



Redbubble Pty Ltd

ABN1119200592

Consolidated Financial Report

For the year ended 30 June 2013

**REDBUBBLE PTY LTD
CONSOLIDATED**

ABN 11 119 200 592

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**REDBUBBLE PTY LTD
CONSOLIDATED**

ABN 11 119 200 592

DIRECTORS' REPORT

Your directors present their report on Redbubble Pty Ltd and controlled entities (the "Group") for the financial year ended 30 June 2013.

Directors

The names of the directors in office at any time during or since the end of the year are:

Martin Hosking
Richard Cawsey
Teresa Engelhard
Stan Chudnovsky

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Review of Operations

The loss of the Group for the financial year after providing for income tax amounted to \$133,314 (2012: \$954,218).

A review of the operations of the Group during the financial year and the results of those operations show changes in market demand and competition which have seen an increase in revenue of 121% to \$27,467,127. The increase in revenue has contributed to an improvement in profitability.

Significant Changes in the State of Affairs

No significant changes in the Group's state of affairs occurred during the financial year.

Principal Activities

The principal activities of the Group during the financial year were those of an Internet marketplace for customized products using original, user submitted artwork.

No significant change in the nature of these activities occurred during the year.

Events Subsequent to the End of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental Regulation

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

No dividends were paid or declared since the start of the financial year (2012: \$0)

Options

19,826 (2012: 188,714) Options over issued shares in the company were granted during the financial year and there were 336,531 (2012: 388,533) options outstanding at the date of this report.

Indemnification of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Group.

**REDBUBBLE PTY LTD
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DIRECTORS' REPORT

Proceedings on Behalf of the Company

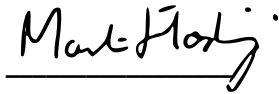
No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 3.

This directors' report is signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink, appearing to read 'Martin Hosking', is written over a horizontal line.

Mr Martin Hosking

Director

Dated this 19th day of November 2013

Level 10, 530 Collins Street
Melbourne VIC 3000

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F +61 (0)3 8102 3400

www.moorestephens.com.au

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Redbubble Pty Ltd and controlled entities

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there has been:

- (i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.



MOORE STEPHENS
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 19 November 2013

**REDBUBBLE PTY LTD
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**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013 \$	2012 \$
Revenue	3 (a)	27,467,127	12,454,903
Cost of sales		(17,992,090)	(7,998,590)
Gross profit		9,475,037	4,456,313
Payroll expenses	3 (b)	(4,458,483)	(3,026,348)
Marketing expense		(2,593,305)	(772,873)
General and administrative expenses		(1,526,942)	(1,169,023)
Travel expenses		(440,013)	(250,623)
Legal expense		(402,537)	(136,097)
Depreciation and amortisation expense		(319,408)	(124,341)
Operating expense		(9,740,688)	(5,479,305)
Operating loss		(265,651)	(1,022,992)
Other income	3 (c)	429,222	182,513
Other expense	3 (d)	(221,713)	(122,383)
Interest income		6,573	8,644
Loss before income tax expense		(51,569)	(954,218)
Income tax expense	2	(81,745)	-
Loss for the year		(133,314)	(954,218)
Other comprehensive income			
Loss on foreign currency translation		(86,638)	-
Total comprehensive loss for the year		(219,952)	(954,218)

