Booktopia Group Limited
ACN: 612 421 388

Appendix 4E – Annual Financial Report
Full year ended 30 June 2023

(Previous comparative period: Full year ended 30 June 2022)

Results for announcement to the market

	30 Jun 2023 $'000	30 Jun 2022 $'000		Change
Revenue from ordinary activities	197,630	240,751	Down	(17.9%)
Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA")	(3,025)	(2,445)	Down	(23.7%)
Underlying EBITDA[1]	(4,551)	6,215	Down	(173.2%)
Loss from ordinary activities after tax attributable to members	(29,047)	(15,087)	Down	(18.2%)
Loss for the year attributable to members	(29,047)	(15,087)	Down	(18.2%)
	Cents	Cents		
Net tangible asset backing per ordinary security	(15.56)	5.36	Down	(>200.0%)

1. Underlying EBITDA is a financial measure which is not prescribed by the Australian Accounting Standards ('AASBs') and represents the profit/(loss) under AASBs adjusted for specific items as outlined on page 14 of the Directors' Report. The directors consider Underlying EBITDA to be one of the key financial measures of the Group. The reconciliation between the statutory results and the Underlying EBITDA is presented in the Directors' Report.

Dividends

There were no dividends paid, recommended or declared during the current and previous financial period.

Change in ownership of controlled entities

During the year ended 30 June 2023, Booktopia Group Limited had no change in ownership of controlled entities.

Details of joint venture and associate entities

On 2 December 2022, the Group sold its 25% stake in Welbeck Publishing Pty Ltd. For further details, refer to Note 16 to the financial statements.

Other significant information and commentary on results

Please refer to the commentary in the Directors' Report included in the annual financial report for an explanation of the result. Additional information requiring disclosure under listing rule 4.3A is contained in the Annual Financial Report.

Notification of AGM and director nominations

The Group notifies the ASX in accordance with ASX Listing Rule 3.13.1 of the following key dates:

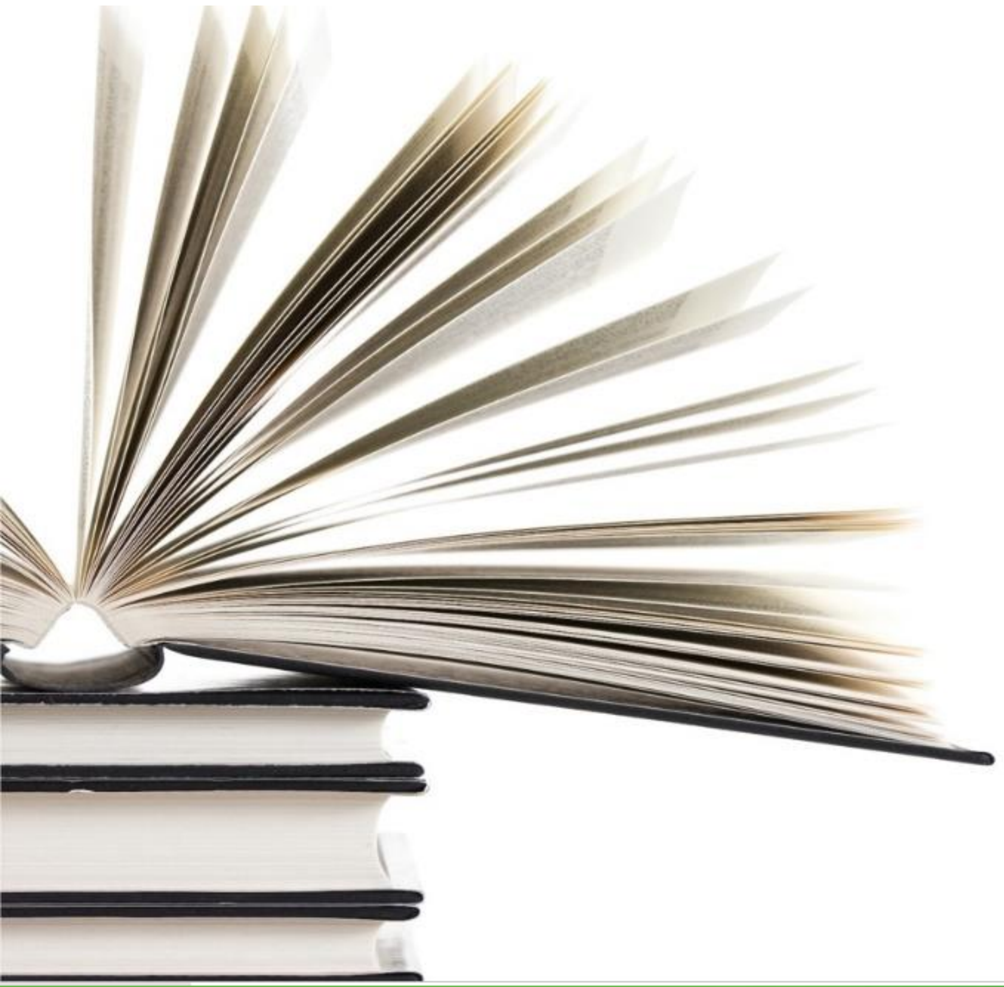
- Closing date for director nominations – 21 September 2023
- Date of AGM – 24 November 2023

BOOKTOPIA GROUP LIMITED

ACN: 612 421 388

Annual Financial Report

For the year ended 30 June 2023



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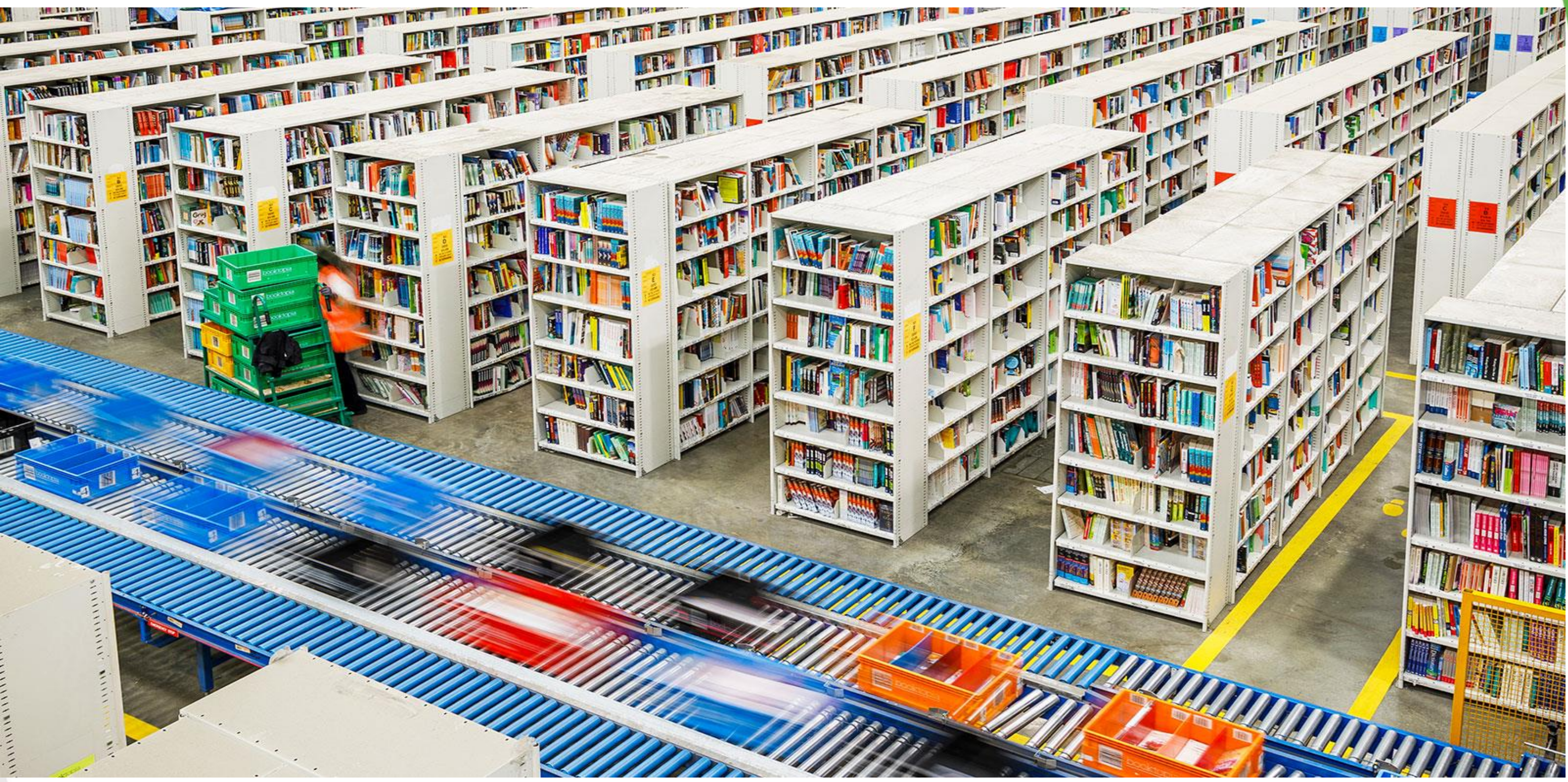
Directors' Report

