



Redbubble Pty Ltd and Controlled Entities

ABN 11 119 200 592

Consolidated Financial Report
For the year ended 30 June 2014

Redbubble Pty Ltd and Controlled Entities

ABN 11 119 200 592

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For the Year Ended 30 June 2014

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Directors' Report

30 June 2014

The directors present their report, together with the financial statements of the Group, being the Group and its controlled entities, for the financial year ended 30 June 2014.

1. General information

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Martin Hosking

Richard Cawsey

Teresa Engelhard

Stan Chudnovsky (resigned 11 December 2013)

Stephanie Tilenius (appointed 28 May 2014)

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

Principal activities

The principal activities of the Group during the financial year was to be an Internet Service Provider, providing an internet based marketplace platform and associated logistics services to facilitate the sales of goods from artists to those who want to purchase goods bearing the artist's designs.

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

2. Operating results and review of operations for the year

Operating results

The consolidated profit of the Group amounted to \$3,266,465 for 2014 and a consolidated loss of \$133,314 for 2013.

Review of operations

Over the course of the 2014 fiscal year revenue generated through the Redbubble marketplace platform has grown by 77% from 2013.

2014 growth resulted both from the organic growth of the marketplace's user base as well as increased focus on outward facing marketing activities. During the latter part of 2014, the newly hired Chief Marketing Officer began a significant expansion of Redbubble's marketing team with increased capacity for customer acquisition through search engine marketing, email and social marketing channels. In addition the Group increased the range of third party manufactured products available through the marketplace platform from thirty at year-end 2013 to forty at year-end 2014. The Group will continue efforts to expand and extend this range for the foreseeable future through expanded relationships with new and current third party fulfillers.

The Group has plans to establish foreign language versions of the marketplace during 2015 to better target non-English speakers. French and German are early targets, with Spanish, Italian and Portuguese on the horizon. In addition the Group is planning to develop additional partnerships with European based product manufacturers to facilitate faster delivery of artist's products to European customers.

Directors' Report

30 June 2014

3. Other items

Significant changes in state of affairs

No significant changes in the state of affairs of entities in the Group during the year.

Matters or circumstances arising after the end of the year

Subsequent to balance date, the expiry dates of 59,904 Ordinary Share Options have been amended from dates ranging from March 2015 - July 2016 to March 2017 - July 2018. No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and results

The initiatives outlined in the review of operations section of the Directors' Report will aid in increasing both the number of visits to the marketplace and the conversion of these visits to artist's sales. As a result, the Group is forecasting a net loss for 2015 due to higher operating expenditures in support of the initiatives outlined. The Group is forecasting to be profitable in 2016 and for the foreseeable future after that.

Environmental matters

The Group's operations are not subject to significant environmental regulations under the laws of the Commonwealth or of a State or Territory of Australia.

Company secretary

The following person held the position of Group secretary at the end of the financial year:

Ms Leanne Ralph was appointed to the position of Company Secretary in March 2012. She has over 20 years experience in chief financial officer and company secretarial roles for various publicly listed and unlisted entities. Ms Ralph is a member of the Governance Institute of Australia and the Australian Institute of Company directors. She is the principal at Boardworx Australia Pty Ltd, which supplies bespoke outsourced Company Secretarial services to a number of listed and unlisted companies.

Meetings of directors

During the financial year, eight meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Martin Hosking	8	8	-	-
Richard Cawsey	8	8	5	5
Teresa Engelhard	8	8	5	5
Stan Chudnovsky (resigned 11 December 2013)	3	3	-	-
Stephanie Tilenius (appointed 28 May 2014)	1	1	-	-

Indemnification and insurance of officers and auditors

During the year the Group paid \$17,153 (2003: \$16,977) for insurance premiums with regards to indemnification of officers of Redbubble Pty Ltd and Controlled Entities.

Directors' Report

30 June 2014

Dividends

No dividends were paid or declared since the start of the financial year (2013: \$0).

Share options

45,496 (2013: Nil) Options over ordinary shares in the Company were granted during the year and there were 269,403 (2013: 316,705) outstanding at the date of this report.

Nil (2013: 16,364) Warrants over preference shares were granted during the year and 16,364 (2013: 16,364) were outstanding at the date of this report.

117,128 (2013: 3,462) Performance Rights / Restricted Stock Units in the Company were granted during the year and there were 116,738 (2013: 3,462) outstanding at the date of this report. These Performance Rights have not been brought to account due to liquidity triggers that have not been met.

Proceedings on behalf of the Group

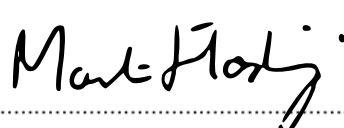
No proceedings were undertaken on behalf of the Group.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2014 has been received and can be found on page 4 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: 

Director: 

Dated 25 September 2014

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Melbourne VIC 3000

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**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 2014 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, 25 September 2014

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2014

	2014	2013
Note	\$	\$
Revenue	2 48,583,771	27,473,700
Fulfiller expenses	(32,068,683)	(17,992,090)
Payroll expenses	(6,590,951)	(4,458,483)
Marketing expenses	(4,409,971)	(2,593,305)
Office expenses	(2,511,254)	(1,526,942)
Travel expenses	(529,821)	(440,013)
Legal expenses	(361,663)	(402,537)
Depreciation and amortisation expense	(879,181)	(319,408)
Operating profit/(loss)	3 <u>1,232,247</u>	(259,078)
Other income	2 414,759	429,222
Other expense	3 (153,624)	(221,713)
Profit/(Loss) before income tax	1,493,382	(51,569)
Income tax benefit / (expense)	4 1,773,083	(81,745)
Profit/(Loss) for the year attributable to owners	<u>3,266,465</u>	<u>(133,314)</u>
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss when specific conditions are met		
Gain/(Loss) on foreign currency translation	14 25,231	(86,638)
Total other comprehensive income attributable to owners	<u>25,231</u>	<u>(86,638)</u>
Total comprehensive income/(loss) for the year attributable to owners	<u>3,291,696</u>	<u>(219,952)</u>

