

Appendix 4D

Redbubble Limited

ABN: 11 119 200 592

Half-year ended 31 December 2018

(Previous corresponding period: Half-year ended 31 December 2017)

Results for announcement to the market

	Half-year ended 31 Dec 2018 \$M	Half-year ended 31 Dec 2017 \$M ⁽¹⁾		Change \$M	Change % ⁽²⁾
Revenue from ordinary activities	170.7	122.1	Up	48.6	39.9%
Loss from ordinary activities after tax attributable to members	2.2	2.3	Down	(0.1)	(5.6%)
Net loss for the period attributable to members	2.2	2.3	Down	(0.1)	(5.6%)

⁽¹⁾ On 1 July 2018 the Group adopted AASB 15 - *Revenue from Contracts with Customers* using the full retrospective method of adoption. Prior year comparatives have been restated to align the accounting treatment across both periods.

⁽²⁾ Change % calculations are based on numbers to nearest thousand dollars (\$000).

Control gained over entities

Name of entities: TP Apparel LLC and TP Apparel Europe Ltd

Date control gained: 1 November 2018

	\$'000
Contribution of such entity to the reporting entity's profit/(loss) from ordinary activities before income tax during the period	2,430

Dividends

Redbubble Limited has not paid and does not propose to pay dividends for the six months ended 31 December 2018 (2017: Nil). There are no dividend or distribution reinvestment plans in operation.

Net tangible assets per security

	31 Dec 2018 cents	31 Dec 2017 cents
Net tangible assets per security	0.7	6.9

Appendix 4D

Other information

Detailed analysis of the results for the half-year ended 31 December 2018 follows. Further commentary is contained in the Redbubble ASX release announcing the half-year financial results, the review of operations in the Directors' Report accompanying the attached Condensed Consolidated Interim Financial Report (**Interim Financial Report**) and the attached presentation to investors. This information should be read in conjunction with Redbubble Limited's 2018 Annual Report.

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in, and should be read in conjunction with, the Interim Financial Report for the half-year ended 31 December 2018.

This report is based on the Interim Financial Report for the half-year ended 31 December 2018 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.



REDBUBBLE

Redbubble Limited and Controlled Entities

ABN 11 119 200 592

Condensed Consolidated Interim Financial Report
for the half-year ended 31 December 2018

Contents

for the half-year ended 31 December 2018

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Redbubble Limited

The Directors of Redbubble Limited (the **Company**) present their report for the Company and its controlled entities (together, the **Group**) for the half-year ended 31 December 2018 (the **half-year**).

General information

Directors

The names of the Directors of the Company in office at any time during the half-year and since the end of the half-year until the date of this report are:

- Richard Cawsey (Chair)
- Barry Newstead (Managing Director, Chief Executive Officer. Appointed 1 August 2018)
- Martin Hosking (retired as Managing Director, Chief Executive Officer on 1 August 2018 and remained a Director)
- Anne Ward
- Jennifer (Jenny) Macdonald
- Greg Lockwood
- Grant Murdoch
- Hugh Williams

Corina Davis (US) and Paul Gordon (Australia) both hold the position of Company Secretary of the Company.

Principal activities

The Group, through its websites at Redbubble.com, TeePublic.com and three foreign language Redbubble.com websites, owns and operates the Redbubble and TeePublic online marketplaces. These marketplaces facilitate the sale and purchase of art and designs on a range of products between independent creatives and consumers. The products are produced and shipped by third party service providers (i.e. product manufacturers, printers and shipping companies) referred to as fulfillers.

In November 2018, Redbubble completed the acquisition of TP Apparel LLC and TP Apparel Europe Ltd (**TeePublic**), which own and operate the TeePublic business. The acquisition was funded by a capital raising via an institutional placement and entitlement offer. Apart from the acquisition of TeePublic, there was no significant change in the nature of the Group's activities during the half-year. The Interim Financial Report includes the results of TeePublic for the two month period from the acquisition date. All figures are presented on a Group basis, unless otherwise stated, which includes TeePublic for the two months to 31 December 2018. Reported growth rates are on a year-on-year basis, comparing the half-year figures, to the prior comparative half-year which does not include TeePublic.

Review of operations

The Group has been building leading global marketplaces for independent artists for twelve years, and is still in the early days of achieving the potential of its scalable platform in a retail commerce market opportunity worth over \$250 billion. The Group offers customers personalised, creative adventures and delightful service for a range of quality products. This experience is in contrast to the sea of bland, undifferentiated product options available from many consumer retail businesses today. For customers, the Group offers emotive brand experiences, which have real stickiness, particularly as the full value of personalisation gets integrated into the experience and marketing activities.