For the year ended 30 June 2023



The Directors present their report, together with the financial statements on the consolidated entity (referred to hereafter as the "Group") consisting of Booktopia Group Limited (referred to hereafter as the "Company" or "parent entity") and the entities it controlled during the year ended 30 June 2023. The prior comparative period is the year ended 30 June 2022.

Directors

The skills, experience, expertise and special responsibilities of each person who has been a Director of the Company at any time during the financial year is provided below, together with details of the Company Secretary as at the year end. All persons were Directors of Booktopia Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated.

Peter George
Chairman and Independent Non-Executive Director (appointed on 1 December 2022)

Peter George is an experienced executive and non-executive director and public company executive with an extensive background in telecommunications, media and corporate finance.

Peter is currently the Executive Chairman of ASX-listed Retail Food Group (ASX: RFG), a position he has held since 2018.

As an executive, Peter led the restructuring and merger of listed print, media and digital services provider PMP Limited as Managing Director from 2012 to 2017 and was Executive Chairman of Nylex Limited from 2004 to 2008.

Peter was also a Non-Executive Director and Chairman of the Audit and Risk Committee of Asciano Limited from 2007 to 2016 and spent four years on the Board of Optus.

Peter holds a Bachelor of Commerce and a Bachelor of Laws.

Peter is Chairman of the Board.

Antony (Tony) Nash
Non-Executive Director (served as Chief Executive Officer until 13 July 2022)

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 was instrumental in growing Booktopia and formulating its business strategy throughout that time. Tony held the role of Chief Executive Officer from 2007 until July 2022. He remains a director and substantial shareholder.

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 Tony won the Industry Recognition Award at the Online Retailer Industry Awards. Tony was listed in Who's Who of Australia in 2019.

Tony holds qualifications in Computer programming from the Control Data Institute.

Tony does not hold any other current listed company directorships and has had no former listed company directorships in the past three years.

Tony is a member of the Remuneration and Nomination Committee.

Steven Traurig
Chief Commercial Officer and Executive Director (resigned on 28 July 2023)

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 e-commerce and workflow. Steven joined Tony Nash (his brother-in-law) in his online recruitment company Best People International in 1998.

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.

Steven does not hold any other current listed company directorships and has had no former listed company directorships in the past three years.

Steven is a member of the Audit and Risk Committee, a member of the Remuneration and Nomination Committee and was Company Secretary until 13 June 2023.

Abigail Cheadle
Independent Non-Executive Director (appointed on 12 December 2022)

Abigail Cheadle is a Chartered Accountant, corporate strategist and risk management expert with more than 30 years of experience working across Asia, Europe, the Middle East and Australia.

Abigail has previously worked as a senior executive with leading advisory firms, including EY, Deloitte, and KordaMentha, and in recent years has become a professional company director working across a range of different sectors and industries, including consumer goods, technology and renewables.

Abigail has been a director of seven ASX-listed boards to date, including former roles with online clothing platform, SurfStitch (ASX: SRF), owner of several leading intellectual property services businesses, Qantm Intellectual Property Limited (ASX: QIP), media intelligence and data technology company, Isentia (ASX: ISD) and Novatti Group Limited (ASX: NOV).

Abigail is currently Chair and Non-Executive Director of Shriro Holdings Limited (ASX: SHM) and a Non-Executive Director and Audit and Risk Committee Chair of LGI Limited (ASX: LGI).

Abigail holds a Bachelor of Business from the Queensland University of Technology.

Abigail is Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Stephen Ezekiel
Independent Non-Executive Director (appointed on 12 December 2022)

Stephen Ezekiel is the Chairman and CEO of Hong Kong-based private credit firm Sammasan Capital. Stephen has over 25 years of experience in leadership positions in the financial services, private equity and media/telecom sectors. Stephen serves as an Independent Board Director to luxury crystal manufacturer Baccarat S.A and is a Director of private members club 70 North.

As an executive, Stephen was part of the GE Capital Asia leadership team, where Stephen was instrumental in establishing GE Capital's structured lending business in Asia. Stephen was previously the CEO of GE Capital Hong Kong and Singapore and Commercial Distribution Finance. Stephen was also the head of GE Equity Asia, GE Capital's private equity arm.

Stephen founded and led the GE Capital Asia businesses focusing on leveraged and sponsor finance, corporate lending, corporate aircraft finance and commercial distribution finance (i.e. distributor, dealer and channel financing).

Before 2001, Stephen was a lawyer in a variety of private practice and in-house roles in Sydney, Hong Kong and Tokyo, including working for British Telecom from 1997-2001 as lead M&A counsel for Asia.

Stephen holds a B.Com/LLB degree from the University of New South Wales, Sydney.

Stephen is Chairman of the Audit and Risk Committee and Chairman of the Environmental, Social and Governance (ESG) Management Committee.

Paul Welch
Independent Non-Executive Director (appointed on 27 March 2023)

Paul is a Commercial, Governance and Strategy Advisor and has over 25 years of commercial experience in the technology sector having advised a broad array of growing and established businesses in Australia and the Silicon Valley. Paul continues to advise a number of businesses and entrepreneurs in both a governance and advisory capacity.

Paul is also a qualified solicitor, a Fellow of the Governance Institute of Australia and a Registered Tax Agent. Paul was previously Chief Executive Officer of JR Richards & Sons, a waste management business until April 2022 and is currently a Non-Executive Director. Paul was previously a partner at PricewaterhouseCoopers Australia, Baker McKenzie and Deloitte Australia. Prior to that, Paul was Chairman and Non-Executive Director of ASX listed company 1st Group Limited (ASX: 1ST).

Paul holds a Masters of Law and Legal Practice and a Master of Laws from the University of Technology, Sydney and a Bachelor of Commerce (Acc) from the University of Western Sydney.

Christopher (Chris) Beare
Chairman and Independent Non-Executive Director (resigned on 1 December 2022)

Chris Beare has over 35 years' experience in international business, technology, strategy, finance and management.

Chris has experience in technology. In 1998 Chris 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. Chris 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.