Consolidated Statement of Financial Position

As At 30 June 2014

	Note	2014 \$	2013 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	4,885,070	2,125,094
Trade receivables	6	26,754	-
Inventories	7	41,769	69,433
Current tax assets	17	109,392	69,622
Other receivables	6	461,312	158,519
TOTAL CURRENT ASSETS		5,524,297	2,422,668
NON-CURRENT ASSETS			
Intangible assets	9	2,113,364	1,261,220
Property, plant and equipment	8	426,643	202,101
Deferred tax asset	17	2,112,566	87,004
TOTAL NON-CURRENT ASSETS		4,652,573	1,550,325
TOTAL ASSETS		10,176,870	3,972,993
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	11	5,406,313	4,323,091
Provisions	12	64,607	2,075
TOTAL CURRENT LIABILITIES		5,470,920	4,325,166
NON-CURRENT LIABILITIES			
Provisions	12	22,430	50,412
TOTAL NON-CURRENT LIABILITIES		22,430	50,412
TOTAL LIABILITIES		5,493,350	4,375,578
NET ASSETS		4,683,520	(402,585)
EQUITY			
Share capital	13	8,792,351	7,069,339
Share based payment reserve	14	533,566	462,169
Foreign exchange translation reserve	14	(61,407)	(86,638)
Accumulated losses		(4,580,990)	(7,847,455)
TOTAL EQUITY		4,683,520	(402,585)

The accompanying notes form part of these financial statements.

Redbubble Pty Ltd and Controlled Entities

ABN 11 119 200 592

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

2014	Share Capital	Share based payment reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	7,069,339	462,169	(86,638)	(7,847,455)	(402,585)
Profit for the year	-	-	-	3,266,465	3,266,465
Other comprehensive income	-	-	25,231	-	25,231
Total comprehensive income for the year	-	-	25,231	3,266,465	3,291,696
Transactions with shareholders in their capacity as shareholders					
Issue of share capital	1,723,012	-	-	-	1,723,012
Issue of share option as share based compensation	-	71,397	-	-	71,397
Total transactions with shareholders in their capacity as shareholders	1,723,012	71,397	-	-	1,794,409
Balance at 30 June 2014	8,792,351	533,566	(61,407)	(4,580,990)	4,683,520
2013	Share Capital	Share based payment reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2012	7,009,559	300,308	-	(7,714,141)	(404,274)
Loss for the year	-	-	-	(133,314)	(133,314)
Other comprehensive income	-	-	(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	59,780	-	-	-	59,780
Issue of share option as share based compensation	-	161,861	-	-	161,861
Total transactions with shareholders in their capacity as shareholders	59,780	161,861	-	-	221,641
Balance at 30 June 2013	7,069,339	462,169	(86,638)	(7,847,455)	(402,585)

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2014

	2014	2013
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	59,187,013	33,433,557
Payments to artists	(9,105,439)	(5,205,300)
Payments to suppliers and employees	(46,807,647)	(25,760,720)
Interest received	22,337	6,573
Finance costs	(8,747)	(9,461)
Taxes paid	(292,249)	(238,372)
Net cash provided by operating activities	23 <u>2,995,268</u>	<u>2,226,277</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payment for property, plant and equipment	(359,269)	(165,762)
Payment for intangible asset	(1,592,678)	(1,168,288)
Net cash used in investing activities	<u>(1,951,947)</u>	<u>(1,334,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of share capital	1,716,655	59,843
(Repayment) of borrowings	-	(250,000)
Net cash provided by/(used in) financing activities	<u>1,716,655</u>	<u>(190,157)</u>
Net increase in cash and cash equivalents held	2,759,976	702,070
Cash and cash equivalents at beginning of year	<u>2,125,094</u>	<u>1,423,024</u>
Cash and cash equivalents at end of financial year	5 <u><u>4,885,070</u></u>	<u><u>2,125,094</u></u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

The financial report includes the consolidated financial statements and notes of Redbubble Pty Ltd and controlled entities (the Group). Redbubble Pty Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Redbubble Pty Ltd, have not been presented within this financial report as permitted by the Corporations Act 2001.

Each of the entities within the Group prepares their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

These financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The significant accounting policies used in the preparation and presentation of these financial statements are provided below and are consistent with prior reporting periods unless otherwise stated.

The financial statements are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of Redbubble Pty Ltd and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity. A list of the subsidiaries is provided in Note 10 to the financial statements. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Associates

Interests in associates, where the investor has significant influence over the investee, are accounted for using the equity method in accordance with AASB 128 *Associates and Joint Ventures*. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(c) Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

Where a change in comparatives has also affected the opening retained earnings previously presented in a comparative period, an opening statement of financial position at the earliest date of the comparative period has been presented.

(d) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income relates to current income tax expense plus deferred tax expense (being the movement in deferred tax assets and liabilities and unused tax losses during the year).

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax consequences relating to a non-monetary asset carried at fair value are determined using the assumption that the carrying amount of the asset will be recovered through sale.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current tax assets and liabilities are offset where there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(d) Income Tax continued

Deferred tax assets and liabilities are offset where there is a legal right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group, are classified as finance leases.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a reduction of rental expense over the lease term, on a straight line basis.

(f) Revenue and other income

The Group is an Internet Service Provider (ISP), providing an internet based marketplace platform and associated logistics services to facilitate the sale of goods from artists to those who want to purchase goods bearing the artists designs. A community of artists displays and sells art via the Redbubble website and the Group aggregates demand from both artists and buyers to support preferential relationships between third party manufacturers and drop shippers and the artist community, using the Group's platform. Revenue is recognized when the amount of the revenue can be measured reliably.

Revenue from the rendering of services is recognised 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 agent, net of artists' fees. Artist fees are not recognised as revenue as such fees are collected in the Group's capacity as agent, not principal.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

All revenue is stated net of the amount of goods and services tax (GST), value added tax (VAT) and sales tax.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

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

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST, VAT and sales tax.

The net amount of GST, VAT and sales tax recoverable from, or payable to, the ATO or other similar International bodies is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included on a gross basis and the GST, VAT and sales tax component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

US operations are subject to Sales Tax and UK operations are subject to Value Added Tax.

