Booktopia Group Limited

ABN 14 612 421 388

Annual report for year ended 30 June 2020

Booktopia Group Limited
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Annual report - 30 June 2020

Contents

Your directors present their report on the consolidated entity consisting of Booktopia Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the group.

Directors

The following persons held office as directors of Booktopia Group Limited during the financial year and up to the date of this report:

Antony Louis Nash
Steven Benjamin Traurig
Simon Leon Nash
Christopher Thomas Beare
Su-Ming Wong (appointed 28 January 2020)

Principal activities

During the year the principal continuing activities of the group consisted of operating an online store that sells books, audiobooks, DVDs and e-books.

There was no significant change in the nature of the activity of the group during the year.

Dividends

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2019: $nil).

Review of operations

Operating Results

The company encountered a challenging market place in 2020. Sales leading up to Christmas 2019 were negatively impacted by bush fires in NSW and Victoria and drought affecting much of Eastern Australia. There were also fewer new releases from local publishing houses compared to those of 2019. Despite this, the company was able to maximise its Academic sales in February and March through aggressive marketing, and the acquisition of selected assets from the administrator of University Co-op Bookshop in January 2020.

Initially, the COVID-19 pandemic saw a modest decline in Academic sales compared to our expectations. This was due to fewer overseas students coming to Australia in 2020. However, as Australia entered COVID-19 restrictions, the company’s sales for March through June 2020 increased by more than 60% compared to those of last year. New and existing customers took advantage of the company’s large range of in stock titles and the safe delivery of their purchases via Australia Post.

Despite the slow start to the financial year, the company was able to deliver revenues of $165,775,000, which were 28% higher than 2019. The increase in sales and gross margins together with improving economies of scale in our Distribution Centre resulted in an operating EBITDA of $5.8m.

Financing

The company’s efforts to secure new funding were successful with a senior debt facility of $12.0m becoming available in December 2019, and Redeemable Preference Share placement for $8.0m in January 2020. These funds have supported an expansion in the level of automation in the company’s Distribution Centre, and the purchase of additional stock to meet increasing customer demand.

Impact of Accounting Standard Changes

There were changes in Australia’s Accounting Standards which saw an adjustment to Property costs for the Right of Use Assets - under AASB 16.

Review of operations (continued)

Accounting for redeemable preference shares

The business was also required to value and account for an embedded derivative attached to the Redeemable Preference Shares. This resulted in the reclassification of this equity transaction to that of debt which substantially altered the company's financial statements.

Restatement of Underlying EBITDA

These treatments require the company to present its results for the financial period restated for all the activities that was outside the ordinary course of the business. The underlying results that reflect the business without the one-off accounting adjustments are as follows:

	2020 $'000	2019 $'000
Reconciliation of Underlying EBITDA		
Profit for the year (after tax)	**196**	-
Add back: Income tax expense/benefit	**634**	215
Profit before tax	**830**	215
Add Back: Finance Costs (inclusive of redeemable preference shares & lease interest expense)	**3,234**	1,672
Add Back: Depreciation of property plan & equipment	**1,047**	1,034
Add Back: Amortisation	**1,310**	854
Add back: Amortisation of ROU asset (AASB 16)	**893**	893
Reported EBITDA	**7,314**	4,668
Underlying adjustments:		
Discontinued business DCC trading losses (before tax)	**-**	76
Unsuccessful capital raise costs	**-**	167
DC Redundancy costs	**-**	131
DC Restructuring charge	**-**	350
Meal allowance reallocation	**107**	(24)
Underlying EBITDA (inclusive of AASB 16)	**7,421**	5,368
Deduct: Rent expense	**(1,619)**	(1,619)
Underlying EBITDA (Pre AASB 16)	**5,802**	3,749

Significant changes in the state of affairs

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. Following the COVID-19 outbreak, the group has continued its business operations. The situation is unprecedented and management continues to consider the potential implications of COVID-19, which may include disruptions to the supply chain, availability of employees and changes in customer demand. However, as at the date these financial statements were authorised, the group was not aware of any material adverse effects on the financial statements or future results as a result of the COVID-19.

There have been no other significant changes in the state of affairs of the group during the year.

Event since the end of the financial year

Except as noted above, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

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

Environmental regulation

The group is not affected by any significant environmental regulation in respect of its operations.

Information on directors

Antony Louis Nash

Tony Nash was involved in the establishment of Booktopia while working in his family's company as a sideline to the core internet marketing consulting business, Globalise Pty Ltd, which was established in 2001. Tony has been instrumental in growing Booktopia and formulating its business strategy throughout that time. Since 2007 Tony has held the role of Chief Executive Officer.

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

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

Steven Benjamin Traurig

Steven Traurig was involved in the establishment of Booktopia. He began his career at IBM Australia as a software engineer and subsequently pre-sales systems engineer, before joining Somerset Systems in 1992 specialising in business development and consulting in ecommerce and workflow. He joined Tony Nash in his online recruitment company Best People International in 1998. Tony and Steven have been in business together for 22 years. Steven has been in the online commerce industry for over 20 years and is Tony's brother-in-law.

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

Steven holds a Bachelor of Applied Science (Computing), sub-majoring in Organisations and Management from University of Technology, Sydney.

Simon Leon Nash

Simon Nash has been a Director of Booktopia, Booktopia Pty Ltd and other companies in the Booktopia Group since it was foundered in 2001. Simon has worked in sales, buying and stock management roles for Booktopia Group. He has had an active role in the financial management of Booktopia since its inception.