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

Chris does not hold any other current listed company directorships and has had no former listed company directorships in the past three years.

Chris was formerly Chairman of the Board, Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee.

Fiona Pak-Poy
Independent Non-Executive Director (resigned on 28 November 2022)

Fiona Pak-Poy is an experienced non-executive director and has been involved in a wide array of industries including healthcare, e-commerce, software, financial services, retail and manufacturing. Fiona's involvement ranges from start-ups to publicly listed companies, not-for-profits and State and Federal Government Boards.

Fiona is currently Chair and Non-Executive Director of Tyro Payments Limited (ASX: TYR). Fiona was formerly a Director of MYOB (formerly ASX: MYO) prior to its purchase by KKR and iSentia Group (formerly ASX: ISD).

Fiona is a former member of the Federal Government's Innovation Australia Board, ASIC's director Advisory Panel and a Councillor for The Australian Investment Council. Fiona practiced as an engineer and was a management consultant with The Boston Consulting Group in Boston and Sydney, during which time Fiona was a member of both the Consumer Goods and Technology and Financial Services Practice Group. Fiona co-founded an e-commerce start-up in the late 1990s and subsequently worked as a General Partner in an Australian/US venture capital fund that invested in Australian start-ups with unique IP.

Fiona holds an Honours Degree in Engineering from the University of Adelaide and an MBA from Harvard Business School. She is a Fellow of the Australian Institute of Company Directors.

Fiona was formerly the Chair of the Audit and Risk Committee.

Judith (Judy) Slatyer

Independent Non-Executive Director (resigned on 28 November 2022)

Judy Slatyer has an important mix of executive leadership domestically and internationally across business, government and not-for-profit as well as from various non-executive roles.

Judy is currently Chair of Natural Carbon Pty Ltd and a Non-Executive Director of Gigacom, WWF-Australia, Talent Beyond Boundaries and Pollination Group Foundation and a member of the NSW Net Zero and Clean Economy Board as well as an adviser to CSIRO's Data61 on AI and to PwC on environment, social and government matters.

In terms of executive roles, Judy has most recently been Chief Executive Officer of Australian Red Cross since early 2016. Prior to that Judy was global Chief Operating Officer for World Wide Fund for Nature and also was the Chief Executive Officer of Lonely Planet Publications. Judy has also worked with a Silicon Valley start-up to launch in Australia and at Telstra as the Chief of Consumer Sales as well as in government, advising the Honourable Ralph Wills, MP in a number of portfolios.

Judy holds a Bachelor of Arts from the University of Canberra and an MBA from Sydney University.

Judy does not hold any other current listed company directorships and has had no former listed company directorships in the past three years.

Judy was formerly a member of the Remuneration and Nomination Committee and Chair of the Environmental, Social and Governance (ESG) Management Committee.

Su-Ming Wong

Independent Non-Executive Director (resigned on 20 September 2022)

Su-Ming Wong has over 35 years of direct investment and corporate advisory experience. In 2001, Su-Ming co-founded CHAMP Ventures which is an Australian mid-market private equity funds manager. Su-Ming has been chairman/director of over 20 Australian companies operating across retail, technology, manufacturing, financial services, healthcare and tourism sectors. Su-Ming is a Professor of Practice at UNSW, a Director of Sydney Writers' Festival and a member of UNSW Business School Advisory Council. Su-Ming was a member of the Council of University of Technology Sydney and a director of several other NGOs.

Su-Ming is a Fellow of the Australian Institute of Company Directors, holds a Master of Engineering from the University of Canterbury, NZ and holds an MBA from the Australian Graduate School of Management, UNSW.

Su-Ming does not hold any other current listed company directorships and has had no former listed company directorships in the past three years.

Su-Ming was formerly a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Company secretary

Alistair Clarkson was appointed as Company Secretary on 13 June 2023. Alistair has over ten years' experience as Company Secretary from former ASX listed company Ovato Limited and was the Corporate Counsel from 2001 and General Counsel from 2009 to 2022. Alistair holds a Bachelor of Commerce and a Bachelor of Laws degree (University of Otago), a Post Graduate Diploma in Applied Corporate Governance and an MBA from Massey University.

Directors' shareholdings

Details relating to each directors' relevant interest (direct and indirect) in shares, rights or options in shares are outlined in the Remuneration Report.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during each directors' tenure for the year ended 30 June 2023, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
Peter George	15	16	-	-	-	-
Tony Nash	24	24	-	-	1	1
Steven Traurig	23	23	4	4	-	-
Abigail Cheadle	15	15	3	3	1	1
Stephen Ezekiel	14	15	3	3	1	1
Paul Welch	8	8	1	1	-	-
Chris Beare	8	8	1	1	1	1
Fiona Pak-Poy	7	7	1	1	-	-
Judy Slatyer	7	7	-	-	1	1
Su-Ming Wong	3	3	-	-	1	1

1. Held represents the total number of meetings the director was eligible to attend during their tenure, excluding any meetings where they could not attend due to a conflict of interest.

Principal activities

Booktopia Group is an Australian online book retailer, established in 2004 and admitted to the Australian Securities Exchange ('ASX') in December 2020. The Group's core business is the sale of physical books via its two websites (booktopia.com.au and angusrobertson.com.au) to Australian and New Zealand customers. It also sells eBooks, audiobooks, magazines and stationery. The Group also sells select titles on online marketplaces in Australia and New Zealand.

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

Business model

The Group's business model is based on four key elements which differentiate it from other competitors:

- **Extensive Supply Chain:** The group has developed an extensive supply chain with suppliers sourcing products from around the world with strong working relationships with Australia Post, various publishers, distributors and other affiliates. This enables the Group to be able to provide access to a total stock list of over 6 million titles shipped to customers in a timely manner.

- **Customer fulfilment centre (CFC):** A key element in the supply chain is the Group's new CFC which is located in Strathfield South. The new CFC facility was custom designed to optimise the efficient flow of product with space set aside for future expansion. It will underpin the company's future distribution capacity and operational efficiency.

- **In-house Technology Expertise:** The Group's in-house technology expertise allows us to understand the customer and inventory needs and supplier relationship.

- **Customer-centric focus:** the Group's focus on a single product category, Books, is a key differentiator to many competitors. The Group employs inhouse book experts who curate and enhance content (including conducting author interviews and book signings) and also enhance customer experience that leads to and drives repeat business and customer loyalty.

Booktopia's customers are primarily retail consumers with a growing number of corporate and government customers including schools, libraries, universities and government departments.

Review of operations

Over the past year, the Group has responded to changing consumer behaviours in a "post-COVID" era, while navigating the transition over to a new CFC, securing the funding to finance the new CFC and completing a restructuring exercise to reduce overhead costs, with a focus on providing sustainable shareholder returns in the future.

As with any major operational change, the Group's transition over to the new CFC has presented its challenges and disruptions to the customer fulfilment process. Inventory levels have been maintained at lower levels compared to previous years to avoid the need to transfer and handle excess stock. This has had a direct impact on revenue in the last quarter of the year, and is expected to continue in the first quarter of FY24. Additional costs were also incurred in transferring stock and integrating a new third-party warehouse management system which will deliver further efficiencies in the new CFC, replacing some elements of the current proprietary technology stack.

Substantial progress was made on funding the fit-out at the new CFC, with initial funding being secured in February 2023. This funding was in the form of a trade finance facility of up to $7,000,000 and an unsecured loan facility of up to $5,000,000. Further details on these facilities are provided under "Borrowings" at Note 20 to the financial statements.

