expiry date of 23 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Tony or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.

Name: Wayne Baskin
Title: Deputy CEO, Chief Technology Officer and Executive Director
Agreement commenced: 23 October 2020
Term of agreement: 2 years - refer below
Details: Wayne is entitled to receive a remuneration package including superannuation and other benefits of \$492,750 and a cash bonus under Booktopia Group's STI Plan. The maximum STI opportunity as prescribed in the prospectus was \$225,000, achievable where the Remuneration and Nomination Committee consider KPIs to have been significantly over achieved.

Wayne is also eligible to participate in Booktopia Group's LTI Plan. For FY2021, the Company issued \$148,500 of Performance Rights, being 33% of fixed annual remuneration (excluding superannuation).

Wayne's contract has an initial fixed 2 year term, with a current expiry date of 23 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Wayne or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.



Name: Steven Traurig
 Title: Chief Commercial Officer and Executive Director
 Agreement commenced: 14 October 2020
 Term of agreement: 2 years - refer below
 Details: Steve is entitled to receive a remuneration package including superannuation of \$328,500 per annum and a cash bonus under Booktopia Group's STI Plan. The maximum STI opportunity as prescribed in the prospectus was \$75,000, achievable where the Remuneration and Nomination Committee consider KPIs to have been significantly over achieved.

Steve is also eligible to participate in Booktopia Group's LTI Plan. For FY2021, the Company issued \$75,000 of Performance Rights, being 25% of fixed annual remuneration (excluding superannuation).

Steven's contract has an initial fixed 2 year term, with a current expiry date of 14 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Steven or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.

Name: Fiona Pak-Poy
 Title: Independent Non-executive Director
 Agreement commenced: 15 September 2020
 Term of agreement: NED's term subject to shareholder vote at each AGM
 Details: Fiona is entitled to receive director fees of \$85,000 and fees for chairing the Audit and Risk Committee of \$15,000. Both are inclusive of superannuation.

Name: Marina Go
 Title: Independent Non-executive Director
 Agreement commenced: 1 October 2020
 Term of agreement: NED's term subject to shareholder vote at each AGM
 Details: Marina is entitled to receive fees of \$85,000 per annum, including superannuation.

Name: Su-Ming Wong
 Title: Independent Non-executive Director
 Agreement commenced: 28 January 2020 (with additional terms effective from 27 October 2020)
 Term of agreement: NED's term subject to shareholder vote at each AGM
 Details: Su-Ming is entitled to receive fees of \$85,000 per annum, including superannuation.



Name:	Geoff Stalley
Title:	Chief Financial Officer
Agreement commenced:	14 October 2020
Term of agreement:	2 years - refer below
Details:	Geoff is entitled to receive a remuneration package including superannuation and other benefits of \$383,250 and a cash bonus under Booktopia Group's STI Plan. The maximum STI opportunity as prescribed in the prospectus was \$87,500, achievable where the Remuneration Nomination Committee consider KPIs to have been significantly over achieved.

Geoff is also eligible to participate in Booktopia Group's LTI Plan. For FY2021, the Company issued \$87,500 of Performance Rights, being 25% of fixed annual remuneration (excluding superannuation).

Geoff's contract has an initial fixed 2 year term, with a current expiry date of 14 October 2022, during which time only the Company can terminate with 6 months' notice. His contract will continue beyond the initial term, and will be terminable by either Geoff or the Company on 6 months' notice. However, no notice is required for termination of employment in certain circumstances, including serious misconduct. A 12 month restraint applies following termination. The enforceability of the restraint clause is subject to all usual legal requirements. Any payments made on termination will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2021.

Options and performance rights

There were no options issued or in issue during the period other than the performance rights described below.

Under the Group's LTI Plan, as described in the 'Executive remuneration' section above, the following performance rights were granted to KMP in the current financial year.



Name	Tranche	Number of rights granted	Grant date	Vesting/ Exercisable date	Expiry date	Performance condition	Fair value per right grant date	Total value \$
Tony Nash	A1	9,305	31/12/2020	30/06/2021	04/01/2026	TSR	\$1.410	13,119
	A2	9,305	31/12/2020	30/06/2022	04/01/2026	TSR	\$1.619	15,064
	A3	9,304	31/12/2020	30/06/2023	04/01/2026	TSR	\$1.735	16,143
	B1	9,305	31/12/2020	30/06/2021	04/01/2026	EPS	\$2.620	24,378
	B2	9,305	31/12/2020	30/06/2022	04/01/2026	EPS	\$2.620	24,378
	B3	9,303	31/12/2020	30/06/2023	04/01/2026	EPS	\$2.620	24,378
Total		55,827						117,460
Wayne Baskin	A1	9,305	31/12/2020	30/06/2021	04/01/2026	TSR	\$1.410	13,119
	A2	9,305	31/12/2020	30/06/2022	04/01/2026	TSR	\$1.619	15,064
	A3	9,304	31/12/2020	30/06/2023	04/01/2026	TSR	\$1.735	16,143
	B1	9,305	31/12/2020	30/06/2021	04/01/2026	EPS	\$2.620	24,378
	B2	9,305	31/12/2020	30/06/2022	04/01/2026	EPS	\$2.620	24,378
	B3	9,303	31/12/2020	30/06/2023	04/01/2026	EPS	\$2.620	24,378
Total		55,827						117,460
Steven Traurig	A1	4,699	31/12/2020	30/06/2021	04/01/2026	TSR	\$1.410	6,626
	A2	4,699	31/12/2020	30/06/2022	04/01/2026	TSR	\$1.619	7,608
	A3	4,700	31/12/2020	30/06/2023	04/01/2026	TSR	\$1.735	8,153
	B1	4,699	31/12/2020	30/06/2021	04/01/2026	EPS	\$2.620	12,312
	B2	4,699	31/12/2020	30/06/2022	04/01/2026	EPS	\$2.620	12,312
	B3	4,699	31/12/2020	30/06/2023	04/01/2026	EPS	\$2.620	12,312
Total		28,195						59,323
Geoff Stalley	A1	5,482	31/12/2020	30/06/2021	04/01/2026	TSR	\$1.410	7,730
	A2	5,482	31/12/2020	30/06/2022	04/01/2026	TSR	\$1.619	8,876
	A3	5,483	31/12/2020	30/06/2023	04/01/2026	TSR	\$1.735	9,512
	B1	5,482	31/12/2020	30/06/2021	04/01/2026	EPS	\$2.620	14,364
	B2	5,482	31/12/2020	30/06/2022	04/01/2026	EPS	\$2.620	14,364
	B3	5,483	31/12/2020	30/06/2023	04/01/2026	EPS	\$2.620	14,362
Total		32,894						69,208
Total		172,743						363,451