Simon was strategically involved in the early stages of Booktopia's beginnings. He worked on the Angus & Robertson marketing project in 2003 to move them to the tops of Google's search results. This project work introduced the Nash family to the book industry and through a sequence of events led to the Booktopia Group Limited being founded on a $10 per day budget in 2004

Simon's background was in sales. Prior to joining Best People International he ran his own golf product distribution business.

Information on directors (continued)

Christopher Thomas Beare

Christopher Beare joined the Booktopia Board as Chairman in October 2016. He has over 35 years' experience in international business, technology, strategy, finance and management.

Christopher joined investment bank Hambros Australia in 1991, became Head of Corporate Finance in 1994 and joint Chief Executive in 1995. After Hambros was acquired by Société Générale in 1998 Christopher remained a Director of SG Australia until 2002. Prior to Hambros, Christopher was Executive Director of Melbourne based Venture Capital firm Advent Management Group which he joined in 1987 after various roles in Telecom Australia culminating in the Head of Strategy.

Christopher has experience in technology. In 1998 he helped form Radiata, a technology start-up in Sydney and Silicon Valley, and as Chair and Chief Executive Officer steered it to a sale to Cisco Systems in 2001. He has been a Director of a number of other technology companies and was formerly the Chairman of ASX listed businesses; DEXUS Property Group, Flexigroup Limited and m.Net.

Christopher holds a BSc, BE (Hons) and PhD (Electrical) from Adelaide University and an MBA from the Harvard Business School. He is a Fellow of the Australian Institute of Company Directors.

Su-Ming Wong

Su-Ming has over 35 years of direct investment, international corporate advisory and merchant banking experience. He co-founded CHAMP Ventures in 2001. CHAMP Ventures is an Australian mid-market private equity funds manager.

Su-Ming is currently a director of Booktopia and Scentia. He has been chairman/director of over 20 Australian companies. Su-Ming is passionate about strengthening the cooperation between Australia and Asia and has developed business relationships with a wide group of Asian companies. In 2018, Su-Ming was appointed as a Professor of Practice at the UNSW Business School, UNSW. Su-Ming is a director of Asia Society Australia, Sydney Writers' Festival and a member of UNSW Business School Advisory Council. He was a member of the Council of University of Technology, Sydney (2010-2014), a founding director of National ICT Australia, a member of the Industry Research and Development Board and a director of Unisearch.

Su-Ming holds a Master of Engineering from the University of Canterbury, New Zealand and a Master of Business Administration from the Australian Graduate School of Management, UNSW.
He is a Fellow of the Australian Institute of Company Directors.

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2020, and the numbers of meetings attended by each director were:

	Full meetings of directors	
	A	**B**
Antony Louis Nash	10	10
Steven Benjamin Traurig	10	10
Simon Leon Nash	10	9
Christopher Thomas Beare	10	9
Su-Ming Wong	4	4

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Booktopia Group Limited paid a premium of $32,998 to insure the directors and secretaries of the group and its Australian-based controlled entities, and the general managers of each of the divisions of the group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Proceedings on behalf of the company

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

No proceedings have been brought or intervened in on behalf of the group with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

Antony Louis Nash
Director

Sydney
8 October 2020

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Auditor's Independence Declaration

As lead auditor for the audit of Booktopia Group Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Booktopia Group Limited and the entities it controlled during the period.

C Ratwatte

Chamilka Ratwatte
Partner
PricewaterhouseCoopers

Sydney
8 October 2020

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Booktopia Group Limited
ABN 14 612 421 388

Financial report - 30 June 2020

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Booktopia Group Limited and its subsidiaries. A list of subsidiaries is included in note 26. The financial statements are presented in the Australian dollar ($).

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

Unit E1,3-29 Birnie Avenue
Lidcombe NSW 2141

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 8 October 2020. The directors have the power to amend and reissue the financial statements.

Booktopia Group Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2020

	Notes	**2020 $'000**	2019 Restated* $'000
Revenue from continuing operations	5	**165,775**	129,113
Employee benefits expense		**(20,611)**	(16,485)
Product and freight costs		**(122,364)**	(94,631)
Merchant expenses		**(2,430)**	(1,924)
Occupancy expenses		**(583)**	(451)
Depreciation and amortisation expense	6	**(3,261)**	(2,781)
Transaction related expenses		**-**	(167)
Marketing expenses		**(10,322)**	(9,064)
Other expenses		**(3,019)**	(1,434)
Interest expenses		**(2,355)**	(1,672)
Profit before income tax		**830**	504
Income tax expense	7	**(634)**	(425)
Profit from continuing operations		**196**	79
Loss from discontinued operation	8	**-**	(54)
Profit for the year		**196**	25
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**196**	25
Profit is attributable to:			
Owners of Booktopia Group Limited		**196**	25
Total comprehensive income for the year is attributable to:			
Owners of Booktopia Group Limited		**196**	25

- See note for details about restatements for changes in accounting policies.