Review of operations (cont)

In addition, the Group announced a capital raise on 3 July 2023 that provided the funding to complete the new CFC project and extended the unsecured loan facility for a further three years. Further details of the capital raise, including the Extraordinary General Meeting held on 16 August 2023 can be found under "Matters subsequent to the end of the financial year" in the Directors' Report.

The Group implemented various initiatives during the year focussed on improving results and cash generation going forward. Some of these initiatives included:

- Divestment of the investment in Welbeck Publishing Pty Limited;
- Subleasing the second CFC site at Strathfield South;
- Undertaking an organisational restructure to reduce overhead costs, involving employee redundancies; and
- Improving the Group's gross margin by adopting strategic pricing on products and changing the way the business recovers third-party delivery costs.

During the year, the composition of the Board changed significantly. Following the proposed Extraordinary General Meeting (EGM) called by Tony Nash Enterprises Pty Ltd in August 2023, the previous Chair and the Non-Executive Directors gave notice of their intention to resign. Following the AGM Peter George was appointed as Chair and Abigail Cheadle and Stephen Ezekiel as Independent Non-Executive Directors. The Group was pleased to appoint an additional Non-Executive Director to the Board, Paul Welch, in March 2023.

Financial performance

The table below summarises the results of the Group for the year ended 30 June 2023 ("FY23") against the prior comparative period of the year ended 30 June 2022 ("FY22"):

	FY23 $'000	FY22 $'000	Variance $'000	%
Sales of goods	**197,630**	240,751	(43,121)	(17.9%)
Product and freight costs	**(144,041)**	(175,770)	31,729	18.1%
Employee benefits expense	**(35,146)**	(38,682)	3,536	9.1%
Legal and consulting fees	**(1,714)**	(3,234)	1,520	47.0%
Share of result from Welbeck Investment	**80**	(55)	135	>200.0%
Other expenses and income	**(19,834)**	(25,455)	5,621	22.1%
EBITDA[1]	**(3,025)**	(2,445)	(580)	(23.7%)
Amortisation, depreciation and impairment expense	**(20,053)**	(12,807)	(7,246)	(56.6%)
Net finance costs	**(2,833)**	(2,476)	(357)	(14.4%)
Income tax (expense)/benefit	**(3,136)**	2,641	(5,777)	(>200.0%)
Net loss after tax	**(29,047)**	(15,087)	(13,960)	(92.5%)
Earnings per share (cents)	**(21.2)**	(11.0)	(10.2)	(92.8%)

1. Non-AASB financial measures are financial measures other than those defined or specified under all relevant accounting standards. The consolidated entity uses non-AASB financial measures to monitor and report on the performance of the business on an ongoing basis. In particular, the consolidated entity reports on Earnings before Interest, Tax, Depreciation, Amortisation and Impairment Costs (EBITDA) and Underlying EBITDA, as the board and management of the consolidated entity believe that these are the best measures of the underlying performance of the business. These measures are in common and widespread use across the sectors in which the business operates.

Financial performance (cont)

The Group delivered revenues of $197,630,000, down 17.9**%** from $240,751,000 in the comparative period. As a result, product and freight costs decreased 18.1% to $144,041,000. Revenue was higher in the prior period predominantly due to COVID-19 lockdowns which increased consumer demands for online book purchases while disruptions caused by the relocation to the new CFC impacted revenue this period.

Employee costs decreased as a result of the restructuring that occurred during the year, while Legal and consulting costs also fell from prior year when the business incurred significant costs in relation to the ACCC matter as well in the pursuit of potential acquisitions.

Other expenses and income fell 22.1% with $4,948,000 of costs related to the recognition of a provision for the financial penalty in the ACCC matter in the comparative period. In the current year, the obligation was revalued after the final orders were handed down by the Federal Court on 10 March 2023, resulting in a gain of $2,203,000.

Depreciation and amortisation for the year increased due to the Group entering into a lease for a new CFC, resulting in the acceleration of depreciation of certain assets at the Lidcombe CFC over reassessed useful lives.

In order to explain the results for the year, the table below illustrates the impact of certain significant transactions on the year ended 30 June 2023 against the prior comparative period of the year ended 30 June 2022. The one-off adjustments do not form part of the core activities of the Group and are not expected to reoccur.

	EBITDA	Impairment expense	Depreciation and amortisation	Net finance costs	Tax expense	NPAT
	$'000	$'000	$'000	$'000	$'000	$'000
30 June 2023						
Statutory results	**(3,025)**	**-**	**(20,053)**	**(2,833)**	**(3,136)**	**(29,047)**
ACCC matter	**(2,121)**	**-**	**-**	**-**	**(24)**	**(2,145)**
Disposal of Welbeck investment	**(457)**	**-**	**-**	**-**	**-**	**(457)**
Restructuring	**1,052**	**-**	**-**	**-**	**(316)**	**736**
Useful lives assessment of assets in Lidcombe CFC	**-**	**-**	**10,290**	**-**	**(3,087)**	**7,203**
Derecognition of DTA for tax losses					**10,458**	**10,458**
Underlying result	**(4,551)**	**-**	**(9,763)**	**(2,833)**	**3,895**	**(13,252)**
30 June 2022						
Statutory results	(2,445)	(2,154)	(10,653)	(2,476)	2,641	(15,087)
ACCC matter	5,611	-	-	-	(199)	5,412
Impairment of Welbeck Investment	-	2,154	-	-	-	2,154
M&A activity undertaken	1,747	-	-	-	-	1,747
Restructuring	1,302	-	-	-	(391)	911
Useful lives assessment of assets in Lidcombe CFC	-	-	2,776	-	(833)	1,943
Underlying result	6,215	-	(7,877)	(2,476)	1,218	(2,920)
(Decrease) / increase in prior year	(10,766)	-	(1,886)	(357)	1,011	(11,998)
Change (%)	(173.2%)	-	(23.9%)	(14.4%)	35.1%	(>200.0%)

The tax impact of the accelerated depreciation for FY22 has been corrected, along with the resultant totals.

Financial performance (cont)

A brief description of the current year's one-off costs has been provided in the below table:

One-off cost	Description
ACCC matter	In the year ended 30 June 2022, the Group recognised a provision for the expected penalty relating to the ACCC matter. On 10 March 2023, the Federal Court handed down its orders on the ACCC matter. This provision was remeasured to reflect current market conditions impacting the discount rate and the phasing of cash flows. The Group also incurred legal fees associated with the ACCC matter.
Disposal of Welbeck Investment	On 2 December 2022, the Group sold its 25% stake in Welbeck Publishing Pty Ltd (WPGANZ). WPGANZ is a book publishing business that publishes titles across Australia and New Zealand.
Restructuring	During the year, Group reassessed its cost base, strategy, and future needs and as a result, a restructuring exercise was undertaken. Restructuring costs include employee redundancies and related costs.
Useful lives assessment of assets in Lidcombe CFC	As a result of the Board's approval in June 2022 of a lease for a new CFC the useful lives of the assets in the Lidcombe CFC were reassessed.
Derecognition of the DTA for tax losses	As a result of Group's performance over the last two years, and the level of uncertainty that arises as to the ability to utilise available tax losses, the deferred tax asset has been derecognised as at 30 June 2023.