The accompanying notes form part of these financial statements

**REDBUBBLE PTY LTD
CONSOLIDATED**

ABN 11 119 200 592

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013**

	Notes	2013 \$	2012 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	2,125,094	1,423,023
Trade and other receivables	5	-	68,741
Inventories	6	69,433	22,252
Current tax assets	2	69,622	-
Prepayments		158,519	47,226
TOTAL CURRENT ASSETS		2,422,668	1,561,242
NON-CURRENT ASSETS			
Intangible assets	7	1,261,220	311,550
Property, plant and equipment	8	202,101	137,130
Deferred tax asset	2	87,004	-
TOTAL NON-CURRENT ASSETS		1,550,325	448,680
TOTAL ASSETS		3,972,993	2,009,922
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	4,004,477	1,985,009
Provisions	10	225,959	124,939
Loan facility	15	-	250,000
TOTAL CURRENT LIABILITIES		4,230,436	2,359,948
NON CURRENT LIABILITIES			
Provisions	10	145,142	54,248
TOTAL NON CURRENT LIABILITIES		145,142	54,248
TOTAL LIABILITIES		4,375,578	2,414,196
NET LIABILITIES		(402,585)	(404,274)
EQUITY			
Share capital	11	7,531,508	7,309,867
Foreign exchange translation reserve		(86,638)	-
Accumulated losses		(7,847,455)	(7,714,141)
TOTAL EQUITY		(402,585)	(404,274)

The accompanying notes form part of these financial statements

**REDBUBBLE PTY LTD
CONSOLIDATED**

ABN 11 119 200 592

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

2013	Share Capital	Foreign Exchange Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance as at beginning of year	7,309,867	-	(7,714,141)	(404,274)
Loss for the year			(133,314)	(133,314)
Loss on foreign exchange translation	-	(86,638)	-	(86,638)
Total comprehensive loss for the year	-	(86,638)	(133,314)	(219,952)
Transactions with shareholders in their capacity as shareholders				
Issue of share capital	59,843	-	-	59,843
Issue of share options as share based compensation	161,798	-	-	161,798
Total transactions with shareholders in their capacity as shareholders	221,641	-	-	221,641
Balance as at 30 June 2013	7,531,508	(86,638)	(7,847,455)	(402,585)

The accompanying notes form part of these financial statements.

**REDBUBBLE PTY LTD
CONSOLIDATED**

ABN 11 119 200 592

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013**

2012	Share Capital	Foreign Exchange Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance as at beginning of year	7,111,878	-	(6,759,923)	351,955
Loss for the year	-	-	(954,218)	(954,218)
Total comprehensive loss for the year	-	-	(954,218)	(954,218)
Transactions with shareholders in their capacity as shareholder. Issue of share capital	66,690	-	-	66,690
Additional stock options expense adjustment to account for fair value.	131,299	-	-	131,299
Total transactions with shareholder in their capacity as shareholder	197,989	-	-	197,989
Balance as at 30 June 2012	7,309,867	-	(7,714,141)	(404,274)

The accompanying notes form part of these financial statements.

**REDBUBBLE PTY LTD
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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2013 \$	2012 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		28,228,256	12,724,622
Payments to suppliers and employees		(25,760,719)	(12,143,367)
Interest received		6,573	8,644
Finance costs		(9,461)	(14,328)
Tax paid		(238,372)	-
Net cash provided by operating activities	13(b)	2,226,277	575,571
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for Intangible assets		(1,168,288)	(172,093)
Payment for property, plant and equipment		(165,762)	(118,253)
Net cash used in investing activities		(1,334,050)	(290,346)
CASH FLOW FROM FINANCING ACTIVITIES			
(Repayment) / proceeds from borrowings		(250,000)	250,000
Proceeds from exercise of options		59,843	66,690
Net cash (used in) / provided by financing activities		(190,157)	316,690
Net increase in cash held		702,070	601,915
Cash at beginning of financial year		1,423,024	821,108
Cash at end of financial year	13(a)	2,125,094	1,423,023

The accompanying notes form part of these financial statements

**REDBUBBLE PTY LTD
CONSOLIDATED**

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Redbubble Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue on 19 November 2013 by the directors of the company.

Basis of Preparation

The directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial report is a consolidated report comprising Redbubble Pty Ltd and its controlled entities (Note 14).

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

(a) Income Tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Property, Plant & Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Each item of property, plant and equipment is depreciated over its estimated useful economic life on a straight line basis.