(h) Inventories

Inventories of packing materials are measured at the lower of cost and net realisable value. Cost of inventory is determined using the first-in-first-out basis and are net of any rebates and discounts received.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(i) Property, Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated 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.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are shown below:

Class of Fixed Assets	Useful life
Leasehold improvements	Life of lease
Computer Equipment	3 years
Furniture, fixtures & fittings	5 years

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

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(j) Financial instruments

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Group's trade and most other receivables fall into this category of financial instruments.

Discounting is omitted where the effect of discounting is considered immaterial.

Significant receivables are considered for impairment on an individual asset basis when they are past due at the reporting date or when objective evidence is received that a specific counterparty will default.

The amount of the impairment is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For trade receivables, impairment provisions are recorded in a separate allowance account with the loss being recognised in profit or loss. When confirmation has been received that the amount is not collectable, the gross carrying value of the asset is written off against the associated impairment provision.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

In some circumstances, the Group renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Group does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

Financial liabilities

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included in the income statement line items "finance costs" or "finance income".

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At the end of the reporting period the Group assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(k) Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Intangible Assets other than Goodwill

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 straight-line basis based on the future economic benefits over the useful life of the project, typically between 2-5 years.

(m) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(n) Government grants

Grants from government are recognised at the fair value when there is reasonable assurance that the grant will be received and the consolidated entity has complied with the required conditions. Grants relating to expense items are recognised as income over the periods necessary to match the grant to costs they are compensating. Grants relating to assets are credited to deferred income and are amortised on a straight line basis over the expected lives of the assets.

(o) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(p) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than twelve months after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

Defined contribution schemes

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

Termination benefits

Termination benefits are those benefits paid to an employee as a result of either the entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Termination benefits are recorded as a provision at the earlier of the following dates:

- When the entity can no longer withdraw the offer of those benefits; and
- When the entity recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(q) Provisions

Provisions are recognised when the Group 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 present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the statement of profit or loss and other comprehensive income.

(r) Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The amount to be expensed is determined by reference to the fair value of the options or shares granted, this expense takes in account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions.

Non-market vesting conditions are taken into account when considering the number of options expected to vest. At the end of each reporting period, the Group revises its estimate of the number of options which are expected to vest based on the non-market vesting conditions. Revisions to the prior period estimate are recognised in profit or loss and equity.

(s) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities 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.

Transaction and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(t) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(i) Share based payments

Equity-settled share-based payments with employees are measured at the fair value of the equity instrument at the grant date. Fair value is measured by the Directors of the Group using a Black-Scholes model. See Note 25.

(ii) Research and Development - Capitalisation

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. Determining the feasibility of the project and the likelihood of the project delivering future economic benefits which can be measured reliably is a significant management estimate and judgement. See Note 9.

(iii) Research and Development - Valuation

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 and is considered for impairment at each reporting date. See Note 9.

(iv) Recognition of Deferred Tax Assets

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating the entity's ability to recover deferred tax assets within the jurisdiction from which they arise, the entity considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax-planning strategies, and results of recent operations. In projecting future taxable income, the entity uses historical results adjusted for the results of changes in accounting policies and incorporates assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax-planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates which the entity uses to manage the underlying businesses. See Note 17.

(v) Revenue Recognition Principal versus Agent

The Group is acting as the Artist's agent in arranging for the selling of the Artist's goods to customers for accounting purposes only. The revenue recognised by the Group is the gross merchandise value less the artist's margin which can also be expressed as the cost of fulfillers plus the Group's margin.

Given the nature of the relationship between the Group and product fulfillers and the associated risks and rewards, the Group has determined for accounting purposes only that it is acting as principal as opposed to an agent with respect to fulfillers.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(u) Adoption of new and revised accounting standards

During the current year, the following standards became mandatory and have been adopted retrospectively or prospectively by the Group, as applicable:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 119 *Employee Benefits*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investment in Associates and Joint Ventures*
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*

Changes in the recognition and measurement of assets, liabilities, income and expenses and the impact of adoption of these standards are discussed below.

AASB 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after 1 January 2013 and therefore the Group has applied it for the first time in these financial statements. AASB 10 includes a new definition of control, including additional guidance for specific situations such as control in a principal / agent situation and when holding less than majority voting rights may give control. AASB 10 supersedes the previous requirements of AASB 127 *Consolidated and Separate Financial Statements* and Interpretation 112 *Consolidation - Special Purpose Entities* and resulted in consequential amendments to a number of other standards.

The Group has reviewed its investment in other entities to determine whether any changes were required to the consolidated entity under AASB 10. The composition of the consolidated entity is the same under AASB 10 and therefore there is no change to the reported financial position and performance.

AASB 11 *Joint Arrangements* replaces AASB 131 *Interests in Joint Ventures* and Interpretation 112 *Jointly-Controlled Entities - Non-monetary Contributions by Venturers* as well as consequential amendments to a number of other standards. AASB 11 uses the revised definition of control from AASB 10 and once joint control is determined, then classifies joint arrangements as either joint ventures or joint operations. Joint ventures are accounted for using the equity method, proportionate consolidation is not permitted under AASB 11. Joint operations are accounted for by incorporating the venturer's share of assets, liabilities, income and expenses into the financial statements. There were no changes to the accounting for joint arrangements under AASB 11.

AASB 12 *Disclosure of Interests in Other Entities* includes all disclosures relating to an entity's interest in associates, joint arrangements, subsidiaries and structured entities. On adoption of AASB 12, additional disclosures have been included in the financial statements in relation to investments held.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(u) Adoption of new and revised accounting standards continued

AASB 13 *Fair Value Measurement* does not change what and when assets or liabilities are recorded at fair value. It provides guidance on how to measure assets and liabilities at fair value, including the concept of highest and best use for non-financial assets. AASB 13 has not changed the fair value measurement basis for any assets or liabilities held at fair value, however additional disclosures on the methodology and fair value hierarchy have been included in the financial statements.

AASB 119 *Employee benefits* changes the basis for determining the income or expense relating to defined benefit plans and introduces revised definitions for short-term employee benefits and termination benefits.