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

Booktopia Group Limited
Consolidated balance sheet
As at 30 June 2020

	Notes	2020 $'000	2019 Restated* $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**10,764**	823
Trade and other receivables		**902**	668
Inventories	10	**12,176**	8,645
Financial assets at amortised cost	12	**1,166**	796
Other current assets	11	**1,453**	334
Total current assets		**26,461**	11,266
Non-current assets			
Financial assets at amortised cost	12	**1,010**	1,010
Property, plant and equipment	13	**14,074**	4,403
Right-of-use assets	14	**9,708**	12,022
Deferred tax assets	15	**796**	1,008
Intangible assets	16	**8,030**	5,519
Total non-current assets		**33,618**	23,962
Total assets		**60,079**	35,228
LIABILITIES			
Current liabilities			
Trade and other payables	17	**20,656**	19,044
Contract liabilities	5(a)	**7,725**	3,433
Borrowings	19	**6,713**	871
Lease liabilities	14	**516**	893
Derivative financial instruments	18	**2,480**	-
Current tax liabilities		**128**	30
Employee benefit obligations	20	**2,063**	1,507
Total current liabilities		**40,281**	25,778
Non-current liabilities			
Borrowings	19	**11,325**	290
Lease liabilities	14	**11,332**	12,315
Employee benefit obligations	20	**227**	127
Total non-current liabilities		**22,884**	12,732
Total liabilities		**63,165**	38,510
Net liabilities		**(3,086)**	(3,282)
EQUITY			
Contributed equity	21	**311**	311
Accumulated losses	22	**(3,397)**	(3,593)
Total capital deficiency		**(3,086)**	(3,282)

- See note for details about restatements for changes in accounting policies.

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

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2018	311	(3,618)	(3,307)
Profit for the year (restated)*	-	25	25
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**25**	**25**
Balance at 30 June 2019	**311**	**(3,593)**	**(3,282)**

- See note for details about restatements for changes in accounting policies.

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2019	311	(3,593)	(3,282)
Profit for the year	-	196	196
Other comprehensive income	-	-	-
Total comprehensive income for the year	**-**	**196**	**196**
Balance at 30 June 2020	**311**	**(3,397)**	**(3,086)**

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

	Notes	**2020 $'000**	2019 Restated* $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**186,816**	142,608
Payments to suppliers and employees (inclusive of goods and services tax)		**(178,184)**	(134,709)
		8,632	7,899
Interest paid		**(2,831)**	(1,672)
Income taxes paid		**(324)**	(169)
Net cash inflow from operating activities	29	**5,477**	6,058
Cash flows from investing activities			
Payments for property, plant and equipment		**(8,824)**	(1,477)
Payments for intangible assets and development costs		**(3,830)**	(2,617)
Proceeds from sale of DCC		**-**	25
Net cash (outflow) from investing activities		**(12,654)**	(4,069)
Cash flows from financing activities			
Proceeds from borrowings	29(a)	**20,000**	-
Repayment of borrowings	29(a)	**(1,522)**	(1,392)
Principal elements of lease payments	29(a)	**(1,360)**	(270)
Net cash inflow (outflow) from financing activities		**17,118**	(1,662)
Net increase in cash and cash equivalents		**9,941**	327
Cash and cash equivalents at the beginning of the financial year		**823**	496
Cash and cash equivalents at end of year	9	**10,764**	823
Non-cash investing and financing activities			
Acquisition of right-of-use assets	14	**-**	-

- See note for details about restatements for changes in accounting policies.

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Booktopia Group Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Booktopia Group Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of Booktopia Group Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost basis.

(iii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2018 and 1 July 2019:

- AASB 16 *Leases* - 1 July 2018
- AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015-2017 Cycle - 1 July 2019*
- Interpretation 23 *Uncertainty over Income Tax Treatments* - 1 July 2019

The group had to change its accounting policies as a result of adopting AASB 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2018. This is disclosed in note 2. The other amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(d) Negative net asset position

As at 30 June 2020 the group's current liabilities exceed its current assets by $13,820m (2019: $14,512m) and the group was in a negative net assets position of $3,086m (2019: $3,282m). The negative working capital position is due to contract liabilities of $7,725m, redeemable preference shares of $6,400m and derivative financial instruments of $2,480m which will not result in a future cash outflow position to the group. Subsequent to the end of the financial year, the group has continued to perform in line with their budget which forecasts the business will generate positive cash flows sufficient to ensure the business will continue as a going concern. The cash flow forecast assumes there will be adequate cash generated to meet the group's obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation and equity accounting (continued)

(i) Subsidiaries (continued)

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars ($), which is Booktopia Group Limited's functional and presentation currency.

(ii) Transactions and balances

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

All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

(d) Revenue recognition

Revenue on the sale of goods is recognised when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer, substantially all of which is at the point in time of receipt of the products by the customer and customer has accepted the product. The timing of transfer of control varies depending on the individual customer's postal address and delivery time.

The amount of revenue to be recognised is based on the consideration the group expects to receive in exchange for its goods and services and that the contract has commercial substance and consideration is probable for collection. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation.

The group operates an online retail store which sells books and other products. Revenue from the sale of goods is recognised when the entity sells a product to the customer.

Payment of the transaction is due immediately when the customer purchases the product. A contract liability is recognised at the time of payments being receipted and revenue is recognised when the control of the goods is transferred to the customer.

It is the group's policy to sell its products to the end customer with a right of cancellation within 1 business day and with a discretionary return policy. Accumulated experience is used to estimate and provide for such returns at the time of the sale.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

The group obligation to replace faulty products under the standard warranty terms is recognised as a provision if it is a significant balance. These warranty terms indicate the performance obligation by the group is only fulfilled when the warranty terms and conditions have expired. Revenue can therefore only be recognised to a point where expected warranty payments are provided for.

