Strong Growth Continues and Profitability improving

FULL YEAR RESULTS, APPENDIX 4E AND STRATEGY UPDATE

Melbourne, Australia: 24 August 2017: Redbubble Limited (ASX: RBL) the leading global marketplace for independent artists, today lodged its audited Full Year Results Report (Appendix 4E) for the full year ended 30 June 2017 (attached).

FY2017 Financial Results – CEO Summary

The Appendix 4E and accompanying financial statements confirm the unaudited results released with the Appendix 4C on 24 July 2017. Redbubble's net loss after tax is $7.6 million, significantly improved on the loss of $19.8 million in the previous year.

Redbubble CEO, Martin Hosking said, "The results release reflects both the potential and the positive underlying fundamentals of the Redbubble business. Redbubble is a growing and healthy marketplace with strong growth in customers, artists and fulfilment capacity. At a time when many companies, including consumer retail businesses and even some in e-commerce, are struggling to find growth, Redbubble is showing top-line and gross profit growth of over 30% per year on a constant currency basis.

Redbubble's growth is being driven by the global trend towards what is now understood as "on-demand retail" – the creation or significant customization of products for individual customers at the time of order - but has been the core of the Redbubble marketplace for over 10 years. With over 93% of our revenues generated offshore, the future growth of Redbubble is limited only by our continued ability to execute.

The business is scaling well. Redbubble's margins have increased markedly from 34.0% to 35.6% year on year and we continue to acquire customers profitably with customer acquisition costs well under industry norms at 8.7% of total revenue for the year. We are continuing to invest in growth initiatives. These investments are having a material impact and allowing us to seize the opportunity before us. Operating leverage is, nevertheless, clearly evident with operating expenditure growth (17.3% on a constant currency basis) significantly less than revenue or gross profit after paid acquisition growth (both at over 30%).

Based on current trends, and as previously stated, we expect top-line growth through FY2018 to be comparable to that achieved on a constant currency basis during FY2017 and that we will move into EBITDA profitability late in FY2018."

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Redbubble Pty Ltd
ABN 11 119 200 592

Progress on strategic initiatives

During FY2017, Redbubble maintained its disciplined approach to investment in future growth. Redbubble's investments are focused around its four strategic themes:

- **Find Your Thing** - helping users discover the most relevant content, mitigate piracy and create a platform for content partnerships. We have delivered:
    - Improved quality and relevance of search results leveraging proprietary data science insights garnered from user behaviour on Redbubble's site;
    - Upgraded information architecture and deployment of a series of value-generating improvements to the experience for users; and
    - Improved content policing tools and capability to support content licensing.
- **Deeper Relationships** - building customer loyalty through personalised mobile experiences for members. We have delivered:
    - A global iOS app that is scaling quickly and has attained a 4.5 star rating from nearly 3,000 reviews; and
    - Improved sign-up flow and deployment of major new architecture to support member personalisation.
- **Global Acquisition** - increasing customer acquisition at low cost through efficient investment in high growth paid marketing channels and new markets. We have delivered:
    - Expanded reach and efficiency of Google Shopping and Facebook, particularly in mobile; and
    - Sustained high growth from newly launched European language sites.
- **Scalability** – efficient scaling of Redbubble's platform. Notably, we have delivered:
    - 7 new products in the apparel, home and wall art categories;
    - Faster shipping of products through localisation of fulfilment using 6 new locations whilst negotiating reduced fulfilment and shipping costs;
    - Improved customer experience and reduced customer support costs through automation and root cause problem elimination; and
    - Upgraded technology platforms accelerating the shift towards fast, flexible architecture that provides major and long-term improvements in user experience.

Redbubble's growth is facilitated by it retaining and attracting outstanding people in Melbourne, San Francisco and Berlin. Over the past year, we added 19 to the team taking us to 201 employees globally at 30 June; and the web product team is now 74 engineers, product managers, designers and data scientists including a small team established in San Francisco.

FY2017 Financial Performance

Redbubble has reported the following key results[1], in line with the Appendix 4C announcement on 24 July 2017 (and relative to FY2016, in brackets):

- Revenue of $141.0 million (up 23.0% from $114.6 million; up 30.1% on a constant currency basis)
- Gross profit of $50.1 million (up 28.5% from $39.0 million)
- Gross profit margin at 35.6% (up from 34.0%)
- Gross profit after paid acquisition of $37.9 million (up 20.8% from $31.3 million)
- Operating EBITDA Loss of $5.0 million (improved by 17.5% from $6.0 million)
- Net loss after tax of $7.6 million (improved by 61.9% from $19.8 million)

Further analysis of the financial performance can be found in the investor update pack supporting the Appendix 4E.

Looking ahead

The market opportunity for Redbubble continues to grow as online on-demand retail becomes more mainstream and technologies mature to support more affordable products accessed through more devices and channels. The emergence of increased competition is a validation of this market opportunity. Unlike Australian retailers, Redbubble has for many years competed with and will continue to compete with Amazon and other players.

Redbubble remains focused on investing in our core marketplace business. There are self-reinforcing network effects that Redbubble sees in our investments as we grow. Near term opportunities within the strategic themes are:

- **Find Your Thing's** focus is on personalising the discovery experience, refining machine learning that supports piracy detection and initiating content partnerships.
- **Deeper Relationships'** focus is on acquiring more users on the mobile app and adding personalised features for Redbubble users and members;
- **Global Acquisition's** focus is on building on our increasing strength in Europe through further localisation of the experience and continuing to leverage data science in our paid marketing through Google and Facebook;
- **Scalability's** focus is on shifting core parts of the user experience to a much faster platform, continuing to generate economies of scale in the supply chain and launching new products leading up to the holidays;

[1] Gross profit, Gross profit margin, Gross profit after paid acquisition and EBITDA are non-IFRS measures presented to provide a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

Further detail of the specific initiatives can be found in attached information pack.

Over the next year, we expect continued progress on these themes and core operational work. This progress will deliver continued growth in new customer acquisition at a low cost, improved customer retention, and accelerated artist engagement and new content growth; thereby improving the underlying economics of the business.

Supporting resources

Redbubble has compiled an information pack in support of the Appendix 4E. For this and other relevant information please visit:

- Investor Centre: http://shareholders.redbubble.com/
- Website: http://www.redbubble.com/

For further information please contact:

Chris Nunn – Chief Financial Officer
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About Redbubble

Founded in 2006, Redbubble is a leading global online marketplace powered by over 600,000 independent artists. Redbubble's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags, wall art and so on. Through the Redbubble marketplace independent artists are able to profit from their creativity and reach a new universe of adoring fans. For customers, it's the ultimate in self-expression. A simple but meaningful way to show the world who they are and what they care about. Redbubble is listed on the ASX (RBL.AX).

Forward-looking statements

This announcement includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Redbubble. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement

Appendix 4E

Redbubble Limited
ABN: 11 119 200 592
Year ended 30 June 2017
(Previous corresponding period: Year ended 30 June 2016)

Results for announcement to the market

	Year ended 30 June 2016 $M	Year ended 30 June 2017 $M		Change $M	Change % (*)
Revenue from ordinary activities	114.6	141.0	Up	26.4	23.0%
Loss from ordinary activities after tax attributable to members	19.8	7.6	Down	(12.2)	(61.9)%
Net loss for the period attributable to members	19.8	7.6	Down	(12.2)	(61.9)%

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

Dividends

Redbubble Limited has not paid and does not propose to pay dividends for the year ended 30 June 2017 (2016: Nil). There are no dividend or distribution reinvestment plans in operation.

Net tangible assets per security

	30 June 2016 cents	30 June 2017 cents
Net tangible assets per security	15.1	7.7

Other information

Detailed analysis of the results for the year ended 30 June 2017 follows. Further commentary is contained in the Redbubble ASX release announcing the full year financial results, the review of operations in the Directors' Report accompanying the attached Consolidated Financial Statements and the attached presentation to investors.

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in, and should be read in conjunction with, the Consolidated Financial Statements for the year ended 30 June 2017.

This report is based on the Consolidated Financial Statements for the year ended 30 June 2017 which has been audited by Ernst & Young with the Independent Auditor's Report included in the 2017 Consolidated Financial Statements.

Appendix 4E Commentary

FY2017 in review

Key financial and other metric highlights (year on year comparison)

$m for financial year (unless otherwise indicated)	**FY16**	**FY17**	**% change****
Key financial metrics –Financial performance			
Gross Transaction Value (**GTV**)*	142.9	175.4	22.8%
Repeat GTV*	50.7	66.6	31.2%
Revenue from ordinary activities	114.6	141.0	23.0%
Fulfiller expenses	75.6	90.8	20.2 %
Gross profit*	39.0	50.1	28.5%
Gross profit margin (%)*	34.0%	35.6%	4.7%
Paid acquisition	7.7	12.2	59.9%
Gross profit after paid acquisition (**GPAPA**)*	31.3	37.9	20.8%
GPAPA margin (%)*	27.4%	26.9%	(0.5%)
Net operating expenses (inclusive of IPO costs $2.0M in FY16 and exclusive of capitalised development costs)	42.0	46.0	9.2%
Earnings before interest, tax, depreciation and amortisation (**EBITDA**) Loss* (inclusive of IPO costs $2.0M in FY16)	10.7	8.1	(24.8%)
Net Loss After Tax	(19.8)	(7.6)	(61.9%)
Loss per security (cents)	0.13	0.04	(69.2%)
Key financial metrics – Financial position (at 30 June)			
Cash at bank	42.0	27.8	(33.8%)
Intangible assets (Capitalised development costs)	7.4	8.9	19.4%
Net tangible assets per security (cents)	15.1	7.7	(49.0%)
Other metrics			
Site visits (millions)	147.8	188.4	27.4%
Conversion rate (% of visits)	1.87%	1.96%	4.6%
Average Order Value (**AOV**) ($ per order)	51.6	47.5	(7.9%)
Selling artists (thousands)	154	233	51.0%
Unique customers (millions)^	2.2	2.9	32.8%
Repeat customers (millions)^	0.6	0.9	44.1%
Number of Products (as at 30 June)	57	64	12.2%
Number of fulfilment locations	18	24	33.3%
People (incl. contractors) (as at 30 June) (**FTE**)	182	201	10.4%

* GTV, Gross profit, Gross profit margin, GPAPA, GPAPA margin and EBITDA are non-IFRS measures that are presented to provide readers a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

** % change calculations for key financial metrics based on numbers to nearest thousand dollars ($000).

^ Customers that are unique purchasers in both 1H and 2H are counted as a single unique customer on a yearly basis. Customers that are repeat purchasers in both 1H and 2H are counted as a single repeat customer on a yearly basis.

Highlights & commentary

- GTV, the total of sales processed through the Redbubble site less refunds, fraudulent transactions and chargebacks, was up $32.5M or 22.8% due to increase in major metrics:
    - Visits were up 40.6M or 27.4% to 188.4M with growth in visits from mobiles (45.5%) significantly outstripping growth from desktop (14.5%). Mobile visits represent 50.9% of total visits for the year.
    - Conversion rate was up 4.6% to 1.96% despite the increase in the proportion of mobile visits which typically convert to sales at a lower rate than those from desktop.
    - AOV was down $4.07 or 7.9% to $47.54 reflecting $2.79 of foreign exchange impacts and changes in product mix.
    - Unique customers and repeat customers are both increasing. Unique customers up 32.8% to 2.9M reflecting the overall growth in the marketplace. Repeat customers up 44.1% to 0.9M, the increase relative to unique customers reflecting the work undertaken on customer loyalty.
- Geographic split of GTV by region is largely unchanged compared to prior year (FY17/ FY16) but does show Europe's increasing contribution and the impact of the strong AUD against the British pound in particular:
    - North America 63.9%/65.1%
    - UK 14.3%/16.0%
    - Europe 13.2%/11.0%
    - AU & NZ 7.3%/6.9%
    - Rest of world 1.3%/1.0%
- Revenue (GTV less sales taxes and artists' margin, adjusted for unearned revenue pending shipment) was up $26.4M or 23.0%.
- Gross profit (Revenue less Fulfiller expenses) as a percentage of Revenue was 35.6% up from 34.0% in the prior year due to improved pricing strategies; continuing economies of scale at fulfilment level; and ongoing localisation of fulfilment reducing shipping costs.
- Paid acquisition (paid marketing expense) was $12.2M up 59.9%. Redbubble is paying less to acquire a customer but is having to pay for more customers as a consequence of the shift to mobile devices as the source of traffic.
- Net operating expenses of $46.0M were up 9.2%. Modest increases in operating expenses from FY16 to FY17 demonstrate emerging operating leverage.
- EBITDA Loss (GPAPA less operating expenses) was $8.1 million (reduced from $10.7 million loss) as the company continued to grow its marketplace. Operational leverage increased throughout the year driving this improved EBITDA result.
- A tax benefit of $6.7M has been recognised, largely due to current year losses, R&D offsets, and tax benefit arising from contributions to the Employee Share Trust.
- Cash on hand balance at 30 June 2017 was $27.8M, down from $42.0M at 30 June 2016.
- As at 30 June 2017, the company has no debt.

Key financial and other metric highlights (half year comparison)

Appendix 4E

Redbubble has a seasonal business which can be best demonstrated by a comparison of key financial and other metrics between 2HFY16, 1HFY17 and 2HFY17. The first half of the financial year incorporates the December quarter which includes not only the Christmas period, but also the major online sales days around US Thanksgiving. Redbubble's December quarter has typically represented about one-third of the full year's sales (FY17: 35.6%). The first half outperforms the second half on many financial and non-financial metrics, however, the overall health of the marketplace can be seen by the comparison of 2HFY17 and the prior corresponding period.

$m for half years (unless otherwise indicated)	**2HFY16**	**1HFY17**	**2HFY17**	**% change** 2H16 v 2H17**
Key financial metrics – Financial Performance				
GTV*	62.6	98.6	76.8	22.7%
Repeat GTV*	23.5	36.8	29.8	26.8%
Revenue from ordinary activities	52.2	78.7	62.3	19.1%
Fulfiller expenses	33.7	50.4	40.4	21.0%
Gross profit*	18.5	28.3	21.8	17.8%
Gross profit margin*	35.4%	36.0%	35.0%	(1.1%)
Paid acquisition	3.4	6.6	5.6	65.9%
GPAPA*	15.1	21.7	16.2	6.9%
Net operating expenses (inclusive of IPO costs $2.0M in 2HFY16 and exclusive of capitalised development costs)	21.6	22.8	23.2	7.3%
EBITDA Loss (inclusive of IPO costs $2.0M in 2HFY16) *	6.5	1.1	7.0	8.1%
Net Loss After Tax	9.2	2.9	4.7	(48.4%)
Other metrics				
Site visits (million)	72.7	91.6	96.8	33.1%
Conversion rate (% of visits)	1.74%	2.21%	1.72%	(1.2%)
AOV ($ per order)	49.6	48.7	46.1	(6.9%)
Selling artists (thousands)	124	164	178	43.5%
Unique customers (millions)^	1.05	1.68	1.39	32.4%
Repeat customers (millions)^	0.3	0.5	0.5	66.7%

* GTV, Gross profit, Gross profit margin, GPAPA, GPAPA margin and EBITDA are non-IFRS measures that are presented to provide readers a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

** % change calculations for key financial metrics based on numbers to nearest thousand dollars ($000).

^ Customers that are unique purchasers in both 1H and 2H are counted as a single unique customer on a yearly basis. Customers that are repeat purchasers in both 1H and 2H are counted as a single repeat customer on a yearly basis.

Highlights & commentary

- GTV, Repeat GTV and Revenue were up 22.7%, 26.8% and 19.1% respectively when compared to prior corresponding period. The major drivers of GTV performance are:
    - Visits were up 33.1% when compared to previous corresponding period;
    - Conversion rate was down 1.2% when compared to previous corresponding period resulting from the shift to mobile and increased organic traffic which typically converts at a lower rate. The strong increase in conversion in 1HFY17 is due to the marketplace typically experiencing 2-3x the conversion rates on all devices over the holiday season;
    - AOV was down 6.9% when compared to previous corresponding period. This largely reflects a combination of the impact of product mix and of foreign exchange movements.
- Gross profit increased by 17.8% but gross profit margin fell by 0.4 of a percentage point, compared to the prior period. 2HFY16 gross profit was impacted by delayed shipping over Christmas 2015 with a key fulfiller. The US Thanksgiving and Christmas periods generally adversely impact margins due to increased incidence of returns and costs of expedited shipping.
- Paid acquisition costs increased in line with the consumer trend shifting to mobile devices. GPAPA was $16.2M, an increase of 6.9%.
- 2HFY17 net operating expenses were up 7.3% when compared to prior corresponding period. Modest increases in operating expenses from 1HFY17 to 2HFY17 demonstrate emerging operating leverage.
- The number of unique customers transacting on the Redbubble marketplace was up 32.4% when compared with prior corresponding period. The higher 1HFY17 number again reflects the seasonal factor of US Thanksgiving and Christmas.



Paul Gordon, Company Secretary

24 August 2017

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Directors' Report

Your Directors present their report on the consolidated entity, consisting of Redbubble Limited (the **Company**) and the entities it controlled during the financial year ended 30 June 2017 (referred to hereafter as **Redbubble**).