Financial position

The table below sets out the summarised Statement of Financial Position as at 30 June 2023 against comparatives as at 30 June 2022:

	30 Jun 2023	30 Jun 2022	Variance	
	$'000	$'000	$'000	%
Trade and other receivables	**3,632**	1,675	1,957	116.8%
Inventories	**13,362**	17,345	(3,983)	(23.0%)
Trade and other payables	**(27,827)**	(28,714)	887	3.1%
Contract liabilities	**(12,198)**	(9,719)	(2,479)	(25.5%)
Working capital excluding cash and equivalents	**(23,031)**	(19,413)	(3,618)	(18.6%)
Cash and cash equivalents	**749**	8,506	(7,757)	(91.2%)
Right-of-use assets	**32,578**	22,737	9,841	43.3%
Investment in Welbeck Australia	**-**	939	(939)	n/a
Borrowings	**(12,335)**	-	(12,335)	n/a
Lease liabilities	**(41,277)**	(30,986)	(10,291)	(33.2%)
Other current assets	**2,717**	1,910	807	42.3%
Other non-current assets	**32,270**	39,683	(7,413)	(18.7%)
Other current liabilities	**(3,215)**	(3,622)	407	11.2%
Other non-current liabilities	**(2,963)**	(5,206)	2,243	43.1%
Net assets / shareholders' equity	**(14,507)**	14,548	(29,055)	(199.7%)

Financial position (cont)

The Group's working capital position reflects the business model whereby most customers make payment at the time of order, making cash available to the business prior to the delivery of products and payments to suppliers.

The increase in right-of-use assets and lease liabilities is a result of the Group's new CFC lease which commenced in March 2023. As discussed previously under "Business model", the new CFC is over 20,000 square metres and is expected to deliver substantial efficiencies to the customer fulfilment process. The value of the right-of-use asset and the corresponding lease liability at commencement date was $12,578,000.

Significant capital investment was undertaken at the new CFC. The Group also continued to invest in its websites and other proprietary software. However, significant assets were written down that were housed in the Lidcombe CFC once it was determined that these assets would not form part of the build at the new CFC. The deferred tax asset relating to tax losses available to claim in future years was also derecognised. These matters resulted in the net decrease in carrying value of Other non-current assets.

The 23.0% reduction in inventory was predominantly due to proactive selldown of inventory ahead of the relocation to the new CFC.

The Group's borrowings of $12,335,000 represent debt financing that was secured in February 2023 to support the development of the new CFC and to support the Group's working capital position. For further details, refer to "Borrowings" at Note 20 to the financial statements.

Business strategy and future prospects

Booktopia is in a unique position to deliver on its mission to provide Australians with the best book buying experience. The Group's single product focus, data capability, heritage and most importantly prioritising the customer experience provides a unique opportunity to deliver on its mission to provide Australians with the best book buying experience. To this end, the Group will deliver:

- Improvements in the delivery time frame to customers;
- An increased range and quantity of titles for customers;
- Reduced costs in the fulfilment process;
- Higher capacity to fulfil more customer orders as the business grows; and
- Design flexible which allows further improvements to the fulfilment process in the future and the business to adapt to new technologies as they become available.

Business risks

The Group's approach to risk identification and management is outlined in the Corporate Governance Statement at investors.booktopia.com.au/Investor-Centre. The below table provides an overview of the Group's material business risks that could adversely affect the achievement of the Group's financial performance or financial outcomes described above:

Risk	Description	Management of risk
Increasing competition and changing market conditions	The e-commerce industry is highly competitive and the Group's competitive position may be negatively impacted by new entrants to the market, changes in customer preferences or significant changes to the operations of existing competitors. Any of these factors could result in the Group failing to grow or meeting its cashflow targets.	Booktopia has a sustained program to improve its website and partnerships in order to attract and retain customers, and increase buyer conversion rates. The relocation to the new highly automated CFC at Strathfield South is expected to reduce these pressures by improving delivery time frames to customers and reducing costs associated with handling products, resulting in a more competitive and enhanced offering to customers. The flexible design of the CFC also allows the business to adapt to future changes in the fulfilment process.
Cyber security disruption and intrusion	Cyber security intrusions could have a detrimental effect on the Group through: - Breaches or theft of personal information; and - Disruption in the Group's website or core IT systems. These events may have an impact on the Group's ability to sell and deliver products to customers as well as brand reputation and customer trust.	The Group has a comprehensive cyber security risk management framework which considers cyber security risks and outlines the Group's response to those risks. Examples of the responses to the cyber security risks are outlined below: Third-party web application firewalls, endpoint security, bot detection and mitigation systems are in place to reduce attack vectors and to prevent attacks. Third-party penetration testing is also carried out against all externally-accessible systems with any identified risks appropriately remediated. Moreover, security awareness and education programs are conducted across the Group for all employees that have access to the Group's IT systems. All employees are generally required to have multi authentication (MFA) set up to access key IT systems which adds another layer of protection.

Risk	Description	Management of risk
Disruption to operations in CFC	Any unforeseen event that impacts the CFC such as the failure of machinery, power outages, damage to stock, natural disasters, workforce disruptions or technological failures would disrupt the Group's ability to fulfil customer orders.	An appropriate level of spare parts is held at any point in time in the CFC to enable urgent repairs to machinery. Technicians are also engaged to regularly service key items of machinery in the CFC. Various contingency scenarios have been developed to mitigate such impacts. Moreover, appropriate insurance cover is maintained by the Group to mitigate potential loss of income or damage that could occur to the CFC.
Adverse external economic factors	As an e-commerce retailer, unstable and deteriorating macro-economic factors such as increasing interest rates, heightened domestic and global inflation and poor consumer confidence are all factors that could adversely impact the Group's ability to achieve financial and trading objectives.	The Group's investment in the new CFC is expected to make the business more resilient in the future by reducing costs and improving the customer experience by reducing shipping timeframes for orders. This is expected to retain the Group's loyal customer base and meet the expectations of new customers. Moreover, the Group prepares profit and cash flow forecasts under various scenarios to allow the business to manage the risk of any deterioration in the external economic and consumer environment through various cost levels within the business.
Ongoing financing facilities	The Group has multiple debt financing facilities that are subject to various terms and conditions. There is the risk that these financing facilities may not be available in the future or the terms of these facilities could be breached. Any adverse event would have a detrimental impact on the Group's long-term growth and ability to achieve its cashflow forecasts.	The Group managers its cashflows and finances to comply with the terms of the financing facilities and covenants and maintain sufficient liquidity for the business to continue as a going concern. Moreover, the Group regularly engages with its financiers to maintain good relationships and in the long term to secure longer term financing facilities.
Recruitment and retention of key personnel and employees	The Group is dependent on the talent and experience of its personnel. The Group needs to attract and retain talented senior managers to ensure that the leadership team has the right skills and experience to deliver the Group's strategy and maintain its market position. Labour shortages have been experienced across the e-commerce industry which presents an ongoing challenge to the Group.	The Group offers a range of benefits to its staff members to improve employee attraction and retention, including competitive market salaries, the provision of a safe and healthy work environment, flexible working arrangements and an employee assistance program which is available for staff members who require support.