(c) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, funds held with intermediaries, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Restricted cash balances held by paypal is included in cash and cash equivalents due to these balances being restricted for very short time periods only.

(e) Revenue

Revenue from rendering of services is measured at the value of the consideration received or receivable after taking into account any trade discounts and rebates allowed. Revenue is recognised where the group acts as principal, not as agent. Artist fees are not recognised as revenue.

(f) Goods and Services Tax (GST), Value Added Tax (VAT) and California Sales Tax

Australian revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the costs of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. US operations are subject to CA Sales Tax and UK operations are subject to Value Added Tax. Receipts from customers in the Statement of Cash Flows is stated inclusive of Sales Taxes.

(g) Inventories

Inventories of packaging materials are measured at the lower of cost and net realisable value. Costs are assigned on a first-in, first-out basis and include direct materials.

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Foreign Currency Transactions and Balances

Foreign currency transactions during the financial year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date. Exchange differences arising on the translation of monetary items are recognised in profit or loss. Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

Functional and presentation currency

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

In the comparative period the functional currency of all group entities was Australian dollars. In the current year the functional currency of Redbubble Inc, a company incorporated and domiciled in the United States of America, changed to USD due to a change in the nature of the entity's operations. This has not resulted in restatement of any balances in the financial statements.

(i) Share-based payments

Equity-settled share-based payments with employees are measured at the fair value value of the equity instrument at the grant date. Fair value is measured by the Directors of the Company using a Black-Scholes model.

Prior to the current financial year the Company used the intrinsic valuation methodology to value option expenses. For the current period financial statements this methodology has been changed to a fair value methodology employing the Black Scholes model. The current year number for options expense thus includes the current year expense. The comparative balance has been restated to take up the prior year difference between intrinsic and fair value methodologies. Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. For the twelve months ended June 30 2013 the Company recorded \$161,273 for stock compensation expense.

(j) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(k) Impairment of Assets

At the end of each reporting period, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the present value of the asset's future cash flows discounted at the expected rate of return. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Research and Development

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

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

Change in accounting policy

The entity amended its accounting policy at 30 June 2013. Comparative balances have been restated accordingly. Historically all research and development costs were expensed as incurred. The reason for the change in accounting policy is to better align the entity's financial statements with the accounting policies of comparable publicly listed companies and to bring the entity's accounting policy in-line with Australian Financial Reporting Standards.

(m) Trade Payables

Trade payables represent the liabilities for goods and services received by the company that remain unpaid at the end of the reporting period. Trade payables are recognised at their transaction price.

(n) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

In relation to the year ended 30 June 2013 Redbubble accounted for the long service leave payable. In previous years this was not accounted for due to length of employment and number of staff employed at Redbubble.

(o) Contingent settlement provision

In the course of its business the Company collects fees on behalf of artists who sell products through the Company's website, and remits these fees to artists on a monthly basis. The User Agreement for these artists sets a minimum threshold of payment for these remittances. As a result there is a portion of artist remittances that falls below the threshold limit at any point in time and is thus not due and payable. The total artist liability for the current financial year is \$947,334 of which \$852,600 is current and \$94,734 is non-current. On a historical basis this balance has grown year over year.

A contingent settlement provision is made where such an obligation to make a payment to an artist after a future trigger value is reached; and reaching this trigger value is probable. The contingent settlement provision is recognised at nominal value. Subsequent measurement is at the best estimate of the expenditure required to settle the provision.

(p) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The company has assessed the impact of these new standards and interpretations and has determined that no accounting standards issued but not yet effective are expected to impact the financial statements of the company.