The Group's customer value proposition is experienced as:

- Taking customers on **creative adventures** that are immersive and joyful experiences, leading to a, often surprising, treasure in the content discovered
- Delivering personally relevant creative content allowing customers to turn generic products into canvases for self-expression and meaningful gifting, while supporting artists
- Offering a quality range of apparel, home and lifestyle products that are value-for-money at any income level
- Providing delightful and consistent service with products made to order geographically close to customers with limited environmental impact

The Group's customer experience is enabled by the marketplace flywheel where independent artists create content which drives customer growth which, in turn, drives more content - altogether creating a strong network effect. Customer growth also creates economies of scale that provide financial efficiencies to reinvest into the customer experience, driving further customer growth.

The Group's strategy is to deliver on the potential of the differentiated customer value proposition through the direct work of creating a personalised member experience for customers and the work on the flywheel - specifically content growth from artist engagement, new products and content partnerships along side fulfillment and operational scaling.

This strategy underpins the Group's ability to solidify growth and profitability and extend its market leadership position. The Group is investing to position the business for the large untapped retail commerce market opportunity. During the first half of FY19, the Group has delivered on three strategic investment areas that support continued marketplace growth.

Firstly, building the core member experience on mobile web and via a Redbubble mobile iOS app to provide members with a personalised creative adventure has been a priority. Members are a powerful accelerator to the marketplaces beyond the sales value they generate. They engage with a lot more content, providing valuable data signals. Members diversify the sources of revenue away from paid and search channels. This work will remain a priority for FY19 and beyond and the first half metrics (shown below with growth rates on a year-on-year basis, comparing half-year figures, to the prior comparative half-year which does not include TeePublic) were promising.

- Active members⁽¹⁾ grew 61% to 3.1 million
- Month 1 Revisit Rate⁽²⁾ for new members increased from 15.7% to 21.3%
- Marketplace Revenue from members⁽³⁾ grew by 113% reaching 25% of Group Marketplace Revenue
- Member Marketplace revenue per Active Member⁽⁴⁾ grew 33%

¹ Unique members who visited either the web or app platform while logged in at least once during the period.

² Percentage of new members who visited the app or site at least once between 30 and 60 days from signup during the period.

³ Marketplace Revenue from members comes from Redbubble only, although the contribution to Marketplace Revenue is measured on a Group Marketplace Revenue basis. The roll-out of a membership program at TeePublic remains a potential opportunity.

⁴ Total Marketplace Revenue from member purchases divided by total active members for the period.

Secondly, realising the benefits of scale in the marketplace through improving gross margins and extracting economies of scale across a number of operating areas. This has been achieved while improving customer net promoter score and reducing shipping times for customers.

Finally, acquiring TeePublic to solidify the Group's leadership position, accelerate the benefits of scale, geographic reach for a wide product range and enabling highly aligned sister marketplaces to cross-pollinate learning whilst positioning towards different segments.

As noted earlier, the Group marketplaces benefit from the mutually reinforcing value of a flywheel. Key marketplace metrics (shown below with growth rates on a year-on-year basis, comparing half-year figures, to the prior comparative half-year which does not include TeePublic) remain healthy:

- Unique customers⁽⁵⁾ increased by 23.7% to 3.3 million
- 37.1% growth in repeat customers
- Selling artists⁽⁶⁾ increased by 41.2% to 279,000
- Visits to the site⁽⁷⁾ increased by 25.1% to 179 million, of which mobile (web and app) represented 58.0% (compared to 54.4% in the first half of FY2018)

Changes in Google's search algorithm brought about a slowdown in Redbubble sales sourced from organic search during the half-year. Due to strategic work done over the last 3-4 years, Redbubble is less reliant on this channel for growth, but it remains an external factor that impacts the marketplaces. The medium term strategy is to continue building the member experience (including mobile apps) reducing dependence on organic search. Immediate initiatives to address identified areas for improvement are also in progress.

A strong first quarter performance by Redbubble was followed by weaker Revenue growth in the second quarter due to the Google algorithm impact on organic search sales. Revenue growth was supported by the strength in revenue from paid channels as well as the inclusion of TeePublic for November and December 2018. The cost of paid revenue remains efficient and is immediately profitable.

Gross margins strengthened across the Group through the combination of strategic pricing work and the flow-through of fulfillment and shipping cost reduction that results from the Group's supply chain strategy.

Operating costs remain in line with expectations with disciplined decision making to control costs in response to the revenue growth softening. Investments in automation and business process design in customer support are helping to slow volume-based cost growth. Operating leverage remains evident despite the weaker revenue.