(e) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. However, when a single transaction gives rise to both an asset and liability the initial recognition exemption is not considered to apply, and therefore deferred tax assets and deferred tax liabilities are recognised on the asset and liability accordingly. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

From 1 July 2018, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

In previous financial reporting periods, the group prepared General Purpose Financial Statements - Reduced Disclosure in accordance with AASB 1053. The group has adopted General Purpose Financial Statements from 1 July 2019.

In accordance with AASB 1 First-time Adoption of Australian Accounting Standards, the date of transition for the group to General Purpose Financial Statements is 1 July 2018 (the beginning of the comparative period).

First time adoption has led to incremental disclosures being included throughout the financial report for comparative information. In addition, in order to comply with AASB 1 the group has transitioned to AASB 16 Leases on 1 July 2018 (the beginning of the comparative period presented). There were no other material changes to the financial report on transition. As such, these financial statements do not include an opening balance sheet. The AASB 16 transition adjustments have been disclosed in note 2.

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

The group leases various offices. Rental contracts are typically made for fixed periods of 7 to 9 years, but may have extension options as described below.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the group under residual value guarantees,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Booktopia Group Limited, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and

1 Summary of significant accounting policies (continued)

(f) Leases (continued)

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Residual value guarantees

To optimise lease costs during the contract period, the group sometimes provides residual value guarantees in relation to equipment leases.

(g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

(h) Cash and cash equivalents

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

(i) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. They are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

A simplified approach is used to measure expected credit loss which uses a lifetime expected loss allowance. To measure the expected credit loss trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit loss.

1 Summary of significant accounting policies (continued)

(j) Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost comprises the direct costs associated with purchasing and bringing the inventory to its current location. Costs are assigned to individual items of inventory on the basis of first-in-first out. Costs or purchased inventory are determined after deducting rebates and discounts. The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

(l) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting year.

(i) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other expenses.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting year in which they are incurred.

1 Summary of significant accounting policies (continued)

(m) Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

• Plant and equipment including leasehold improvements	5 - 15 years
• Leasehold assets	10 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(n) Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(ii) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They are subsequently carried at cost less accumulated amortisation on a straight-line basis over the useful life.

(iii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:

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

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. These costs are amortised over the effective useful life.

1 Summary of significant accounting policies (continued)

(n) Intangible assets (continued)

(iv) Research and development

Research expenditure and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent year.

(v) Amortisation methods and useful lives

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Customer relationships 5 years
- Software 4 - 10 years

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 - 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the year of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the year of the facility to which it relates.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

Convertible notes are hybrid financial instruments containing both a host contract and conversion feature.The conversion feature which is deemed an embedded derivative has been separated from its host contract given it is not closely related to the host contract. The host contract has been accounted for as a liability on an amortised cost basis.The conversion feature has been deemed a derivative financial liability given a variable number of shares would be issued upon conversion of each note. The embedded derivative has been accounted for at fair value through profit and loss.

(q) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

All other borrowing costs are expensed in the year in which they are incurred.

1 Summary of significant accounting policies (continued)

(r) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting year. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(t) Contributed equity

Ordinary shares are classified as equity.

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

1 Summary of significant accounting policies (continued)

(t) Contributed equity (continued)

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

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(v) Goods and Services Tax (GST)

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

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

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

(w) Rounding of amounts

The group is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Changes in accounting policies

This note explains the impact of the adoption of AASB 16 *Leases* on the group's financial statements.

As indicated in note 1(a) above, the group has adopted AASB 16 *Leases* retrospectively from 1 July 2018, but has not restated comparatives for the 2018 reporting year, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2018. The new accounting policies are disclosed in note 1(f).

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2018. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2018 was 12.66%.

(i) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics,
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2 Changes in accounting policies (continued)

(ii) Measurement of lease liabilities

	2018
	$'000
Operating lease commitments disclosed as at 30 June 2018	10,349
Discounted using the lessee's incremental borrowing rate of at the date of initial application	4,907
Add: finance lease liabilities recognised as at 30 June 2018	1,396
Add/(less): adjustments as a result of a different treatment of extension and termination options	7,175
Lease liability recognised as at 1 July 2018	**13,478**
Of which are:	
Current lease liabilities	3,427
Non-current lease liabilities	10,051
	13,478

3 Financial risk management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The group's risk management is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group's treasury identifies, evaluates and hedges financial risks in close cooperation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk management

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the group's functional currency. As at 30 June 2020, foreign currency risk is not hedged, rather, the risk is measured using sensitivity analysis and cash flow forecasting.

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk management (continued)

Exposure

The group's exposure to foreign currency risk at the end of the reporting year, expressed in Australian dollar, was as follows:

	30 June 2020					30 June 2019				
	USD $'000	**EUR $'000**	**PHP $'000**	**GBP $'000**	**NZD $'000**	USD $'000	EUR $'000	PHP $'000	GBP $'000	NZD $'000
Trade payables	**1,499**	**12**	**167**	**206**	**6**	2,132	13	-	680	14

Amounts recognised in profit or loss and other comprehensive income

During the year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2020 $'000	2019 $'000
Amounts recognised in profit or loss		
Net foreign exchange (gain)/loss included in other income/other expenses	**(9)**	112
Total net foreign exchange (gains)/losses recognised in profit before income tax for the period	**(9)**	112

3 Financial risk management (continued)

(a) Market risk (continued)

(i) Foreign exchange risk management (continued)

Sensitivity

As shown in the table on page 24 above, the group is primarily exposed to changes in US/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar-denominated financial liabilities.