Risk	Description	Management of risk
CFC project benefits not achieved	A failure to fully realise the benefits of the new CFC project could adversely impact the Group's future prospects, as the project is expected to reduce costs and improve customer experience.	The Group has invested significantly in the design and planning for the new CFC to ensure it delivers the best possible outcome for the business and its customers. The flexible design of the CFC also allows the business to adapt to future changes in the fulfilment process.
Regulatory risk breaches	The Group is required to comply with various regulatory authorities. Some key authorities the Group is required to comply with include the Australian Taxation Office (ATO), Australian Securities and Investments Commission (ASIC), the Australian Securities Exchange (ASX), the Australian Competition and Consumer Commission (ACCC), the Fair Work Ombudsman (FairWork) and federal and state health and safety authorities. Any investigations, disputes or changes in legislation by any of these regulators could have a material adverse impact on the Group's operating and financial performance. Following the Federal Court Orders received on the ACCC matter, there is in particular a heightened risk in relation to Australian Consumer Law.	The Group has an established governance framework to monitor, assess and report on material regulatory matters to senior management and the Board. A range of qualified professionals are employed by the Group who deal specifically with regulatory matters and undertake regular training as part of their professional membership bodies. External consultants are engaged as appropriate. The Group continues to monitor the impact of recent and upcoming legislative changes, notably the Secure Jobs Better Pay Act, which may impact the workforce in future years. During the year, the Group has appointed a compliance officer, introduced compliance monitoring procedures, and engaged a third party to undertake periodic reviews of our processes to mitigate against operational processes that may conflict with Australian Consumer Law.
Technology disruption	As an e-commerce retailer, the increasing reliance on technology in a rapidly changing digital environment presents the risk of the Group's IT systems malfunctioning which could adversely affect the ability of the business to sell products on its online website or provide customer service, including damage to brand reputation.	Investment has been made in IT systems, including its website environment and upgrading the Group's warehouse management system as part of the CFC relocation project with the aims of significantly reducing the risks of system failure. The Group also has continuity plans in place in the event of technological failures including the deployment of multi-region backup cloud services. Moreover, an internal team is dedicated to providing ongoing management, regular patches and updates to the Group's core IT systems to ensure they are operating at an optimum level and are safeguarded from potential disruptions.

Dividends

There were no dividends paid, recommended or declared during or in relation to the current or previous financial year.

Shares under option or performance rights

There were no unissued ordinary shares of Booktopia Group Limited under option outstanding as at 30 June 2023. Please refer to "Matters subsequent to the end of financial year" for further details of events post 30 June 2023.

There were 19,951,416 shares under performance rights in issue as at 30 June 2023. These performance rights do not entitle the holder to participate in any of the share issue of the company or any body corporate until the rights are vest.

Shares issued on the exercise of options or rights

There were no ordinary shares of Booktopia Group Limited issued on the exercise of options during the year ended 30 June 2023 or up until the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and officers of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

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 Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in Note 28 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Non-audit services (cont)

The directors are of the opinion that the services as disclosed in Note 28 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Significant changes in the state of affairs

The Group's relocation to the new CFC has caused substantial disruption to the business, impacting revenue in the last quarter of the financial year and the first quarter of FY24. The relocation has further impacted stock levels and the carrying values of certain items of property, plant and equipment.

There were no further significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The directors aim to maintain the management policies and processes that support the principal activity of the Company with a view to delivering the best outcomes for stakeholders. The Company is continually reviewing and refining these policies to improve the framework of financial control and manage costs effectively while delivering strategic growth objectives.

On 3 July 2023, the Group announced that the consultancy agreement with Tachyon Ventures Pty Ltd, an associated entity of Tony Nash, will cease on 31 August 2023 following the successful transition of the new CEO into the Group.

Furthermore, it was announced that the $5,000,000 unsecured AFSG loan had been renegotiated with a three-year extension to the facility, and other changes to terms of that arrangement.

On the same day, the Group announced, a successful capital raise of $8,100,000 and conversion of $1,600,000 of AFSG debt to shares. On 10 July 2023, it was announced that the revised total offer was expected to raise $10,900,000 being $9,300,000 from the placements, and $1,600,000 from the conversion.

The first tranche, comprising 13,735,930 Placement shares at $0.12 per share and 6,867,965 Placement options with an exercise price of $0.23 were issued on 7 July 2023. This was completed in line with Listing Rule 7.1's 15% placement capacity.

The second tranche of 40,430,737 Placement shares at $0.12 per share and 20,215,368 Placement options with an exercise price of $0.23 were approved at the Extraordinary General Meeting (EGM) on 16 August 2023, and issued on 18 August 2023.

At the EGM on 16 August 2023, the conversion of $1,600,000 of the AFSG unsecured facility was also approved with 6,666,666 shares and 3,333,333 options being issued to an entity controlled by Tony Nash and the same being issued to an entity controlled by Steven Traurig on 18 August 2023.

On 28 July 2023, Steven Traurig resigned as director of Booktopia Group Limited.

Matters subsequent to the end of the financial year (cont)

Since year end, the Group has successfully exited its Lidcombe CFC and commenced make-good activities. These works are expected to be completed ahead of the 23 October 2023 end of lease.

From early July 2023, all inventory was housed in the new CFC, which as at the date of this report, is operational.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial 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 operating and financial review section above and elsewhere in this report.

Audit outcome

The Group's appointed auditor, Deloitte Touche Tohmatsu, in issuing their Independent Auditor's Report for the year ended 30 June 2023 have highlighted material uncertainty relating to the Group's assessment of continuing as a going concern. Further details of the Group's assessment can be found at Note 2 to the financial statements.

Rounding

The Company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this directors' report.

The following Key Management Personnel (KMP) were former partners of the appointed auditor, Deloitte Touche Tohmatsu:

- Paul Welch – Independent Non-Executive Director (appointed on 27 March 2023)
- Geoff Stalley – Acting CEO (resigned on 5 May 2023)

The above Key Management Personnel performed no services for the Group while holding the position of partner at Deloitte Touche Tohmatsu and the auditor was appointed after the above KMP departed from Deloitte Touche Tohmatsu.

Remuneration Report (audited)

The Directors present the Remuneration Report for the year ending 30 June 2023. The information provided in this report has been audited as required by section 300A of the *Corporations Act 2001*.

Contents

1. Who is covered in this report

The Remuneration Report details the Key Management Personnel ('KMP') remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including all Directors.

The Board consider the following are or were KMP during the year:

KMP	Position held	Term as KMP
Current KMP:		
Tony Nash	Chief Executive Officer / Executive Director / Non-Executive Director	Full year
Steven Traurig[1]	Chief Commercial Officer and Executive Director	Full year
Fiona Levens	Chief Financial Officer	Appointed 29 Aug 22
Peter George	Independent Non-Executive Director and Chairman	Appointed 1 Dec 22
Abigail Cheadle	Independent Non-Executive Director	Appointed 12 Dec 22
Stephen Ezekiel	Independent Non-Executive Director	Appointed 12 Dec 22
Paul Welch	Independent Non-Executive Director	Appointed 27 Mar 23
David Nenke	Chief Executive Officer	Appointed 8 May 23
Former KMP (who served during the year):		
Geoff Stalley	Acting Chief Executive Officer	14 Jul 23 – 5 May 23
	Chief Financial Officer	Resigned 13 Jul 22
Chris Beare	Independent Non-Executive Director and Chairman	Resigned 1 Dec 22
Fiona Pak-Poy	Independent Non-Executive Director	Resigned 28 Nov 22
Judy Slatyer	Independent Non-Executive Director	Resigned 28 Nov 22
Su-Ming Wong	Independent Non-Executive Director	Resigned 20 Sep 22

1. Steven Traurig resigned as a Director and ceased to be a KMP on 28 July 2023.

There have been no further changes in KMP since the end of the reporting period.

2. Remuneration governance

This section of the Remuneration Report describes the role of the Board and the Remuneration and Nomination Committee, and the use of remuneration consultants when making remuneration decisions affecting KMP.