The Group delivered positive Operating EBITDA of \$5.8 million with free cash flow of \$25.8 million (aggregate operating and investing cash flow, excluding consideration for TeePublic) for the first half (up from \$18.1 million in prior comparative period).

The Group's cash balances were enhanced by \$57.1 million (net of costs) raised for the acquisition of TeePublic. An initial settlement payment of \$49.3 million (US\$35.0 million) was made in November with the final instalment of US\$6.0 million due to be paid in May 2020.

⁵ Defined as a unique email address. Does not account for overlaps between Redbubble and TeePublic.

⁶ Defined as total currently active artists (i.e. not suspended or deleted) who sold a currently published work during the period. Does not account for overlaps between Redbubble and TeePublic.

⁷ Obtained from internal management reports.

Directors' Report

for the half-year ended 31 December 2018

Key half-year Group financial measures (shown below with growth rates on a year-on-year basis, comparing half-year figures, to the prior comparative half-year which does not include TeePublic, where applicable) are:

- Marketplace Revenue of \$142.9 million, up 39.7%
- Gross profit of \$52.1 million, up 47.4%
- Gross profit after paid acquisition of \$36.7 million, up 42.9%
- Cash operating expenses of \$30.9 million, up 33.9%
- Operating EBITDA profit of \$5.8 million, up 122.4%

The Group reported a net loss after tax of \$2.2 million (compared to a net loss after tax of \$2.3 million in the prior comparative period). Due to the nature and extent of the taxable loss generated in the half-year, the Group has taken a conservative approach and not recognised the half-year losses as an additional deferred tax asset. The income tax expense for the half-year was \$0.8 million compared to an income tax benefit of \$0.3 million for the prior comparative period.

Rounding of amounts

The amounts contained in the Directors' Report and Condensed Consolidated Interim Financial Report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Legislative Instrument 2016/191. The Company is an entity to which the Legislative Instrument applies.

Auditor's independence declaration

A copy of Ernst & Young's Auditor's Independence Declaration, as required under sections 307C of the Corporations Act 2001, is set out on page 9.

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



Richard Cawsey
Chair
26 February 2019



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Auditor's Independence Declaration to the Directors of Redbubble Limited

As lead auditor for the review of Redbubble Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Redbubble Limited and the entities it controlled during the financial period.

Ernst & Young

Kylie Bodenham
Partner
26 February 2019

Condensed consolidated interim financial statements

Consolidated statement of comprehensive income for the half-year ended 31 December 2018

	Notes	31 Dec 2018 \$'000	31 Dec 2017 \$'000 Restated ⁽¹⁾
Revenue			
Marketplace revenue		142,926	102,309
Artist revenue ⁽¹⁾	1	27,772	19,743
Total revenue	3	170,698	122,052
Operating expenses			
Artists' margin ⁽¹⁾	1	(27,772)	(19,743)
Fulfiller expenses ⁽²⁾		(90,873)	(67,002)
Employee and contractor costs	4	(21,941)	(15,922)
Marketing expenses	5	(16,192)	(10,457)
Operations and administration	6	(11,802)	(7,826)
Depreciation and amortisation		(3,579)	(3,866)
Total operating expenses		(172,159)	(124,816)
Other income ⁽³⁾		522	423
Other expenses ⁽⁴⁾		(455)	(319)
Loss before income tax		(1,394)	(2,660)
Income tax (expense)/benefit	7	(799)	330
Total loss for the half year attributable to owners		(2,193)	(2,330)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Loss on foreign currency translation		(57)	(164)
Total other comprehensive loss attributable to owners		(57)	(164)
Total comprehensive loss for the half year attributable to owners		(2,250)	(2,494)
Loss per share attributable to the ordinary equity holders of the company			
Basic loss per share	8	(0.01)	(0.01)
Diluted loss per share	8	(0.01)	(0.01)

⁽¹⁾ On application of AASB 15 the Group is deemed (for accounting purposes only) to be the principal in the sale of goods bearing artists' designs, artists' revenue is included in revenue with the corresponding artists' margin being recognised in operating expenses. Refer to Note 1 for details of the restatement of the prior year comparatives.

⁽²⁾ Fulfiller expenses comprise product and printing, shipping and transaction costs.

⁽³⁾ Other income includes finance income and lease income.

⁽⁴⁾ Other expenses include finance expenses and net foreign exchange losses.