	2020 $'000	2019 $'000
USD/AUD - increase 10% (2019 - 10%)	**(150)**	(213)
USD/AUD - decrease 10% (2019 - 10%)	**150**	213

(ii) Cash flow and fair value interest rate risk

The group may be exposed to interest rate risk if it borrows funds at floating interest rates. During the current financial year the group obtained a fixed interest rate loan through Longreach Credit Investors Pty Ltd. The group also issued redeemable preference shares to Libertopia Management Pty Ltd as the trustee for Booktopia Investment Trust No1 with a fixed coupon rate of 12% per annum. As such, the group's exposure to interest rate risk is limited.

	2020 $'000	**% of total loans**	2019 $'000	% of total loans
Variable rate borrowings	**-**	**-%**	790	100.0%
Other borrowings - fixed rate				
6 – 12 months	**9,380**	**45.0%**	-	-%
1 – 5 years	**11,500**	**55.0%**	-	-%
	20,880	**100.0%**	790	100.0%

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has endeavoured to minimise its credit risk by dealing with creditworthy counterparties and use of counterparty account based credit limits which are regularly reviewed for appropriateness. The group does not have any significant credit risk exposure to any single counterparty. The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

(c) Liquidity risk

The responsibility for liquidity risk management rests with the board, who assess the group's short, medium and long term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, borrowing facilities and instruments and by continuously monitoring forecast and actual cash flows.

3 Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Financing arrangements

The group had access to the following undrawn borrowing facilities at the end of the reporting year:

	2020 $'000	2019 $'000
Floating rate		
- Expiring within one year (bank overdraft and bill facility)	**-**	440
- Expiring beyond one year (bank loans)	**-**	-
	-	440

(ii) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

(a) all non-derivative financial liabilities, and

(b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities at 30 June 2020	**Less than 6 months $'000**	**6 - 12 months $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives							
Trade and other payables	**(20,656)**	**-**	**-**	**-**	**-**	**(20,656)**	**(20,656)**
Other financial liabilities	**(60)**	**(60)**	**(240)**	**(40)**	**-**	**(400)**	**(286)**
Loans	**(660)**	**(1,036)**	**(2,362)**	**(11,222)**	**-**	**(15,280)**	**(11,352)**
Lease liabilities	**(998)**	**(998)**	**(1,882)**	**(5,940)**	**(13,201)**	**(23,019)**	**(11,848)**
Redeemable preference shares	**(384)**	**(384)**	**(768)**	**(7,168)**	**-**	**(8,704)**	**(6,400)**
Total non-derivatives	**(22,758)**	**(2,478)**	**(5,252)**	**(24,370)**	**(13,201)**	**(68,059)**	**(50,542)**

	Less than 6 months $'000	**6 - 12 months** $'000	**Between 1 and 2 years** $'000	**Between 2 and 5 years** $'000	**Over 5 years** $'000	**Total contractual cash flows** $'000	**Carrying amount (assets)/ liabilities** $'000
30 June 2019							
Non-derivatives							
Trade and other payables	(19,044)	-	-	-	-	(19,044)	(19,044)
Other financial liabilities	(60)	(60)	(240)	(280)	-	(640)	(371)
Loans	(790)	-	-	-	-	(790)	(790)
Lease liabilities	(946)	(946)	(1,996)	(5,783)	(15,240)	(24,911)	(13,208)
Total non-derivatives	(20,840)	(1,006)	(2,236)	(6,063)	(15,240)	(45,385)	(33,413)

4 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated. They 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 the circumstances.

(b) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Useful life of intangible asset

The directors of the group monitor the performance of the assets to ensure the useful life applied is reasonable.

(ii) Useful life of customer relationships

Customer relationships acquired in a business combination of $709,000 were recognised at fair value at the acquisition date less amortisation. The group estimates a useful life of customer relationships of up to 5 years. However, the actual useful life may be shorter or longer than 5 years depending on the nature of the relationships.

(iii) Impairment assessment of goodwill

The group tests whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy stated in note 1. The recoverable amount of a cash generating unit (CGU) is determined based on value-in-use calculations which require the use of assumptions. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period and the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. No impairment charge was required in the current period.

Further information about the approach used by the group to determine the values for each assumption can be found in note 1(n)(i).

(iv) Derivative financial instruments

Derivative financial instruments of the group are recognised at fair value, with any subsequent changes in fair value recognised through profit or loss. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The fair value of the embedded convertible derivative instrument associated with the redeemable preference shares issued in January 2020 is determined using a Black-Scholes options pricing model using the assumptions detailed below:

Share price	1.215	Determined based on a recent share selldown transaction
Exercise price	1	As per the terms and conditions of the subscription and shareholder agreement
Share price volatility	40%	Determined in regard to a number of factors including the strong revenue growth of the business
Risk free rate	0.795%	Determined based on Australian Government bonds as at the corresponding valuation dates.

(v) Deferred tax assets

The group has recognised deferred tax assets as at 30 June 2020 relating to temporary timing differences of $795,893 (2019: $1,008,000) due to it being probable that these differences will be subsequently recovered.

5 Revenue from contract with customers

	2020	2019
	$'000	$'000
Sale of goods	**165,775**	129,113
Total revenue from continuing operations	**165,775**	129,113

The group derives revenue from the transfer of goods and services at a point in time.