The Group reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period. Whilst this has been considered to be a long-term employee benefits for the purpose of measuring the leave under AASB 119, the effect of discounting was not considered to be material, with amounts carried at the nominal amounts of provisions as a result.

In accordance with the transition provisions in the standard, the comparative figures have not been restated as the new requirements did not result in a material variance in the balance.

(v) New Accounting Standards and Interpretations

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments* and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).

These Standards will be applicable retrospectively (subject to the comment on hedge accounting below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 2012-3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

Interpretation 21: *Levies* (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

1 Summary of Significant Accounting Policies continued

(v) New accounting standards and interpretations continued

AASB 2013–3: *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard amends the disclosure requirements in AASB 136: *Impairment of Assets* pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

AASB 2013–4: *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–4 makes amendments to AASB 139: *Financial Instruments: Recognition and Measurement* to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

AASB 2013–5: *Amendments to Australian Accounting Standards – Investment Entities* (applicable for annual reporting periods commencing on or after 1 January 2014).

AASB 2013–5 amends AASB 10: *Consolidated Financial Statements* to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 Revenue and Other Income

	2014	2013
	\$	\$
Revenue		
Revenue from rendering of services	48,561,434	27,467,127
Finance income	22,337	6,573
	<u>48,583,771</u>	<u>27,473,700</u>
Other Income		
Government Grants	407,842	428,749
Other income	6,917	473
	<u>414,759</u>	<u>429,222</u>

3 Result for the Year

	2014	2013
	\$	\$
Cost of Sales	32,068,683	17,992,090
Gross Profit	<u>16,515,088</u>	<u>9,481,610</u>
Finance costs measured at amortised cost		
Interest paid	8,747	9,461
Total finance costs	<u>8,747</u>	<u>9,461</u>
The operating result for the year includes the following specific expenses:		
Superannuation guarantee	311,152	225,250
Rental expense on operating leases:	<u>543,623</u>	<u>282,829</u>
Other expenses include the following specific expenses:		
R&D rebate costs	85,947	94,254
Net realised foreign exchange loss	<u>48,812</u>	<u>117,905</u>

4 Income Tax Expense / (Benefit)

(a) The major components of tax expense (income) comprise:

	2014	2013
	\$	\$
Current tax expense		
Current tax expense	252,479	238,371
Deferred tax benefit		
Deferred tax benefit	<u>(2,025,562)</u>	<u>(156,626)</u>
Total income tax expense / (benefit)	<u>(1,773,083)</u>	<u>81,745</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

4 Income Tax Expense / (Benefit) continued

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30%:

	2014	2013
	\$	\$
Consolidated Group	448,014	(15,471)
Add:		
Tax effect of non-allowable items	30,107	27,156
Tax effect of US tax rate	-	165,794
Less:		
Tax effect of US tax rate	(92,078)	-
Recoupment of tax losses not previously brought to account	(389,429)	(95,734)
Tax losses brought to account	(1,769,697)	-
Income tax expense/(benefit) attributable to entity	(1,773,083)	81,745

The applicable weighted average effective tax rates are as follows: 119% 159%

The movement in the weighted average effective consolidated tax rate for 2014 is a result of the prior year pre-tax balance being a loss and significant deferred tax assets on historic tax losses being brought to account in 2014. There is no income tax relating to any component of other comprehensive income and no amounts are recognised directly in equity.

5 Cash and cash equivalents

	2014	2013
	\$	\$
Unrestricted cash and cash equivalents	4,621,028	1,669,529
Restricted cash and cash equivalents	264,042	455,565
Cash at bank and in hand	4,885,070	2,125,094

Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

	2014	2013
	\$	\$
Cash and cash equivalents	4,885,070	2,125,094
Balance as per statement of cash flows	4,885,070	2,125,094

Notes to the Financial Statements

For the Year Ended 30 June 2014

6 Trade and other receivables

	2014	2013
	\$	\$
Current Trade receivables	<u>26,754</u>	<u>-</u>
Other receivables		
CURRENT		
Prepayments	289,772	158,519
Deposits and advances	<u>171,540</u>	<u>-</u>
Total Other Receivables	<u>461,312</u>	<u>158,519</u>

(a) Credit Risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The class of assets described as 'trade and other receivables' of \$488,066 (2013: \$158,519) is not impaired and not past due. The carrying value is considered a reasonable approximation of fair value.

(b) Collateral held as security

The Group does not hold any collateral as security over assets.

The carrying amount of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

7 Inventories

	2014	2013
	\$	\$
CURRENT		
At cost:		
Packaging supplies	<u>41,769</u>	69,433
Total inventories	<u>41,769</u>	<u>69,433</u>

Write downs of inventories to net realisable value during the year were \$ NIL (2013: \$ NIL).

Notes to the Financial Statements

For the Year Ended 30 June 2014

8 Property, plant and equipment

	2014	2013
	\$	\$
Leasehold improvements		
At cost	187,681	69,847
Accumulated depreciation	(44,460)	(45,149)
Total leasehold land	<u>143,221</u>	<u>24,698</u>
Furniture, fixtures and fittings		
At cost	151,258	100,778
Accumulated depreciation	(44,579)	(34,657)
Total furniture, fixtures and fittings	<u>106,679</u>	<u>66,121</u>
Computer equipment		
At cost	421,753	278,827
Accumulated depreciation	(245,010)	(167,545)
Total computer equipment	<u>176,743</u>	<u>111,282</u>
Total property, plant and equipment	<u><u>426,643</u></u>	<u><u>202,101</u></u>