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

Condensed consolidated interim financial statements

Consolidated statement of financial position

as at 31 December 2018

	Notes	31 Dec 2018 \$'000	30 June 2018 \$'000 Restated ⁽¹⁾
Current assets			
Cash and cash equivalents		58,712	21,247
Other receivables		1,543	997
Inventories ⁽²⁾		381	83
Other assets	11	1,284	1,219
Prepayments		1,841	1,968
Total current assets		63,761	25,514
Non-current assets			
Property, plant and equipment		3,231	3,596
Intangible assets	12	69,542	10,532
Other assets	11	1,508	1,254
Prepayments		108	129
Deferred tax assets		13,931	13,952
Total non-current assets		88,320	29,463
Total assets		152,081	54,977
Current liabilities			
Trade and other payables	13	46,909	19,524
Unearned revenue ⁽³⁾		5,628	3,971
Employee benefit liabilities		2,035	2,045
Provisions		516	192
Tax liabilities		1,082	438
Other liabilities	14	637	406
Total current liabilities		56,807	26,576
Non-current liabilities			
Employee benefit liabilities		185	149
Other liabilities	14	9,916	1,941
Total non-current liabilities		10,101	2,090
Total liabilities		66,908	28,666
Net assets		85,173	26,311
Equity			
Contributed equity	15a	135,175	74,555
Treasury reserve	15b	(2,052)	(1,895)
Share based payment reserve		5,341	4,692
Foreign exchange translation reserve		(1,852)	(1,795)
Accumulated losses		(51,439)	(49,246)
Total equity		85,173	26,311

⁽¹⁾ Prior period comparatives have been restated upon the implementation of AASB 15. Refer to Note 1 for details of the restatement of the prior year comparatives.

⁽²⁾ Inventories relate to packaging materials, measured at cost.

⁽³⁾ Unearned revenue represents the value of goods paid for by customers that are not yet delivered.

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

Condensed consolidated interim financial statements

Consolidated statement of changes in equity for the half-year ended 31 December 2018

2018	Notes	Share capital \$'000	Treasury reserve ⁽¹⁾ \$'000	Share based payments reserve \$'000	Foreign exchange translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2018		74,555	(1,895)	4,692	(1,795)	(48,806)	26,751
Effect of adoption of new accounting standards ⁽²⁾		-	-	-	-	(440)	(440)
Balance as at 1 July 2018 (restated)		74,555	(1,895)	4,692	(1,795)	(49,246)	26,311
Loss for the half-year		-	-	-	-	(2,193)	(2,193)
Other comprehensive loss		-	-	-	(57)	-	(57)
Total comprehensive loss for the half-year		-	-	-	(57)	(2,193)	(2,250)
Exercise of share options	15 (b)	2,062	-	-	-	-	2,062
Transfer to issued capital on issuance of shares for exercised options / settled performance rights		1,392	-	(1,392)	-	-	-
Share-based payments expense	4	-	-	2,041	-	-	2,041
Shares issued to Employee Share Trust	15 (b)	7,515	(7,515)	-	-	-	-
Shares issued / allocated to participants from the Employee Share Trust	15 (b)	(7,358)	7,358	-	-	-	-
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	15 (b)	(95)	-	-	-	-	(95)
Shares issued to fund the acquisition of TeePublic LLC		60,572	-	-	-	-	60,572
Transaction costs for above issued share capital		(3,468)	-	-	-	-	(3,468)
Balance at 31 December 2018		135,175	(2,052)	5,341	(1,852)	(51,439)	85,173

2017	Notes	Share capital \$'000	Treasury reserve ⁽¹⁾ \$'000	Share based payments reserve \$'000	Foreign exchange translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 July 2017		72,594	(2,475)	3,412	(1,135)	(38,747)	33,649
Effect of adoption of new accounting standards ⁽²⁾		-	-	-	-	(467)	(467)
Balance as at 1 July 2017 (restated)		72,594	(2,475)	3,412	(1,135)	(39,214)	33,182
Loss for the half-year		-	-	-	-	(2,330)	(2,330)
Other comprehensive loss		-	-	-	(164)	-	(164)
Total comprehensive loss for the half-year		-	-	-	(164)	(2,330)	(2,494)
Exercise of share options	15 (b)	523	-	-	-	-	523
Transfer to issued capital on issuance of shares for exercised options / settled performance rights		649	-	(649)	-	-	-
Share based payments expense	4	-	-	1,277	-	-	1,277
Shares issued / allocated to participants from the Employee Share Trust	15 (b)	(1,650)	1,650	-	-	-	-
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	15 (b)	(37)	-	-	-	-	(37)
Balance as at 31 December 2017		72,079	(825)	4,040	(1,299)	(41,544)	32,451

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

⁽²⁾ On application of AASB 15 the Group adopted the full retrospective approach which resulted in changes to the opening accumulated loss position. Refer to Note 1 for details of the restatement of the prior year comparatives in relation to this.