Directors

The following persons were Directors of Redbubble during the 2017 financial year:

Richard Cawsey	Chair, Non-executive Director
Martin Hosking	Managing Director and Chief Executive Officer
Teresa Engelhard	Non-executive Director
Greg Lockwood	Non-executive Director
Grant Murdoch	Non-executive Director
Hugh Williams	Non-executive Director (appointed 22 February 2017)
Stephanie Tilenius	Non-executive Director (resigned 16 February 2017)

Principal activities

Redbubble, through its website at Redbubble.com and three foreign language sites, is an online marketplace that facilitates 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.

There was no significant change in the nature of these activities during the year.

Review of operations

Growth by enhancing marketplace dynamics remained the major theme for the Group. Revenue grew by 23.0% (30.1% on a constant currency basis) to $141.0 million from the underlying movement in:

- Visits increased by 27.4 % to 188.4 million during the year
- Conversion rate increased by 4.6% from 1.87% to 1.96%, despite the shift to mobile which typically convert at lower rates
- Average order value decreased by 7.9% due largely to the strength in the Australian dollar against the currencies in which Redbubble earns its revenue.

Redbubble was able to markedly increase gross profit (i.e. Revenue less fulfiller expenses) by 28.5% (36.8% on a constant currency basis) to $50.1 million, and gross profit margin to 35.6% from 34.0% in FY2016. This was achieved by:

- Improved pricing strategies;
- Continued economies of scale at fulfilment level; and
- Ongoing localisation of fulfilment to reduce shipping costs.

Strategic themes

During the year, Redbubble maintained its disciplined approach to investment in future growth. Redbubble's investments are focused around its four key strategic themes:

- **Find Your Thing** - helping users discover the most relevant content, mitigate piracy and create a platform for content partnerships. We have delivered:
    - Improved quality and relevance of search results leveraging proprietary data science insights garnered from user behaviour on Redbubble's site;
    - Upgraded information architecture and deployment of a series of value-generating improvements to the experience for users; and
    - Improved content policing tools and capability to support content licensing.
- **Deeper Relationships** - building customer loyalty through personalised mobile experiences for members. We have delivered:
    - A global iOS app that is scaling quickly and has attained a 4.5 star rating from nearly 3,000 reviews; and
    - Improved sign-up flow and deployment of major new architecture to support member personalisation.
- **Global Acquisition** - increasing customer acquisition at low cost through efficient investment in high growth paid marketing channels and new markets. We have delivered:
    - Expanded reach and efficiency of Google Shopping and Facebook, particularly in mobile; and
    - Launched the Spanish language website and sustained high growth from that and the German and French sites launched in FY2016.
- **Scalability** - efficient scaling of Redbubble's platform. We have delivered:
    - 7 new products in the apparel, home and wall art categories (see below);
    - Faster shipping of products through localisation of fulfilment using 6 new locations (see below) whilst negotiating reduced fulfilment and shipping costs;
    - Improved customer experience and reduced customer support costs through automation and root cause problem elimination; and
    - Upgraded technology platforms accelerating the shift towards fast, flexible architecture that provides major and long-term improvements in user experience.

Redbubble's growth is facilitated by it retaining and attracting outstanding people in Melbourne, San Francisco and Berlin. Over the past year, we added 19 to the team taking us to 201 employees globally at 30 June; and the web product team is now 74 engineers, product managers, designers and data scientists including a small team established in San Francisco.

Seven new products

Over the year, Redbubble further increased the range of physical products available on the marketplace by adding:

- Lightweight Hoodie
- Lightweight Sweatshirt
- Long Tee (shirt)
- Gallery Board
- Wall Tapestry
- Clock
- Acrylic Block

No products were discontinued during the year.

Six new third party fulfilment locations

The continued expansion of the third party fulfilment network to improve the customer experience by enabling shorter delivery times and reducing shipping costs included the addition of four new fulfillers and six new fulfilment locations. Those locations were:

- Western USA – Homeware products
- Western USA – Apparel products
- South Eastern USA – Apparel products
- Australia – Apparel products
- Central Canada – Apparel products
- Western Europe – Stationery products

The Company adheres to a Code of Conduct and policy for ethical sourcing of products by the third party suppliers.

Strategy and likely developments in operations

The market opportunity for Redbubble continues to grow as online on-demand retail[2] becomes more mainstream and technologies mature to support more affordable products accessed through more devices and channels. The emergence of increased competition is a validation of this market opportunity. Unlike Australian retailers, Redbubble has for many years competed with and will continue to compete with Amazon and other players.

Redbubble remains focused on investing in our core marketplace business. There are self-reinforcing network effects that Redbubble sees in our investments as we grow. The network effects arise from growth in all three sides of the marketplace i.e. artists (content), third party fulfillers, and customers, with each incremental participant adding value to participants in the other two categories. This network effect is strengthened by Redbubble's ongoing platform work, making it more efficient for marketplace participants to access the benefits that the other participants create.

[2] "On demand retail" is defined as creation or significant customization of products for individual customers.

Near term opportunities within the strategic themes are:

- **Find Your Thing** - focus is on personalising the discovery experience, refining machine learning that supports piracy detection and initiating content partnerships.
- **Deeper Relationships** - focus is on acquiring more users on the mobile app and adding personalised features for Redbubble users and members;
- **Global Acquisition** - focus is on building on our increasing strength in Europe through further localisation of the experience and continuing to leverage data science in our paid marketing through Google and Facebook;
- **Scalability** - focus is shifting core parts of the user experience to a much faster platform, continuing to generate economies of scale in the supply chain and launching new products leading up to the holidays.

Over the next year, we expect continued progress on these themes and core operational work. This progress will deliver continued growth in new customer acquisition at a low cost, improved customer retention, and accelerated artist engagement and new content growth; thereby improving the underlying economics of the business.

Significant changes in the state of affairs

In the Directors' opinion, there have been no significant changes in the state of affairs of Redbubble during the 2017 financial year.

Significant events after end of the 2017 financial year

In the Directors' opinion, there have been no matters or circumstances arising since the end of the 2017 financial year that has significantly affected, or may significantly affect:

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

Dividends

No dividends were paid or declared since the start of the 2017 financial year.

Principal risks

The following are key risks that may impact Redbubble's financial and operating result in future periods:

- New disruptive business models entering the market and/or existing competitors increasing their market share. To mitigate the impact of this risk we focus on ensuring Redbubble's marketplace provides a market leading experience for artists and customers;
- A prolonged decline in content volume growth, as a result of the removal of problematic content following content management activities. This risk is mitigated by continuous addition of new artists following artist-experience and artists-services activities and the network effects of continuous growth in website visitor numbers;
- A prolonged interruption to Redbubble's operations or website as a result of cyber-attacks. To manage this risk, we have developed and tested our disaster recovery capability and procedures, implemented high availability infrastructure and architectures, and continually monitor our systems for signs of poor performance, intrusion or interruption;
- Failure to protect the confidential and personal data of artists and customers, resulting in significant legal action, damage to Redbubble's reputation and loss of significant customers. To minimise the impact of these risks we have implemented appropriate IT security measures; including preventative, detective and responsive capabilities;
- Litigation brought against Redbubble for intellectual property infringement and/or breach of consumer laws due to Redbubble's role as an intermediary for user-generated content. Redbubble mitigates this risk by responding expeditiously to content takedown notices from intellectual property rights-holders and collaborative relationships with rights-holders to promote the integrity of website content, as well as software tools that automate the content management activities; and
- Exposure to macroeconomic risks affecting consumer demand in relevant retail markets. This risk is largely outside of our control, and are mitigated by spreading our risk and investments across a wide range of countries and investments of varying sizes and value.

Governance and risk

Redbubble is committed to strong and effective governance and risk management frameworks. Redbubble's corporate governance and risk management policies are described in the Redbubble Corporate Governance Statement - available in the Corporate Governance section of Redbubble's Investor Centre: shareholders.redbubble.com

The Company is committed to managing its risks in an integrated, consistent and practical manner. The overall objective of risk management is to assist the Company to achieve its objectives by appropriately considering both threats and opportunities, and making informed decisions. The Audit and Risk Committee oversees the process for identification and management of risk in the Company, as described in the Redbubble Corporate Governance Statement. The Company Secretaries are responsible for providing oversight of the risk management framework and assurance on the management of significant risks to the CEO and the Board.

The Company's risk management framework, responsibilities and accountabilities are aligned with the Company's business model. A statement of the Company's risk management policy and risk appetite is provided in the Redbubble Corporate Governance Statement. The key organisational controls within the risk management framework help to shape the strategies, capabilities and culture of the organisation, identify and address vulnerabilities, strengthen the system of internal controls and build a more resilient organisation.

Environmental regulations

The operations of the Group do not involve any direct activities that have a marked influence on the environment. As such, the Directors are not aware of any material issues affecting the Group or its compliance with the relevant environment agencies or regulatory authorities.

Change in key management personnel during the 2017 financial year and since the end of that financial year

Robert Baumert, Chief Fulfillment and Analytics Officer, ceased employment with Redbubble on 30th June 2017. There were no other changes to key management personnel during the 2017 financial year.

From 1 July 2017, Victor Kovalev, Chief Technology Officer, will not be regarded as a key management personnel purely for the purposes of reporting, however Victor remains a key member of the Company's Senior Leadership Team - his responsibilities have not changed.

Mr Nicholas Kenn and Mr Arnaud Deshais were appointed to the Company's Senior Leadership Team on 1st July 2017 and their biographies are provided below, however they are not considered key management personnel for the purposes of this Report.

Information on Directors

Mr Richard Cawsey

Non -executive Director and Chair of the Board
Chair of Nomination Committee
Member of Audit and Risk Committee

Richard Cawsey has a 30-year track record of building high-performing organisations in Australia, Europe, North America and Asia. In addition to chairing Redbubble, he is the executive chair of Denali Venture Partners, a team of advisers and execution partners that help fast growing companies realise their potential. Richard has held a number of board and senior executive roles for ASX listed companies including OAMPS Ltd (as a non-executive director), Centrepoint Alliance Ltd (as the managing director and CEO), Advance Property Management Ltd (as chair) and Wealthpoint ltd (as chair). As the managing director and CEO of Centrepoint Alliance ltd, Richard drove the cultural and organisational transformation required to survive as a listed finance company during the global financial crisis. At St. George Bank (then Australia's 5th largest), as group executive investment services, Richard created a new division and played a significant role in the bank's restructure and increased profit and growth by over 25%. In Asia for Morgan Stanley, as a managing director, Richard had success in both starting and growing a number of businesses. Richard has a Bachelor of Commerce (Hons) degree from Australian National University and is a graduate of the Australian Institute of Company Directors.

Richard has not held any other listed company directorships in the 3 years to 30 June 2017.

Mr Martin Hosking

CEO and Managing Director
Member of Nomination Committee

Martin Hosking has spent 23 years scaling Australian technology companies. He is a co-founder of Redbubble and became the CEO and Managing Director in July 2010. Previously, Martin was the chair of Aconex, a SaaS provider to construction firms, and Southern Innovation, a digital pulse processing solution. He was instrumental in the development and subsequent listing on the NASDAQ of search company, LookSmart. Martin started his career as a diplomat with the Australian Department of Foreign Affairs and Trade before joining McKinsey & Company, serving clients focusing on emerging technologies. Martin has a Bachelor of Arts (Hons – First class) degree from the University of Melbourne and an MBA (with distinction) from Melbourne Business School, where he has also lectured. Martin is a graduate of the Australian Institute of Company Directors.

Martin has not held any other listed company directorships in the 3 years to 30 June 2017.

Ms Teresa Engelhard
Independent Non-executive Director
Chair of Remuneration Committee

Teresa Engelhard is a Silicon Valley transplant with 20 years of experience working with growth technology companies as a director, executive and venture capitalist. Teresa has served on over 10 boards and in addition to being a Non‑executive director of Redbubble, is currently a non‑executive director of Planet Innovation, Ltd. and StartupAUS. Teresa also serves on the Entrepreneurs' Programme Committee for the Australian Government, a sub-committee of the Innovation Australia Board. Teresa transitioned to a non-executive director path following six years as a managing partner with Jolimont Capital in Melbourne, where she was responsible for the investment in Next Window, which received an Australian Private Equity & Venture Capital Association Limited chairman's award in 2010 for outstanding exit performance. Prior to moving to Australia, Teresa worked as a C-level executive at both private and public IT companies and as a venture capitalist with Mohr Davidow Ventures in California. Teresa spent the early years of her career at McKinsey & Company in Los Angeles. She has a Bachelor of Science (Hons) degree from the California Institute of Technology and an MBA from Stanford University. Teresa is a graduate of the Australian Institute of Company Directors.

Teresa has been a director of listed company, Origin Energy Limited, since 1 May 2017.

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

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

Greg has not held any other listed company directorships in the 3 years to 30 June 2017.

Mr Grant Murdoch
Independent Non-executive Director
Chair of Audit and Risk Committee
Member of Remuneration Committee

Grant Murdoch joined the Board as an independent Non-executive director and Chair of the Audit and Risk Committee in January 2016. Grant has subsequently joined the Remuneration Committee. Grant has more than 37 years' chartered accounting experience. From 2004 to 2011, Grant led the corporate finance team for Ernst & Young Queensland and was an audit and corporate finance partner with Deloitte from 1980 to 2000. Grant has extensive experience in providing advice in relation to mergers, acquisitions, takeovers, corporate restructures, share issues, pre-acquisition pricing due diligence advice, expert reports for capital raisings and initial public offerings. Grant is currently a director and the chair of the audit committees for each of ALS limited (formerly Campbell Brothers), QIC Limited and OFX Limited (previously Ozforex Limited). He is a senator of the University of Queensland (as well as chair of the risk committee and a member of the finance committee), an adjunct professor at the University of Queensland Business School and a director of UQ Holdings Limited. Grant has a Master's degree in Commerce (Honours) from the University of Canterbury, New Zealand, is a graduate of the Kellogg Advanced Executive Program and the Advanced Leadership Program at North Western University and a fellow of the Institute of Chartered Accountants in Australia (as well as past chair at the Queensland committee and a member of the national professional standards committee) and of the Australian Institute of Company Directors.

Grant has held the following listed company directorships in the 3 years to 30 June 2017:

- ALS Limited (from 1 September 2011 to present)
- OFX Group Limited (from 19 September 2013 to present)
- Cardno Limited (from 1 January 2013 to 6 November 2015)

Dr Hugh Williams
Independent Non-executive Director
Member of Remuneration Committee
Member of Nomination Committee

Hugh Williams joined the Board as an independent Non-executive director in February 2017. He has held technical executive roles at eBay, Microsoft, Pivotal, and Tinder, and most recently led the Google Maps technology teams at Google. Prior to that, he spent over ten years at RMIT University, and prior to that five years running his own startup and consultancy in Melbourne. He is currently an Adjunct Professor at RMIT University, and an advisor to Doordash, Photobox, and Canva. He has published around 120 works, including over 25 issued US patents. He has a PhD in Computer Science from RMIT University. He is a member of the Australian Institute of Company Directors.

Hugh has not held any other listed company directorships in the 3 years to 30 June 2017.

Meetings of Directors

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
	Held whilst in office	Attended whilst in office	Held whilst in office	Attended whilst in office	Held whilst in office	Attended whilst in office	Held whilst in office	Attended whilst in office
Richard Cawsey	7	7	5	4	-	-	3	3
Martin Hosking [1]	7	7	5	5	8	8	3	3
Teresa Engelhard	7	7	-	-	8	7	-	-
Greg Lockwood	7	5	5	4	-	-	-	-
Grant Murdoch	7	7	5	5	8	8	-	-
Hugh Williams [2]	3	3	-	-	3	3	2	2
Stephanie Tilenius [3]	4	2	-	-	5	3	1	1

[1] Martin Hosking attends Audit and Risk Committee and Remuneration Committee meetings by standing invitation to those meetings (as well as being a member of the Nomination Committee).

[2] Hugh Williams joined the Board, Remuneration Committee and Nomination Committee effective 22 February 2017.

[3] Stephanie Tilenius resigned from the Board, Remuneration Committee and Nomination Committee effective 16 February 2017.

Directors' interests and shares and options

As at the date of this Report, the Directors held the following interests in shares, options and performance rights over Redbubble Limited shares:

	Shareholdings	Options outstanding	Performance rights outstanding
Richard Cawsey	13,870,560	248,360	-
Martin Hosking	50,965,438	3,132,300	263,500
Teresa Engelhard	1,046,020	-	-
Greg Lockwood	6,465,131	-	-
Grant Murdoch	75,187	89,540	-
Hugh Williams [1]	-	200,000	-
Total interests	**72,422,336**	**3,670,200**	**263,500**

[1] Hugh Williams was granted 200,000 options in prior years in his capacity as a consultant to Redbubble.

Retirement, election, continuation in office of Directors

Under Redbubble's constitution, the following Directors are eligible to and will seek re-election at the 2017 Annual General Meeting (AGM):

- Richard Cawsey; and
- Hugh Williams.

Teresa Engelhard will not be seeking re-election at the 2017 AGM and will therefore cease to be a Director at the end of that meeting.

Under Redbubble's constitution, Directors cannot serve beyond three years or the third AGM after their appointment, whichever is longer, without submitting for re-election by the Company. A retiring Director is eligible for re-election without needing to give any prior notice of an intention to submit for re-election and holds office as a Director (subject to re-election) until the end of the general meeting at which the Director retires.

Martin Hosking, who is Managing Director and Chief Executive Officer, is not required to be re-elected while he holds the position of Managing Director.