(a) Assets and liabilities related to contracts with customers

Contract liability - deferred revenue	**7,725**	3,433

6 Expenses

	2020	2019
	$'000	$'000
Depreciation		
Plant and equipment	**819**	804
Right-of-use assets	**1,123**	1,123
Amortisation		
Software	**1,319**	854
Total depreciation and amortisation	**3,261**	2,781

7 Income tax expense

(a) Income tax expense

	2020	2019
	$'000	$'000
Current tax		
Current tax on profits for the year	**422**	53
Adjustments for current tax of prior periods	**-**	(106)
Total current tax expense	**422**	(53)
Deferred income tax		
(Increase)/decrease in deferred tax assets	**(3,188)**	269
Increase in deferred tax liabilities	**3,400**	209
Total deferred tax expense	**212**	478
Income tax expense	**634**	425

7 Income tax expense (continued)

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

	2020 $'000	2019 $'000
Profit from continuing operations before income tax expense	**830**	1,357
Profit from discontinued operation before income tax expense	**-**	(54)
	830	1,303
Tax at the Australian tax rate of 30.0% (2019 - 30.0%)	**249**	390
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	**83**	141
Fair value of embedded derivative	**264**	-
Capitalisation of borrowing costs	**56**	-
Sundry items	**(18)**	-
Adjustments for tax of prior periods	**-**	(106)
Income tax expense	**634**	425

8 Discontinued operation

(a) Description

On 15 May 2019, Booktopia Group Limited sold its Australian operations unit DC Cameras and Opticals for a cash consideration of $25,000 for the business intellectual properties. No tangible assets were sold to nor liabilities assumed by the purchaser as part of the sale.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the 11 months ended 15 May 2020.

	2020 $'000	2019 $'000
Revenue	**-**	1,745
Expenses	**-**	(1,846)
Loss before income tax	**-**	(101)
Income tax	**-**	30
Loss after income tax of discontinued operation	**-**	(71)
Gain on sale after income tax (see (c) below)	**-**	17
Loss from discontinued operation	**-**	(54)
Net cash inflow from operating activities	**-**	(24)
Net cash (outflow) from financing activities	**-**	25
Net increase in cash generated by the subsidiary	**-**	1

8 Discontinued operation (continued)

(c) Details of the sale

	2019 $'000
Consideration received or receivable:	
Cash consideration	25
Total disposal consideration	25
Carrying amount of net assets sold	-
Gain on sale before income tax	25
Income tax expense on gain	(8)
Gain on sale after income tax	17

9 Cash and cash equivalents

	2020 $'000	2019 $'000
Current assets		
Cash at bank and in hand	**10,764**	823

10 Inventories

	2020 $'000	2019 $'000
Current assets		
Finished goods	**12,176**	8,681
Provision for stock obsolescence	**-**	(36)
	12,176	8,645

(a) Amounts recognised in profit or loss

Inventories recognised as expense during the year ended 30 June 2020 amounted to $101,118,331 (2019: $77,330,424). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to $1,159,442 (2019: $94,160). These were recognised as an expense during the year ended 30 June 2020 and included in 'cost of sales' in profit or loss.

11 Other current assets

	2020 $'000	2019 $'000
Current assets		
Prepayments	**1,453**	334

12 Financial assets at amortised cost

	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Shareholder loans	**-**	**1,010**	**1,010**	-	1,010	1,010
Security deposits	**1,166**	**-**	**1,166**	796	-	796
	1,166	**1,010**	**2,176**	796	1,010	1,806

13 Property, plant and equipment

	Plant and equipment $'000	**Leased assets $'000**	**Work in Progress $'000**	**Total $'000**
At 1 July 2018				
Cost	5,638	3,177	-	8,815
Accumulated depreciation	(1,908)	(1,038)	-	(2,946)
Net book amount	3,730	2,139	-	5,869
Year ended 30 June 2019				
Opening net book amount	3,730	2,139	-	5,869
Adjustment for change in accounting policy	-	(2,139)	-	(2,139)
Additions	1,477	-	-	1,477
Depreciation charge	(804)	-	-	(804)
Closing net book amount	4,403	-	-	4,403
At 30 June 2019				
Cost	7,115	-	-	7,115
Accumulated depreciation	(2,712)	-	-	(2,712)
Net book amount	4,403	-	-	4,403
Year ended 30 June 2020				
Opening net book amount	4,403	-	-	4,403
Additions	274	-	9,026	9,300
Transfers in	1,190	-	-	1,190
Depreciation charge	(819)	-	-	(819)
Closing net book amount	5,048	-	9,026	14,074
At 30 June 2020				
Cost	8,577	-	9,026	17,603
Accumulated depreciation	(3,529)	-	-	(3,529)
Net book amount	5,048	-	9,026	14,074

14 Leases

This note provides information for leases where the group is a lessee.

(a) Amounts recognised in the balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2020 **$'000**	1 July 2019 $'000
Right-of-use assets		
Buildings	**9,220**	10,113
Equipment	**488**	1,909
	9,708	12,022
Lease liabilities		
Current	**516**	893
Non-current	**11,332**	12,315
	11,848	13,208

- In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 *Leases*. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to note 2.

(b) Amounts recognised in the statement of profit or loss

The consolidated income statement shows the following amounts relating to leases:

	2020 **$'000**	2019 $'000
Depreciation charge of right-of-use assets		
Buildings	**893**	893
Equipment	**230**	230
	1,123	1,123
Interest expense (included in finance cost)	**1,507**	1,529

The total cash outflow for leases in 2020 was $2,867,000 (2019: $1,799,000).