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

Condensed consolidated interim financial statements

Consolidated statement of cash flows for the half-year ended 31 December 2018

	Notes	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Cash flows from operating activities			
Receipts from customers		185,351	131,941
Payments to artists		(25,166)	(18,212)
Payments to fulfillers		(76,711)	(54,626)
Payments to other suppliers and employees		(54,836)	(36,864)
Other income received		456	356
Income taxes received/(paid)		(196)	204
Net cash provided by operating activities ⁽¹⁾		28,898	22,799
Cash flows from investing activities			
Payment for property, plant and equipment		(127)	(632)
Acquisition of subsidiary (net of cash acquired)	10	(46,674)	-
Investment in intangible assets	12	(4,168)	(4,038)
Net cash (used in) investing activities		(50,969)	(4,670)
Cash flows from financing activities			
Proceeds from exercise of share options / warrants	15 (b)	2,062	523
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	15 (b)	(95)	(37)
Proceeds from issue of share capital	15 (b)	60,572	-
Transaction costs arising from issue of share capital	15 (b)	(3,468)	-
Net cash provided by financing activities		59,071	486
Net increase in cash and cash equivalents held		37,000	18,615
Cash and cash equivalents at beginning of year		21,247	27,809
Effect of exchange rate changes on cash and cash equivalents		465	(92)
Cash and cash equivalents at the end of the financial year		58,712	46,332

⁽¹⁾ Net cash provided by operating activities includes \$1.2 million of transaction costs associated with the acquisition of TeePublic.

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

1. Basis of preparation

The Condensed Consolidated Interim Financial Statements of Redbubble Limited for the half-year ended 31 December 2018 (**Interim Financial Report**) were authorised for issue by resolution of the Directors on 26 February 2018. Redbubble Limited (the **Company**), the owner of global online marketplaces for independent artists, is a for-profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Stock Exchange.

The Interim Financial Report:

- covers Redbubble Limited and its controlled entities as the consolidated group (the **Group**). Redbubble Limited is the ultimate parent entity of the Group;
- has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting; and
- does not include all the information and disclosures required in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2018.

The accounting policies adopted in the preparation of the Interim Financial Report are consistent with those followed in the preparation of the Annual Report of the Group for the year ended 30 June 2018, except for the adoption of new and amended standards and interpretations as of 1 July 2018 described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

The Group applies, for the first time AASB 15 Revenue from Contracts with Customers. As required by AASB 134, the nature and effect of this change are disclosed below. The Group has also applied AASB 9 Financial Instruments and several other amendments and interpretations for the first time in this period, but these do not have a material impact on the Interim Financial Report.

New standards, interpretations and amendments adopted by the Group

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes the prior standards for revenue recognition including, AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations. AASB 15 applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers and is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted AASB 15 using the full retrospective method of adoption. The following tables show the impact of this new standard on the reported 31 December 2017 comparative figures.

Impact on Statement of Comprehensive Income

The impact on the statement of comprehensive income for the six months to 31 December 2017 is as follows:

	Reported 31 December 2017 \$'000	AASB 15 Adjustments \$'000	Restated 31 December 2017 \$'000
Revenue			
Marketplace revenue	102,309	-	102,309
Artists' revenue	-	19,743	19,743
Total revenue	102,309	19,743	122,052
Operating expenses			
Artists' margin	-	(19,743)	(19,743)

Prior to the adoption of AASB 15 the group had determined, for accounting purposes, that it was acting as the artists' agent in arranging for the selling of artists' goods to customers on the basis that Redbubble's agency capacity is confirmed in Redbubble's user agreement. This agreement is the contractual basis upon which artists upload their work, sell products to customers and upon which Redbubble provides marketplace services (including acting in an agency capacity in the transaction between artist and customer). Whilst Redbubble retains that view of its legal position (the user agreement remains unchanged) it has been determined under AASB 15 that Redbubble is acting as principal for accounting purposes.

Under AASB 15 the Group has concluded that when the customer contracts with Redbubble, there is only one performance obligation for goods bearing the artists' designs. Both the artist and the Group are involved in satisfying the performance obligation. However, as the Group controls a substantial part of the process it is construed to be the party primarily responsible for satisfying the performance obligation, the Group is determined (for accounting purposes) to be the principal in the sale. The performance obligation is satisfied when control of the goods is transferred to the customer.

As the Group is seen as the principal (for accounting purposes) in the sale of goods bearing artists' designs, artists' revenue is included in revenue with the corresponding artists' margin being recognised in the operating expenses.