Name	Value of PR granted during the year \$	Value of PR vested during the year \$	Value of PR lapsed during the year \$	Remuneration consisting of PR during the year %
Tony Nash	117,460	24,378	13,119	9%
Wayne Baskin	117,460	24,378	13,119	9%
Steven Traurig	59,323	12,312	6,626	7%
Geoff Stalley	69,208	14,364	7,730	9%
Total	363,451	75,432	40,594	



Additional disclosures relating to KMP

Shareholding

The number of shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals	Balance at the end of the year
Fully paid ordinary shares					
<i>Non-executive Directors</i>					
Chris Beare	-	-	400,000	-	400,000
Fiona Pak-Poy	-	-	21,738	-	21,738
Marina Go	-	-	8,695	-	8,695
Su-Ming Wong	-	-	6,707,472	-	6,707,472
<i>Executive Directors</i>					
Tony Nash	32,266,501	-	-	(9,427,158)	22,839,343
Wayne Baskin	7,959,050	-	-	(2,959,050)	5,000,000
Steve Traurig	32,266,500	-	-	(11,574,623)	20,691,877
Simon Nash	20,266,501	-	-	(5,292,180)	14,974,321
<i>Other KMP</i>					
Geoff Stalley	-	-	32,608	-	32,608
Ainsley Henderson	2,903,985	-	-	(435,598)	2,468,387
	<u>95,662,537</u>	<u>-</u>	<u>7,170,513</u>	<u>(29,688,609)</u>	<u>73,144,441</u>

Performance rights holding

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited	Balance at the end of the year
Performance rights over ordinary shares					
<i>Executive Directors</i>					
Tony Nash	-	55,827	(9,305)	(9,305)	37,217
Wayne Baskin	-	55,827	(9,305)	(9,305)	37,217
Steve Traurig	-	28,195	(4,699)	(4,699)	18,797
<i>Other KMP</i>					
Geoff Stalley	-	32,894	(5,482)	(5,482)	21,930
	<u>-</u>	<u>172,743</u>	<u>(28,791)</u>	<u>(28,791)</u>	<u>115,161</u>

No loans will be made by the Company to the executives in relation to the issue of PR.

Loans to KMP and their related parties

There are no loans to KMP and their related parties at year for any other concept.

Other transactions with KMP and their related parties

Close family members of KMP (who meet the definition of related parties) employed by the business on an arm's length basis received remuneration for their services of \$184,143 (2020: \$168,169).

Changes to the remuneration framework for 2021 / 2022

For the year ended 30 June 2021 the STI and LTI plans only applied to KMP. In the prospectus, the Group foreshadowed that it would examine rolling out these plans to a wider group of executives. As part of examining how to do this, the STI and LTI plans were reviewed.



For 2021/2022, the Group has decided to modify the STI plan to include the next level of management. The new plan will be structured more as an excess profit share plan than a traditional STI plan and therefore payments will only be made under that plan if financial budgets are well exceeded. The plan is capped and is not open-ended. The plan has gateways that must be met before any payments are made and these gateways include cultural as well as financial triggers. Team based KPIs will still affect payments from the plan and those KPIs will still include financial, customer, people and culture elements. Payments will still be made as cash bonuses but any high payments of STI will also include deferred payments.

Base salaries for the KMP have also been adjusted to reflect market rates for the KMP executives and to compensate for the potential impact from future STI plans.

More details of the overall plan will be provided in next year's remuneration report but it will mean that total remuneration as reported in this report will not be directly comparable to next year.

There will be no change to the LTI plan but more employees will be eligible to be part of the plan. The Performance Right measures of TSR and EPS growth will be retained but there will be no introductory tranches, just straight three year vesting. For the existing KMP the transitional vesting plan will be retained and the PR grants this year will vest in two tranches over two years and three years.

This concludes the remuneration report, which has been audited.

Shares under option

There were no unissued ordinary shares of Booktopia Group Limited under option outstanding at the date of this report.

Shares under performance rights

Unissued ordinary shares of Booktopia Group Limited under performance rights at the date of this report are as follows:

Grant date	Number under rights
31 December 2020	172,743

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Booktopia Group Limited issued on the exercise of options during the year ended 30 June 2021 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and officers of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.



Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Christopher (Chris) Beare
Chairman

30 August 2021



Auditor's Independence Declaration

As lead auditor for the audit of Booktopia Group Limited for the year ended 30 June 2021, I declare that 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 Booktopia Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'S.T. Maher'.

Shannon Maher
Partner
PricewaterhouseCoopers

Sydney
30 August 2021

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General information

The financial statements cover Booktopia Group Limited as a Group consisting of Booktopia Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Booktopia Group Limited's functional and presentation currency.

On 2 December 2020, Booktopia Group Limited ('BKG') was admitted to the Official List of ASX Limited ('ASX').

Booktopia Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit E1
3-29 Birnie Avenue
Lidcombe NSW 2141

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2021. The directors have the power to amend and reissue the financial statements.

Booktopia Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2021



	Note	2021 \$'000	2020 \$'000
Revenue	4	223,886	165,678
Other income		-	17
Interest income		37	33
Expenses			
Product and freight costs		(162,752)	(121,774)
Employee benefits expense	5	(28,622)	(20,343)
Advertising and marketing expense		(10,224)	(9,850)
Depreciation and amortisation expense	5	(4,490)	(3,261)
Merchant fees		(3,161)	(2,430)
IT and communication expense		(1,694)	(1,447)
Occupancy expense		(1,022)	(983)
IPO costs	19	(4,102)	-
Changes in the fair value of redeemable preference shares	19	(18,597)	(880)
Other expenses		(2,914)	(1,489)
Finance costs	5	(4,374)	(2,441)
(Loss)/profit before income tax expense		(18,029)	830
Income tax expense	6	(49)	(634)
(Loss)/profit after income tax expense for the year attributable to the owners of Booktopia Group Limited		(18,078)	196
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Booktopia Group Limited		<u>(18,078)</u>	<u>196</u>
		Cents	Cents
Basic earnings per share	31	(14.20)	0.17
Diluted earnings per share	31	(14.20)	0.17