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Leasehold Improvements	Computer Equipment	Furniture, Fixtures & Fittings	Total
	\$	\$	\$	\$
Consolidated Group - 2014				
Cost at 1 July 2013	69,847	278,827	100,778	449,452
Additions	142,292	145,071	71,906	359,269
Disposals	(24,458)	(2,145)	(21,426)	(48,029)
Cost at 30 June 2014	<u>187,681</u>	<u>421,753</u>	<u>151,258</u>	<u>760,692</u>
Accumulated depreciation at 1 July 2013	(45,149)	(167,545)	(34,657)	(247,351)
Charge for the year	(17,236)	(77,948)	(19,333)	(114,517)
Disposals	17,925	483	9,411	27,819
Accumulated depreciation at 30 June 2014	<u>(44,460)</u>	<u>(245,010)</u>	<u>(44,579)</u>	<u>(334,049)</u>
Carrying value at 30 June 2014	<u>143,221</u>	<u>176,743</u>	<u>106,679</u>	<u>426,643</u>
Carrying value at 30 June 2013	24,698	111,282	66,121	202,101

Notes to the Financial Statements

For the Year Ended 30 June 2014

8 Property, plant and equipment continued

(a) Movements in carrying amounts of property, plant and equipment continued

	Leasehold improvements	Computer Equipment	Furniture, Fixtures & Fittings	Total
	\$	\$	\$	\$
Consolidated group - 2013				
Cost at 1 July 2012	17,962	192,506	88,663	299,131
Additions	51,885	86,321	27,556	165,762
Assets written off	-	-	(15,441)	(15,441)
Cost at 30 June 2013	69,847	278,827	100,778	449,452
Accumulated depreciation at 1 July 2012	(355)	(124,834)	(34,772)	(159,961)
Charge for the year	(44,794)	(42,711)	(15,326)	(102,831)
Assets written off	-	-	15,441	15,441
Accumulated depreciation at 30 June 2013	(45,149)	(167,545)	(34,657)	(247,351)
Carrying value at 30 June 2013	24,698	111,282	66,120	202,101
Carrying value at 30 June 2012	17,607	67,672	51,851	137,130

At the end of each reporting period, items of property, 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 and loss. No impairment was recognised in the current year (2013: \$nil).

Notes to the Financial Statements

For the Year Ended 30 June 2014

9 Intangible Assets

	2014	2013
	\$	\$
Capitalised development costs		
Cost	3,157,389	1,564,710
Accumulated amortisation and impairment	<u>(1,044,025)</u>	<u>(303,490)</u>
Total Intangible Assets	<u><u>2,113,364</u></u>	<u><u>1,261,220</u></u>

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included within depreciation and amortisation expenses in the statement of profit and loss and other comprehensive income.

(a) Movement in carrying amounts of intangible assets

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year.

	Capitalised development costs
	\$
Consolidated Group - 2014	
Cost at 1 July 2013	1,564,710
Additions	<u>1,592,678</u>
Cost at 30 June 2014	<u>3,157,388</u>
Accumulated depreciation at 1 July 2013	303,490
Charge for the year	<u>740,534</u>
Accumulated depreciation at 30 June 2014	<u>1,044,024</u>
Carrying value at 30 June 2014	2,113,364
Carrying value at 30 June 2013	<u>1,261,220</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

9 Intangible Assets continued

	Capitalised development costs
	\$
Consolidated Group – 2013	
Cost at 1 July 2012	396,422
Additions	1,168,288
	<u>1,564,710</u>
Cost at 30 June 2013	
Accumulated depreciation at 1 July 2012	84,873
Charge for the year	218,617
	<u>303,490</u>
Accumulated depreciation at 30 June 2013	
Carrying value at 30 June 2013	1,261,220
Carrying value at 30 June 2012	<u>311,550</u>

At the end of each reporting period, intangible assets 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 and loss. No impairment was recognised in the current year (2013: \$nil).

Notes to the Financial Statements

For the Year Ended 30 June 2014

10 Interests in Subsidiaries

Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation or registration.

Name of Subsidiary	Principal place of business	Ownership Interest Held by the Group (%)	Ownership Interest Held by the Group (%)
		2014	2013
Redbubble Incorporated	USA	100	100
Redbubble Limited	UK	100	100

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

Significant restrictions

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

11 Trade and other payables

	2014	2013
	\$	\$
CURRENT		
Unsecured liabilities :		
Trade payables	2,405,044	1,902,113
Payable to artists	1,221,568	947,334
Payroll liabilities	449,001	608,634
Annual leave accrual	388,687	223,884
GST, VAT, Sales tax payable	214,025	387,842
Unearned revenue	304,889	2,330
Sundry payables and accruals	269,084	128,199
Gift certificate liabilities	154,015	122,755
	5,406,313	4,323,091

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

Notes to the Financial Statements

For the Year Ended 30 June 2014

12 Provisions

	2014	2013
	\$	\$
CURRENT		
Long Service Leave entitlement	64,607	2,075
	<u>64,607</u>	<u>2,075</u>
NON-CURRENT		
Long Service Leave entitlement	22,430	50,412
	<u>22,430</u>	<u>50,412</u>

Provisions have been made in respect of long service leave entitlement for employees.

(a) **Movements in carrying amounts :**

	2014	2013
	\$	\$
CURRENT		
Opening Balance brought forward at the start of the period	2,075	-
Transferred from non-current	27,982	-
Provided for in the year	34,550	2,075
Balance carried forward at the end of the period	<u>64,607</u>	<u>2,075</u>
NON-CURRENT		
Opening Balance brought forward at the start of the period	50,412	-
Transferred to current	(27,982)	-
Provided for in the year	-	50,412
Balance carried forward at the end of the period	<u>22,430</u>	<u>50,412</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Issued Capital

	2014	2013
	\$	\$
1,160,737 Ordinary shares (2013:1,112,587)	599,487	396,507
2,265,016 (2013: 2,156,053) Preference A shares	8,192,864	6,672,832
Total	8,792,351	7,069,339