Company Secretaries

Redbubble's Company Secretaries are Ms Corina Davis (based in the US) and Mr Paul Gordon (based in Australia).

Ms Corina Davis
General Counsel and Company Secretary (US)

Corina Davis joined Redbubble in 2012 and oversees the company's legal function. Corina has a wide range of cross-functional experience with particular expertise in copyright and trademark law, litigation, compliance and risk management. Before joining Redbubble, Corina practiced law in Los Angeles and New York City at Milstein Adelman, McCurdy & Fuller and Mendes & Mount. Corina is an active member of the Women's General Counsel Network and the San Francisco General Counsel Group. Corina holds a Bachelor of Arts degree from the University of Michigan, Ann Arbor and a Juris Doctor degree from the University of San Diego School of Law, California.

Mr Paul Gordon
Regional Counsel and Company Secretary (Australia)

Paul Gordon joined Redbubble in early 2015. Paul has broad corporate and commercial legal experience, gained in-house and in top-tier law firms in Australia, the UK and New Zealand. Before joining Redbubble, Paul was the General Counsel at ASX-listed REA Group Ltd, operator of realestate.com.au. Before that Paul was a Senior Corporate Associate at Nabarro in the UK and also practiced at Hogan Lovells (UK) and Chapman Tripp (NZ). Paul holds a Bachelor of Laws (Hons), Master of Commerce and Certificate in Governance Practice.

The Redbubble Senior Leadership Team

Mr Martin Hosking, Chief Executive Officer
See above.

Mr Barry Newstead, Chief Operating Officer
Barry Newstead joined Redbubble in 2013 and has executive responsibility for Redbubble's web product, technology, physical product development, new markets and strategy teams. Barry has held internet focused executive roles at the Wikimedia Foundation (which runs Wikipedia) and Australia Post. Earlier, he was a strategy consultant with the Boston Consulting Group and the Bridgespan Group. He has worked extensively in North America, Asia, Europe and Australia. Barry has a Bachelor's degree from Ivey Business School, Canada, and a Master's degree from Harvard University, USA. Barry is a graduate of the Australian Institute of Company Directors.

Mr Chris Nunn, Chief Financial Officer
Before Chris Nunn's appointment as Chief Financial Officer in November 2015, Chris served as a Non-executive director and Chair of the Audit and Risk Committee of Redbubble from April 2015. Chris has more than 28 years of experience in the financial services and property funds management industries, and has spent most of the past 21 years as the senior finance executive working with and reporting to the boards of ASX listed companies and property trusts. Chris is a Chartered Accountant, a Graduate of the Australian Institute of Company Directors and has a Bachelor of Science (Economics) degree from Loughborough University, United Kingdom.

Ms Corina Davis, General Counsel and Company Secretary
See above.

Ms Vanessa Freeman, Chief People and Culture Officer
Vanessa Freeman joined Redbubble as Chief People and Culture Officer in August 2015. Vanessa previously held senior human resources and strategy roles at Pacific Brands. Vanessa began her career with the New Zealand Trade Development Board in New York before joining McKinsey & Company, London, where she focused on corporate strategy, post-merger management and operational transformation. Vanessa has Bachelor of Arts and Bachelor of Commerce degrees from Auckland University and an MBA from Stanford University, California.

Mr Victor Kovalev, Chief Technology Officer
Victor Kovalev joined Redbubble in December 2015 as Chief Technology Officer. Previously, he led Indiegogo's technical team as vice president of engineering. Prior to that, Victor held technical leadership roles at Yelp (as head of mobile, business owner portal, Yelp platform for fulfiller transactions and partner APIs) and also VMware – having gone through both of their initial public offerings. His professional expertise is in building driven cultures to foster radical innovation through rapid scaling. Victor holds Bachelor of Science in Computer Engineering and Master of Science in Computer Science degrees from Georgia Institute of Technology and is a partner at a California-based non-profit artist accelerator, Zoo Labs.

Mr Nicholas Kenn, GM Marketplace Growth

Nick Kenn joined Redbubble in February 2016 and heads up Product Management. Redbubble is the third marketplace Nick has worked on - after Betfair, where he headed up customer acquisition in the UK before moving to Australia to launch Betfair Australia. Nick also ran Flippa.com, where he was responsible for hyper growth of the websites, domains and apps marketplace. Nick has a Bachelor of Arts degree from the University of Sheffield, UK.

Mr Arnaud Deshais, Senior Vice President, Global Operations

Arnaud Deshais joined Redbubble in 2014 and oversees the Global Operations function. Arnaud has a wide range of supply chain experience with particular expertise in the areas of fulfillment, logistics, quality and customer experience. Before joining Redbubble, Arnaud was the director of Supply Chain for Art.com. Earlier, he was a Consultant Manager for Cap Gemini Ernst and Young within the Supply Chain and High Tech Practices. Arnaud is an active member of APICS and ISM. Arnaud holds an MBA from Clemson University, USA and ESC Rennes, France.

Details of share options and performance rights for Redbubble Directors and executives

The Remuneration Report contains details of options and performance rights in respect of ordinary shares in Redbubble Limited granted to Directors or any of the 5 most highly remunerated officers of the company (other than the Directors) during the 2017 financial year. The only options or performance rights granted to this group since the end of the 2017 financial year (to the date of this Report) are 160,000 options granted to Victor Kovalev, Redbubble's Chief Technology Officer.

The following table shows the total numbers of ordinary shares in Redbubble Limited subject to options or performance rights as at the date of this Report:

	Number outstanding	Last expiry date
Options	19,248,213	1 August 2027
Performance rights[1]	843,955	
Total awards outstanding	**20,092,168**	

[1] Performance rights granted do not have an expiry date. Ordinarily these vest and are settled according to a participants' vesting schedule, and any outstanding performance rights are otherwise forfeited when a participant no longer satisfies the service conditions in their agreement.

Holders of options or performance rights do not, by virtue of their holdings, have any pre-emptive right to participate in any share issue of the Company or any related body corporate.

The Financial Report contains details of the total number of ordinary shares in Redbubble Limited issued following exercise of options and vesting of performance rights during the 2017 financial year. The following table shows the total number of ordinary shares in Redbubble Limited issued following exercise of options and vesting of performance rights since the end of the 2017 financial year, to the date of this Report:

	Number	Exercise price paid $
Settlement of vested performance rights	193,690	-
Exercise of options	433,975	80,507
Total	**627,665**	**80,507**

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

Indemnification and insurance of officers

Redbubble has entered into Deeds of Indemnity with all Redbubble Limited Directors in accordance with the Redbubble constitution. During the 2017 financial year, Redbubble paid a premium to insure the Directors, officers and managers of Redbubble and its controlled entities. The insurance contract requires that the amount of the premium paid is confidential.

Proceedings against the Company

As at the date of these financial statements there are current lawsuits filed against entities within the Group that relate to alleged intellectual property infringement and/or breach of consumer laws.

The Company does not currently consider that any of the current proceedings are likely to have a material adverse effect on the business or financial position of the Company.

The Company is not aware of any other current or material threats of civil litigation proceedings, arbitration proceedings, administration appeals, or criminal or governmental prosecutions in which the Company or other members of the Redbubble Group are directly or indirectly concerned.

CEO and CFO declaration

The CEO and CFO have provided a written statement to the Board in accordance with Section 295A of the Corporations Act. With regard to the financial records and systems of risk management and internal compliance in this written statement, the Board received assurance from the CEO and CFO that the declaration was founded on a sound system of risk management and internal control, and that the system was operating effectively in all material aspects in relation to the reporting of financial risks.

Remuneration Report

The Remuneration Report is set out on pages 18 to 38 and forms part of the Directors' Report for the financial year ended 30 June 2017.

Rounding of amounts

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

Auditor

Ernst & Young was appointed as Redbubble's Auditor on 25 November 2014 and continues in office in accordance with section 327 of the Corporations Act 2001.

To the extent permitted by law, the Company has agreed to indemnify Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the 2017 financial year.

Non-audit services

During the year Ernst & Young performed other services in addition to its audit responsibilities. The Directors are satisfied that the provision of non-audit services by Ernst & Young during the reporting period did not compromise the auditor independence requirements set out in the Corporations Act. All non-audit services were subject to the Company's External Auditor Policy and do not undermine the general principles relating to auditor independence set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Company and its related practices for non-audit services provided throughout the 2017 and 2016 financial years are set out below:

	2017 $	2016 $
Non-audit services		
Taxation services	**37,471**	231,509
Other services	**18,073**	32,510
Initial public offering	-	680,000
Total	**55,544**	944,019

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act, is set out on page 17. The Auditor's Independence Declaration forms part of the Directors' Report.

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



Richard Cawsey
Chair
24 August 2017

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Building a better working world

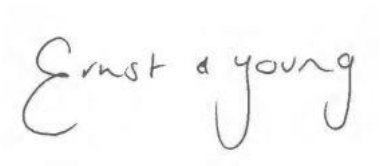
Auditor's Independence Declaration to the Directors of Redbubble Limited

As lead auditor for the audit of Redbubble Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Redbubble Limited during the financial year.



Ernst & Young



Kylie Bodenham
Partner
24 August 2017

A member firm of Ernst & Young Global Limited
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Letter from Remuneration Committee

Dear Shareholder,

The Remuneration Committee is pleased to present Redbubble's Remuneration Report for the year ended 30 June 2017.

Redbubble continues to pursue a valuable mission: to create the world's largest marketplace for independent artists, bringing more creativity in the world. The Company's remuneration policies from the Board and CEO down are aligned to the mission and its long-term nature.

Given the inevitable uncertainties of a high growth technology company in a rapidly evolving market, we have sought to craft policies that create an alignment of interest with long-term share value creation. Specifically, we opt to provide:

- Base level fixed compensation that is at market for the position
- Short-term incentives for KMP that are moderate and based on specific annual Key Performance Indicators (KPIs)
- Long-term incentives in the form of equity vesting over four years, which are the focus and differentiator for remuneration at Redbubble. The equity levels awarded at Redbubble are designed to enable the achievement of top quartile total compensation if long-term share price growth is realised.

This strategy remains unchanged from the prior year and no change in remuneration strategy is planned going forward, a decision which is validated by the balanced outcomes in 2017.

Over the course of 2017, our share price has remained below the IPO price and the Company level KPIs which were aligned to annual forecasts set for revenue and EBITDA were not met. Thus, despite growth of more than 20% for both GTV and gross profit, to ensure alignment between short-term shareholder results and short-term remuneration, the Remuneration Committee has elected not to use discretion relative to headwinds, and the payout for STIs based on Company KPIs was zero.

Considering a trade-off between short-term and long-term value creation as relevant context for the KPI miss for 2017, the Remuneration Committee and Board view the team's alignment to the mission and long-term value creation as working well. The long-term nature of the equity awards at Redbubble continue to provide upside and motivation for staff that is well aligned with long-term shareholder value creation. At Redbubble, as in many high growth technology companies with high R&D investment, there is often a trade-off between near-term revenue vs. long-term growth. The Board views it as a credit to management and the team that the 2017 Company KPI miss was, in part, due to their decisions to make short-term tradeoffs for the benefit of long term growth, including shifting some R&D investment towards longer-term strategic initiatives and managing content to optimise the ongoing health of the marketplace.

Looking ahead, modest tactical adjustments in remuneration practices are expected in 2018 due to increasing competition in Redbubble's global talent market. During the year whilst growing its leadership and technical team, Redbubble has experienced increased competition for talent, especially for globally mobile senior and technical people with experience in online consumer marketplaces. This has had minimal impact on executive compensation in FY2017, however we have adjusted some of our tactics to enable continued global leadership and growth. In addition to benchmarking some key positions to US comparables, which tend to have higher remuneration than Australian comparables, Redbubble will move to an annual granting cadence for top-up LTI equity for retaining staff beyond its initial recruitment four-year equity grants.

With appreciation for new and continuing shareholders,

Redbubble Remuneration Committee:
Teresa Engelhard, Chair
Grant Murdoch
Hugh Williams

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1. Remuneration Report overview

The Directors of Redbubble Limited present the Remuneration Report (the **Report**) for the Company for the financial year ended 30 June 2017. This Report forms part of the Director's Report and has been audited in accordance with section 300A of the Corporations Act 2001.

The report details the remuneration arrangements for Key Management Personnel (**KMP**). KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company.

The table below outlines the KMP of the Group and their movements during FY2017:

	Name	Position
Non-executive directors	Richard Cawsey	Chair, Non-executive director
	Teresa Engelhard	Non-executive director
	Greg Lockwood	Non-executive director
	Grant Murdoch	Non-executive director
	Stephanie Tilenius	Non-executive director (resigned 16 February 2017)
	Hugh Williams	Non-executive director (appointed 22 February 2017)
Executive director	Martin Hosking	Managing Director and Chief Executive Officer (CEO)
Other key management personnel	Rob Baumert	Chief Fulfilment and Analytics Officer (CF&AO) (ceased employment 30 June 2017)
	Corina Davis	General Counsel and Company Secretary (US)
	Vanessa Freeman	Chief People and Culture Officer (CP&CO)
	Victor Kovalev	Chief Technology Officer (CTO)
	Barry Newstead	Chief Operating Officer (COO)
	Chris Nunn	Chief Financial Officer (CFO)

2. Overview of executive remuneration

2.1 What is Redbubble's remuneration strategy?

Redbubble's executive remuneration strategy remains based on three principles:

- The creation of enduring value
- Motivating and rewarding an engaged ownership mindset
- Aligning remuneration to shareholder value growth

Redbubble's remuneration framework continues to focus on attracting, retaining and inspiring qualified and experienced leaders; fairly remunerating executives for their impact on Redbubble; and rewarding the creation of enduring value and shareholder value growth.

Redbubble benchmarks itself against both Australian and US peer groups, reflecting the global nature of our business and the talent markets we compete in. For Australian benchmarked roles, the primary source of remuneration benchmarking is a group of Australian listed companies in the technology sector with similar values for market capitalisation, employee headcount and revenue. For US-benchmarked KMP, the primary source of remuneration benchmarking is a group of US-based public and private companies in the consumer internet sector. For the COO and CTO both Australian and US benchmarks are referenced due to global mobility and competitiveness.

Redbubble's executive remuneration framework has higher at risk and equity components than our peers (discussed below). Redbubble aims to set annual remuneration (Fixed plus Short Term Incentives (**STIs**)) at around the 50th percentile for Australian benchmarked executive roles and the 25th percentile for US benchmarked executive roles. Total remuneration potential is above the 75th percentile if target share price appreciation over four years is realised, a strategy that is well aligned with long-term shareholder value creation.

Executive remuneration levels are reviewed annually by the Remuneration Committee with reference to both Redbubble's remuneration strategy, company performance and external benchmarks.

2.2 How does Redbubble's remuneration strategy take into account shareholders' interests?

Redbubble utilises four-year option grants for Long Term Incentives (**LTIs**) and measurable KPIs which determine annual STI awards to align the remuneration strategy with long-term shareholder value growth. The structure of Redbubble's equity grants is based on US growth technology company norms. Given the inability to set meaningful four-year measurable tests due to the dynamic nature of its industry, Redbubble equity awards use time-based vesting over four years - an approach which is standard in the US technology sector and which ensures direct alignment with shareholder value creation and retention. When coupled with active performance management, Redbubble views this approach as more appropriate for its business than capped-value LTIs with a four-year test. 50 percent of annual bonuses (STIs) are provided in deferred performance rights to further align KMP to shareholder value growth.

The company-wide KPI goals for the organisation in FY2017 were Gross Transaction Value (**GTV**), Gross Profit and Earnings before interest, tax, depreciation and amortisation (**EBITDA**). In addition, three non-financial measures - employee engagement, Customer Net Promoter Score (**NPS**) and artist engagement are included in Redbubble's company-wide goals. Employee engagement is measured via participation in the Great Place to Work (**GPTW**) survey, and organisational integration are part of the personal KPIs. The survey is conducted annually by The Great Place to Work Institute.

2.3 Elements of remuneration

The remuneration of the CEO and KMP are set out in section 6 (Statutory and Share-based reporting).

Redbubble provides an appropriate and competitive mix of remuneration components with an emphasis on value derived from share price growth and a long-term focus.

The three components of Redbubble's remuneration framework post listing are Fixed Remuneration, STIs and LTIs.

Fixed remuneration

The fixed component comprises base salary, allowances and superannuation (or foreign equivalent).

Fixed remuneration is designed to reward for:

- The scope of the executive's role
- The executive's skills, experience and qualifications
- Individual performance
- Competitiveness of the relevant functional and geographical talent market

Total fixed remuneration (**TFR**) is set to reflect the market for a comparable role. TFR for KMP is generally targeted at or below median levels compared to similar roles at comparator companies.

Short term incentives

STI awards are granted under the Company's Short Term Incentive Plan (**STI Plan**). The STI benefit for a participant is subject to the achievement of company and personal KPIs.

Where targets are achieved and a participant receives an STI benefit, a portion of the benefit is given in the form of cash, with the remainder given in the form of performance rights under the Company's Employee Equity Plan with a two-year deferral.

The Redbubble Board retains discretion in approving STI cash payments and equity.

The terms of the STI Plan are set out below. It is anticipated that the terms of the STI awards will be reviewed and, if considered appropriate, amended on a semi-annual basis. The aim of the STI program at Redbubble is to set, focus and align the organisation to actionable and measurable targets. It is the smallest component of remuneration in terms of relative magnitude and limited to the senior leadership team.