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

Booktopia Group Limited
Consolidated balance sheet
As at 30 June 2021



	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents	7	12,037	11,039
Trade and other receivables	8	1,280	627
Inventories	9	18,111	12,176
Income tax recoverable		211	-
Prepayments		1,208	1,422
Total current assets		<u>32,847</u>	<u>25,264</u>
Non-current assets			
Property, plant and equipment	10	21,647	14,074
Right-of-use assets	11	9,571	9,708
Intangibles	12	9,389	8,030
Deferred tax asset	6	2,065	796
Loans to shareholders	26	-	1,010
Security deposits		1,416	1,166
Total non-current assets		<u>44,088</u>	<u>34,784</u>
Total assets		<u>76,935</u>	<u>60,048</u>
Liabilities			
Current liabilities			
Trade and other payables	13	20,314	20,656
Contract liabilities	14	11,384	7,725
Borrowings	15	-	6,400
Lease liabilities	16	584	516
Derivative financial instruments	17	-	2,480
Income tax payable		-	97
Provisions	18	2,016	1,645
Total current liabilities		<u>34,298</u>	<u>39,519</u>
Non-current liabilities			
Borrowings	15	-	11,352
Lease liabilities	16	10,918	11,618
Provisions	18	1,328	645
Total non-current liabilities		<u>12,246</u>	<u>23,615</u>
Total liabilities		<u>46,544</u>	<u>63,134</u>
Net assets/(liabilities)		<u>30,391</u>	<u>(3,086)</u>
Equity			
Issued capital	19	51,671	311
Share-based payments reserve	32	195	-
Accumulated losses		<u>(21,475)</u>	<u>(3,397)</u>
Total shareholders' equity		<u>30,391</u>	<u>(3,086)</u>

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

Booktopia Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2021



	Issued capital \$'000	Share-based payments reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	311	-	(3,593)	(3,282)
Profit after income tax expense for the year	-	-	196	196
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	196	196
Balance at 30 June 2020	311	-	(3,397)	(3,086)
	Issued capital \$'000	Share-based payments reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2020	311	-	(3,397)	(3,086)
Loss after income tax expense for the year	-	-	(18,078)	(18,078)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(18,078)	(18,078)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of capitalised IPO costs (note 19)	51,799	-	-	51,799
Share-based payments (note 32)	-	195	-	195
Treasury shares acquired on market (note 19)	(439)	-	-	(439)
Balance at 30 June 2021	51,671	195	(21,475)	30,391

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

Booktopia Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2021



	Note	2021 \$'000	2020 Restated * \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		249,571	187,058
Payments to suppliers (inclusive of GST)		(242,476)	(178,067)
		<u>7,095</u>	<u>8,991</u>
Income taxes paid		(527)	(355)
Net cash from operating activities	29	<u>6,568</u>	<u>8,636</u>
Cash flows from investing activities			
Payments for property, plant and equipment	10	(8,909)	(10,014)
Payments for intangibles	12	(3,017)	(3,830)
Payments for security deposits		(250)	5
Interest received		<u>37</u>	<u>33</u>
Net cash used in investing activities		<u>(12,139)</u>	<u>(13,806)</u>
Cash flows from financing activities			
Proceeds from issue of shares	19	25,000	-
Payment of IPO costs	19	(3,856)	-
Treasury shares acquired	19	(439)	-
Proceeds from shareholders loans	26	1,010	-
Proceeds from borrowings		-	20,000
Repayment of borrowings - Longreach Credit Investors	15	(12,000)	-
Repayment of borrowings - Commonwealth Bank		-	(1,391)
Lease principal repayments		(648)	(490)
Interest and other finance costs paid		<u>(2,498)</u>	<u>(2,733)</u>
Net cash from financing activities		<u>6,569</u>	<u>15,386</u>
Net increase in cash and cash equivalents		998	10,216
Cash and cash equivalents at the beginning of the financial year		<u>11,039</u>	<u>823</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>12,037</u></u>	<u><u>11,039</u></u>

* Refer to note 1 for further details on restatement.

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



Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

IFRS Interpretations Committee (IFRIC) Decision on Software as a Service (SaaS)

IFRIC has issued two final agenda decisions on cloud computing arrangements. The March 2019 decision considers whether a customer receives a software asset at the contract commencement date or a service over the contract term. The April 2021 decision builds on the 2019 decision and considers how a customer accounts for configuration or customisation costs where an intangible asset is not recognised. There has been no material impact on the Group's financial statements due to implementation of the decisions as the majority of the systems used by the Group are within the control of the Group, either by virtue of being internally developed systems or having been acquired on a perpetual license arrangement and hosted on premises.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, derivative financial instruments.

Critical accounting estimates

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

Working capital position

For the year ended 30 June 2021 the Group reported a loss after tax of \$18,078,000 (2020: profit of \$196,000) and had an excess of current liabilities over current assets of \$1,451,000 (2020: \$14,255,000). Included in the loss reported is \$4,102,000 of IPO costs and a non-cash loss on changes in the fair value of redeemable preference shares of \$18,597,000. The operations of the business generated positive cashflows of \$6,568,000 (2020: \$8,636,000) for the year. The Group has unutilised finance facilities of \$18,000,000 as at the date of this report. The Group is forecasting positive cashflows into the future and does not foresee any issues meeting its obligations as they fall due.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.



Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Booktopia Group Limited ('Company' or 'parent entity') as at 30 June 2021 and the results of all subsidiaries for the year then ended. Booktopia Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Booktopia Group Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Goods and Services Tax ('GST') and other similar taxes

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.