(a) Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

Movements in ordinary share capital

	Date	Issue price	Quantity of shares	\$
Opening Balance 1 July 2012			1,044,367	336,727
Shares issued to employees	Aug - 12	\$ 1.00 each	19,992	19,992
Shares issued to employees	Sep - 12	\$ 0.50 each	22,500	11,250
Shares issued to employees	Sep - 12	\$ 2.00 each	2,810	5,620
Shares issued to employees	Feb - 13	\$ 1.00 each	22,918	22,918
Closing Balance 30 June 2013			1,112,587	396,507
Shares issued to employees	Aug - 13	\$ 1.00 each	15,000	15,000
Shares issued to employees	Mar - 14	\$ 8.00 each	5,026	40,208
Shares issued to employees	Mar - 14	\$ 5.00 each	4,000	20,000
Shares issued to employees	Mar - 14	\$ 8.00 each	54	432
Shares issued to employees	Mar - 14	\$ 8.00 each	222	1,776
Shares issued to employees	Mar - 14	\$ 8.00 each	132	1,056
Shares issued to employees	Mar - 14	\$ 8.00 each	40	320
Shares issued to employees	Mar - 14	\$ 5.00 each	21,740	108,700
Shares issued to employees	Mar - 14	\$ 8.00 each	200	1,600
Shares issued to employees	Mar - 14	\$ 8.00 each	47	376
Shares issued to employees	Mar - 14	\$ 8.00 each	1,689	13,512
Closing Balance 30 June 2014			1,160,737	599,487

Notes to the Financial Statements

For the Year Ended 30 June 2014

13 Issued Capital continued

(b) Preference shares

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.

Movements in preference share capital:

	Date	Issue price	Quantity of shares	\$
Opening Balance 1 July 2012			2,156,053	6,672,832
Closing Balance 30 June 2013			2,156,053	6,672,832
Shares issued for capital raising	Dec-13	\$13.95 each	107,529	1,500,029
Shares issued for services	Dec-13	\$13.95 each	1,434	20,003
Closing Balance 30 June 2014			<u>2,265,016</u>	<u>8,192,864</u>

(c) Capital Management

The Group is currently funded entirely by Equity and has no debt on its balance sheet. The business model of the Group allows it to have a positive cash flow.

In November 2013 the Group received an equity investment of \$1.5M from an investor for 107,529 shares issued under a subscription agreement.

Notes to the Financial Statements

For the Year Ended 30 June 2014

14 Reserves and retained surplus

(a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Share based payment reserve

Share based payments reserve arises on issue of share options as payment for services to suppliers and employees.

(c) Movements in reserves:

	Foreign exchange translation reserve	Share based payment reserve
	\$	\$
2014		
Balance brought forward at 1 July 2013	(86,638)	462,169
Effect of foreign exchange translation	25,231	-
Issue of share options in the period	-	71,397
Balance carried forward at 30 June 2014	(61,407)	533,566
2013		
Balance brought forward at 1 July 2012	-	300,308
Effect of foreign exchange translation	(86,638)	-
Issue of share options in the period	-	161,861
Balance carried forward at 30 June 2013	(86,638)	462,169

Notes to the Financial Statements

For the Year Ended 30 June 2014

15 Capital and Leasing Commitments

(a) Operating Leases

Operating leases have been taken out for office premises. Lease payments are increased on an annual basis to reflect market rentals on normal commercial terms.

(b) Contracted Commitments

Operating Lease Commitments :

	Melbourne Australia	San Francisco USA	Campbell USA
	\$	\$	\$
Non-cancellable operating leases contracted for but not recognised in the financial statements			
Payable - minimum lease payments			
Less than one year	367,453	381,402	69,247
Between one year and five years	448,061	1,643,521	150,958
Over 5 years	-	800,450	-
	815,514	2,825,373	220,205
Balance term of lease as on 30th June 2014 - in months	26	82	36

The property leases are non-cancellable leases with the terms mentioned above, with rent payable monthly in advance. Rental provisions within the lease agreement require that the minimum lease payments shall be increased as contracted.

Notes to the Financial Statements

For the Year Ended 30 June 2014

16 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

This note discloses the Group's objectives, policies and processes for managing and measuring these risks.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The Group does not speculate in financial assets.

The most significant financial risks to which the Group is exposed to are described below:

Specific risks

- Market risk - The Group collects funds from customers in five currencies (USD, AUD, EUR, CAD and GBP). The Group maintains bank accounts in the respective currencies. The Group has liabilities either to vendors or artists in the respective currencies. The Group settles its liabilities in the native currency hence creating a natural hedge. Any funds that are in excess are converted to AUD or USD in operating accounts when management feels it's prudent to do so.

Financial instruments used

The principal categories of financial instruments used by the Group are:

- Trade receivables
- Cash at bank
- Trade and other payables

Objectives, policies and processes

Risk management is carried out by the Board of Directors through policies and procedures put in place by the Board, internal legal counsel and the finance function.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group manages its liquidity needs by carefully monitoring cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

At the reporting date, these reports indicate that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances and will not need to draw down any of the financing facilities.

The Group's financial liabilities have contractual maturities which expire within 12 months of 30 June 2014.

Notes to the Financial Statements

For the Year Ended 30 June 2014

16 Financial Risk Management continued

Market risk

(i) Foreign currency sensitivity

There has been no change to the Group's exposure to foreign currency risk or the manner in which the Group manages and measures the risk from the previous period.

Sensitivity analysis

The table shows the effect of a 5% strengthening and a 5% weakening of the Australian Dollar against the US Dollar. The balances used are those of the US Subsidiary, Redbubble Inc, and show the impact of foreign exchange fluctuations.

2014	USD	5% strengthening of AUD:			5% weakening of AUD:		
		Translated to AUD	Variance	% change	Translated to AUD	Variance	% change
Profit	390,544	412,248	21,704	5.6%	372,987	(17,557)	-4.5%
Total Assets	19,998,654	22,245,903	2,247,249	11.2%	20,127,245	128,591	0.6%
Total Liabilities	20,173,725	22,440,646	2,266,921	11.2%	20,303,442	129,717	0.6%

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

Redbubble is not exposed to significant credit risk. The Group accepts payments two ways, either via credit card or via Paypal. In either case the Group ensures cash is received up front prior to the product being manufactured. Hence the credit risk from collections from customers is minimal.

Redbubble does encounter typical credit card fraud, which is typical for the industry. Such fraud has been very immaterial to the Group.

Notes to the Financial Statements

For the Year Ended 30 June 2014

17 Tax

	2014	2013
	\$	\$
Current tax receivable	109,392	69,622
Non-current deferred tax asset	<u>2,112,566</u>	<u>87,004</u>

(a) Deferred tax assets

Deferred tax assets have been brought to account in respect of historic losses as the Directors have determined that it would be appropriate for these losses to be brought to account as the asset was recouped in part in the year ended 30 June 2014 and the remainder of the asset is expected to be recouped within 3 years.