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Restatement of comparatives

As a result of changes in accounting policies and prior period errors which have been documented throughout this report, the comparative balances have been restated as follows:

	2012 previously reported \$	Adjustment \$	2012 restated \$
Loss for the year	(625,606)	(328,612)	(954,218)
Total Equity	(413,056)	(8,782)	(404,274)

Adjustments have occurred due to the following individual adjustments:	Note	Adjustment to Loss for the 2012 year \$	Adjustment to Equity \$
Change in accounting policy regarding capitalisation and amortization of research and development costs	1(l)	105,453	
Change in accounting policy regarding accounting for share-based payments	1(i)	(131,299)	131,299
Correction of prior period error: bonus provision		(302,766)	
Impact on retained earnings from 2012 adjustments above		-	(328,612)
Restatement of retained earnings and equity resulting from the above changes impacting on the results pre-2012		-	188,531
		<u>(328,612)</u>	<u>(8,782)</u>

NOTE 2: INCOME TAX EXPENSE

	2013 \$	2012 \$
Income tax expense (benefit) was comprised of the following :		
Current		
United States Federal	237,523	-
State of California	848	-
	<u>238,371</u>	-
Deferred		
United States Federal	(116,760)	-
State of California	(39,866)	-
	<u>(156,626)</u>	-
Income tax expense	<u><u>81,745</u></u>	-

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 3: REVENUE AND EXPENSES

3 a) Revenue

	2013	2012
	\$	\$
Operating activities		
Gross merchandise value (a)	32,672,428	14,813,832
Payment to artists (a)	<u>(5,205,301)</u>	<u>(2,358,929)</u>
Revenue	<u>27,467,127</u>	<u>12,454,903</u>

(a) Excluding taxes

3 b) Payroll Expenses

Payroll expenses	4,042,385	2,450,116
Bonus expense	254,825	386,698
Share based payment expense	<u>161,273</u>	<u>189,534</u>
	<u>4,458,483</u>	<u>3,026,348</u>

3 c) Other Income

Government grants	428,749	182,513
Other income	473	-
	<u>429,222</u>	<u>182,513</u>

3 d) Other Expense

Government grants - expense	94,254	60,229
Currency loss	117,902	47,826
Interest expense	<u>9,557</u>	<u>14,328</u>
	<u>221,713</u>	<u>122,383</u>

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 \$	2012 \$
NOTE 4: CASH AND CASH EQUIVALENTS		
Unrestricted cash and cash equivalents	1,669,529	1,121,791
Restricted cash and cash equivalents	455,565	301,232
Total cash and cash equivalents	<u>2,125,094</u>	<u>1,423,023</u>
 NOTE 5: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	-	68,741
 NOTE 6: INVENTORIES		
CURRENT		
Packaging supplies	<u>69,433</u>	<u>22,252</u>
 NOTE 7: INTANGIBLE ASSETS		
Capitalised development costs - At cost	1,564,710	396,423
Less accumulated amortisation	<u>(303,490)</u>	<u>(84,873)</u>
Total intangible assets	<u>1,261,220</u>	<u>311,550</u>

Change in accounting policy

The entity amended its accounting policy at 30 June 2013. Comparative balances have been restated accordingly. Historically all research and development costs were expensed as incurred. The reason for the change in accounting policy is to better align the entity's financial statements with the accounting policies of comparable publicly listed companies and to bring the entity's accounting policy in-line with Australian Financial Reporting Standards.

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 8: PROPERTY, PLANT AND EQUIPMENT	2013 \$	2012 \$
LEASEHOLD IMPROVEMENTS		
At cost	69,847	17,962
Less accumulated amortisation	(45,149)	(355)
Total leasehold improvements	24,698	17,607
PLANT AND EQUIPMENT		
<i>Computer equipment</i>		
At cost	278,827	192,506
Less accumulated depreciation	(167,545)	(124,833)
	111,282	67,673
<i>Furniture, fixtures & fittings</i>		
At cost	72,627	40,936
Less accumulated depreciation	(18,168)	(8,379)
	54,459	32,557
<i>Low value asset pool</i>		
At cost	28,151	45,687
Less accumulated depreciation	(16,489)	(26,394)
	11,662	19,293
Total plant and equipment	177,403	119,523
Total property, plant and equipment	202,101	137,130
 NOTE 9: TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables to vendors	2,142,234	1,018,678
Other payables to artists	852,600	488,228
Payroll liabilities	608,634	384,449
Consumption taxes	147,721	58,460
Gift certificate liabilities	122,755	29,493
Sundry payables and accruals	130,533	5,701
	4,004,477	1,985,009