Note 1. Significant accounting policies (continued)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Statement of cash flow – restatement of comparatives

A detailed review of the Statement of cash flow comparatives presented for the 30 June 2020 year end was undertaken. This identified inaccuracies in relation to the disclosure of cash flows for that period. The Group has also made a voluntary accounting policy change in relation to the presentation of finance charges and interest income in the Statement of cash flows, being a more relevant presentation for the Group. The nature and impact are summarised as follows:

	Cash flows from operating activities \$'000	Cash flows from investing activities \$'000	Cash flows from financing activities \$'000	Total \$'000
Previously presented	5,477	(12,654)	17,118	9,941
Changes in comparatives due to inaccuracies	-	-	-	-
Payments for property, plant and equipment	1,190	(1,190)	-	-
Lease principal payments	(870)	-	870	-
Cash equivalents disclosed as receivables previously	275	-	-	275
Other reclassifications	(234)	5	229	-
Voluntary accounting policy changes	-	-	-	-
Reclassification of interest received as an investing cash flow	(33)	33	-	-
Reclassification of interest and other finance costs paid as a financing cash flow	2,831	-	(2,831)	-
Restated cash flow totals for year ended 30 June 2020	<u>8,636</u>	<u>(13,806)</u>	<u>15,386</u>	<u>10,216</u>

Comparatives

In addition to the changes to the 2020 statement of cash flow noted above, other comparatives have also been reclassified for consistency with the current period presentation. There was no significant impact on profit, assets, liabilities or equity as a result of these reclassifications.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2021. The Group has assessed the impact of these new or amended Accounting Standards and Interpretations as not being significant.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.



Note 2. Critical accounting judgements, estimates and assumptions (continued)

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. To date the Group has been able to commercially navigate the challenges posed by the impact of the pandemic, and expects to be able to do so for the foreseeable future assuming there is no significant deterioration of conditions.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Net realisable value of inventory

The Group has reviewed the inventory balances for indicators that non-returnable inventory is being carried at a value above which it is expected to be realised. Indicators included aged and slow-moving inventory, and products that have a listed selling price discounted below their cost, as well as historical trends.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Capitalisation of development costs

The Group invests heavily in internally generated software, as a key component of the business's operating model. As part of determining the values to be capitalised, the Group makes judgements as to whether the costs being capitalised meet the criteria for capitalisation; in particular whether an asset is being created or enhanced, and whether the costs being capitalised are directly attributable to the asset. These judgements are based on a thorough and detailed understanding of the costs being incurred and their relationship to the identifiable asset.

Note 3. Operating segments

Identification of reportable operating segments

The group operates in one segment being the sale and distribution of books and book-related products through its online platforms. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors, that is identified as the Chief Operating Decision Maker ('CODM') in assessing performance and in determining the allocation of resources. The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated here.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.



Note 3. Operating segments (continued)

	2021 \$'000	2020 \$'000
(Loss)/profit before income tax	(18,029)	830
Less: Interest income	(37)	(33)
Add: Interest expense	4,374	2,441
Add: Depreciation and amortisation	4,490	3,261
Reported EBITDA	(9,202)	6,499
IPO costs	4,102	-
IPO related employee share award	152	-
Changes in the fair value of redeemable preference shares	18,597	880
EBITDA for the segment	<u>13,649</u>	<u>7,379</u>

The information reported to the CODM is on a monthly basis. Refer to note 4 for information on geographical areas.

Significant customers

During the year ended 30 June 2021 there were no significant customers (2020: none). A customer is considered significant if its revenues are 10% or more of the Group's revenue.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

	2021 \$'000	2020 \$'000
Sales of goods	<u>223,886</u>	<u>165,678</u>

Disaggregation of revenue

The major revenue stream is the sale of book and book adjacent products to the Australian and New Zealand markets. Sales to New Zealand customers represent 1.1% of the total (2020: 1.1%).

Accounting policy for revenue recognition

Revenue is recognised at a point in time when the product is reasonably certain to have been received by the customer in good condition. Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods promised.



Note 5. Expenses

	2021 \$'000	2020 \$'000
(Loss)/profit before income tax includes the following specific expenses:		
<i>Depreciation and amortisation expense</i>		
Plant and equipment depreciation (note 10)	1,710	819
Right-of-use assets depreciation (note 11)	1,122	1,123
Intangible asset amortisation (note 12)	1,658	1,319
Total depreciation and amortisation expense	4,490	3,261
<i>Finance costs</i>		
Interest and finance charges on borrowings *	2,906	867
Interest on lease liabilities	1,468	1,574
Finance costs expensed	4,374	2,441
<i>Leases</i>		
Short-term lease payments	152	144
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	1,886	1,517
Share-based payments expense **	403	-
Other non-disclosable employee benefits expense	26,333	18,826
Total employee benefits expense	28,622	20,343

* The increase in interest on borrowings during the year corresponds to significant borrowing in place for the first half of the year, which was fully repaid prior to the listing.

** Refer to note 32 for further information on accounting policy for share-based payment expense.

Accounting policy for finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.



Note 6. Income tax

	2021 \$'000	2020 \$'000
<i>Income tax expense</i>		
Current tax	137	422
Deferred tax - origination and reversal of temporary differences	105	212
Adjustment recognised for prior periods on deferred tax	(193)	-
	<u>49</u>	<u>634</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	<u>105</u>	<u>212</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(Loss)/profit before income tax expense	<u>(18,029)</u>	<u>830</u>
Tax at the statutory tax rate of 30%	(5,409)	249
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	24	83
Changes in the fair value of redeemable preference shares	5,579	264
Other items	<u>48</u>	<u>38</u>
	242	634
Adjustment recognised for prior periods on deferred tax	<u>(193)</u>	<u>-</u>
Income tax expense	<u>49</u>	<u>634</u>
	2021 \$'000	2020 \$'000
<i>Amounts credited directly to equity</i>		
Deferred tax assets	<u>(1,181)</u>	<u>-</u>



Note 6. Income tax (continued)

	2021 \$'000	2020 \$'000
<i>Deferred tax asset</i>		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Leases	3,377	3,555
Provisions	1,003	687
Working capital balances	246	106
Property, plant and equipment	(241)	-
Intangible assets	(1,440)	(584)
Right-of-use assets	(2,871)	(3,097)
IPO costs (deductible in future periods)	810	129
	<u>884</u>	<u>796</u>
Amounts recognised in equity:		
Capitalised IPO and transaction costs	1,181	-
Deferred tax asset	<u>2,065</u>	<u>796</u>
Movements:		
Opening balance	796	1,008
Charged to profit or loss	(105)	(212)
Credited to equity	1,181	-
Prior year adjustments	193	-
Closing balance	<u>2,065</u>	<u>796</u>

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.