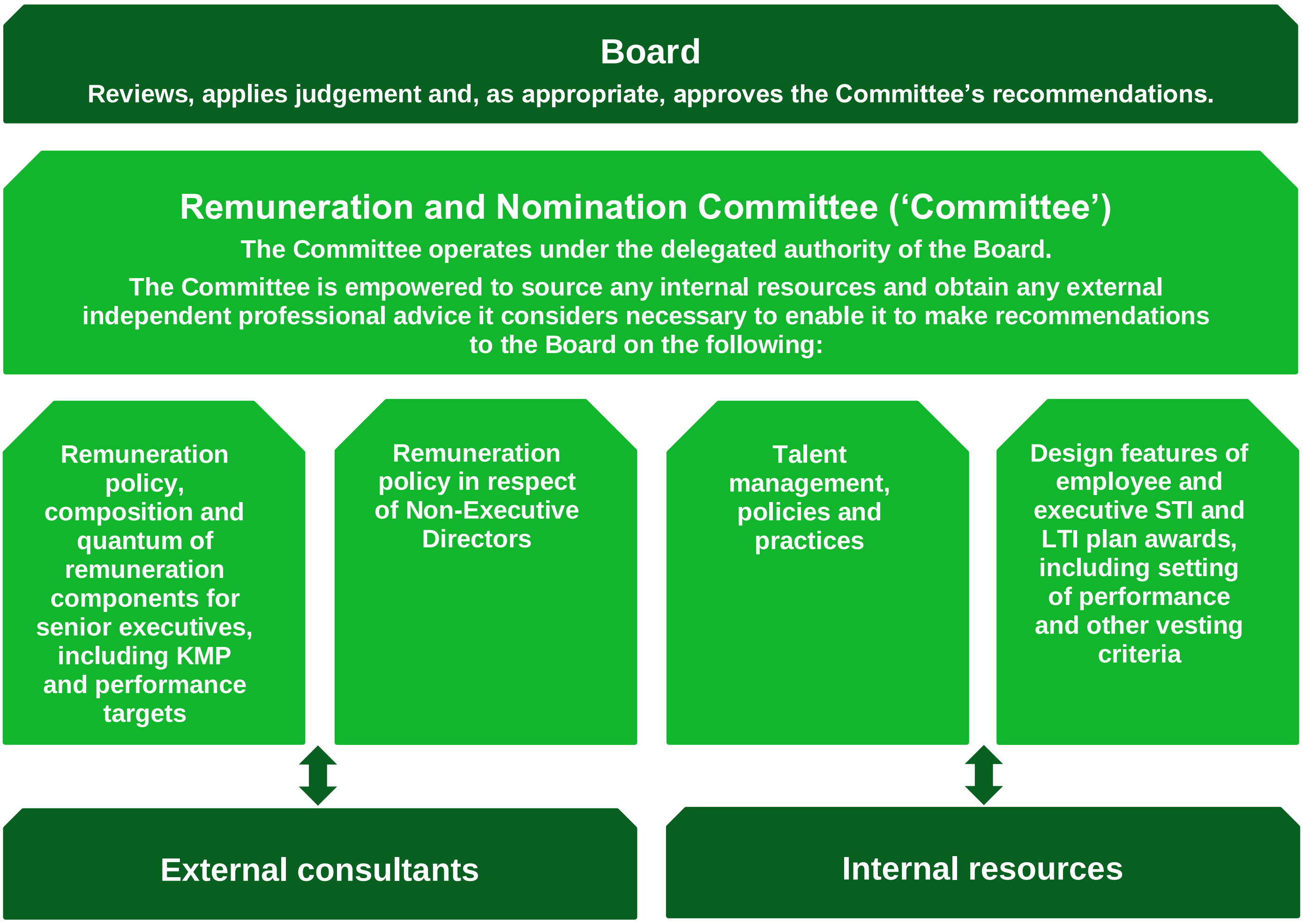
2.1 Role of the Board and the Remuneration and Nomination Committee

The Board is responsible for the Group's remuneration strategy and policies. To assist the Board with this, it has established the Remuneration and Nomination Committee ('Committee'). The Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high-quality personnel.

2. Remuneration governance (cont)

2.1 Role of the Board and the Remuneration and Nomination Committee (cont)

The diagram below illustrates the Committee's role and interaction with the Board, together with internal and external advisers.



A copy of the Committee's Charter is available at investors.booktopia.com.au/Investor-Centre. It sets out further details of the Committee's specific responsibilities and functions.

Details of the composition of the Committee and the meetings held during the year are set out on page 10 of the Directors' Report.

2.2 Use of remuneration consultants

The Group did not engage any remuneration consultants during the financial year ended 30 June 2023 or the previous comparative period.

3. Overview of remuneration framework

The Group has chosen to reward executives using a level and mix of remuneration which has both fixed and variable components. The executive remuneration and reward framework has four components:

Fixed remuneration	• Base pay and non-monetary benefits; and • Other remuneration such as superannuation and long service leave.
Variable remuneration	• Cash-based Short-Term Incentive ('STI') performance payments; and • Share-based Long-Term Incentive ('LTI') payments.

The combination of these comprises the executives' total remuneration.

3.1 Fixed remuneration

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Committee based on individual performance, the overall performance of the Group and comparable market remuneration.

3.2 Short-term incentives

The Group operates STI plans for eligible employees, including executives and employees in other management or specialist roles. The STI program is designed to align the performance hurdles of the participants with the targets of the business.

2023 STI plan

The Group had no active STI plan for the year ended 30 June 2023.

The Group has plans in place for the CEO and senior executive team for the year ending 30 June 2024.

2022 STI plan

Under the Group's 2022 STI plan, cash bonuses were payable to KMP and the eligible employees, subject firstly to the group achieving its budget revenue and EBITDA for the financial year (the gateway hurdles), and thereafter to the achievement of a range of financial and non-financial key performance indicators (KPIs) for the relevant financial year. Participation in, and payments under, the STI plans for a financial year are at the discretion of the Board.

Maximum STI payments are based on a percentage of salary. The level of STI payment is dependent on how much EBITDA exceeds budget, adjusted for the achievement of predefined KPIs. The maximum possible STI awarded under the scheme is 100% of an eligible employee's salary.

The STI is paid in cash after the release of the annual results. If an STI payment exceeds 20% of an employee's salary, 30% of the amount is deferred to the following year.

The gateway hurdles of revenue and EBITDA were not achieved, and therefore no STI payments were made under the plan for the year ended 30 June 2022.

3. Overview of remuneration framework (cont)

3.2 Short-term incentives (cont)

CEO's performance bonus

The Group's former CEO Tony Nash was entitled to a performance payment based on the over achievement of EBITDA, as determined by the Board. A performance payment of $1,500,000 was payable in tranches over a period of four years commencing in FY21. For the year ended 30 June 2022, the over achievement of budgeted EBITDA was not met and as such no performance payment was payable. For the year ended 30 June 2023, no performance payment was payable due to the termination of Tony's Executive Agreement.

3.3 Long-term incentives

The LTI program is designed to reward sustainable long-term performance and align executives to shareholder outcomes whilst allowing the Group to attract and retain the best talent. It uses Performance Rights ('PRs') issued under the Group's Long Term Incentive Plan ('LTI Plan'). A Performance Right entitles the participant to receive shares after a set period subject to the satisfaction of vesting conditions which are tested after the end of the period.

To satisfy the receiving of shares for the PRs, the Group has established an externally administered trust structure that buys Booktopia shares on market during trading windows that can then be transferred to executives once any PR vests.

The Board has determined to use PRs because they create share price alignment between executives and shareholders but do not provide the executives with the full benefits of share ownership (such as dividend and voting rights) unless and until the PRs vest and are exercised.

Each Performance Right constitutes a right to receive an ordinary share in the capital of the Group, subject to the terms of offer.

2023 LTI plan

The PRs granted under the 2023 LTI plan are measured as follows:

A: 50% of the rights will be tested against the Company's shareholder return ('TSR') relative to a comparator group over the performance period ('TSR rights').

B: 50% of the rights will be tested against the absolute earnings per share ('EPS') compound annual growth rate ('CAGR') over the relevant performance period ('EPS rights'), or similar growth measures.