**REDBUBBLE PTY LTD
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012
	\$	\$
NOTE 10: PROVISIONS		
CURRENT		
Annual Leave Entitlement	223,884	124,939
Long Service Leave Entitlement	2,075	-
Total Current Provision	225,959	124,939
NON CURRENT		
Long Service Leave Entitlement	50,408	-
Provision for artist liability	94,734	54,248
	145,142	54,248

NOTE 11: SHARE CAPITAL

Share capital at start of the financial year	7,309,867	7,111,878
Share capital issued in the period	59,843	66,690
Share options issued as share based payments	161,798	131,299
Share capital at end of the financial year	7,531,508	7,309,867
Share Capital consists of:		
Ordinary Share Capital	858,676	637,035
Series 'A' Preference shares (a)	6,672,832	6,672,832
Total share capital	7,531,508	7,309,867

(a) Preferential shares have preferential rights: to all dividends ahead of ordinary shareholders; to the subscription amount and to declared but unpaid dividends in the event of liquidation; to the subscription amount in the event of a sale of the existing shares in the Company; to convert to ordinary shares at any time; and to any subsequent share issue in proportion to the existing shareholding up to 50% of the value of that share issue.

	2013 No.	2012 No.
Number of shares on issue		
Number of shares at start of the financial year	3,200,420	3,171,920
Number of shares issued in the period	68,220	28,500
Number of shares at end of the financial year	3,268,640	3,200,420
Number of shares on issue consists of:		
Ordinary Share Capital	1,112,587	1,044,367
Series 'A' Preference shares (a)	2,156,053	2,156,053
Number of shares at end of the financial year	3,268,640	3,200,420

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 12: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2013:

The Company has a compensation scheme for selected employees and associates of the Company. In accordance with the provisions of the plan, selected employees may be granted options to purchase parcels of ordinary shares.

Each employee share option converts into one ordinary share of Redbubble Pty Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time after the date of their vesting. The expiry dates are set out in the table below.

The directors believe they are able to estimate reliably the value of the share options granted at the measurement date. The Directors of the Company have measured the share options based on their intrinsic value at grant date.

The following reconciles the outstanding share options / warrants granted at the beginning and the end of the financial year:

	2013	2012
	Number of	Number of
	options	options
Outstanding at the beginning of the year	388,533	233,277
Granted	19,826	188,714
Exercised	(68,220)	(28,500)
Expired	(3,608)	(4,958)
Outstanding at year-end	336,531	388,533
Exercisable at year-end	251,885	388,533

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 13: CASH FLOW INFORMATION

	2013	2012
(a) Reconciliation of cash	\$	\$
Cash at the end of the financial year as shown in the statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	2,125,094	1,423,023
(b) Reconciliation of cash flow from operations with profit from ordinary activities after income tax		
Loss from ordinary activities after income tax	(133,315)	(954,218)
<i>Non-cash flows in profit from ordinary activities:</i>		
Depreciation and amortisation	319,408	124,341
Employee share options scheme	161,798	131,299
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(42,552)	(104,378)
(Increase)/decrease in deferred tax assets	(156,626)	-
(Increase)/decrease in inventories	(47,181)	(13,431)
Increase/(decrease) in payables	1,973,315	1,345,311
Increase/(decrease) in provisions	151,430	46,647
Cash flows from operations	2,226,277	575,571

NOTE 14: CONTROLLED ENTITIES

	Company of Incorporation	Ownership Interest	
		2013	2012
		%	%
Redbubble Inc.	USA	100	100
Redbubble UK Limited	UK	100	100

The above entities did not trade in their own right during the financial year. Expenses incurred by the above companies are included in the financial statements.