Note 7. Cash and cash equivalents

	2021 \$'000	2020 \$'000
<i>Current assets</i>		
Cash at bank	12,037	11,039

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 8. Trade and other receivables

	2021 \$'000	2020 \$'000
<i>Current assets</i>		
Trade receivables	1,061	553
Less: Allowance for expected credit losses	(4)	-
	1,057	553
Other receivables	223	74
	1,280	627

The trade receivables are substantially all within their credit terms which is generally 30 days from date of invoice.

Allowance for expected credit losses

The Group has recognised a loss of \$4,000 (2020: \$nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 9. Inventories

	2021 \$'000	2020 \$'000
<i>Current assets</i>		
Merchandise - at cost	17,644	11,894
Consumable inventory	567	282
Less: Provision for impairment	(100)	-
	18,111	12,176

The amount of inventory recognised as an expense during the year ended as at 30 June 2021 is \$137,625,000 (2020: \$101,118,000).



Note 9. Inventories (continued)

Accounting policy for inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Note 10. Property, plant and equipment

	2021 \$'000	2020 \$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	1,528	1,006
Less: Accumulated depreciation	(713)	(559)
	<u>815</u>	<u>447</u>
Computer equipment - at cost	873	588
Less: Accumulated depreciation	(488)	(362)
	<u>385</u>	<u>226</u>
Plant and other equipment - at cost *	21,013	8,150
Less: Accumulated depreciation	(5,200)	(3,781)
	<u>15,813</u>	<u>4,369</u>
Assets under construction	<u>4,634</u>	<u>9,032</u>
	<u><u>21,647</u></u>	<u><u>14,074</u></u>

Reconciliations

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

	Leasehold improvements \$'000	Computer equipment \$'000	Plant and other equipment * \$'000	Assets under construction \$'000	Total \$'000
Balance at 1 July 2019	522	195	3,686	-	4,403
Additions	58	112	1,288	8,556	10,014
Borrowing costs capitalised	-	-	-	476	476
Depreciation expense	(133)	(81)	(605)	-	(819)
Balance at 30 June 2020	447	226	4,369	9,032	14,074
Additions	212	278	39	8,380	8,909
Borrowing costs capitalised	-	-	-	374	374
Transfers in/(out)	310	7	12,835	(13,152)	-
Depreciation expense	(154)	(126)	(1,430)	-	(1,710)
Balance at 30 June 2021	<u><u>815</u></u>	<u><u>385</u></u>	<u><u>15,813</u></u>	<u><u>4,634</u></u>	<u><u>21,647</u></u>

* The increase in plant and other equipment costs relate to significant investment in the automation of processes with the distribution centre.

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.



Note 10. Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Computer equipment	3 - 7 years
Plant and other equipment	3 - 15 years

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets (10 years), whichever is shorter.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 11. Right-of-use assets

	2021 \$'000	2020 \$'000
<i>Non-current assets</i>		
Premises - right-of-use assets	11,955	11,006
Less: Accumulated depreciation	(2,730)	(1,787)
	<u>9,225</u>	<u>9,219</u>
Equipment - right-of-use assets	814	814
Less: Accumulated depreciation	(468)	(325)
	<u>346</u>	<u>489</u>
	<u>9,571</u>	<u>9,708</u>

The Group leases premises for its offices and distributions centre under agreements ending in nine years including options to extend that are expected to be exercised. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

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

	Premises \$'000	Equipment \$'000	Total \$'000
Balance at 1 July 2019	10,112	719	10,831
Depreciation expense	(893)	(230)	(1,123)
Balance at 30 June 2020	9,219	489	9,708
Additions	967	-	967
Remeasurement	18	-	18
Depreciation expense	(979)	(143)	(1,122)
Balance at 30 June 2021	<u>9,225</u>	<u>346</u>	<u>9,571</u>

For other AASB 16 Lease disclosures, refer to:

- note 5 for depreciation on right-of-use assets and other expenses relating to short-term leases;
- note 5 for interest on lease liabilities;
- note 16 for lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.



Note 11. Right-of-use assets (continued)

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 12. Intangibles

	2021 \$'000	2020 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	213	213
Software - at cost	15,171	12,337
Less: Accumulated amortisation	(6,046)	(4,543)
	9,125	7,794
Other intangibles - at cost	781	709
Less: Accumulated amortisation	(730)	(686)
	51	23
	9,389	8,030

Reconciliations

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

	Goodwill \$'000	Software \$'000	Other intangibles \$'000	Total \$'000
Balance at 1 July 2019	213	5,141	165	5,519
Additions	-	3,830	-	3,830
Amortisation expense	-	(1,177)	(142)	(1,319)
Balance at 30 June 2020	213	7,794	23	8,030
Additions	-	2,945	72	3,017
Amortisation expense	-	(1,614)	(44)	(1,658)
Balance at 30 June 2021	213	9,125	51	9,389

Goodwill acquired through acquisition was allocated to the Group's single cash generating unit ('CGU'), being the online sale of Book and similar product to customers in Australian and New Zealand. This CGU has strong cashflow projections, relative to the asset cost base, and as such the review performed did not identify an impairment. No reasonable change to any assumptions used during the review would indicate an impairment.



Note 12. Intangibles (continued)

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Other intangibles

Other intangibles are recognised at cost and fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation on a straight-line basis over their useful life of 5 years.

Software

Costs associated with maintaining software programs are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefit;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use or enhancement. These costs are amortised over their estimated useful life of 10 years. The remaining useful life is assessed annually and adjusted as required.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.



Note 13. Trade and other payables

	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Trade payables	17,400	18,290
Accrued expenses	1,608	1,501
GST payable	464	788
Other payables	842	77
	<u>20,314</u>	<u>20,656</u>

Refer to note 21 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 14. Contract liabilities

	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Contract liabilities	<u>11,384</u>	<u>7,725</u>

Reconciliation

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

Opening balance	7,725	3,433
Payments received from customers	227,545	169,970
Performance obligations met - opening balance	(7,725)	(3,433)
Performance obligations met - other	<u>(216,161)</u>	<u>(162,245)</u>
Closing balance	<u>11,384</u>	<u>7,725</u>

Unsatisfied performance obligations

At the end of a period, a contract liability exists to our customers for the delivery of their paid orders. It is expected that substantially all of the unsatisfied performance obligations will be satisfied within the next twelve months, and the revenue recognised in that period.

Accounting policy for contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.