15 Deferred tax assets

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Lease liability	**3,555**	-
Blackhole expenditure relating to IPO transaction expenses	**118**	340
Provisions	**687**	490
Accrued expenses	**117**	458
Intangible assets-customer relationships	**(584)**	(280)
Right of use asset	**(3,097)**	-
	796	1,008

Movements	**Blackhole expenditure $'000**	**Accrued expenses $'000**	**Right of Use asset $'000**	**Provisions $'000**	**Intangible assets $'000**	**Lease liability $'000**	**Total $'000**
At 1 July 2018	479	630	-	448	(71)	-	1,486
(Charged)/credited							
- to profit or loss	(139)	(172)	-	42	(209)	-	(478)
At 30 June 2019	340	458	-	490	(280)	-	1,008

Movements	**Blackhole expenditure $'000**	**Accrued expenses $'000**	**Right of Use asset $'000**	**Provisions $'000**	**Intangible assets $'000**	**Lease liability $'000**	**Total $'000**
At 1 July 2019	340	458	-	490	(280)	-	1,008
(Charged)/credited							
- to profit or loss	(222)	(341)	(3,097)	197	(304)	3,555	(212)
At 30 June 2020	118	117	(3,097)	687	(584)	3,555	796

16 Intangible assets

	Goodwill $'000	**Software $'000**	**Customer relationships $'000**	**Total $'000**
At 1 July 2018				
Cost	213	5,921	709	6,843
Accumulated amortisation	-	(2,655)	(402)	(3,057)
Net book amount	213	3,266	307	3,786

16 Intangible assets (continued)

	Goodwill $'000	Software $'000	Customer relationships $'000	Total $'000
Year ended 30 June 2019				
Opening net book amount	213	3,266	307	3,786
Additions	-	2,605	-	2,605
Disposal	-	(18)	-	(18)
Amortisation charge	-	(712)	(142)	(854)
Closing net book amount	213	5,141	165	5,519
At 30 June 2019				
Cost	213	8,507	709	9,429
Accumulated amortisation	-	(3,366)	(544)	(3,910)
Net book amount	213	5,141	165	5,519
Year ended 30 June 2020				
Opening net book amount	213	5,141	165	5,519
Additions	-	3,830	-	3,830
Amortisation charge	-	(1,177)	(142)	(1,319)
Closing net book amount	213	7,794	23	8,030
At 30 June 2020				
Cost	213	12,337	709	13,259
Accumulated amortisation	-	(4,543)	(686)	(5,229)
Net book amount	213	7,794	23	8,030

17 Trade and other payables

	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Trade payables	**19,155**	**-**	**19,155**	17,011	-	17,011
Accrued expenses	**1,501**	**-**	**1,501**	2,018	-	2,018
Other payables	**-**	**-**	**-**	15	-	15
	20,656	**-**	**20,656**	19,044	-	19,044

18 Derivative financial instruments

The group has the following derivative financial instruments.

	2020 $'000	2019 $'000
Current liabilities		
Embedded derivative financial instrument	**2,480**	-
Total current derivative financial instrument liabilities	**2,480**	-

18 Derivative financial instruments (continued)

The fair value of the derivative financial instrument initially recognised was $2,400,000. The fair value movement during the year is $80,000 which has been recognised in other expenses in the consolidated statement of comprehensive income

(a) Classification of derivatives

The parent entity issued 8,000,000 redeemable preference shares (RPS) at $1 each to Libertopia Management Pty Ltd as trustee for Booktopia Investment Trust No1 (the Subscriber) in January 2020. In accordance with the subscription agreement, the RPS are convertible into ordinary shares of the parent entity on the occurrence of an IPO, trade sale, cornerstone investment, liquidity event or change of control of the parent entity. Prior to conversion, the Subscriber is entitled to an interest at a coupon rate of 12% per annum. While the initial conversion price is fixed (1:1), the subscription agreement contains a variable conversion feature where the Subscriber will receive additional shares if the minimum return is not achieved by using the contractual conversion price of $1.00. Such variable conversion feature creates an embedded derivative instrument which is classified as a financial liability at fair value through profit or loss and subsequently measured at fair value.

(b) Valuation techniques used to determine fair values

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

(a) Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
(b) Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; or
(c) Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of the derivative financial instrument associated with the RPS is determined based on a Black-Scholes options pricing model. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs.

19 Borrowings

	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Secured						
Loans	**224**	**11,128**	**11,352**	790	-	790
Total secured borrowings	**224**	**11,128**	**11,352**	790	-	790
Unsecured						
Other financial liabilities	**89**	**197**	**286**	81	290	371
Redeemable preference shares	**6,400**	**-**	**6,400**	-	-	-
Total unsecured borrowings	**6,489**	**197**	**6,686**	81	290	371
Total borrowings	**6,713**	**11,325**	**18,038**	871	290	1,161

20 Employee benefit obligations

	2020			2019		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Leave obligations	**2,063**	**227**	**2,290**	1,507	127	1,634

(a) Leave obligations

The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 1(s).

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required year of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $4,126,161 (2019: $1,506,616) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2020 $'000	2019 $'000
Current leave obligations expected to be settled after 12 months	**1,622**	1,237

21 Contributed equity

(a) Share capital

	2020 Shares	2019 Shares	**2020 $'000**	2019 $'000
Ordinary shares				
Fully paid	**113,470,527**	113,470,527	**311**	311

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

The fully paid ordinary shares have no par value and the legal parent company does not have a limited amount of authorised capital.