NOTE 15: RELATED PARTY LOAN

During the financial year ended 30 June 2012 the company drew down on a loan facility of \$250,000 from a director associated company on normal commercial terms. During the financial year ended 30 June 2013 this loan was repaid in full and the facility closed on the 24th of December 2012.

NOTE 16: EVENTS SUBSEQUENT TO BALANCE DATE

There were no material events subsequent to 30 June 2013 that require disclosure or amendment in these financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

NOTE 17: GOING CONCERN

The consolidated group generated a net loss for the year ended 30 June 2013 of \$133,314 (2012: \$954,218) and, as of that date, the group's current liabilities exceeded its current assets by \$1,807,768 (2012: \$798,706). The group had net liabilities of \$402,585 (2012: \$404,274). The group had a current cash position of \$2.1M and this position is forecast to grow to approximately \$4.4M by the end of the next financial year.

From July 1, 2013 to September 30, 2013 the consolidated group generated a net profit of \$570,737 for the first quarter of the 2014 financial year and, as of that date, the group's current liabilities exceeded its current assets by \$1,395,596. The group had net assets of \$216,408 and total cash holdings of \$2.5M.

The directors are of the opinion that the group remains a going concern and that the financial statements should be prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Beyond the positive sales trends experienced in the first quarter of the current fiscal year, the board and management take comfort from the following facts:

- The group has experienced significant growth in turnover over the last 3 years. In 2013, revenue increased by 121% from the prior period and profitability by 86%.
- The business operates by collecting cash upfront for orders and then settling the creditors arising from fulfillment of the order subsequently. Cash collection is therefore not an issue for the group and the directors do not foresee any issues with settling liabilities as they fall due in the foreseeable future. Based on current trends, current assets are forecast to exceed current liabilities by the end of January 2013.
- Given the continued growth of sales and the improving financials of the company, the directors and management have a variety of options available for raising additional equity or debt, should they see fit to do so.

NOTE 18: PARENT ENTITY RESULTS

	2013
	\$
STATEMENT OF FINANCIAL POSITION	
Current Assets	9,231,560
Non-Current Assets	1,361,429
TOTAL ASSETS	10,592,989
Current Liabilities	6,432,361
Non-Current Liabilities	-
TOTAL LIABILITIES	6,432,361
Contributed Equity	7,531,508
Retained Losses	(3,370,880)
TOTAL EQUITY	4,160,628
 STATEMENT OF COMPREHENSIVE INCOME	
Total comprehensive income	(286,301)

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013	2012
	\$	\$
NOTE 19: RESERVES		
ACCUMULATED LOSSES		
Balance brought forward	7,714,141	6,759,923
Loss generated in the year	133,314	954,218
Balance carried forward	<u>7,847,455</u>	<u>7,714,141</u>
FOREIGN EXCHANGE TRANSLATION RESERVE		
Balance brought forward	-	-
Loss on foreign currency translation	(86,638)	-
Balance carried forward	<u>(86,638)</u>	<u>-</u>

NOTE 20: PRINCIPAL PLACE OF BUSINESS

The registered office and principal place of business of the group is:

Redbubble Proprietary Limited
Suite 1, Level 3
180 Flinders Street
Melbourne 3000
Victoria
Australia

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DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Redbubble Pty Ltd, the directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 21, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards; and
 - b. give a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Mr Martin Hosking

Director

Dated this 19th day of November 2013

Level 10, 530 Collins Street
Melbourne VIC 3000

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REDBUBBLE PTY LTD AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report for Redbubble Pty Ltd and Controlled Entities, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion the financial report of Redbubble Pty Ltd and Controlled Entities 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 2013 and of its performance for the period ended on that date; and
- b) complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



MOORE STEPHENS
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 19 November 2013