Who is eligible for the STI plan?	Invitation to participate in the STI Plan is at the discretion of the CEO. Participation is limited to executives who can materially impact the financial and operational performance of the Company. A participant must have six or more months' active employment to be eligible to receive an STI benefit in respect of a particular financial year. A participant's STI benefit will be pro-rated where they have not been actively employed (or participating in the STI Plan) for the whole of the financial year.
How is performance measured?	For FY2017, for the CEO, the STI benefit is 100% based on the Company achieving measurable performance targets which apply to the entire STI award. For participants other than the CEO, an STI award comprises two equal (i.e. 50%) components, the first being dependent upon achievement of the Company's performance targets, and the second upon achievement of the participant's personal performance targets (which are tailored to each participant). A participant will not receive a benefit in respect of either component unless they achieve at least a satisfactory review for the purpose of their personal performance targets (see further in 'STI benefits' below).
How much can executives earn in STI?	A target STI award is set for each participant, expressed as a dollar value. A participant's target STI award is set having regard to the participant's role and responsibilities. The amount of the STI benefit that a participant actually receives is dependent upon the extent to which Company and personal performance targets have been achieved. For FY2017, the CEO's STI benefit depends on the Company's performance against the GTV, Gross Profit and EBITDA targets below. The Board has the discretion to adjust the benefit depending on personal measures for the CEO, specifically the results of the GPTW survey, share price performance and management of content risk. The maximum STI benefit that the CEO may receive for FY2017 is 150% of target STI. For FY2017, for participants other than the CEO: • assuming the participant meets their personal targets, their STI benefit for the component of STI relating to Company performance will range between 100% (where a threshold GTV of $210 million is achieved) to 125% (where the target GTV is exceeded by at least 30%) of the target for that component; and • the participant's maximum STI benefit for the component of their STI award relating to personal performance is 100% (in the case of achievement of their personal targets) of the target for that component.

	In each case, the Board can apply discretion to increase or decrease a participant's STI benefit by 20% to reflect 'headwind' or 'tailwind' conditions respectively. The maximum STI benefit a participant may receive for FY2017 is 133% of target STI.
How is an STI benefit provided	An STI benefit will be delivered partly in cash and partly in the form of $Nil price options and Performance Rights granted under one of the Employee Equity Plans. For FY2017, the CEO will receive 60% of any STI benefit in cash and 40% in Performance Rights. All other participants will receive 50% of any STI benefit in cash and 50% in the form of Performance Rights.
When is it paid?	The STI award is determined after the end of the financial year following a review of performance over the year against the STI performance measures by the CEO (and in the case of the CEO, by the Board). The Board approves the final STI award based on this assessment of performance.
Deferral terms	In calculating the number of Performance Rights to be granted, the dollar value of the relevant component of the STI benefit will be divided by the Volume Weighted Average Price (**VWAP**) over a representative 5-day period. The Board can apply discretion to review the VWAP period for extraordinary events that are considered to have distorted the VWAP. All Performance Rights will be subject to time based vesting conditions with 50% of Performance Rights comprised in a particular award vesting one year after their date of allocation and the remaining 50% vesting two years after their date of allocation.
What happens if an executive leaves?	If an executive voluntarily resigns from Redbubble, or has their employment with the Redbubble group terminated for poor performance or misconduct, prior to the relevant vesting date, no STI is awarded for that year. Similarly, any unvested deferred STI is forfeited, unless otherwise determined by the Board. The Board has the discretion to accelerate vesting of Performance Rights and may exert this discretion in certain cases (for example due to the death or disablement of a participant or a change of control of the Company).

Annual remuneration (fixed + STI)

Annual remuneration for KMP is generally targeted at median levels compared to similar roles at comparator companies, depending on role scope, the competitiveness of the talent market and the global mobility of the incumbent.

Long term incentives

LTIs, in the form of equity (stock options and performance rights) that vest monthly or annually over four years are the remuneration differentiator at Redbubble. All executives have received LTI awards in the form of Options or Performance Rights that vest over multiple years. LTI grants are made to executives to align remuneration with the creation of shareholder value over the long-term.

Redbubble options have a four-year time-based vesting schedule. The exercise price is set to market at the time of the grant, thus the options align directly with absolute total shareholder returns when there is share price appreciation and their realisable value is 100% at risk in the event of a share price decline.

How is it paid?	KMP receive share options or performance rights in accordance with Redbubble's employee equity plan.
How much can executives earn?	The value KMP will realise from LTI grants will depend on the appreciation of Redbubble's share price over four years.
How much is at risk?	Redbubble's LTI's vest over four years with the strike price set at the market value at the time of issue. For the option grants if Redbubble's share price does not increase or if it declines from the exercise price at issuance, the LTI will be worthless, this it is effectively 100% at risk relative to share price performance.
What happens if an executive leaves?	If an executive resigns or is terminated for cause, any unvested LTI awards are forfeited, unless otherwise determined by the Board. The treatment of unvested and vested and unexercised awards will be determined by the Board with reference to the circumstances of cessation.

2.4 Changes in FY2017

The Board standardised the split of participants' STI to be 50%in cash and 50% deferred for all executives other than the CEO in FY2017 to better align the STI plan to shareholder value.

3. Performance and executive remuneration outcomes in FY2017

A key underlying principle of the Group's executive remuneration framework is that the remuneration levels should be linked to Group performance.

The Group's key financial measures of performance over the last 5 years are summarised in the table below:

Key indicators	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Gross transaction value (GTV)	175,429	142,869	88,367	59,321	33,689
Gross profit (GP)	50,117	39,003	24,072	16,493	9,475
Earnings before Interest, taxes, depreciation and amortisaion (EBITDA) [1]	(8,068)	(10,726)	(6,531)	2,306	276

[1] EBITDA loss for 2016 includes Initial Public Offering (IPO) costs of $2.0 million. EBITDA loss before IPO costs was $8.7 million.

GTV less sales taxes and artists' margin, adjusted for unearned revenue pending shipment, equals Group's revenue. Revenue has consistently been approximately 80% of GTV.

3.1 Performance against STI measures

Company performance targets, on which 50 percent of an executive's STI award is made, are based on a combination of financial and non-financial measures. Redbubble's performance against those measures is as follows for FY2017:

Financial measures

Measure	Target	FY 2017 performance	Assessment
GTV at stable GP	$210-$220 million	$175.4 million	Not achieved
GP	$55-$62 million	$50.1 million	Not achieved
EBITDA	($5)-$1 million	($8.1) million	Not achieved

Non-financial measures

Measure	Target	FY 2017 performance	Assessment
Percentage of employees who would recommend Redbubble as a Great Place to Work	88%	81%	Not achieved
Net promoter score (NPS)	66-68	67.4	Threshold

Key financial measures of company performance were not achieved in FY2017. On this basis, the Board did not grant the company component of the FY2017 STI award. The personal component of the STI award is also based on company performance for the CEO, and on that basis no STI award was granted to the CEO for FY2017.

KMP have other non-financial measures appropriate to their positions. The individual goals of KMP other than the CEO are selected to focus on sustainable growth of Redbubble's platform. For KMP other than the CEO, 50-75% of the personal component of their STI was awarded, based on the achievement of individual goals. The STI award as a percentage of the maximum potential STI award was 0% for the CEO, 28% for the COO and CTO, and 19% for all other KMP excluding the CEO.

4. How remuneration is governed

4.1 Remuneration Committee role

The Committee is responsible for reviewing and advising the Board on remuneration policies and practices. The Committee also reviews and advises the Board on the design and implementation of short and long term incentive performance packages, superannuation entitlements, termination entitlements and fringe benefits policies.

The remuneration of Directors, the CEO, KMP, managers and team members is reviewed by the Remuneration Committee which then provides recommendations to the Board.

The members of the Committee during FY2017 were: Teresa Engelhard (Committee Chair), Stephanie Tilenius (resigned 16 February 2017), Grant Murdoch and Hugh Williams (appointed 22 February 2017).

4.2 Use of remuneration advisors

The Committee obtains independent advice from remuneration consultants, Radford, part of Aon Hewitt, a business unit of Aon plc, on the appropriateness of remuneration based trends in Australia and the US.

Both Radford and the Committee are satisfied that the advice is free from undue influence from the KMP to whom the remuneration recommendations apply.

The remuneration advisor's recommendations were provided to Redbubble as an input into decision-making only. The Remuneration Committee considered the recommendations, along with other factors, in making its remuneration decisions.

Radford was paid a fees of USD$64,076 for the remuneration recommendations.

4.3 Clawback of remuneration

In the event of serious misconduct or a material misstatement of the Group's financial statements, the Board has the discretion to reduce, cancel or clawback any unvested STI or LTI.

4.4 Executive employment agreements

CEO and Managing Director

The Company has entered into an updated employment agreement contract dated 30 June 2017 with Martin Hosking, the Company's CEO and Managing Director, to govern his employment with Redbubble.

The table below summarises the remuneration arrangements of the CEO:

Remuneration element	Value	Proportion of package	Details
Base pay, including superannuation [1]	$443,463	60%	$395,120 p.a. up to 30 September 2016 and $450,000 effective 1 October 2016 (both amounts include housing allowance of $52,120 p.a.)
Benefits	$600	<1%	Wellness allowance, a benefit that is generally available to all Redbubble employees
Deferred short term incentive	$26,561	4%	Represents share based payment expense recognised during the year over the vesting period, in relation to deferred STI award for FY 2016
Performance rights	$163,739	22%	Represents share based payment expense recognised during the year over the vesting period, for performance rights granted in prior years
Share options	$92,948	12%	Represents share based payment expense recognised during the year over the vesting period, for options granted in prior year
Long service leave	$18,590	2%	Represents provision for long service leave made during the year
Total	**$745,901**	**100%**	

[1] Includes superannuation on wellness allowance and bonus paid during the year.

In FY2017 Martin's target STI award was $125,000, with a maximum STI benefit of $212,500[2]. Martin would receive 60% of any STI benefit in cash and the remainder in Performance Rights. In FY2017 no STI award was granted to Martin.

Under the terms of Martin's employment contract, either party is entitled to terminate Martin's employment contract by giving six month's written notice. The Company may, at its election, make a payment in lieu of that notice based on Martin's base remuneration package.

Other senior employment arrangements

All other executives are employed on open ended individual employment contracts that set out their terms of their employment. Each agreement varies according to the individual KMP but typically includes:

- Termination provisions incorporating notice periods and payments of six months;
- Performance and confidentiality obligations on the part of both the employer and employee; and
- Eligibility to participate in the Company's Employee Equity Plan

[2] The maximum STI benefit for the CEO has not increased from FY2016. The amount reported in FY2016 as the maximum potential STI was incorrect. It did not take into account the Board's discretion to increase or decrease the STI by 20% to account for head or tail winds.

Termination provisions

All KMP including the CEO were moved to six month termination notice periods during FY2017 to manage business continuity risk during any KMP transition.

KMP contractual termination provisions are as follows:

	Resignation	Termination for cause
CEO notice period (by company or executive)	6 months	None
CFO notice period (by company or executive)	6 months	None
Other executives' notice period (by company or executive)	6 months	None

In the case of termination due to death, disablement, redundancy or notice without cause, the Board may in certain circumstances apply discretion to approve a payment of up to 6 months' salary.

Rob Baumert, commenced employment as an Australian employee and as such accrued long-service leave entitlements. His US contract therefore includes a severance benefit to reflect the foregone long-service leave benefit that he would otherwise have been entitled to if he had continued employment in Australia.

Rob Baumert ceased employment with Redbubble effective 30 June 2017. As a result, Rob received termination benefits of:

- $222,952 in accordance with the terms of his employment contract including payment in lieu of notice, severance benefits, health benefits and acceleration of equity
- Awards totalling $12,521 made to Rob under the FY2016 STI award continue to vest as per the terms of the STI plan
- The above benefits include three months accelerated vesting of performance rights and six months accelerated vesting of options

5. Overview of non-executive Director (NED) remuneration

Redbubble's NED policy was not changed over FY2017. It is designed to attract and retain high calibre directors who can discharge the roles and responsibilities required in terms of good governance, strong oversight, independence and strong alignment of interests with long-term shareholder value creation. NED remuneration reflect the demands and responsibilities of the Directors.

The NED remuneration level was benchmarked and set in 2015 in anticipation of Redbubble's listing based on advice from AON Hewitt at AUD$80,000 for a base cash Directors' fee inclusive of committee memberships, and with AUD$10,000 additional value for audit and remuneration chairs. Directors are encouraged, but not required, to take at least 50% of their fee in equity to ensure alignment with shareholder value creation. Both Hugh Williams' and Grant Murdoch's remuneration was set according to this policy.

The variability in the actual reported Directors' fees is due to the fact that prior to its listing, Redbubble directors received all-equity compensation based on individual three year contracts and which were awarded from different equity plans depending on each Director's country of tax residence. Richard Cawsey, Teresa Engelhard and

Stephanie Tilenius were remunerated based on such three-year contracts which have now concluded. Greg Lockwood is a partner with Piton Capital, a private equity firm with a shareholding in Redbubble. As per the policies of Piton Capital, Greg receives no remuneration from Redbubble.

Redbubble will conduct a review and benchmark of director fees and structure for 2018 which will be applied to all directors going forward with the exception of Greg Lockwood.

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

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

Maximum aggregate NED fee pool

The total amount paid to all Directors for their services must not exceed in aggregate in any financial year the amount fixed by shareholders in a general meeting. Upon establishment this amount has been fixed by the Board in accordance with the Constitution at $1,200,000. Any changes to this amount in future will require approval by shareholders in a general meeting in accordance with the ASX Listing Rules.

6. Statutory and share-based reporting

6.1 Executive KMP remuneration for the year ended 30 June 2017

		Short term benefits			Post-employment benefits	Other benefits	Long-term benefits	Share-based payments					
		Cash salary [1] $	Cash bonus [2] $	Non-monetary benefits [3] $	Superannuation [4] $	Termination benefits [5] $	Long service leave [6] $	Share-based payments - Performance rights (Time based) [7] $	Share-based payments - Share options (Performance based) [8] $	Share-based payments - Share options (Time based) [7] $	Deferred STI [9] $	Total remuneration $	Performance - related [10] %
Executive director													
Martin Hosking	**2017**	**408,463**	-	**600**	**35,000**	-	**18,590**	**163,739**	**92,948**	-	**26,561**	**745,901**	**16%**
	2016	307,962	75,000	52,864	36,304	-	17,588	164,188	93,330	-	6,363	753,599	23%
Other key management personnel													
Rob Baumert [5]	**2017**	**282,973**	-	**17,852**	**13,542**	**235,473**	-	**17,520**	**62,792**	-	**17,406**	**647,558**	**12%**
	2016	305,365	61,794	28,293	18,845	-	-	19,009	64,885	3,996	6,749	508,936	26%
Corina Davis [*]	**2017**	**318,261**	**13,264**	**26,563**	**16,859**	-	-	**25,093**	**50,036**	**12,553**	**17,210**	**479,839**	**17%**
	2016	247,816	48,062	26,908	13,378	-	-	27,351	51,908	-	5,249	420,672	25%
Vanessa Freeman [11]	**2017**	**257,283**	**12,500**	**582**	**26,872**	-	**433**	-	-	**60,622**	**18,010**	**376,302**	**8%**
	2016	136,370	31,011	150	12,969	-	109	-	-	50,324	6,797	237,730	16%
Victor Kovalev [12]	**2017**	**300,689**	**18,750**	-	**29,997**	-	**468**	-	-	**172,833**	**18,277**	**541,014**	**7%**
	2016	155,769	23,171	-	14,798	-	116	-	-	97,553	4,512	295,919	9%
Barry Newstead	**2017**	**292,782**	**30,000**	**600**	**30,000**	-	**2,603**	**119,894**	**122,855**	**177,762**	**31,566**	**808,062**	**23%**
	2016	245,857	80,000	600	30,646	-	1,418	126,356	127,769	103,248	8,737	724,631	30%
Chris Nunn [13]	**2017**	**296,547**	**12,500**	-	**28,707**	-	**499**	-	-	**58,758**	**22,846**	**419,857**	**8%**
	2016	191,781	33,151	-	18,219	-	135	-	-	38,957	7,313	289,556	14%
Total	**2017**	**2,156,998**	**87,014**	**46,197**	**180,977**	**235,473**	**22,593**	**326,246**	**328,631**	**482,528**	**151,876**	**4,018,533**	
	2016	1,590,920	352,189	108,815	145,159	-	19,366	336,904	337,892	294,078	45,720	3,231,043	

[1] Includes base salary and excess superannuation - refer to footnote 4.

[2] Represents cash bonus accrued for the year. The actual cash bonus paid to Vanessa Freeman for FY2016 in FY2017 was $25,000.

[3] In the current year, non-monetary benefits relate to wellness benefits for all the executives and health benefits for the US executives. In the prior year, for Martin Hosking, it also included taxable value of an apartment up to 31 March 2016.

[4] Staff can elect to have their superannuation capped at either $30,000 or $35,000 (age-based), with any amount above this included in cash salary. These amounts include superannuation on bonus paid during the year.

[5] Rob Baumert ceased employment effective 30 June 2017.

[6] Only Australian executives are entitled to long service leave. The annual charge reflects length of service.