Impact on Statement of Financial Position

The impact on the Statement of Financial Position for the year end 30 June 2018 is as follows:

	Reported 30 June 2018 \$'000	AASB 15 Adjustments \$'000	Restated 30 June 2018 \$'000
Assets			
Other Assets	165	1,054	1,219
Liabilities			
Unearned Revenue	2,477	1,494	3,971
Equity			
Accumulated Losses	(48,806)	(440)	(49,246)
Impact on Net Assets	26,751	(440)	26,311

Prior to the implementation of AASB 15, unearned revenue represented amounts received from customers for products that were not yet shipped. Once the item was shipped, revenue was recognised. Under the new standard the performance obligation is satisfied (and therefore revenue is recognised) when control of the goods is transferred to the customer. This is not until the product is delivered. This has impacted the timing of revenue recognition and increased the unearned revenue balance at 30 June 2018. The corresponding cost of goods that have been manufactured but are in transit to customers is not recognised as an expense until the product is delivered to the customer.

There is no impact on the Statement of Cash Flows or basic and diluted EPS.

Presentation and Disclosure requirements

As required by AASB134 Interim Financial Reports, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to Note 3 for the disclosure on disaggregated revenue.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. Due to the nature of the Group's financial instruments, the implementation of AASB 9 has not had a material impact on the Group

2. Segment information

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

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

3. Revenue

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Australia	10,192	8,234
United States	103,399	73,576
United Kingdom	19,351	15,520
Rest of the world	37,756	24,722
Total revenue	170,698	122,052

4. Employee and contractor costs

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Salary costs	15,425	11,366
Contractor costs	3,221	2,259
Share-based payments expense	2,041	1,277
Superannuation costs and other pension related costs ⁽¹⁾	1,254	1,020
Total employee and contractor costs	21,941	15,922

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

5. Marketing expenses

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Paid marketing ⁽¹⁾	15,381	9,649
Other marketing expenses	811	808
Total marketing expenses	16,192	10,457

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

6. Operations and administration

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Technology infrastructure and software costs	4,884	3,206
Travel expenses	786	706
Rental expense on operating leases	1,550	988
TeePublic Acquisition costs	1,214	-
Other operations and administration expenses	3,368	2,926
Total operations and administration	11,802	7,826

7. Income tax expense / (benefit)

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Current tax		
Current tax expense / (benefit)	799	-
Deferred tax		
Deferred tax (benefit) / expense	-	(330)
Total income tax expense/(benefit)	799	(330)

During the half-year ended 31 December 2018, the Group did not recognise any further deferred tax assets from carried forward tax losses and non-refundable research and development tax offsets. Accordingly, in addition to the recognised deferred tax asset of \$13.9 million at 31 December 2018 (30 June 2018: \$13.9 million), an unrecognised deferred tax asset of \$12.2 million exists (30 June 2018: \$9.0 million). Due to the nature and extent of the taxable loss generated in the half-year (which included deductions available for funding the Redbubble Employee share trust and for equity raising costs), the Group has taken a conservative approach and not recognised the half-year losses as an additional deferred tax asset.

8. Loss per share

Basic and diluted loss per share

Basic and diluted loss per share attributable to the ordinary equity holders of the company is \$0.01 (2017: loss per share of \$0.01). The calculation for basic and diluted loss per share is detailed below.

Reconciliation of loss used in calculating loss per share

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	(2,199)	(2,330)

Weighted average number of shares used as the denominator

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Weighted average number of shares used as denominator in calculating basic and diluted loss per share	221,999,758	208,440,096

9. Seasonality of operations

The Group's revenue is affected by the Thanksgiving and Christmas holiday seasons which result in higher sales particularly in the December quarter. Consequently, the current assets and liabilities as at 31 December 2018 are not strictly comparable with the balances as at 30 June 2018.

10. Business combinations

In November 2018 the Group acquired 100% of TP Apparel LLC and its subsidiary TP Apparel Europe Limited (TeePublic). Like Redbubble, TeePublic is a global online marketplace that enables designers from around the world to sell their artwork on products produced and fulfilled by a network of third party suppliers. The Group has acquired TeePublic to expand its market coverage and achieve operating leverage from greater scale and shared technology. The acquisition has been accounted for using the acquisition method. The Interim Financial Report includes the results of TeePublic for the two month period from the acquisition date.