22 Accumulated losses

Movements in accumulated losses were as follows:

	2020 $'000	2019 $'000
Balance 1 July	**(3,593)**	(3,618)
Net profit for the year	**196**	25
Balance 30 June	**(3,397)**	(3,593)

23 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, Booktopia Group Limited, its related practices and non-related audit firms:

(a) PwC

(i) Audit and other assurance services

	2020 $	2019 $
Total remuneration for audit and other assurance services	**123,861**	90,546

(ii) Taxation services

	2020 $	2019 $
Total remuneration for taxation services	**22,750**	24,996
Total remuneration of PwC Australia	**146,611**	115,542

24 Contingent liabilities

The group has given bank guarantees as at 30 June 2020 of $1,162,177 (2019: $1,162,177) to its landlord in relation to office lease commitments.

25 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 26(a).

(b) Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	**1,774,544**	2,071,798
Long-term benefits	**414,230**	386,514
Total key personnel management compensation	**2,188,774**	2,458,312

25 Related party transactions (continued)

(c) Shareholder loans

	2020	2019
	$	$
Shareholder loans		
Beginning of the year	**1,009,565**	1,050,410
Loans advanced	**-**	175,000
Loan repayments received	**-**	(215,845)
End of year	**1,009,565**	1,009,565

26 Interests in other entities

(a) Material subsidiaries

The group's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	**Place of business/ country of incorporation**	**Ownership interest held by the company**	
		2020	2019
		%	%
Making IT Better Pty Ltd	Australia	**100.00**	-
Virtual Lifestyles Pty Ltd	Australia	**100.00**	-
Booktopia Pty Ltd	Australia	**43.20**	100

27 COVID-19 impact

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community and the economy. Following the COVID-19 outbreak, the group has continued its business operations. The situation is unprecedented and management continues to consider the potential implications of COVID-19, which may include disruptions to the supply chain, availability of employees and changes in customer demand. However, as at the date these financial statements were authorised, the group was not aware of any material adverse effects on the financial statements or future results as a result of the COVID-19.

28 Events occurring after the reporting period

Except as disclosed in note 27, no other matter or circumstance has arisen since 30 June 2020 that has significantly affected the group operations, results or state of affairs, or may do so in future years.

29 Cash flow information

Reconciliation of profit for the year to net cash inflow from operating activities

	2020 $'000	2019 $'000
Profit for the year	**196**	25
Adjustment for		
Depreciation and amortisation	**3,261**	2,781
Capitalised borrowing costs	**(476)**	-
Fair value adjustment on derivative financial instrument	**880**	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	**(234)**	63
Increase in inventories	**(3,531)**	(92)
Decrease in deferred tax assets	**212**	478
(Increase) in other assets	**(1,119)**	(91)
(Increase)/decrease in financial assets at amortised cost	**(370)**	41
Increase in trade and other payables	**1,612**	2,465
Increase/(decrease) in current tax liabilities	**98**	(222)
Increase in revenue received in advance	**4,292**	466
Increase in other provisions	**656**	144
Net cash inflow from operating activities	**5,477**	6,058

(a) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

Net debt	2020 $'000	2019 $'000
Cash and cash equivalents	**10,764**	823
Borrowings - repayable within one year (including overdraft)	**(6,713)**	(871)
Lease - current	**(516)**	(893)
Borrowings - repayable after one year	**(11,325)**	(290)
Lease - non-current	**(11,332)**	(12,315)
Net debt	**(19,122)**	(13,546)
Cash and liquid investments	**10,674**	823
Gross debt - fixed interest rates	**(29,886)**	(13,579)
Gross debt - variable interest rates	**-**	(790)
Net debt	**(19,212)**	(13,546)

29 Cash flow information (continued)

(a) Net debt reconciliation (continued)

	Liabilities from financing activities			Other assets	
	Borrowings $'000	**Leases $'000**	**Sub-total [$'000**	**Cash $'000**	**Total $'000**
Net debt as at 1 July 2018	(2,553)	(1,396)	(3,949)	496	(3,453)
Cash flows	1,392	270	1,662	327	1,989
Recognised on adoption of AASB 16 (see note 2)	-	(12,082)	(12,082)	-	(12,082)
	(1,161)	(13,208)	(14,369)	823	(13,546)
Recognised on adoption of AASB 16	-	-	-	-	-
Net debt as at 1 July 2019	(1,161)	(13,208)	(14,369)	823	(13,546)
Cash flows	(16,877)	1,360	(15,517)	9,941	(5,576)
Net debt as at 30 June 2020	**(18,038)**	**(11,848)**	**(29,886)**	10,764	(19,122)

30 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2020 $'000	2019 $'000
Balance sheet		
Current assets	**-**	-
Non-current assets	**19,178**	-
Total assets	**19,178**	-
Current liabilities	**(9,104)**	-
Non-current liabilities	**(11,128)**	-
Total liabilities	**(20,232)**	-
Net liabilities	**(1,054)**	-
Shareholders' equity		
Accumulated losses	**(1,054)**	-
Total equity	**(1,054)**	-
Loss for the year	**(1,054)**	-
Total comprehensive loss	**(1,054)**	-

30 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

The parent entity did not have any bank guarantees as at 30 June 2020 and 30 June 2019.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments as at 30 June 2020 or 30 June 2019.

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 41 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 2020 and of its performance for the financial year ended on that date, and

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

Note 1(a) confirms that 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*.

This declaration is made in accordance with a resolution of the directors.

Antony Louis Nash
Director

Sydney
8 October 2020

Independent auditor's report

To the members of Booktopia Group Limited

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

C Ratwatte

Chamilka Ratwatte
Partner

Sydney
8 October 2020