[7] Amounts disclosed reflect the value of remuneration consisting of performance rights/options, based on the value of rights/options expensed during the year. The fair value of rights is equivalent to fair value of shares at the grant date and the fair value of options is ascertained using Black-Scholes model and is amortised over the vesting period.

[8] Amounts disclosed reflect the value of remuneration consisting of options, based on the value of options expensed during the year. The fair value of options is ascertained using Black-Scholes model and is amortised over the vesting period. These options were subject to company performance conditions in FY2015.

[9] Represents share based payment expense recognised during the year over the vesting period, in relation to deferred STI award for current year (where applicable) and prior year.

[10] Cash bonus, share options with a performance condition and deferred STI are all considered to be performance-related remuneration, based on their nature at grant date.

[11] Vanessa Freeman was appointed effective 24 August 2015 and she worked full-time for part of the prior year and part-time for the balance part of prior year. Accordingly, her remuneration is not comparable with the prior year.

[12] Victor Kovalev was appointed effective 14 December 2015. He will no longer be considered a member of the key management personnel from 1 July 2017 onwards.

[13] Chris Nunn was appointed effective 1 November 2015.

[*] Remuneration is paid in USD. The numbers disclosed are in AUD and are derived by using USD to AUD average exchange rate of 1.3264.

6.2 NED remuneration for the year ended 30 June 2017

		Short term benefits	Post-employment benefits	Share-based payments		
		Director fees $	Superannuation $	Share-based payments - Performance rights [1] $	Share-based payments - Share options (Time based) [1] $	Total $
Non-executive directors						
Richard Cawsey [2]	**2017**	**105,000**	-	-	**34,784**	**139,784**
	2016	97,667	-	7,271	40,973	145,911
Teresa Engelhard	**2017**	-	-	**30,123**	-	**30,123**
	2016	-	-	36,117	-	36,117
Greg Lockwood	**2017**	-	-	-	-	-
	2016	-	-	-	-	-
Grant Murdoch [3]	**2017**	**41,096**	**3,904**	-	**34,943**	**79,943**
	2016	20,548	1,952	-	20,231	42,731
Chris Nunn [4]	**2017**	-	-	-	-	-
	2016	-	-	17,586	-	17,586
Stephanie Tilenius [5]	**2017**	-	-	**5,528**	**21,198**	**26,726**
	2016	-	-	10,019	39,036	49,055
Hugh Williams [6]	**2017**	-	-	-	**7,035**	**7,035**
	2016	-	-	-	-	-
Total	**2017**	**146,096**	**3,904**	**35,651**	**97,960**	**283,611**
	2016	118,215	1,952	70,993	100,240	291,400

[1] Amounts disclosed reflect the value of remuneration consisting of rights/options, based on the value of rights/options expensed during the year. The fair value of rights/options is ascertained using Black-Scholes model.

[2] Richard Cawsey's fees are paid to and options / performance rights are issued to Denali Venture Partners (Aust).

[3] Grant Murdoch was appointed effective 1 January 2016.

[4] Chris Nunn resigned as a non-executive director effective 28 October 2015 to take up the position of the CFO.

[5] Stephanie Tilenius resigned effective 16 February 2017.

[6] Hugh Williams was appointed effective 22 February 2017. On appointment, the Board approved two grants, one for 30,000 options with a $0.89 exercise price, and the other for 60,000 options with $Nil exercise price. These grants will be put up for shareholders' approval during the AGM. The amount disclosed represents value of options expensed during the year.

7. Equity instruments held by Directors and KMP

7.1 Option, performance rights and warrant holdings

The tables below disclose the number of share options, performance rights and warrants granted, exercised, vested or forfeited during the year.

Option holdings

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

2017	Balance at the start of the year	Granted during the year as compensation [1]	Exercised during the year	Forfeited during the year [2]	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year	Vested during the year
Non-executive directors								
Richard Cawsey	1,440,000	-	(1,440,000)	-	-	-	-	-
Grant Murdoch	89,540	-	-	-	89,540	43,579	45,961	29,028
Stephanie Tilenius	731,520	-	(670,560)	(60,960)	-	-	-	162,560
Executive director								
Martin Hosking	1,483,200	48,900	-	-	1,532,100	988,800	543,300	370,800
Other key management personnel								
Rob Baumert [3]	1,427,200	29,268	(100,000)	(180,000)	1,176,468	1,147,200	29,268	380,000
Corina Davis	496,000	228,387	-	-	724,387	282,815	441,572	234,815
Vanessa Freeman	600,000	24,450	-	-	624,450	187,500	436,950	187,500
Victor Kovalev	1,200,000	102,449	-	-	1,302,449	464,982	837,467	464,982
Barry Newstead	2,498,720	39,120	(144,672)	-	2,393,168	1,364,392	1,028,776	624,672
Chris Nunn	680,000	32,600	-	-	712,600	269,162	443,438	269,162
Related party								
Denali Venture Partners Pty Ltd (Beneficiary: Richard Cawsey) [4]	-	248,360	-	-	248,360	213,859	34,501	213,859
Jellicom Pty Ltd as trustee for the Three Springs Family Trust (Beneficiary - Martin Hosking)	1,600,200	-	-	-	1,600,200	1,600,200	-	-
Total	**12,246,380**	**753,534**	**(2,355,232)**	**(240,960)**	**10,403,722**	**6,562,489**	**3,841,233**	**2,937,378**

[1] All options granted during the year have an exercise price of $Nil, except for:

Corina Davis: 228,387 options

Victor Kovalev: 79,935 options

[2] Forfeited during the year on termination.

[3] Rob Baumert ceased employment effective 30 June 2017. As a part of the termination agreement, the vesting of 120,000 options was accelerated to 30 June 2017. The remaning outstanding options were forfeited.

[4] In October 2014, the Board approved a grant of 248,360, $Nil price options to Denali Venture Partners Pty Ltd, an associated entity of Richard Cawsey (representing an element of his reumuneration as a Director), vesting over 3 years from 1 October 2014. However, the agreement was not executed at that time. The grant was approved by shareholders at the AGM on 26 October 2016.

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Performance rights holdings

Performance rights do not carry any voting or dividend rights.

2017	Balance at the start of the year	Granted during the year as compensation	Settled during the year	Withheld during the year[1]	Forfeited during the year[2]	Balance at the end of the year	Unvested at the end of the year	Vested during the year[3]
Non-executive directors								
Teresa Engelhard	299,640	-	(299,640)	-	-	-	-	299,640
Stephanie Tilenius	81,360	-	(72,320)	-	(9,040)	-	-	72,320
Executive director								
Martin Hosking	1,580,720	-	(1,251,360)	-	-	329,360	329,360	1,251,360
Other key management personnel								
Rob Baumert[4]	200,160	-	(124,053)	(76,107)	-	-	-	200,160
Corina Davis	288,000	22,764	(162,555)	(101,445)	-	46,764	46,764	264,000
Barry Newstead	1,157,440	-	(892,160)	-	-	265,280	265,280	892,160
Related party								
Denali Venture Partners (Aust) - (Beneficary - Richard Cawsey)	151,920	-	(151,920)	-	-	-	-	151,920
Total	**3,759,240**	**22,764**	**(2,954,008)**	**(177,552)**	**(9,040)**	**641,404**	**641,404**	**3,131,560**

[1] Withheld towards US withholding taxes.

[2] Forfeited during the year on termination.

[3] The number of performance rights vested during the year is the sum of performance rights settled and withheld during the year. The vesting of performance rights granted prior to Redbubble's listing was suspended until 14 November 2016 (i.e. 6 months after the listing date, referred to as the "Initial Vesting Date"). On the Initial Vesting Date, a proportion of the total rights vested, with that proportion being determined by reference to the time between the relevant grant dates and the Initial Vesting Date. Following the Initial Vesting Date, a monthly vesting schedule applies for the performance rights, until such time where all rights are fully vested.

[4] Rob Baumert ceased employment effective 30 June 2017. As a part of the termination agreement, vesting of 12,510 rights was accelerated to 30 June 2017.

Warrant holdings

Warrants do not carry any voting or dividend rights, and can be exercised until their expiry date.

These were issued in terms of the Facility Agreement.

2017	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested at the end of the year
Related party							
Denali Capital Managers Pty Ltd (Beneficiary - Richard Cawsey)[1]	654,560	-	(654,560)	-	-	-	-

[1] Denali Capital Managers Pty Ltd (Denali), an associated entity of Richard Cawsey, was issued with the warrants set out above as consideration for Denali providing a loan facility to the Company. The loan facility agreement terminated in December 2012.

7.2 Shares issued on exercise of options/warrants/rights

2017	Nature of grant	Number of ordinary shares on exercise of options / warrants / settlement of performance rights	Exercise price per option	Share price per share at exercise / settlement dates [1]	Value at exercise / settlement dates [2]
Non-executive directors					
Richard Cawsey	Options	1,440,000	$0.05	$0.93	1,260,000
Teresa Engelhard	Performance rights	299,640	-	$0.69 - $0.99	266,069
Stephanie Tilenius [3]	Options	670,560	$0.37	$0.66	191,277
	Performance rights	72,320	-	$0.87 - $0.95	65,054
Executive director					
Martin Hosking	Performance rights	1,251,360	-	$0.69 - $0.90	1,086,561
Other key management personnel					
Rob Baumert	Options	100,000	$0.13	$0.91	78,196
	Performance rights	200,160	-	$0.70 - $1.00	179,477
Corina Davis	Performance rights	264,000	-	$0.70 - $0.95	234,360
Barry Newstead	Options	144,672	$0.00	$0.88	127,311
	Performance rights	892,160	-	$0.69 - $0.90	774,384
Related party					
Denali Capital Managers Pty Ltd (Beneficiary: Richard Cawsey)	Warrants	654,560	$0.14	$1.04	590,119
Denali Venture Partners (Aust) (Beneficiary: Richard Cawsey)	Performance rights	151,920	-	$0.88	133,690
Total		**6,141,352**			**4,986,498**

[1] Performance rights have monthly vestings and are hence settled over multiple dates. The share price per share at settlement dates represents:
- for AU participants: VWAP for the previous 5 trading days
- for US participants: closing price on the previous trading day

[2] Value at exercise / settlement date is calculated as:
- for options / warrants: share price on exercise date less exercise price paid, multiplied by number of options / warrants exercised
- for performance rights: share price on settlement date, multiplied by the number of performance rights settled

For presentation purposes, share price has been rounded to two decimal places, however the value at exercise / settlement date has been calculated based on unrounded numbers.

[3] The shares resulting from exercise of options were purchased by Redbubble Limited Employee Share Trust.

7.3 Shareholdings of Directors and KMP

2017 - Redbubble Limited ordinary shares [1]		Balance at the start of the year	Received during the year on exercise of options / warrants / settlement of performance rights	Purchase of shares	Sale / transfer of shares	Balance at the end of the year
Non-executive directors						
Richard Cawsey		-	1,440,000	-	-	1,440,000
Teresa Engelhard		746,380	299,640	-	-	1,046,020
Stephanie Tilenius [2]		-	742,880	-	(742,880)	-
Executive director						
Martin Hosking		1,641,880	1,251,360	-	-	2,893,240
Other key management personnel						
Rob Baumert		-	224,053	-	(100,000)	124,053
Corina Davis		272,000	162,555	-	-	434,555
Barry Newstead		-	1,036,832	-	(288,672)	748,160
Chris Nunn		57,360	-	-	-	57,360
Related parties	**Beneficiary**					
Cawsey Superannuation Fund Pty Ltd	Richard Cawsey	9,726,480	-	-	(587,500)	9,138,980
Denali Venture Partners Fund 1 LP	Richard Cawsey	1,840,240	-	-	-	1,840,240
Denali Capital Managers Pty Ltd	Richard Cawsey	-	654,560	-	-	654,560
Denali Investors Pty Ltd	Richard Cawsey	-	-	587,500	-	587,500
Denali Venture Partners (Aust)	Richard Cawsey	57,360	151,920	-	-	209,280
Jellicom Pty Ltd as trustee for the Three Springs Family Trust	Martin Hosking	47,978,569	-	27,769	-	48,006,338
Piton Capital Venture Fund II LP	Greg Lockwood	5,537,291	-	-	-	5,537,291
Piton Capital Investments Cooperatief B	Greg Lockwood	927,840	-	-	-	927,840
G & M Murdoch Pty Ltd as trustee for the Murdoch Family Superannuation Fund	Grant Murdoch	75,187	-	-	-	75,187
Overan Holdings Pty Ltd	Chris Nunn	76,000	-	-	-	76,000
Total		**68,936,587**	**5,963,800**	**615,269**	**(1,719,052)**	**73,796,604**

[1] Includes shares held directly, indirectly and beneficially by KMP.

[2] 677,340 shares were purchased by Redbubble Limited Employee Share Trust for $0.66 per share.

8. Details of equity awards granted

	Grant date	# of options / rights granted	Vest period/date	Expiry date	Exercise price	Value of options / rights at grant date[1]
Executive director						
Martin Hosking	15-Sep-16	48,900	50% vest on 1 September 2017, and the remaining 50% vest on 1 September 2018	15-Sep-26	$0.00	$50,000
Other key management personnel						
Rob Baumert[2]	15-Sep-16	29,268	50% vest on 1 September 2017, and the remaining 50% vest on 1 September 2018	01-Dec-18	$0.00	$29,927
Corina Davis	16-Sep-16	200,000	Equal monthly vesting over 48 months commencing from 1 October 2016 to 1 September 2020	16-Sep-26	$1.33	$58,859
	10-Mar-17	28,387	7/48th to vest on 1 April 2017 and 1/48th over the next 41 months in equal monthly numbers up to 1 September 2020	10-Mar-27	$0.89	$7,183
	15-Sep-16	22,764	50% vest on 1 September 2017, and the remaining 50% vest on 1 September 2018		-	$23,276
Vanessa Freeman	15-Sep-16	24,450	50% vest on 1 September 2017, and the remaining 50% vest on 1 September 2018	15-Sep-26	$0.00	$25,000
Victor Kovalev	01-Sep-16	70,000	Equal monthly vesting over 48 months commencing from 1 October 2016 to 1 September 2020	01-Sep-26	$1.33	$23,142
	15-Sep-16	22,514	50% vest on 1 September 2017, and the remaining 50% vest on 1 September 2018	15-Sep-26	$0.00	$23,021
	10-Mar-17	9,935	7/48th to vest on 1 April 2017 and 1/48th over the next 41 months in equal monthly numbers up to 1 September 2020	10-Mar-27	$0.89	$2,514
Barry Newstead	15-Sep-16	39,120	50% vest on 1 September 2017, and the remaining 50% vest on 1 September 2018	15-Sep-26	$0.00	$40,000
Chris Nunn	15-Sep-16	32,600	50% vest on 1 September 2017, and the remaining 50% vest on 1 September 2018	15-Sep-26	$0.00	$33,334
Other related parties						
Denali Venture Partners (Aust) - (Beneficiary - Richard Cawsey)[3]	18-Nov-16	248,360	2/3rd options vest on grant date and 1/36th over the next 12 months in equal monthly amounts from 1 December 2016 to 1 November 2017	18-Nov-26	$0.00	$119,337
Total		**776,298**				**$385,592**

[1] Value at grant date for options / performance rights has been determined by using the Black-Scholes method.

[2] Rob Baumert ceased employment effective 30 June 2017. As a part of the termination agreement, vesting of 12,510 performance rights and 120,000 options was accelerated.

[3] In October 2014, the Board approved a grant of 248,360, $Nil price options to Denali Venture Partners Pty Ltd, an associated entity of Richard Cawsey (representing an element of his remuneration as a Director), vesting over 3 years from 1 October 2014. However, the agreement was not executed at that time. The grant was approved by shareholders at the AGM on 26 October 2016.

9. Loans, transactions and other balances with KMP and their related parties

9.1 Other transactions with KMP

Stephanie Tilenius, a member of the Board, sold 677,340 shares to the Employee Share Trust at $0.66. The price represented 5-day VWAP and the off-market transaction was funded by the Group.

Chris Nunn (CFO), is a director of Elite Executive Services Pty Ltd, which provided executive relocation services to the employees of Redbubble during the year for which the fees totaled $19,329 (2016: $12,710). The fees are based on the time and service provided and the rates are equivalent to other similarly sized entities. At the year end, the balance outstanding was $Nil (2016: $1,865).

Richard Cawsey, the Chair of the Board, is a partner of Denali Venture Partners. In the prior year, Denali Venture Partners provided various consulting services to the Group for which fees of $50,000 were paid. No such services were provided in the current year. The consulting fees were based on the time and service provided at rates equivalent to other providers of the same services. There were no outstanding balances as at 30 June 2016.

Consolidated statement of comprehensive income
for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue from services	1	**140,961**	114,578
Operating expenses			
Fulfiller expenses [1]		**(90,844)**	(75,575)
Employee and contractor costs	2	**(29,731)**	(24,696)
Marketing expenses	3	**(13,984)**	(9,786)
Operations and administration	4 & 5	**(13,940)**	(14,761)
Depreciation and amortisation	11 & 12	**(6,517)**	(4,009)
Finance costs	6	**-**	(1,829)
Total operating expenses		**(155,016)**	(130,656)
Other income [2]		**494**	300
Other expenses [3]		**(669)**	(606)
Loss before income tax		**(14,230)**	(16,384)
Income tax benefit/(expense)	7 (a)	**6,673**	(3,433)
Total loss for the year attributable to owners		**(7,557)**	(19,817)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Loss on foreign currency translation		**(229)**	(304)
Total other comprehensive loss attributable to owners		**(229)**	(304)
Total comprehensive loss for the year attributable to owners		**(7,786)**	(20,121)
Loss per share attributable to the ordinary equity holders of the company			
Basic loss per share	8	**(0.04)**	(0.13)
Diluted loss per share	8	**(0.04)**	(0.13)

[1] Fulfiller expenses comprise product and printing, shipping and transaction costs and are equivalent to cost of goods sold.