Note 15. Borrowings

	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Redeemable preference shares (note 21)	-	6,400
<i>Non-current liabilities</i>		
Loan from Longreach Credit Investors	-	12,000
Deferred borrowing costs	-	(648)
	-	11,352

Refer to note 21 for further information on financial instruments.

At 30 June 2021, the Group had \$6,000,000 undrawn secured overdraft limit with CBA.

At 30 June 2020, the Group had fully drawn down on the \$12,000,000 Longreach Credit Investors loan facility.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 16. Lease liabilities

	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Lease liability	584	516
<i>Non-current liabilities</i>		
Lease liability	10,918	11,618

Refer to note 21 for the contractual maturity of lease liability.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 17. Derivative financial instruments

	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Embedded derivative financial instrument	-	2,480



Note 17. Derivative financial instruments (continued)

Refer to note 21 for further information on financial instruments.

Refer to note 22 for further information on fair value measurement.

Accounting policy for derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Note 18. Provisions

	2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Annual leave	1,429	1,418
Long service leave	587	227
	<u>2,016</u>	<u>1,645</u>
<i>Non-current liabilities</i>		
Long service leave	356	645
Lease make good	972	-
	<u>1,328</u>	<u>645</u>

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good \$'000
2021	
Carrying amount at the start of the year	-
Additional provisions recognised	984
Unwinding of discount	(12)
Carrying amount at the end of the year	<u>972</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.



Note 18. Provisions (continued)

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2021 \$'000	2020 \$'000
Employee benefits obligation expected to be settled after 12 months	1,988	1,622

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Lease make good provision

The Group has obligations under its property leasing agreements to undertake certain remedial works at the end of the lease.

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 19. Issued capital

	2021 Shares	2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares - fully paid	137,359,299	113,470,527	52,110	311
Less: Treasury shares held by the Company in trust	(172,743)	-	(439)	-
	<u>137,186,556</u>	<u>113,470,527</u>	<u>51,671</u>	<u>311</u>



Note 19. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2019	113,470,527		311
Balance	30 June 2020	113,470,527		311
Issue of shares	30 October 2020	310,082	\$1.215	377
Conversion of redeemable preference shares	29 November 2020	12,642,289	\$2.300	29,077
Issue of shares	30 November 2020	10,869,565	\$2.300	25,000
Issue of shares to employees	30 November 2020	66,836	\$2.300	152
Share of IPO costs, net of tax		-	-	(2,807)
Treasury shares acquired	8 March 2021	(172,743)	\$2.540	(439)
Balance	30 June 2021	137,186,556		51,671

On 2 November 2020, the Company lodged its prospectus with Australian Securities and Investments Commission ('ASIC') for an IPO of 18.73 million ordinary shares at \$2.30 per share (7.86 million shares of existing shareholders and 10.87 million shares issued by the Company). The offer closed on 24 November 2020 with the Company successfully admitted to the ASX under the code 'BKG' on 2 December 2020.

Total IPO costs amounted to \$7,985,000. Of this amount \$3,883,000 (\$2,807,000 net of tax) has been recognised in equity with the remaining costs of \$4,102,000 expensed under 'IPO costs' in the statement of profit or loss.

On 29 November 2020, the Company converted 12.64 million redeemable preference shares in connection with the IPO. Converted shares were accounted in Issued capital at fair value at the conversion date. Carrying amounts of redeemable preference shares of \$8,000,000 and embedded derivative of \$2,600,000 were derecognised with resulting loss of \$18,597,000 accounted in the statement of profit or loss.

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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

172,743 ordinary shares are held in trust for the purpose of meeting future obligations under current share based payment arrangements. As the Group controls the trust, it is included in the consolidated numbers presented above.

Shares in escrow

At 30 June 2021, the total number of shares subject to voluntary escrow is 103,546,192. Of these, 48,410,455 were released from escrow on 27 August 2021 following the 5-day VWAP share price exceeding the preset hurdle of \$2.76 (during the period 13-19 August 2021). A further 19,868,627 will be released from escrow on 13 September 2021. Thereafter, the remaining escrow shares will be released in equal volumes two weeks after the release of the half year results for the period ending 31 December 2021, and the full year results for the year ending 30 June 2022.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the balance sheet, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.



Note 19. Issued capital (continued)

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2020 Annual Report.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any company purchases the Company's equity instruments, for example, as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Booktopia Group Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental borrowing costs and related income tax effects, is included in equity attributable to the owners of Booktopia Group Limited.

Note 20. Dividends

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

Note 21. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.



Note 21. Financial instruments (continued)

	Net liabilities 2021 \$'000	Net liabilities 2020 \$'000
US dollars	1,726	1,499
Pound Sterling	965	206
Other	31	185
	<u>2,722</u>	<u>1,890</u>

The Group had net liabilities denominated in foreign currencies of \$2,722,000 as at 30 June 2021 (2020: \$1,890,000). Based on this exposure, had the Australian dollars weakened by 20%/strengthened by 20% against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$544,000 lower/\$544,000 higher (2020: \$378,000 lower/\$378,000 higher) and equity would have been \$381,000 lower/\$381,000 higher (2020: \$265,000 lower/\$265,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 36 months. The actual foreign exchange gain for the year ended 30 June 2021 was \$18,000 (2020: loss of \$9,000).

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group does not have any significant interest rate exposure.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.



Note 21. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the balance sheet.

2021	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	17,400	-	-	-	17,400
Other payables	-	842	-	-	-	842
<i>Interest-bearing - fixed rate</i>						
Lease liability	12.70%	2,001	2,041	6,155	9,799	19,996
Total non-derivatives		20,243	2,041	6,155	9,799	38,238
2020	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	18,290	-	-	-	18,290
Other payables	-	77	-	-	-	77
<i>Interest-bearing - variable</i>						
Bank loans	9.00%	1,696	2,362	11,222	-	15,280
<i>Interest-bearing - fixed rate</i>						
Lease liability	12.70%	1,996	1,882	5,940	13,201	23,019
Redeemable preference shares	12.00%	768	768	7,168	-	8,704
Total non-derivatives		22,827	5,012	24,330	13,201	65,370
Derivatives						
Embedded derivative financial instrument	-	2,480	-	-	-	2,480
Total derivatives		2,480	-	-	-	2,480

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

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.



Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
2021				
<i>Assets</i>				
Total assets	-	-	-	-
<i>Liabilities</i>				
Total liabilities	-	-	-	-
2020				
<i>Liabilities</i>				
Derivative financial instruments	-	2,480	-	2,480
Total liabilities	-	2,480	-	2,480

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.



Note 22. Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 23. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2021 \$	2020 \$
Short-term employee benefits	2,787,699	1,774,544
Post-employment benefits	158,888	-
Long-term benefits	79,560	414,230
Share-based payments	195,462	-
	<u>3,221,609</u>	<u>2,188,774</u>

Note 24. Remuneration of auditor

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Company:

	2021 \$	2020 \$
<i>Audit services</i>		
Audit or review of the financial statements	<u>515,193</u>	<u>123,861</u>
<i>Other services</i>		
Other assurance services	221,470	-
Tax compliance and other services	<u>229,913</u>	<u>22,750</u>
	<u>451,383</u>	<u>22,750</u>
	<u>966,576</u>	<u>146,611</u>

Note 25. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Note 26. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in note 28.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

Close family members of KMP (who meet the definition of related parties) employed by the business on an arm's length basis received remuneration for their services of \$184,143 (2020: \$168,169).



Note 26. Related party transactions (continued)

On 2 December 2020, on completion of the IPO, the Redeemable Preference shares held by Libertopia Pty Ltd (an entity related to Su-Ming Wong) were converted to Ordinary shares at the IPO share value of \$2.30. As a result, a loss of \$18,597,000 was recognised by the Group.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	2021 \$	2020 \$
Non-current receivables:		
Shareholder loans	-	1,009,565

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, unless stated otherwise.

Note 27. Parent entity information

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

	2021 \$'000	2020 \$'000
(Loss)/profit after income tax	231	(1,054)
Total comprehensive income	231	(1,054)
	2021 \$'000	2020 \$'000
Total current assets	-	-
Total assets	51,043	19,178
Total current liabilities	-	9,104
Total liabilities	-	20,232
Equity		
Issued capital	51,671	-
Share-based payments reserve	195	-
Accumulated losses	(823)	(1,054)
Total shareholders' equity	51,043	(1,054)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2020.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.



Note 27. Parent entity information (continued)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Making IT Better Pty Ltd	Australia	100%	100%
Virtual Lifestyles Pty Ltd	Australia	100%	100%
Booktopia Pty Ltd	Australia	100%	100%

Note 29. Reconciliation of (loss)/profit after income tax to net cash from operating activities

	2021 \$'000	2020 \$'000
(Loss)/profit after income tax expense for the year	(18,078)	196
Adjustments for:		
Changes in the fair value of redeemable preference shares	18,597	880
Depreciation and amortisation	4,490	3,261
Finance costs	4,374	2,441
IPO costs	327	-
Share-based payments	195	-
Employee share award	153	-
Interest received	(37)	(33)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(653)	41
Increase in inventories	(5,935)	(3,531)
Decrease/(increase) in prepayments	214	(1,088)
Increase in financial assets at amortised cost	-	(370)
Decrease/(increase) in deferred tax assets	(170)	212
Increase/(decrease) in trade and other payables	(342)	1,612
Increase in contract liabilities	3,659	4,292
Increase/(decrease) in income tax balance	(308)	67
Increase in provisions	82	656
Net cash from operating activities	<u>6,568</u>	<u>8,636</u>



Note 30. Changes in liabilities arising from financing activities

	Borrowings \$'000	Lease liabilities \$'000	Loans to shareholders \$'000	Total \$'000
Balance at 1 July 2019	1,161	13,208	(1,010)	13,359
Net cash from/(used in) financing activities	18,609	(2,064)	-	16,545
Capitalised borrowing costs	(648)	-	-	(648)
Changes in fair value of redeemable preference shares	880	-	-	880
Interest on leases liabilities	-	1,574	-	1,574
Amortisation of borrowing costs	184	-	-	184
Derivative financial instruments	(2,480)	-	-	(2,480)
Other changes	46	(584)	-	(538)
Balance at 30 June 2020	17,752	12,134	(1,010)	28,876
Net cash from/(used in) financing activities	(12,000)	(2,116)	1,010	(13,106)
Book value of redeemable preference shares converted	(6,400)	-	-	(6,400)
Amortisation of borrowing costs	648	-	-	648
Interest on leases liabilities	-	1,468	-	1,468
Other changes	-	16	-	16
Balance at 30 June 2021	-	11,502	-	11,502

Note 31. Earnings per share

	2021 \$'000	2020 \$'000
(Loss)/profit after income tax attributable to the owners of Booktopia Group Limited	(18,078)	196
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	127,352,669	113,470,527
Weighted average number of ordinary shares used in calculating diluted earnings per share	127,352,669	113,470,527
	Cents	Cents
Basic earnings per share	(14.20)	0.17
Diluted earnings per share	(14.20)	0.17

172,743 performance rights over ordinary shares are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2021. These rights could potentially dilute basic earnings per share in the future.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Booktopia Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.



Note 32. Share-based payments

On 30 October 2020, the Company established a Long Term Incentive Plan Rules ('LTIP') to assist in the motivation, retention and reward of certain employees. The LTIP was designed to align the interests of participants with the interests of shareholders by providing an opportunity for participants to receive an equity interest in the Company through the granting of awards. Under the LTIP, eligible participants may be offered share awards subject to vesting conditions set by the Board. On 31 December 2020, 172,743 share awards were granted subject to service, EPS growth and total shareholder return conditions.

On 31 December 2020, the Company issued 172,743 performance rights, with one third vesting in 6, 18 and 30 months, and an expiry date 4 January 2026. The number of performance rights in issue at year end was 172,743 (2020: nil).

The expense recognised during the period in the Statement of profit or loss was \$195,000.

The performance rights ('PR') entitles the participant to acquire a share on vesting at nil exercise price, subject to the satisfaction of vesting conditions. PR will be automatically exercised and no exercise price is payable. PR were issued to the participant at no cost as they form part of the participant's remuneration.