	2014	2013
	\$	\$
The non-current deferred tax asset consists of the following balances:		
Tax losses	1,769,697	-
Temporary timing differences	<u>342,869</u>	87,004
Total non-current deferred tax asset	<u>2,112,566</u>	<u>87,004</u>

(b) Taxation of financial arrangements

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of transactions. The Group has assessed the potential impact of these changes on the Group's tax position. No impact has been recognised or no adjustments have been made to the deferred tax and income tax balances at 30 June 2014.

(c) Franking credits

There were no franking credits available at 30 June 2014(2013: Nil)

18 Dividends

No Dividends were declared or paid during the year.

Notes to the Financial Statements

For the Year Ended 30 June 2014

19 Key Management Personnel Disclosures

Key management personnel remuneration included within employee expenses for the year is shown below:

	Consolidated Group		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Key management personnel compensation				
Short-term employee benefits	1,305,060	1,033,532	655,208	485,375
Post employment benefits	100,234	-	-	-
Other long-term benefits	72,147	61,320	49,484	43,684
Share based payments	70,038	158,519	24,639	69,302
Total compensation	1,547,479	1,253,371	729,331	598,361

Other key management personnel transactions

For details of other transactions with key management personnel, refer to Note 22: Related Party Transactions.

20 Remuneration of Auditors

	2014	2013
	\$	\$
Auditing and review of financial statements		
Auditors of Redbubble Pty Ltd - Moore Stephens	50,000	50,000
Overseas Moore Stephens network firms - Armanino LLP	52,970	58,198
Tax advisory services	28,536	7,580
Total auditor's remuneration	131,506	115,778

21 Contingencies

In the opinion of the Directors, the Group as well as the Parent entity, Redbubble Pty Ltd, did not have any contingencies at 30 June 2014 (30 June 2013:Nil).

Notes to the Financial Statements

For the Year Ended 30 June 2014

22 Related Parties

The Group's main related parties are as follows:

(a) Entities exercising control over the Group

The CEO Martin Hosking and his family trust with Jellicom Pty Ltd as trustee, has significant influence over the group given a combined ownership of 35.34% of the total issued shares at 30 June 2014.

(b) Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel.

For details of disclosures relating to key management personnel, refer to Note 19: Key Management Personnel Compensation.

(c) Other related parties

Other related parties include immediate family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel, individually or collectively with their immediate family members.

(d) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

- Mr. Cawsey, the Chairman of the Board, is a partner of Denali Venture Partners. Denali Venture Partners has provided various consulting services for the Group during 2014. Fees of \$10,000 and shares of \$20,000 were paid to Denali in 2014 in consideration for services provided (2013: \$19,937). At the year end the balance outstanding was \$Nil (2013: \$Nil)
- Ms. Tilenius was appointed to the Board of Director on May 28, 2014. Ms. Tilenius is the CEO of Fabu Inc. Fabu Inc has entered into a sublease agreement with the Group in April 2014 to sublease a portion of the Group's building located in San Francisco, California. For the year ended June 30, 2014, Fabu Inc. has paid the Group \$7,000 as rent payments. (2013: \$Nil). At the year end, there were no outstanding balances (2013: \$Nil)

During the financial year ended 30 June 2012 the Group drew down on a loan facility of \$250,000 from a director associated Group, Denali Venture Partners, 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 December 2012.

Notes to the Financial Statements

For the Year Ended 30 June 2014

23 Cash Flow Information

(a) Reconciliation of result for the year to cash flows from operating activities

Reconciliation of net income to net cash provided by operating activities:

	2014	2013
	\$	\$
Profit for the year	3,266,465	(133,315)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
- depreciation and amortisation	879,181	319,408
- employee share option scheme	77,754	161,798
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:		
- increase in trade and other receivables	(329,546)	(42,552)
- (increase)/decrease in inventories	27,664	(47,181)
- increase in deferred tax receivable	(2,065,332)	(156,626)
- increase in trade and other payables	1,104,532	2,197,197
- increase/(decrease) in provisions	34,550	(72,452)
Cashflow from operations	<u>2,995,268</u>	<u>2,226,277</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

24 Parent entity

The following information has been extracted from the books and records of the parent, Redbubble Pty Ltd and Controlled Entities and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Redbubble Pty Ltd and Controlled Entities has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of these investments.

Redbubble Pty Ltd and Controlled Entities and its wholly-owned Australian subsidiaries have formed an income tax consolidated group.

Each entity in the tax consolidated group accounts for their own current and deferred tax amounts. These tax amounts are measured using the 'stand-alone taxpayer' approach to allocation.

The tax consolidated group has entered into a tax funding agreement whereby each entity within the group contributes to the income tax payable by the Group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding agreement are recognised as either a contribution by, or distribution to the head entity.

	2014	2013
	\$	\$
Statement of Financial Position		
Assets		
Current Assets	12,200,949	(273,948)
Non-current assets	4,076,738	1,361,429
Total Assets	<u>16,277,687</u>	<u>1,087,481</u>
Liabilities		
Current Liabilities	11,439,962	1,605,945
Non-current liabilities	22,430	-
Total Liabilities	<u>11,462,392</u>	<u>1,605,945</u>
Equity		
Issued capital	8,792,351	7,069,339
Share based payment reserve	371,984	350,208
Retained earnings	(4,349,040)	(7,938,011)
Total Equity	<u>4,815,295</u>	<u>(518,464)</u>
Statement of Profit or Loss and Other Comprehensive Income		
Total profit or loss for the year	<u>2,884,878</u>	<u>(286,301)</u>
Total comprehensive income	<u>2,884,878</u>	<u>(286,301)</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

25 Share-based Payments

At 30 June 2014 the Group has the following share-based payment schemes:

- (i) The Group has offered equity in the form of a warrant instrument over preference shares (“Preference Share Options”) to certain investors. To date the Group has issued 16,364 warrants over preference shares, all granted on 8 March 2012 and expire on 31 December 2016.
- (ii) The Group has also offered equity in the form of options over ordinary shares (“Ordinary Share Options”) as an incentive for certain senior managers of the Group, as well as to board members and investors (“Grantees”). These options have been granted via individual share option agreements. Once granted, the options have a predetermined time-based vesting schedule and grantees may exercise the options for a further set number of years after the options are vested. To date the Group has issued 643,410 options over ordinary shares. These options were issued between 2006 and 2014 all with a vesting period of 0-4 years. All options expire between 2009 and 2024.
- (iii) The third form of equity offered by the Group to employees, as well as to board members and investors, is in the form of performance rights, or restricted stock units (“Performance Rights”). These Performance Rights have been granted via a restricted share and Performance Rights Plan (“The Plan”) adopted by the Group in 2013. The Performance Rights granted have the following vesting schedules:
 - 100,452 Performance Rights vest on a time based schedule over a period of four years, with $\frac{1}{4}$ vesting on the first anniversary of the grant date and $\frac{1}{48}$ of the total grant vesting monthly thereafter, but at no time prior to a liquidity event as defined in the plan. Out of these, 3,852 Performance Rights expired before vesting due to various employees no longer being with the Group.
 - 8,560 Performance Rights vest on a time based schedule over a period of four years, with $\frac{1}{4}$ vesting on the third anniversary of the vesting commencement date and $\frac{1}{48}$ of the total grant vesting monthly thereafter, but at no time prior to a liquidity event as defined in the grant letter, subject further to acceleration provisions delineated in the grant letter.
 - 7,780 Performance Rights vest on a time based schedule over a period of four years, with $\frac{1}{48}$ vesting commencing on the third anniversary of the vesting commencement date and $\frac{1}{48}$ of the total grant vesting monthly thereafter, but at no time prior to a liquidity event as defined in the grant letter, subject further to acceleration conditions delineated in the grant letter.
 - 3,798 Performance Rights vest on a time based schedule over a period of three years, with $\frac{1}{3}$ vesting on 1 March 2014, $\frac{1}{3}$ vesting on 1 March 2015, and $\frac{1}{3}$ vesting on 1 March 2016, but at no time prior to a liquidity event as defined in the Plan.

These Performance Rights have not been brought to account due to liquidity triggers that have not been met.

The fair value of options granted to employees is considered to represent the value of employee services received over the vesting period. Fair values of options are calculated using a Black-Scholes options pricing model. The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Options granted to key management personnel are disclosed in Note 19.

Notes to the Financial Statements

For the Year Ended 30 June 2014

25 Share-based Payments continued

	2014 Number of options	2013 Number of options
Outstanding at the start of the year	333,069	388,533
Granted during the year (i)	45,496	16,364
Exercised during the year	(48,150)	(68,220)
Expired during the year (ii)	(44,648)	(3,608)
Balance outstanding at the end of the year	<u>285,767</u>	<u>333,069</u>
Vested and exercisable at the end of the year:	<u>230,279</u>	<u>251,885</u>

- (i) Options granted during the year exclude 117,128 (2013: 3,462) Performance Rights that were issued in the year but are not included in the above due to liquidity triggers that have not been met.
- (ii) Options expired during the year exclude 3,852 (2013: nil) Performance Rights that were expired before vesting due to employee terminations in the year and not included in the above due to liquidity triggers that have not been met.

Number of options	Ordinary Share Options	Preference Share Options	Total
Outstanding at 1 July 2012	388,533	-	388,533
Granted during the year	-	16,364	16,364
Exercised during the year	(68,220)	-	(68,220)
Expired during the year	(3,608)	-	(3,608)
Outstanding at 30 June 2013	<u>316,705</u>	<u>16,364</u>	<u>333,069</u>
Granted during the year	45,496	-	45,496
Exercised during the year	(48,150)	-	(48,150)
Expired during the year	(44,648)	-	(44,648)
Outstanding at 30 June 2014	<u>269,403</u>	<u>16,364</u>	<u>285,767</u>
Vested and exercisable at 30 June 2013	235,521	16,364	251,885
Vested and exercisable at 30 June 2014	<u>213,915</u>	<u>16,364</u>	<u>230,279</u>

	Ordinary Share Options	Preference Share Options
Weighted Average Contractual Life (in years) of options at 30 June 2013	3.32	3.51
Weighted Average Contractual Life (in years) of options at 30 June 2014	<u>3.08</u>	<u>2.51</u>
Weighted Average Exercise Price (in Australian Dollars) of options at 30 June 2013	3.97	5.50
Weighted Average Exercise Price (in Australian Dollars) of options at 30 June 2014	<u>5.39</u>	<u>5.50</u>

Notes to the Financial Statements

For the Year Ended 30 June 2014

26 Events Occurring After the Reporting Date

The financial report was authorised for issue on 25 September 2014 by the board of directors.

Subsequent to balance date, the expiry dates of 59,904 Ordinary Share Options have been amended from dates ranging from March 2015 - July 2016 to March 2017 - July 2018. No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

27 Company Details

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

Redbubble Pty Ltd and Controlled Entities
Level 3,
271 Collins Street,
Melbourne VIC 3000

Redbubble Pty Ltd and Controlled Entities

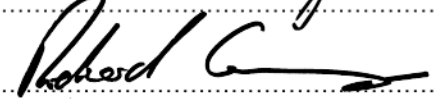
ABN 11 119 200 592

Directors' Declaration

In accordance with a resolution of the directors of Redbubble Pty Ltd, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 5 to 43, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated group; and
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.

Director 

Director 

Dated this 25th day of September 2014

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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 general purpose financial report for Redbubble Pty Ltd and Controlled Entities, which comprises the consolidated statement of financial position as at 30 June 2014, 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Redbubble Pty Ltd and Controlled Entities would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- a) the financial report of Redbubble Pty Ltd and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the period ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial reports also complies with *International Financial Reporting Standards* as disclosed in Note 1.



MOORE STEPHENS
Chartered Accountants



Rami Eltchelebi
Partner

Melbourne, 30 September 2014