[2] Other income includes finance income, government grants and lease income.

[3] Other expenses represent net foreign exchange loss.

The above consolidated statement of comprehensive income should be read in conjunction with accompanying notes.

Consolidated statement of financial position
for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	9	27,809	41,977
Trade and other receivables	10 (b)	720	490
Inventories [1]		283	181
Other financial assets	10 (b)	130	40
Prepayments		1,349	861
Current tax assets		212	637
Total current assets		30,503	44,186
Non-current assets			
Property, plant and equipment	11	2,145	1,245
Intangible assets	12	8,853	7,416
Other financial assets	10 (b)	1,158	1,088
Prepayments		88	58
Deferred tax assets	7 (c)	8,707	1,649
Total non-current assets		20,951	11,456
Total assets		51,454	55,642
Current liabilities			
Trade and other payables		12,868	12,962
Unearned revenue		2,527	2,443
Employee benefit liabilities	13	1,511	1,070
Provisions		303	-
Tax liabilities		45	-
Other liabilities		13	4
Total current liabilities		17,267	16,479
Non-current liabilities			
Employee benefit liabilities	13	84	67
Other liabilities		454	113
Total non-current liabilities		538	180
Total liabilities		17,805	16,659
Net assets		33,649	38,983
Equity			
Contributed equity	14 (a)	72,594	67,865
Treasury reserve	14 (b)	(2,475)	-
Share based payment reserve		3,412	3,214
Foreign exchange translation reserve		(1,135)	(906)
Accumulated losses		(38,747)	(31,190)
Total equity		33,649	38,983

[1] Inventories relate to packaging materials, measured at cost.

The above consolidated statement of financial position should be read in conjunction with accompanying notes.

Consolidated statement of changes in equity
for the year ended 30 June 2017

2016	Notes	Share capital $'000	Treasury reserve $'000	Share based payments reserve $'000	Foreign exchange translation reserve $'000	Accumulated losses $'000	Total $'000
Balance as at 1 July 2015		**9,532**	**-**	**1,680**	**(602)**	**(11,373)**	**(763)**
Loss for the year		-	-	-	-	(19,817)	(19,817)
Other comprehensive loss		-	-	-	(304)	-	(304)
Total comprehensive loss		**-**	**-**	**-**	**(304)**	**(19,817)**	**(20,121)**
Issue of ordinary shares pursuant to the IPO	14 (b)	30,000	-	-	-	-	30,000
IPO costs, net of tax	5	(1,433)	-	-	-	-	(1,433)
Conversion of cumulative redeemable preference shares	14 (b)	16,273	-	-	-	-	16,273
Conversion of pre-IPO convertible notes	14 (b)	12,250	-	-	-	-	12,250
Exercise of share options	14 (b)	672	-	-	-	-	672
Transfer to issued capital on issuance of shares for exercised options / settled performance rights		571	-	(571)	-	-	-
Share-based payments expense	2	-	-	2,105	-	-	2,105
Balance at 30 June 2016		**67,865**	**-**	**3,214**	**(906)**	**(31,190)**	**38,983**

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 2016		**67,865**	**-**	**3,214**	**(906)**	**(31,190)**	**38,983**
Loss for the year		-	-	-	-	(7,557)	(7,557)
Other comprehensive loss		-	-	-	(229)	-	(229)
Total comprehensive loss		**-**	**-**	**-**	**(229)**	**(7,557)**	**(7,786)**
Exercise of share options / warrants	14 (b)	706	-	-	-	-	706
Transfer to issued capital on issuance of shares for exercised options / settled performance rights		2,354	-	(2,354)	-	-	-
Share-based payments expense	2	-	-	2,552	-	-	2,552
Shares issued to Employee Share Trust	14 (b)	7,447	(7,447)	-	-	-	-
Purchase of shares to fund Employee Share Trust		-	(447)	-	-	-	(447)
Shares issued / allocated to participants from the Employee Share Trust	14 (b)	(5,419)	5,419	-	-	-	-
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	14 (b)	(359)	-	-	-	-	(359)
Balance at 30 June 2017		**72,594**	**(2,475)**	**3,412**	**(1,135)**	**(38,747)**	**33,649**

[1] During the 2017 year, the Group established 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 7,876,342 shares and by purchasing 677,340 shares, of which 5,581,933 shares were issued / allocated to the participants from the Trust. The balance in Treasury Reserve as at 30 June 2017 represents book value of 2,971,749 shares held by the Trust for future issue to participants on exercise of options / settlement of performance rights.

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

Consolidated statement of cash flows
for the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		**180,490**	145,442
Payments to artists [1]		**(28,184)**	(20,364)
Payments to fulfillers		**(89,478)**	(74,902)
Payments to other suppliers and employees		**(67,836)**	(54,886)
Other income received		**508**	310
Income taxes received/(paid)		**54**	(285)
Net cash used in operating activities	9 (a)	**(4,446)**	(4,685)
Cash flows from investing activities			
Payment for property, plant and equipment	11	**(1,736)**	(812)
Payment for intangible assets	12	**(7,159)**	(6,121)
Payment for deposit on capital works		**-**	(331)
Repayment of related party loan and interest		**-**	333
Net cash used in investing activities		**(8,895)**	(6,931)
Cash flows from financing activities			
Proceeds from exercise of share options / warrants	14 (b)	**706**	672
Purchase of shares to fund Employee Share Trust		**(447)**	-
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld	14 (b)	**(359)**	-
Proceeds from issue of share capital pursuant to the IPO	14 (b)	**-**	30,000
IPO costs	5	**-**	(1,902)
Proceeds from issue of pre-IPO convertible notes	14 (b)	**-**	12,250
Transaction costs for issue of pre-IPO convertible notes	6	**-**	(608)
Net cash (used in)/provided by financing activities		**(100)**	40,412
Net (decrease)/increase in cash and cash equivalents held		**(13,441)**	28,796
Cash and cash equivalents at beginning of year		**41,977**	13,974
Effect of exchange rate changes on cash and cash equivalents		**(727)**	(793)
Cash and cash equivalents at the end of the financial year	9	**27,809**	41,977

[1] During the year, the Group changed its payment terms for artists. Payments are now being made mid-monthly and the Group no longer applies a minimum accumulated earnings threshold before payment. Consequently, the payments to artists as a percentage of receipts from customers is higher in the current year as compared to the prior year.

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

Contents - Notes to the consolidated financial statements
for the year ended 30 June 2017

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About this financial report

In accordance with the amendments made to AASB 101 Presentation of Financial Statements, the content and structure of the financial report has been reviewed and modified in the current year, with the aim of making it less complex and more useful to stakeholders. This review has resulted in a number of changes to the report including:

- Removal of immaterial disclosures;
- Replacing some notes with footnotes below the financial statements;
- Grouping of certain disclosures; and
- Inclusion of accounting policies and critical accounting estimates and judgements within the relevant note disclosures.

Basis of preparation

The consolidated financial statements of Redbubble Limited for the year ended 30 June 2017 were authorised for issue by a resolution of the Directors on 23 August 2017. Redbubble Limited (**the Company**), a global online marketplace 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.

These financial statements:

- are general purpose financial statements;
- cover Redbubble Limited and its controlled entities as the consolidated group (**the Group**). Redbubble Limited is the ultimate parent entity of the Group;
- have been prepared in accordance with Australian Accounting Standards (**AASBs**) and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001;
- comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a going concern basis under the historical cost convention;
- are presented in Australian dollars with all values rounded off in accordance with the Australian Securities and Investments Commission 2016/191 Legislative Instrument, to the nearest thousand dollars or in certain other cases, nearest dollar, unless otherwise stated; and
- apply significant accounting policies consistently to all the years presented, unless otherwise stated. Comparatives are also consistent with prior years, unless otherwise stated.

The preparation of financial statements requires the use of certain critical accounting estimates and exercise of significant judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and use of estimates are disclosed in the relevant notes. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under circumstances. The Group makes estimates and assumptions concerning the future which may not equal the actual results.

1. Revenue from services

The Group provides 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. Artists display and sell art via the Group's website. The Group aggregates demand from the buyers to support preferential relationships between third party suppliers, fulfillers and drop shippers and the artists, using the Group's platform.

Revenue from services provided in connection with facilitating the sale of goods is recognised when the goods are shipped and the amount can be measured reliably at the value of the consideration received or receivable. The Group is acting as the artists' agent in arranging for the selling of the artists' goods to customers. The amounts collected on behalf of artists are not recognised in the income statement. The revenue recognised by the Group is effectively the cost of fulfilment and shipment plus the Group's margin.

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

Critical accounting estimates and judgements - The Group is required to exercise critical judgement when determining whether it recognises revenue as either a principal or an agent. The Group has determined, for accounting purposes only, it is acting as the artists' agent in arranging for the selling of the artist's goods to customers.

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, it is acting as a principal with respect to fulfillers as opposed to as an agent.

2. Employee and contractor costs

	2017 $'000	2016 $'000
Salary costs	20,765	16,819
Contractor costs	4,771	4,575
Share-based payments expense	2,552	2,105
Superannuation costs and other pension related costs [1]	1,643	1,197
Total employee and contractor costs	29,731	24,696

[1] Includes contribution to 401K funds, which is the superannuation equivalent for the US subsidiary.

3. Marketing expenses

	2017 $'000	2016 $'000
Paid marketing [1]	12,249	7,661
Other marketing expenses	1,735	2,125
Total marketing expenses	13,984	9,786

[1] Paid marketing represents marketing costs paid per click basis on search engines like Google, and advertising on social media platforms such as Facebook.

4. Operations and administration

	2017 $'000	2016 $'000
Technology infrastructure and software costs	4,580	4,352
Travel expenses	1,272	1,480
Rental expense on operating leases	1,630	1,208
Recruiting expenses	699	1,009
IPO costs	-	2,011
Other operations and administration expenses	5,759	4,701
Total operations and administration	13,940	14,761

5. Initial Public Offering (IPO) costs

	2017 $'000	2016 $'000
IPO costs expensed	-	2,011
IPO costs, net of tax, charged to equity	-	1,433
Total IPO costs [1]	-	3,444

[1] In May 2016, the Company completed an IPO totalling $39.8 million. The IPO comprised a primary issue of 22,556,391 ordinary shares ($30.0 million) and a secondary sale 7,393,401 shares ($9.8 million). Total costs of $3.4 million were incurred as a result of the offer. $1.4 million ($1.9 million before tax) was charged to equity in accordance with AASB132 (note 14).

6. Finance costs

	2017 $'000	2016 $'000
Interest and amortised transaction costs on cumulative redeemable preference shares (CRPS) [1]	-	1,108
Transaction costs on pre-IPO convertible notes (Convertible Notes) [2]	-	608
Transaction costs on loan facility with the Commonwealth Bank of Australia (CBA)	-	113
Total finance costs	-	1,829

[1] The CRPS were issued on 21 May 2015 and converted into ordinary shares upon the IPO. The interest for the 2016 year up to the date of IPO of $0.7 million is included above. The transaction costs incurred in relation thereto were being amortised over a period of 3 years. On conversion, however, the remaining unamortised transaction costs of $0.4 million were amortised.

[2] On 21 March 2016, the Company raised $12.3 million (face value) by issuing Convertible Notes which converted into ordinary shares upon the IPO. The transaction costs of $0.6 million incurred in relation thereto were expensed during the year.

7. Income tax

Recognition of tax expense / (benefit)

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

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

Current tax

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

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

7. Income tax (continued)

Deferred tax

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

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

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent:

- it is probable that future taxable profits will be available against which the deductible temporary differences and losses can be utilised;
- the likelihood of achieving appropriate continuity of ownership levels and continuing to meet the relevant definitions of "same business" are met; and
- there are no changes in tax legislation that adversely affect the ability to realise the deferred tax asset benefits.

Deferred tax assets and liabilities are offset where they relate to income taxes levied by the same taxation authority and the intention is to realise the assets and settle the liabilities simultaneously in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Critical accounting estimates and judgements - Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense, the incurrence of tax losses and entitlement to non-refundable tax offsets. In evaluating the Group's ability to recover deferred tax assets within the jurisdiction from which they arise, the Group considers all available positive and negative evidence, including probability of achieving appropriate continuity of ownership levels, likelihood of meeting relevant definitions of "same business", scheduled reversals of deferred tax liabilities, projected future taxable income and results of recent operations. This evaluation requires significant management judgment.

(a) Income tax (benefit) / expense

	2017 $'000	2016 $'000
Current tax		
Current tax expense / (benefit)	**443**	(424)
Over provision in prior years	**(30)**	(6)
Deferred tax		
Deferred tax (benefit) / expense	**(6,956)**	3,863
Under provision in prior years	**(130)**	-
Total income tax (benefit) / expense	**(6,673)**	3,433

7. Income tax (continued)

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

	2017 $'000	2016 $'000
Loss from ordinary activities before income tax (benefit) / expense	(14,230)	(16,384)
Income tax calculated @ 30%	(4,269)	(4,915)
Tax effect of amounts that are not deductible/(taxable) in calculating income tax:		
Tax effect of foreign jurisdictions' different tax rates	74	14
US income tax benefit due to exercise/disposition of employee stock options	(444)	(401)
Research and development	(508)	923
Share-based payments	769	475
Other non-deductible/non-assessable items	281	268
Effect of movements in foreign exchange	(48)	(214)
Over provision in prior year	(160)	(6)
Australian income tax benefit arising from deductibility of the issue of shares to Employee Share Trust	(2,368)	-
Unrecognised tax losses and research and development tax offsets	-	7,764
Recognition of previously unrecognised deferred tax assets in the US subsidiary	-	(475)
Income tax (benefit) / expense attributable to loss from ordinary activities	(6,673)	3,433

(c) Deferred tax assets

The balance comprises temporary differences attributable to:

	2017 $'000	2016 $'000
Amounts recognised in profit or loss:		
Employee benefits	630	536
Carry forward state tax credits	191	133
Deferred expenditure - other	189	361
Legal and acquisition costs	-	127
Carried forward tax losses	7,803	385
Property, plant, equipment and intangible assets	(1,188)	(973)
IPO costs	822	939
Other items	260	141
Net deferred tax assets	8,707	1,649
Movements:		
Opening balance at 1 July	1,649	5,043
Credited to the consolidated balance sheet	-	469
Credited / (Debited) to the consolidated statement of comprehensive income	7,086	(3,863)
Exchange differences	(28)	-
Closing balance at 30 June	8,707	1,649

7. Income tax (continued)

(d) Group's position on deferred tax assets

During the prior year, the Group de-recognised deferred tax assets (**DTA**) of $7.8 million attributable to Australian carried forward tax losses and non-refundable research and development offsets, reflecting a conservative approach to the treatment of tax losses up to the date of IPO when there was a significant change in share ownership. The Group has recognised DTA on tax losses and non-refundable research and development offsets incurred post IPO.

The Group has in aggregate $52.5 million of recognised and unrecognised losses and R&D tax offsets of which $25.5 million have been recognised in the deferred tax asset balance of $8.7 million. The Group has forecast that it is probable that the taxable position in relevant jurisdiction will allow for the use of losses and R&D tax offsets in the next 3-5 years.

(e) Unrecognised deferred tax assets

Unrecognised DTA of $8.1 million exist as at 30 June 2017 (2016: $7.8 million), in relation to carried forward tax losses and non-refundable research and development tax offsets. The addition to unrecognised DTA during the 2017 year is resulting from finalisation of income tax returns.

8. Loss per share

Basic earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted EPS

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting for the after income tax effect of interest and other financing costs associated with the dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares

None of the options over ordinary shares, performance rights, warrants over ordinary shares and former preference shares that could be considered as potential ordinary shares have been included in determination of diluted EPS, since they are anti-dilutive. Due to losses incurred during the current as well as the prior year, inclusion of potential ordinary shares in weighted average number of shares would increase the denominator used in calculating diluted EPS and thereby reduce the loss per share.

8. Loss per share (continued)

Basic and diluted loss per share

Basic and diluted loss per share attributable to the ordinary equity holders of the company is $0.04 (2016: loss per share of $0.13). The calculation for basic and diluted loss per share is detailed below.

Reconciliation of loss used in calculating loss per share

	2017 $'000	2016 $'000
Loss attributable to the ordinary equity holders of the company used in calculating basic and diluted loss per share	**(7,557)**	(19,817)

Weighted average number of shares used as the denominator

	2017 number	2016 number
Weighted average number of shares used as denominator in calculating basic and diluted loss per share	**203,712,572**	150,413,364

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements that would impact the above calculations.

9. Cash and cash equivalents

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

	2017 $'000	2016 $'000
Cash at bank and on hand	**9,809**	20,977
Fixed term bank deposits [1]	**18,000**	21,000
Total cash and cash equivalents	**27,809**	41,977

[1] Fixed term bank deposits attract interest at normal term deposit rates. They are placed for various periods of up to 12 months. All are capable of being called at 31 days' notice with minimal financial effect.