The fair values of the identifiable assets and liabilities of TeePublic as at the date of acquisition were:

	Fair value recognised on acquisition \$000
Assets	Provisional
Cash and cash equivalents	2,605
Other receivables	271
Inventories	16
Prepayments	501
Other financial assets	174
Capitalised development costs	1,216
Brand name	16,813
Total Assets	21,596
Liabilities	
Trade and other payables	3,141
Unearned revenue	325
Other liabilities	314
Deferred tax liability	43
Total Liabilities	3,823
Total identifiable assets and liabilities at fair value	17,773
Goodwill arising on acquisition	39,428
Total goodwill and identifiable assets and liabilities at fair value	57,201
Total consideration	
Comprises:	
Cash	(49,279)
Deferred consideration ⁽¹⁾	(7,922)
Total consideration	(57,201)

⁽¹⁾ The total consideration for the acquisition was US\$41 million. US\$35 million (A\$49.3 million) has been paid with a further US\$6.0 million of deferred consideration to be paid 18 months from the date of acquisition (May 2020). The estimated fair value of the deferred consideration is US\$5.6 million (A\$7.9 million).

Analysis of cash flows on acquisition	
Cash paid	(49,279)
Net cash acquired (included in cash flows from investing activities)	2,605
Net cash flow on acquisition	(46,674)

Since the date of acquisition, TeePublic has contributed \$16.7 million of revenue and \$2.4 million of net profit before tax from the continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been \$32.8 million and the profit from continuing operations for the period would have been \$3.8 million. The goodwill recognised is primarily attributable to TeePublic's position in its market, the high growth potential of that market and the expected synergies between TeePublic and Redbubble.

Transaction costs of \$1.2 million have been expensed and are included in administrative expensed in the Statement of Comprehensive Income and are part of operating cash flows in the Statement of Cash Flows.

Given the acquisition occurred close to the half year end both the net asset value and the allocation of the purchase price to acquire assets are provisional. In particular, the fair values assigned to intangible assets are still being assessed and may be subject to change. As allowed by *AASB 3 – Business Combinations* the acquisition accounting will be finalised within 12 months of the acquisition date.

11. Other Assets

	Current		Non-current	
	31 Dec 2018 \$'000	30 June 2018 \$'000	31 Dec 2018 \$'000	30 June 2018 \$'000
Consolidated				
Deposits/advances	216	158	193	138
Other Assets	1,068	1,061	51	53
Total other assets	1,284	1,219	1,508	1,254

⁽¹⁾ Current other assets includes amounts recognised due to the implementation of AASB 15 that represent the cost of goods that have been manufactured but are in transit to customers.

12. Intangible assets

Cost	Brand Name	Capitalised development costs	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2018	-	29,077	-	29,077
Additions	-	4,168	-	4,168
Acquisition of a subsidiary	16,813	1,216	39,428	57,457
Disposals	-	(96)	-	(96)
Exchange differences	77	181	302	560
Balance at 31 December 2018	16,890	34,546	39,730	91,166
Balance at 1 July 2017	-	20,612	-	20,612
Additions	-	4,038	-	4,038
Disposals	-	(34)	-	(34)
Exchange differences	-	(20)	-	(20)
Balance at 31 December 2017	-	24,596	-	24,596
Accumulated amortisation				
Balance at 1 July 2018	-	(18,545)	-	(18,545)
Charge for the year	-	(2,977)	-	(2,977)
Exchange differences	-	(102)	-	(102)
Balance at 31 December 2018	-	(21,624)	-	(21,624)
Balance at 1 July 2017	-	(11,759)	-	(11,759)
Charge for the year	-	(3,393)	-	(3,393)
Exchange differences	-	17	-	17
Balance at 31 December 2017	-	(15,135)	-	(15,135)
Net book value				
As at 31 December 2018	16,890	12,922	39,730	69,542
As at 31 December 2017	-	9,461	-	9,461

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 and 3 years.

13. Trade and other payables

	31 Dec 2018	30 June 2018
	\$'000	\$'000
Fulfiller payables	24,225	7,446
Artist payables	6,285	2,755
Staff payables	2,957	2,459
Sales tax payables	5,758	2,044
Other Payables ⁽¹⁾	7,684	4,820
Total trade and other payables	46,909	19,524

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

14. Other liabilities

	Current		Non-current	
	31 Dec 2018	30 June 2018	31 Dec 2018	30 June 2018
	\$'000	\$'000	\$'000	\$'000
Deferred rent	160	129	684	714
Lease incentive liability	262	223	1,236	1,227
Deferred consideration payable ⁽¹⁾	-	-	7,996	-
Other	215	54	-	-
Total other liabilities	637	406	9,916	1,941

⁽¹⁾ US \$6.0million of deferred consideration in relation to the TeePublic LLC acquisition is to be paid 18 months from the date of acquisition (May 2020). The estimated fair value of the deferred consideration at balance date is US \$5.6million (AU \$8.0million).