There are two types of PR, Tranche A and Tranche B. Both tranches are divided into three equal tranches. Each tranche will be tested over a different performance period (each relevant performance period) as follows:

- Tranche 1: performance tested from 1 January 2021 - 30 June 2021
- Tranche 2: performance tested from 1 January 2021 - 30 June 2022
- Tranche 3: performance tested from 1 January 2021 - 30 June 2023

Performance conditions;

- Tranche A will be tested against the Company's shareholder return ('TSR') relative to a comparator group over the performance period ('TSR rights'), and
- Tranche B will be tested absolute earnings per share ('EPS') compound annual growth rate ('CAGR') over the relevant performance periods ('EPS rights').

For the performance rights granted during the year, the key inputs used in the model to determine the fair value at the grant date are; an issue date share price of \$2.62, expected volatility of 45% and risk free rates of between 0.05% and 0.11% depending on the performance period.

Instrument	Value per Performance Right	Number per Performance Right	Total \$	Life (years)	Performance hurdle
Tranche A1	\$1.410	28,790	40,594	0.5	Relative TSR
Tranche A2	\$1.619	28,790	46,611	1.5	Relative TSR
Tranche A3	\$1.735	28,790	49,951	2.5	Relative TSR
Tranche B1	\$2.620	28,791	75,432	0.5	EPS
Tranche B2	\$2.620	28,791	75,432	1.5	EPS
Tranche B3	\$2.620	28,791	75,431	2.5	EPS
Total		<u>172,743</u>	<u>363,451</u>		

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to KMP.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Monte Carlo Simulation for tranche A and Black-Scholes for tranche B, option pricing models that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the KMP to receive payment. No account is taken of any other vesting conditions.



Note 32. Share-based payments (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or KMP, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or KMP and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 33. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, the recent Delta variant has resulted in further lockdowns in several States in Australia, particularly on the Eastern Seaboard, since the reporting date. It is not possible at this time to state how the pandemic will subsequently impact the Group's operations going forward, especially if these lockdowns continue.

On 14 July 2021, the Group entered into a new finance facility with Commonwealth Bank. Under the term of this agreement the total agreed facilities to the Group increased from \$7,247,000 to \$19,247,000 (of which \$18,000,000 is available).

On 22 July 2021, the Group announced their partnership with an UK-based Welbeck Publishing Group ('WPG') to ramp up expansion in the growing ANZ market. Booktopia has entered into a non-binding agreement to secure a 25% stake in the London-based publisher's new standalone Australian subsidiary (Welbeck ANZ). The deal is expected to be finalised by 30 September 2021 and Welbeck ANZ is expected to be fully operational in January 2022.

On 27 August 2021, the Group signed a lease agreement for an additional Distribution Centre to be based in Strathfield. The estimated value of the right-of-use asset balance and related lease liability balance arising from the execution of this contract are \$14,353,000.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Christopher (Chris) Beare
Chairman

30 August 2021



Independent auditor's report

To the members of Booktopia Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Booktopia Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2021
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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 & 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.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of \$1.12 million, which represents approximately 0.5% of the Group's total revenues.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group total revenues because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 0.5% threshold based on professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The Group is principally involved in selling books, audiobooks, DVDs and e-books to customers across Australia and New Zealand. The accounting processes are structured around a group finance function at its head office in Sydney.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 465 715 524">Inventory existence and valuation (Refer to note 9) [\$18.111m]</p> <p data-bbox="277 546 852 689">Inventory management is a key business process for the Group. Inventory represents a significant asset on the consolidated balance sheet of \$18.111 million. Inventory is valued at the lower of cost and net realisable value.</p> <p data-bbox="277 712 810 770">Inventory existence and valuation was a key audit matter because of:</p> <ul data-bbox="335 784 852 936" style="list-style-type: none"> • the financial significance of the inventory balance in the consolidated balance sheet • the judgements required by the Group to determine the net realisable value (NRV) of inventory. 	<p data-bbox="900 465 1458 524">Our procedures to test inventory existence included, amongst others:</p> <ul data-bbox="900 546 1490 936" style="list-style-type: none"> • evaluating the design of cycle counting at the distribution centre • observing a sample of cycle counts and inspecting management's documentation for a sample of cycle counts • obtaining evidence regarding explanations for variances or inspecting the final inventory listing for adjustments of variances • inspecting a sample of inventory items selected in the inventory listing • evaluating whether inventory was recorded in the correct period by obtaining relevant invoices for a sample of transactions that were recorded during a defined risk period before and after year end. <p data-bbox="900 963 1458 1021">Our procedures to test inventory valuation included, amongst others:</p> <ul data-bbox="900 1043 1490 1534" style="list-style-type: none"> • testing the accuracy and completeness of information used in management's assessment of the NRV provision by reconciling the inventory ageing report to the general ledger and supporting documentation • assessing the explanations provided by management on the current profile and age of inventory by obtaining relevant invoices and other supporting documentation for a sample of inventory items and inquiring with the relevant supervisor in relation to the items • inspecting the physical condition of inventory during the observation of a sample of stock counts performed • for a sample of inventory items, inspecting purchase and subsequent sale documentation to assess whether the items were measured at the lower of cost or net realisable value.

Capitalisation of software development costs
(Refer to note 12) [\$9.125m]

At 30 June 2021 the carrying value of capitalised software development costs amounted to \$9.125 million primarily related to the Group websites and internally developed software. These costs are mainly represented by employee benefits expenses.

The assessment of whether specific criteria for capitalisation of development costs in accordance with Australian Accounting Standards has been met, involves judgement about, amongst other things, the generation of future economic benefits.

Capitalisation of software development costs was a key audit matter due to:

- the financial significance of intangible assets balance in the consolidated balance sheet
- the judgements described above.

Our procedures included, amongst others:

- testing the mathematical accuracy of management labour capitalisation schedules
- evaluating on a sample basis projects where time was capitalised against capitalisation criteria in Australian Accounting Standards
- testing on a sample basis capitalised labour costs through:
 - testing the timesheets and other supporting documentation for hours capitalised
 - comparing salary information to supporting documentation; and
 - holding discussions with supervisors of relevant employees to evaluate accuracy of projects assigned and hours assumptions used.
- assessing whether costs capitalised were transferred to appropriate asset categories and appropriate amortisation rates were applied in accordance with Group's accounting policy
- assessing the reasonableness of the Group's disclosure in the financial report in light of Australian Accounting Standards' requirements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Corporate directory and the Directors' report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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 that we 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 11 to 21 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Booktopia Group 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

S.T. Maher

Shannon Maher
Partner

Sydney
30 August 2021