9. Cash and cash equivalents (continued)

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

	Note	2017 $'000	2016 $'000
Loss for the year		**(7,557)**	(19,817)
Non-cash items			
(Recognition) / De-recognition of net deferred tax asset [1]	7(c)	**(7,086)**	3,863
Depreciation and amortisation		**6,517**	4,009
Amortisation of share-based payments		**2,552**	2,105
Unrealised foreign exchange losses		**770**	868
Net loss on the disposal/write off of property, plant and equipment and intangible assets		**7**	82
Finance costs on CRPS and loan facility with CBA		**-**	1,221
Classified as investing/financing activities			
Interest on related party loan		**-**	(2)
Transaction costs on Convertible Notes		**-**	608
Change in operating assets and liabilities			
Net increase in trade and other receivables, prepayments, inventories and other financial assets		**(984)**	(482)
Net decrease/(increase) In current tax assets / liabilities		**470**	(720)
Net increase in trade and other payables, employee benefit and other liabilties and provisions		**955**	3,054
Increase in unearned revenue		**77**	867
Exchange loss on translation of foreign operations		**(167)**	(341)
Net cash outflow from operating activities		**(4,446)**	(4,685)

[1] Refer to note 7(d) on Group's position on deferred tax assets.

10. Financial risk management

This note explains the Group's financial risk management and how the exposure to these risks affects the Group's future financial performance.

The Group's risk management is carried out by the senior management through delegation from the Board of Directors. The Board oversees and monitors senior management's implementation of the Group's risk management framework. This is based on recommendations from the Audit & Risk Committee, where appropriate. The risk management framework includes policies and procedures approved by the Board and managed by internal legal counsel and the finance function.

10. Financial risk management (continued)

The Group holds the following financial instruments:

	Notes	2017 $'000	2016 $'000
Financial assets			
Cash and cash equivalents	9	**27,809**	41,977
Trade and other receivables	10 (b)	**720**	490
Other financial assets	10 (b)	**1,288**	1,128
Financial liabilities			
Trade and other payables		**12,868**	12,962

The carrying value of the assets and liabilities disclosed in the table equals or closely approximates their fair value.

(a) Market risk

Foreign exchange risk

The Group collects funds from customers in five currencies (USD, AUD, EUR, CAD and GBP) and maintains bank accounts in these currencies. The Group has liabilities to fulfillers, artists and other suppliers in these currencies. The Group settles its liabilities in the native currency hence creating a natural hedge. Any surplus funds are converted in to the required currencies' operating accounts when management feels it is prudent to do so. The Group is progressively localising fulfilment which will further aid the natural hedge.

The foreign currency assets and liabilities (expressed in AUD) held by the Group, which are largely held by the US subsidiary whose functional currency is USD, are as below:

At 30 June 2017	GBP $'000	USD $'000	EUR $'000	CAD $'000	Total $'000
Cash and cash equivalents	**1,992**	**271**	**1,654**	**640**	**4,557**
Trade receivables	**66**	**-**	**48**	**21**	**135**
Trade and other payables	**(575)**	**(422)**	**(2,107)**	**(359)**	**(3,463)**
Net exposure	**1,483**	**(151)**	**(405)**	**302**	**1,229**

At 30 June 2016	GBP $'000	USD $'000	EUR $'000	CAD $'000	Total $'000
Cash and cash equivalents	1,677	105	1,389	450	3,621
Trade receivables	76	-	36	26	138
Trade and other payables	(1,275)	(272)	(1,043)	(118)	(2,708)
Net exposure	478	(167)	382	358	1,051

Since the foreign currency exposure at year end is minimal, the impact of movement in foreign exchange rates on the Group's net profit and equity would be immaterial.

10. Financial risk management (continued)

(b) Credit risk

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

The Group faces primary credit risk from potential default on receivables by payment service providers. The Group receives payments of the balance due from two of the service providers, every day, two to three days in arrears. The credit risk of balances held with another service provider is managed by regularly sweeping funds out of the provider accounts into a portfolio of managed banking facilities held with highly rated and regulated financial institutions.

Cash and bank balances/other financial assets

As at 30 June 2017, the Group holds $18.0 million (2016: $21.0 million) in bank deposits, classified as cash and cash equivalents, that attract interest at normal term deposit rates. All the term deposits are placed with one bank.

The Group's bank accounts are predominantly non-interest bearing accounts. In Australia, funds in excess of the short-term liquidity requirements are moved to interest-bearing term deposit accounts. These bank accounts are not concentrated with any one bank.

The other financial assets include certain other operational deposits over and above the deposits placed with banks as security.

	Current		Non-current	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Security held with banks [1]	-	36	1,034	409
Deposits/advances [2]	130	4	124	679
Total other financial assets	130	40	1,158	1,088

[1] Relates largely to term deposits held as security against lease obligations of which $0.5 million (2016: $0.4 million) domiciled in Australia attract interest at normal term deposit rates.

[2] The non-current balance for prior year includes capital advances of $0.3 million.

The banks with which securities are held are reputable financial institutions and hence, the credit risk is considered low.

10. Financial risk management (continued)

(b) Credit risk

Trade and other receivables

The Group is not exposed to any significant credit risk on account of trade receivables. The Group accepts payments either via credit card, Paypal or Amazon Pay. In any case, the Group ensures that cash is received upfront prior to the product being manufactured. The trade receivables balance as at 30 June 2017 represents amounts receivable from two of these payment service providers. It is believed that the credit risk from collections from payment service providers is low.

	2017 $'000	2016 $'000
Trade receivables[1]	471	441
Other receivables	249	49
Total trade and other receivables[2]	720	490

[1] The trade receivables have an aging of less than 30 days from due date.

[2] None of the trade and other receivables balances are impaired or past due date. The Group does not hold any collateral in relation to these receivables.

The Group does encounter credit card fraud typical for the industry in which it operates, representing less than 0.5% of Revenue.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and ensuring that all term deposits can be converted to funds in accordance with forecast cash usage. Due to the dynamic nature of the underlying business, flexibility in funding is maintained by ensuring ready access to the cash reserves of the business.

Term deposits classified as cash and cash equivalents are placed for various periods up to 12 months. These can, however, be called at 31 days' notice, with minimal financial impact.

All financial liabilities are current and anticipated to be repaid over the normal payment terms, usually 30 days.

Financial arrangements

The Group had no borrowing facilities at the end of reporting period nor at the end of the prior reporting period.

Maturities of financial liabilities

Trade and other payables of $12.9 million were the only financial liabilities owed by the Group at 30 June 2017 (2016: $13.0 million) and based on contractual undiscounted payments, have a contractual maturity ranging between one to three months in both the current and the prior year.

10. Financial risk management (continued)

(d) Capital management

The Group's policy is to maintain a capital structure for the business which ensures sufficient liquidity, provides support for business operations, maintains shareholder confidence and positions the business for future growth. The Group manages its capital structure and makes adjustments in light of changes in economic conditions.

The ongoing maintenance of the Group's policy is characterised by ongoing cash flow forecast analysis and detailed budgeting which is directed at providing a sound financial positioning for the Group's operations and financial management activities.

The Group is not subject to externally imposed capital requirements.

11. Property, plant and equipment

Plant and equipment is measured on a cost basis and carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

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

Class of Fixed Assets	Useful life
Leasehold improvements	Life of the lease ranging between 2-7 years
Computer equipment	3 years
Furniture and equipment	2-5 years

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

11. Property, plant and equipment (continued)

	Leasehold improvements	Furniture and equipment	Computer equipment	Work in progress	Total
Cost	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2016	888	434	1,271	-	2,593
Additions	1,033	43	578	82	1,736
Disposals	-	-	(11)	-	(11)
Exchange differences	(13)	(7)	(16)	-	(36)
Balance at 30 June 2017	**1,908**	**470**	**1,822**	**82**	**4,282**
Balance at 1 July 2015	754	344	691	-	1,789
Additions	124	84	604	-	812
Disposals	-	-	(30)	-	(30)
Exchange differences	10	6	6	-	22
Balance at 30 June 2016	**888**	**434**	**1,271**	-	**2,593**
Accumulated depreciation					
Balance at 1 July 2016	(533)	(181)	(634)	-	(1,348)
Charge for the year	(330)	(86)	(402)	-	(818)
Disposals	-	-	9	-	9
Exchange differences	6	3	11	-	20
Balance at 30 June 2017	**(857)**	**(264)**	**(1,016)**	-	**(2,137)**
Balance at 1 July 2015	(136)	(94)	(368)	-	(598)
Charge for the year	(396)	(86)	(270)	-	(752)
Disposals	-	-	18	-	18
Exchange differences	(1)	(1)	(14)	-	(16)
Balance at 30 June 2016	**(533)**	**(181)**	**(634)**	-	**(1,348)**
Net book value					
As at 30 June 2017	**1,051**	**206**	**806**	**82**	**2,145**
As at 30 June 2016	355	253	637	-	1,245

The property, plant and equipment shown above relates to Redbubble offices in Melbourne, San Francisco and Berlin.

Impairment

At the end of each reporting period, the Group assesses whether there is any indication that any property, plant & equipment asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to dispose, and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately as a loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. This policy is applied to both tangible and intangible assets.

No items of property, plant and equipment have been impaired in the financial year ending 30 June 2017.

12. Intangible Assets

Capitalised development costs

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 to 3 years.

Critical accounting estimates and judgements - Determining the feasibility of a project and the likelihood of a project delivering future economic benefits, which can be measured reliably, involves significant management estimate and judgement.

12. Intangible assets (continued)

	Capitalised development costs
Cost	$'000
Balance at 1 July 2016	13,513
Additions	7,159
Disposals	(7)
Exchange differences	(53)
Balance at 30 June 2017	**20,612**
Balance at 1 July 2015	7,434
Additions	6,121
Disposals	(72)
Exchange differences	30
Balance at 30 June 2016	**13,513**
Accumulated amortisation	
Balance at 1 July 2016	(6,097)
Charge for the year	(5,699)
Disposals	-
Exchange differences	37
Balance at 30 June 2017	**(11,759)**
Balance at 1 July 2015	(2,843)
Charge for the year	(3,257)
Disposals	2
Exchange differences	1
Balance at 30 June 2016	**(6,097)**
Net book value	
As at 30 June 2017	**8,853**
As at 30 June 2016	7,416

Refer to the bottom of note 11 above for details on the Group's accounting policy in relation to impairment of Intangible Assets.

No intangible assets have been impaired in the financial year ending 30 June 2017.

13. Employee benefit liabilities

Wages, salaries, annual and long service leave

A provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

Employee benefits that are expected to be settled within one year 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. Cash flows are discounted using market yields on government bonds with terms to maturity that match the expected timing of cash flows.

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

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

Defined contribution schemes

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

Termination benefits

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

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

	Current		Non-current	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Annual leave	1,256	976	-	-
Long service leave	146	94	84	67
Termination benefits	109	-	-	-
Total employee benefit liabilities	1,511	1,070	84	67

14. Contributed equity and reserves

(a) Share capital

	Consolidated and parent entity			
	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Ordinary shares [1]				
Issued and fully paid	**208,440,096**	198,352,517	**69,481**	67,106
Transfer from share based payments reserve for exercised options/settled performance rights [2]	-	-	**3,113**	759
Total share capital	**208,440,096**	**198,352,517**	**72,594**	**67,865**

[1] The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have authorised capital or par value in respect of its shares.

[2] During the year, an amount of $2.4 million (2016: $0.6 million) was transferred out of the share based payment reserve to share capital representing aggregated fair value of options exercised / performance rights settled during the year. This includes $1.5 million in relation to performance rights issued from March 2013 onwards which were settled in November 2016 (six months from the IPO in May 2016) on account of satisfaction of liquidity event condition.

14. Contributed equity and reserves (continued)

(b) Movements in ordinary share capital

	Number of shares	$'000
Balance at 1 July 2016	**141,263,640**	**9,344**
Exercise of options	3,710,273	672
Settlement of vested performance rights	565,740	-
Shares issued pursuant to the IPO [1]	22,556,391	30,000
IPO costs, net of tax [1]	-	(1,433)
Shares issued on conversion of Cumulative Redeemable Preference Shares (CRPS) [2]	20,022,554	16,273
Share issued on conversion of pre-IPO convertible notes (Convertible Notes) [3]	10,233,919	12,250
Balance at 30 June 2016	**198,352,517**	**67,106**
Exercise of options / warrants	3,578,665	706
Settlement of vested performance rights	4,618,783	-
Shares issued to Employee Share Trust [4]	7,876,342	7,447
Shares issued / allocated to Participants from the Employee Share Trust [4]	(5,581,933)	(5,419)
Payment of withholding taxes to US tax authorities on settlement of performance rights funded by shares withheld [5]	(404,278)	(359)
Balance at 30 June 2017 (including treasury shares)	**208,440,096**	**69,481**
Treasury shares - unallocated [6]	(2,971,749)	(2,475)
Balance at 30 June 2017 (excluding treasury shares)	**205,468,347**	**67,006**

[1] Refer to note 5 for details of the IPO.

[2] During the prior year, CRPS were converted into ordinary shares on occurrence of the IPO. In order to calculate the number of ordinary shares issued on conversion, both the face value and the accumulated unpaid dividends up to the date of IPO were aggregated. The CRPS were converted at a value of $0.81 and 20,022,554 ordinary shares were issued for $16.3 million.

[3] On 21 March 2016, the Group raised $12.3 million (face value) by issue of Convertible Notes. These were converted into ordinary shares upon the IPO at a price of $1.197 and 10,233,919 ordinary shares were issued.

[4] During the year, the Group established 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 7,876,342 shares and by purchasing 677,340 shares, of which 5,581,933 shares were issued / allocated to the participants from the Trust.

[5] Represents payment of withholding taxes accounted for as a deduction from equity in accordance with AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions.

[6] The balance as at 30 June 2017 represents book value of shares held by the Trust for future issue to participants on exercise of options / settlement of performance rights.

(c) Dividends

No Dividends were declared or paid during the year (2016: $Nil).

14. Contributed equity and reserves (continued)

(d) Nature and purpose of reserves

Share based payment reserve

The share based payments reserve arises on issue of share options / performance rights as payment for services to board members, employees (including senior executives) and contractors.

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income – foreign currency translation reserve. The cumulative amount is reclassified to the income statement when the net investment to which it relates is disposed of.

Treasury reserve

The treasury reserve is used to hold the book value of shares held by the Employee Share Trust for future issue to participants on exercise of options / settlement of performance rights.

15. Interests in subsidiaries

Information about principal subsidiaries

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

Name of Entity	Country of incorporation	Principal activities	**Equity holding 2017 %**	Equity holding 2016 %
Redbubble Incorporated	USA	Limited risk distributor engaged in world wide marketing and logistics operations for the parent entity	**100**	100
Redbubble Europe Limited	UK	Marketing and logistics operations in Europe	**100**	100
Redbubble Europe GmbH	Germany	Marketing and logistics operations in Europe	**100**	-

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

16. Parent entity financial information

The financial information for the parent entity, Redbubble Limited, has been prepared on the same basis as the consolidated financial statements except investments in subsidiaries. They are accounted for at cost in the financial statements of the parent entity.

(a) Summary financial information

	2017 $'000	2016 $'000
Statement of financial position		
Assets		
Current assets	120,177	98,546
Non-current assets	18,273	9,003
Total assets	138,450	107,549
Liabilities		
Current liabilities	106,609	69,351
Non-current liabilities	426	67
Total liabilities	107,035	69,418
Equity		
Issued capital	72,594	67,865
Share based payment reserve	3,412	3,214
Treasury reserve	(2,475)	-
Accumulated losses	(42,116)	(32,948)
Total equity	31,415	38,131
Loss and other comprehensive income		
Loss for the year	(9,168)	(20,827)
Total comprehensive loss	(9,168)	(20,827)

(b) Guarantees entered into by the parent entity

The parent entity has not entered into any guarantees as at 30 June 2017 (2016: $Nil).

(c) Contingent liabilities of the parent entity

As at the date of these financial statements there are current lawsuits filed against the Company that relate to alleged intellectual property infringement and/or breach of consumer laws.

The Company does not consider that any of the current actions are likely to have a material adverse effect on the business or financial position of the Company.

(d) Capital and lease commitments

The parent entity had no capital commitments as at 30 June 2017 (2016: $0.6 million).

16. Parent entity financial information (continued)

(d) Capital and lease commitments (continued)

Operating 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.

Commitments for minimum lease payments in relation non-cancellable operating leases are payable as follows:

	2017 $'000	2016 $'000
Within one year	770	568
Later than one year but not later than five years	3,333	3,919
More than five years	-	184
Total lease commitments	4,103	4,671

17. Commitments and contingencies

(a) Capital and lease commitments

The Group had no capital commitments as at 30 June 2017 (2016: $0.6 million).

Operating 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.

Commitments for minimum lease payments in relation non-cancellable operating leases are payable as follows:

	2017 $'000	2016 $'000
Within one year	2,267	1,229
Later than one year but not later than five years	10,073	6,182
More than five years	3,291	184
Total lease commitments	15,631	7,595

The Group leases offices under non-cancellable operating leases for periods ranging within 2 to 7 years, with rent payable monthly in advance. The leases have varying terms, escalation clauses and renewal rights. Rental provisions within the lease agreement provide for increase in the minimum lease payments as contracted.

(b) 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.

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.