15. Contributed equity

(a) Share capital

(a) Share capital

	Consolidated and parent entity			
	31 Dec 18	30 Jun 18	31 Dec 18	30 Jun 18
	Shares	Shares	\$'000	\$'000
Ordinary shares				
Issued and fully paid	256,156,543	209,940,096	129,249	70,021
Transfer from share based payments reserve for exercised options/settled performance rights	-	-	5,926	4,534
Total share capital	256,156,543	209,940,096	135,175	74,555

15. Contributed equity (continued)

(b) Movements in share capital

	Number of shares	\$'000
Balance at 1 July 2017	208,440,096	69,481
Exercise of options	1,564,537	523
Settlement of vested performance rights	519,763	-
Shares allocated to Participants from the Employee Share Trust ⁽¹⁾	(2,039,936)	(1,650)
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld ⁽²⁾	(44,364)	(37)
Balance at 31 December 2017 (including treasury shares)	208,440,096	68,317
Treasury shares - unallocated ⁽³⁾	(931,813)	(825)
Balance at 31 December 2017 (excluding treasury shares)	207,508,283	67,492
Balance at 1 July 2018	209,940,096	70,021
Shares issued to fund the acquisition of TeePublic LLC	40,381,447	60,572
Transaction costs for issued share capital	-	(3,468)
Exercise of options / warrants	4,511,170	2,062
Settlement of vested performance rights	323,032	-
Shares issued to Employee Share Trust ⁽¹⁾	5,835,000	7,515
Shares allocated to Participants from the Employee Share Trust ⁽¹⁾	(4,774,818)	(7,358)
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld ⁽²⁾	(59,384)	(95)
Balance at 31 December 2018 (including treasury shares)	256,156,543	129,249
Treasury shares - unallocated ⁽³⁾	(2,051,888)	(2,052)
Balance at 31 December 2018 (excluding treasury shares)	254,104,655	127,197

⁽¹⁾ The Group operates an Employee Share Trust (**Trust**) for the purpose of issuance of shares to participants on exercise of options / settlement of performance rights. The Group contributed to the Trust by issuing 5,835,000 shares (2017: NIL) during the period, of which 4,774,818 shares (2017: 2,039,936) were issued / allocated to the participants from the Trust.

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

⁽³⁾ The unallocated treasury shares balance represents book value of shares held by the Trust for future issue to participants on exercise of options / settlement of performance rights.

16. Contingent liabilities

Legal claim contingencies

As at the date of these financial statements there are current lawsuits filed against some of the entities within the Group that relate to alleged intellectual property infringement and/or breach of consumer laws. There is no certainty around the amount or timing of any outflow should any of the actions ultimately be successful (at first instance or on appeal, as applicable). The Group does not consider that any of the current actions are likely to have a material adverse effect on the business or financial position of the Group.

17. Events occurring after the balance sheet date

The Interim Financial Report was authorised for issue on 26 February 2019 by the Board of Directors. There have been no significant events after the balance sheet date that require disclosure.

18. Related Party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. During the period, Martin Hosking, a non-executive Director, provided underwriting services for the capital raising for which the fees totalled \$45,000.

Directors' Declaration

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

- (a) the financial statements and notes, as set out on pages 10 to 25, are in accordance with the Corporations Act 2001 including:
 - (i) giving true and fair view of the financial position as at 31 December 2018 and of the performance for the half-year ended on that date of the consolidated Group; and
 - (ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that Redbubble Limited will be able to pay its debts as and when they become due and payable.



Richard Cawsey
Chair
Melbourne
26 February 2019



Barry Newstead
Director
Melbourne
26 February 2019

Independent Auditor's Review Report to the Members of Redbubble Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Redbubble Limited (the Company) and its subsidiaries (collectively the Group), which comprises of the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.


Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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



Ernst & Young



Kylie Bodenham
Partner
Melbourne
26 February 2019

Corporate Information

Directors	Richard Cawsey (Chair) Barry Newstead (Managing Director, Chief Executive Officer. Appointed 1 August 2018) Martin Hosking (retired as Managing Director, Chief Executive Officer on 1 August 2018 and remained a Director) Anne Ward Jennifer (Jenny) Macdonald Greg Lockwood Grant Murdoch Hugh Williams
Company Secretaries	Corina Davis Paul Gordon
Registered Office	Level 3, 271 Collins Street Melbourne VIC 3000 Australia
Share Register	Link Market Services Tower 4, 727 Collins Street Melbourne VIC 3008 Australia
Auditors	Ernst & Young 8 Exhibition Street Melbourne VIC 3000 Australia
Bankers	Commonwealth Bank of Australia
Stock Exchange Listing	Redbubble shares are listed on the Australian Securities Exchange (listing code: RBL)
Website	www.redbubble.com
Investor Centre	shareholders.redbubble.com