18. Share-based payments

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account.

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 into account any market performance conditions and the impact of any non-vesting conditions but ignores the effect of any service and non-market performance vesting conditions. Non-market vesting conditions are taken into account when considering the number of options expected to vest and at the end of each reporting period, the Group revisits its estimate. Revisions to the prior period estimate are recognised in the income statement and equity.

The fair value of performance rights is determined in accordance with the fair market value of the shares available at the grant date. Up to the date of Listing, the fair value of shares was ascertained by carrying out an independent valuation. Since Listing, the fair value of performance rights has been calculated using the 5-day volume-weighted average price (**VWAP**) of the five trading days immediately preceding grant date.

Critical accounting estimates and judgements - Some of the inputs to Black-Scholes pricing model require application of significant judgement.

Options over ordinary shares

Redbubble Equity Incentive Plan:

In September 2015, the Group introduced the "Redbubble Equity Incentive Plan". Under this plan options over ordinary shares are granted to Redbubble Limited board members, employees (including senior executives) and contractors. The options are subject to service conditions and have a predetermined time-based vesting schedule. The grantees of options under this Plan may exercise vested options at any time before the earlier of:
(a) a specified expiry date (generally 10 years from the grant date); and
(b) 90 days after ceasing to be a Director, employee or contractor for Redbubble Limited.
Some of the options have a zero exercise price, so as to be akin to performance rights (or restricted stock units). None of the options have any performance targets.

2014 Option Plan:

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

18. Share-based payments (continued)

Performance rights

Performance rights are granted under the Restricted Share and Performance Rights Plan to certain employees including senior executives and consultants. Once granted, the rights have a predetermined time-based vesting schedule. All the performance rights are subject to service conditions. The performance rights were also subject to a liquidity event condition which was met on 14 November 2016, being the date 6 months after the date of the IPO.

Executive STI - Options and Performance Rights

The Company has contracted with executives, who can materially impact the financial and operational performance of the Group to pay a benefit under the "Redbubble SLT Short Term Incentive (STI) Plan". The STI benefits are subject to: achievement of certain performance based requirements in relation to the Group's Gross Transaction Value, Gross Profit and Earnings Before Interest, Taxes, Depreciation and Amortisation; and personal performance assessment in the current year.

The value of the STI is part cash and part equity, with the split depending on the date the executive joined the Company. The equity component will consist of options with a zero exercise price for executives employed by Redbubble Limited and performance rights for executives employed by Redbubble Inc. The options for Redbubble Limited executives are granted under the Redbubble Equity Incentive Plan. The performance rights for Redbubble Inc. executives are granted under the Restricted Share and Performance Rights Plan. The target dollar value of the grants is determined during the year but the grants are made in the next year, calculated by dividing the dollar value by the volume weighted average price over a representative 5-day period.

Warrants over ordinary shares

Warrants were issued in FY 2012 to Denali Capital Managers Pty Ltd, an entity related to Richard Cawsey, the Chair of the Board, under terms of a loan facility agreement in addition to the interest thereon. The loan facility terminated on 31 December 2012.

18. Share-based payments (continued)

(a) Movement

The table below summarises the movement in the number of options / performance rights / warrants during the year:

	2017 Number	2017 WAEP ($) (*)	2016 Number	2016 WAEP ($) (*)
Options over ordinary shares				
Outstanding at 1 July	**19,821,755**	**0.57**	17,942,720	0.36
Granted during the year [1]	**3,589,927**	**0.99**	9,256,260	0.82
Exercised during the year	**(2,924,105)**	**0.21**	(3,710,273)	0.18
Forfeited during the year	**(1,486,787)**	**0.71**	(3,665,826)	0.53
Expired during the year	**(92,196)**	**0.88**	(1,126)	0.85
Outstanding at 30 June	**18,908,594**	**0.69**	19,821,755	0.57
Exercisable at 30 June	**9,350,584**	**0.54**	7,166,690	0.31
Performance rights				
Outstanding at 1 July	**5,825,204**	-	8,465,400	-
Granted during the year	**150,243**	-	60,000	-
Settled during the year [2]	**(4,618,783)**	-	(565,740)	-
Forfeited during the year	**(191,540)**	-	(2,134,456)	-
Outstanding at 30 June	**1,165,124**	-	5,825,204	-
Vested at 30 June [3]	-	-	3,201,959	-
Warrants over ordinary shares				
Outstanding at 1 July	**654,560**	**0.14**	654,560	0.14
Exercised during the year	**(654,560)**	**0.14**	-	-
Outstanding at 30 June	-	-	654,560	0.14
Exercisable at 30 June	-	-	654,560	0.14

(*) WAEP stands for Weighted Average Exercise Price.

[1] 476,007 options have zero exercise price (2016: 1,068,720). The expiry period for grants made during the current and prior year is 10 years.

[2] Includes 3,753,913 in relation to performance rights issued from March 2013 onwards which were settled in November 2016 (six months from the IPO in May 2016) on account of satisfaction of liquidity event condition.

[3] The vesting of performance rights was subject to a liquidity event condition. The number disclosed in the prior year represents time based contingent rights (i.e. vesting contingent on the liquidity event condition being satisfied). The liquidity event condition was met in the current year on the date six months after the date of the IPO. The performance rights would have expired in 5-7 years of grant date if the IPO would not have occurred.

18. Share-based payments (continued)

(b) Modifications to the awards

The table below details modifications to a number of options/performance rights during the year. There was no incremental fair value granted as a result of the modifications.

	2017 Number	2016 Number
Waiver of liquidity event condition / accelerated vesting upon termination with respect to performance rights	24,569	221,904
Cancellation pursuant to amendment of contract	-	100,000
Accelerated vesting of unvested options over ordinary shares upon termination	122,000	236,040
Total	146,569	557,944

(1) There was no incremental fair value granted as a result of the modifications.

(c) Additional disclosures

Weighted average fair value of	2017 $	2016 $
Share at the date of exercise of options / warrants / settlement of rights during the year	0.88	1.02
Share options granted during the year	0.33	0.49
Performance rights granted during the year	0.88	1.12

Weighted average remaining contractual life of	2017 (years)	2016 (years)
Share options outstanding at the end of the year	7.20	7.53
Warrants outstanding at the end of the year	-	0.50
Performance rights outstanding at the end of the year	-	0.38

Inputs to Black-Scholes (weighted average)	2017	2016
Expected volatility (%) (1)	34.60	44.68
Risk-free interest rate (%)	2.61	2.92
Expected life (years)	5.92	6.05
Fair market value of share ($)	0.98	0.91

(1) The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

The range of exercise prices for options outstanding at the end of the year is $Nil to $1.33 (2016: $Nil to $1.33).

19. Related party transactions

Compensation of the key management personnel of the Group

	2017 $	2016 $
Short-term employee benefits	2,436,305	2,170,139
Post-employment benefits	184,881	147,111
Share-based employee benefits	1,422,892	1,185,827
Other long-term benefits	22,593	19,366
Termination benefits	235,473	-
Total transactions with key management personnel	4,302,144	3,522,443

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 transaction occurred with key management personnel:
Stephanie Tilenius, a member of the Board, sold 677,340 shares to the Employee Share Trust at $0.66. The price represented 5-day VWAP and the off-market transaction was funded by the Group.

The following transactions occurred with other related parties:

(i) Chris Nunn, the Chief Financial Officer, is a Director of Elite Executive Services Pty Ltd, which has provided executive relocation services to employees of Redbubble during the year for which the fees totalled $19,329 (2016: $12,710). The fees are based on the time and service provided at rates equivalent to other providers of the same services. As at 30 June 2017, the outstanding balance was $Nil (2016: $1,865).

(ii) Richard Cawsey, the Chair of the Board, is a partner of Denali Venture Partners. In the prior year, Denali Venture Partners provided various consulting services to the Group for which fees of $50,000 were paid. No such services were provided in the current year. The consulting fees were based on the time and service provided at rates equivalent to other providers of the same services. There were no outstanding balance as at 30 June 2016. Richard Cawsey's remuneration as a Director (fees and share-based employee benefits) are paid via Denali Venture Partners and are disclosed in the table above.

20. Remuneration of auditors

	2017 $	2016 $
Ernst & Young		
Audit and review of financial reports	158,386	133,617
Taxation services	37,471	231,509
Initial public offering	-	680,000
Other services	18,073	32,510
Remuneration of Ernst & Young	213,930	1,077,636

21. Segment information

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision makers, who provide the strategic direction and management oversight of the Group in terms of monitoring results and approving strategic planning for the business. Given that internal reporting provided is not disaggregated in a way that identifies any unique reportable segments, the Group has identified being a global online marketplace as its only operating segment.

Geographical information required as per AASB 8 is detailed below:

	2017		2016	
	Revenue	Non-current assets [1]	Revenue	Non-current assets [1]
	$'000	$'000	$'000	$'000
Australia	**9,233**	**9,647**	7,525	7,290
United States	**87,839**	**1,176**	72,008	1,318
United Kingdom	**18,464**	**108**	16,734	53
Rest of the world	**25,425**	**67**	18,311	-
Total	**140,961**	**10,998**	114,578	8,661

[1] Non-current assets for this purpose consist of property, plant and equipment and intangible assets.

22. Events occurring after the balance sheet date

The financial report was authorised for issue on 23 August 2017 by the board of Directors. There have been no significant events after the balance sheet date that require disclosure.

23. Other significant accounting policies

(a) Principles of consolidation

Subsidiaries are all entities over which the Group has control. Control is established when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which the Group gains control. They would be deconsolidated from the date that control ceases. A list of the subsidiaries is provided in note 15 to the financial statements.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

23. Other significant accounting policies (continued)

(b) Foreign currency transaction

Functional and presentation currency

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

Transaction and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

At the end of the reporting period:

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

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

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency (none of which has the currency of a hyperinflationary economy) as follows:

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

(c) Other income

Finance income

Finance income is recognised on a time proportion basis using the effective interest method (**EIR**). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

23. Other significant accounting policies (continued)

(c) Other income (continued)

Government grants

Grants from government are recognised at the fair value when there is reasonable assurance that the grant will be received and the Group 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.

Lease income

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(d) Inventories

Inventories of packaging 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.

(e) Financial assets

Trade and other receivables and other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and trade and other receivables are measured at amortised cost using the effective interest method. Any change in their value is recognised in the income statement.

The Group assesses at the end of each financial reporting period whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

(f) Trade and other payables

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

23. Other significant accounting policies (continued)

(g) Other provisions

Other provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of income net of any reimbursement.

(h) 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), value added tax (VAT) and sales tax, except where the amount of GST, VAT and sales tax incurred is not recoverable from the Australian Taxation Office (ATO) or other similar international bodies. Receivables and payable are stated inclusive of GST, VAT and sales tax, where applicable. 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.

The statement of cash flows includes cash 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.

Critical accounting estimates and judgements - The Group currently collects and remits sales tax on sales made to customers in the US state of California as management believes that a sales tax nexus may exist due to its own offices in that state. Significant management judgement is required to determine if nexus exists in other states. Management has determined that no other taxes are payable.

(i) New and amended accounting standards and interpretations

New and amended accounting standards and interpretations issued and effective

None of the new or amended accounting standards and interpretations adopted during the year have a material impact on the Group.

Accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. However, the Group early adopted AASB 2016-5 Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions which had an initial application date of 1 January 2018. Accordingly, the withholding of shares to fund the payment of taxes to the US tax authorities in respect of the employee's tax obligation associated with the share-based payment is accounted for as a deduction from equity (Refer to Note 14(b), footnote [6]). The Group continues to treat all share-based payment transactions with a net settlement feature for withholding tax obligations as equity-settled share-based payment transactions. The earlier adoption has no impact on previous accounting periods.

23. Other significant accounting policies (continued)

(i) New and amended accounting standards and interpretations (continued)

Other than the above, the Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The Group's interpretation of the impact of certain new standards / amendments is set out below. There are other new accounting standards issued but not yet effective, over and above the ones mentioned below, however they are not considered relevant to the activities of the Group and are not expected to have a material impact on the financial statements of the Group.

Reference	Title	Application date of Standard	Application date for the Group
AASB 15	Revenue from Contracts with Customers	1 January 2018	1 July 2018

Summary:

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue–Barter Transactions Involving Advertising Services).

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with that core principle by applying the following steps:

(a) Step 1: Identify the contract(s) with a customer

(b) Step 2: Identify the performance obligations in the contract

(c) Step 3: Determine the transaction price

(d) Step 4: Allocate the transaction price to the performance obligations in the contract

(e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

Group Assessment:

The Group is conducting a rigorous assessment and has not yet concluded on the impact to Group's future financial position and results.

This standard will not be early adopted by the Group.

23. Other significant accounting policies (continued)

(i) New and amended accounting standards and interpretations (continued)

Reference	Title	Application date of Standard	Application date for the Group
AASB 16	Leases	1 January 2019	1 July 2019

Summary:

The key features of AASB 16 are as follows:

Lessee accounting

- Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.
- A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities.
- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.
- AASB 16 contains disclosure requirements for lessees.

Lessor accounting

- AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
- AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk.

AASB 16 supersedes:

(a) AASB 117 Leases
(b) Interpretation 4 Determining whether an Arrangement contains a Lease
(c) SIC-15 Operating Leases–Incentives
(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied.

Group Assessment:

The Group has not yet made an assessment of the impact and whether this standard will be early adopted.

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 set out on pages 39-76 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that Redbubble Limited will be able to pay its debts as and when they become due and payable.

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by Section 295A of the Corporations Act 2001.



Richard Cawsey
Chairman
Melbourne
24 August 2017



Martin Hosking
Chief Executive Officer
Melbourne
24 August 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Redbubble Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Redbubble Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion:

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

(i) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act* 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional* Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

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

1. Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group's revenue is derived from providing an internet based marketplace to facilitate the sale of goods from artists to end customers. There is a risk of improper revenue recognition, particularly with regard to cut-off at period end given the high volume nature of the Group's operations. Furthermore, judgment is required as to whether the Group is acting as principal or agent in relation to artist margin for the purposes of revenue recognition. The Group's disclosures are included in Note 1 to the financial report, which includes the impact of whether the Group is acting as principal or agent.	We assessed and tested the design and operating effectiveness of relevant controls over revenue recognition. We performed analytical review procedures over revenue transactions recorded during the year against set expectations and where variances were identified we obtained supporting evidence. We completed cut-off testing (by selecting a sample of transactions either side of year-end) to check whether revenue had been recognised in the appropriate period. We checked the Group's adherence to the revenue recognition policies including assessment of principal or agent and assessed whether these policies were in accordance with Australian Accounting Standards.

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2. Internally generated intangibles

Why significant	How our audit addressed the key audit matter
At 30 June 2017, the net carrying value of development costs capitalised onto the consolidated statement of financial position was $8.8m. This is significant to our audit, given the size of the position at 30 June 2017, the rapid technological change in the industry, as well as the specific criteria that have to be met for capitalisation required by Australian Accounting Standards. The capitalisation of development costs involves judgment, such as with respect to technical feasibility, the Group's intention and ability to complete the intangible asset, generation of future economic benefits and the ability to measure the costs reliably including the time associated with individuals employed by the Group for the specific purpose of developing the project. In addition, determining whether there is any indication of impairment of the carrying value of assets, requires judgment and assumptions which are affected by future market or economic developments. The Group's disclosures are included in Note 12 to the financial report.	Our procedures included an assessment of the eligibility of the development costs for capitalisation as an intangible asset and evaluation of the assumptions and methodologies used by the Group to test the impairment of these intangible assets. We understood the intangible assets capitalisation and measurement process and tested the capitalised development costs. This included on a sample basis, testing to underlying evidence including time sheets and assessing estimates regarding the useful life and future economic cash flows.

3. Recoverability and recoverability of deferred tax assets

Why significant	How our audit addressed the key audit matter
At 30 June 2017, the Redbubble Group has reported deferred tax assets of $8.7m, the majority of which comprises Australian carried forward tax losses and non-refundable Research and Development (R&D) offsets. The Group also has unrecognised deferred tax assets of $8.1m originating prior to the Group listing on the Australian Stock Exchange. The analysis of the recognition and recoverability of deferred tax assets was significant to our audit because the amounts are material, the assessment process requires judgment and is based on assumptions that are affected by expected future market or economic conditions. The Group's disclosures are included in Note 7 to the financial report.	Involving our tax specialists, we evaluated the Group's assessment of the relevant eligibility requirements in order to recognise the deferred tax assets. We evaluated the amount of tax losses recognised in light of future projected profitability of the relevant subsidiary companies, by assessing the forecasts against past results and future trading performance as presented in board approved budgets. Additionally, we assessed the adequacy of the Group's disclosures regarding the application of judgment with respect to recognised deferred tax asset balances.

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Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

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Report on the Remuneration Report

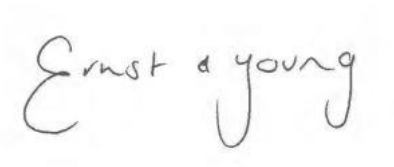
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 38 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Redbubble Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Ernst & Young



Kylie Bodenham
Partner

Melbourne
24 August 2017

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Corporate Information

Directors	Richard Cawsey (Chair) Martin Hosking (Chief Executive Officer) Teresa Engelhard Greg Lockwood Grant Murdoch Hugh Williams (appointed 22 February 2017) Stephanie Tilenius (resigned 16 February 2017)
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