Performance Rights granted to KMP in the financial year ended 30 June 2023 are tested from 1 July 2022 – 30 June 2025 and will vest upon achieving the performance criteria.

The number of PRs issued to eligible employees is normally related to a percentage of their annual salary on a sliding scale depending on seniority. In FY23, 1,414,440 PRs were awarded to 51 employees, including 360,010 awarded to KMPs.

At 30 June 2023, the KMP had 79,429 PR tested, 50% against a TSR measured against the ASX200, and 50% against EPS growth on a sliding scale between 15% and 30%. Neither of these hurdles were met, resulting in those PRs being forfeited.

On 13 July 2022, the Group terminated the Executive Agreement of former CEO Tony Nash. As part of the termination arrangements all of the unvested PRs relating to Tony Nash were retained and vest in accordance with their original terms of grant.

3. Overview of remuneration framework (cont)

3.3 Long-term incentives (cont)

CEO's LTI plan

On 8 May 2023, 686,719 PRs were granted to the new CEO David Nenke. The PRs are subject to his ongoing employment with the Group and the achievement of a 20-day volume weighted average price (VWAP) of the Group's shares on the ASX above $0.728, at any time between 1 July 2023 and the date of notice of the Group's AGM for the financial year ended 30 June 2026.

3.4 Group performance and link to remuneration

The Group aims to align its Executive remuneration to its strategic objectives and the consequences on shareholders' financial wealth whilst remaining competitive. The evolution of the Group's remuneration policy and the performance of the business in the last five financial years is summarised below:

	2019	2020	2021	2022	2023
Revenue ($'mil)	$129	$166	$224	$241	$198
EBITDA ($'mil)[1]	$3.6	$6.0	$13.6	$6.2	($4.6)
EPS (cents)[1]	n/a	0.95	2.66	(0.92)	(9.68)
Share price	n/a	n/a	$2.64	$0.23	$0.16
STI accruing to KMP ($'000)	n/a	n/a	$350	$384	$28
Value of LTIs vested to KMP ($'000)	n/a	n/a	$75	-	-

1. Amounts presented in 2020-2023 are on an underlying basis, to exclude one-off costs as outlined on page 14 of the Directors' Report.

In developing a remuneration framework that links the at-risk remuneration to the drivers of investors' returns, the Committee has set profitability and market capital value hurdles on the LTI plan. These approximate to the results of the business from which it may be able to pay dividends or reinvest to grow the business, and the appreciation of the share price and dividends paid respectively. STI plans are generally underpinned by the achievement of a gateway performance for EBITDA; used by investors in assessing the enterprise value of the organisation and informing expectations on the future share price.

3.5 Non-executive directors' remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Committee. The Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The maximum annual aggregate remuneration available to non-executive directors is currently set at $700,000.

From 1 July 2023, the Independent Non-Executive Directors have committed to a deferral of all fees until the end of September 2023.

4. Remuneration details for 2023

4.1 Key Management Personnel remuneration table

Details of the remuneration of KMP for the period they served as such for the year ended 30 June 2023 is set out in the table below:

30 June 2023	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
$'s	Cash salary and fees	Cash Bonus[4]	Non-Monetary[5]	Super-annuation	Long service leave	Equity-Settled[6]	
Non-Executive Directors:							
Peter George[1]	74,745	-	-	7,848	-	-	82,593
Chris Beare[2]	54,092	-	-	5,682	-	-	59,774
Tony Nash[3]	45,981	28,295	8,266	27,500	(11,430)	(47,048)	374,030
Abigail Cheadle[1]	51,023	-	-	5,357	-	-	56,380
Fiona Pak-Poy[2]	37,583	-	-	3,948	-	-	41,531
Judy Slatyer[2]	31,945	-	-	3,356	-	-	35,301
Paul Welch[1]	21,399	-	-	2,247	-	-	23,646
Stephen Ezekiel[1]	51,545	-	-	5,412	-	-	56,957
Su-Ming Wong[2]	17,615	-	-	1,851	-	-	19,466
Executive Directors:							
Steven Traurig	315,630	-	(4,957)	28,189	16,327	(5,346)	349,843
Other KMP:							
David Nenke[1]	69,614	-	6,255	7,309	69	4,807	88,054
Geoff Stalley[2]	414,559	-	25,048	42,833	(1,136)	(20,409)	460,895
Fiona Levens[1]	270,346	-	34,402	28,395	12,702	2,373	348,218
Total KMP Remuneration	**1,456,077**	**28,295**	**69,014**	**169,927**	**16,532**	**(65,623)**	**1,674,222**

1. Represents remuneration from the date of appointment.

2. Represents remuneration to the date of resignation.

3. Excludes consultancy fees that were paid to Tachyon Ventures Pty Ltd, an associated entity of Tony Nash. Refer to section 4.5 of the Remuneration Report for further details of the consultancy agreement with Tachyon Ventures Pty Ltd.

4. Represents CEO's performance payment in respect of FY21.

5. Non-monetary benefits represents the net annual leave accrued by the individual and Fringe Benefits Tax paid relating to mobile phone and internet expenses.

6. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of Performance Rights granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual KMP may ultimately realise should the equity instruments vest. In particular, the non-market vesting conditions for FY23 were not achieved and those rights are therefore forfeited.

4. Remuneration details for 2023 (cont)

4.1 Key Management Personnel remuneration table (cont)

Details of the remuneration of KMP for the period they served as such for the comparative year ended 30 June 2022 is set out in the table below:

30 June 2022	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
$'s	Cash salary and fees	Cash Bonus[5]	Non-Monetary[6]	Super-annuation	Long service leave	Equity-Settled[7]	
Non-Executive Directors:							
Chris Beare	128,346	-	-	12,835	-	-	141,181
Fiona Pak-Poy	91,675	-	-	9,168	-	-	100,843
Judy Slatyer[1]	16,719	-	-	1,672	-	-	18,391
Marina Go[2]	58,518	-	-	5,852	-	-	64,370
Su-Ming Wong	77,924	-	-	7,792	-	-	85,716
Executive Directors:							
Tony Nash[3]	608,174	379,706	76,324	26,538	40,511	10,951	1,142,204
Steven Traurig	315,832	3,210	32,686	26,541	2,694	4,420	385,383
Wayne Baskin[4]	385,259	4,706	30,698	21,844	9,105	9,064	460,676
Other KMP:							
Geoff Stalley	371,423	(3,859)	30,141	44,710	902	5,283	448,600
Total KMP Remuneration	**2,053,870**	**383,763**	**169,849**	**156,952**	**53,212**	**29,718**	**2,847,364**

1. Represents remuneration from 14 April 2022 – 30 June 2022.

2. Represents remuneration from 1 July 2021 – 31 March 2022.

3. Although Tony Nash stepped down from CEO at the Board's request on 13 July 2022, this was communicated prior to 30 June 2022 and as such Tony's termination payments have been accrued in FY22.

4. Represents remuneration from 1 July 2021 – 15 June 2022.

5. Bonus was accrued based on the achievement of STI plan performance criteria and includes the CEO's FY21 performance payment of $375,000.

6. Non-monetary benefits represents the net annual leave accrued by the individual and Fringe Benefits Tax paid relating to mobile phone and internet expenses.

7. In accordance with the requirements of the Australian Accounting Standards, remuneration includes a proportion of the fair value of Performance Rights granted or outstanding during the year. The fair value of equity instruments which do not vest during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individual KMP may ultimately realise should the equity instruments vest. In particular, the non-market vesting conditions for FY22 were not achieved and those rights are therefore forfeited.

4.2 Short-term incentive outcomes

As described in 'Short-term incentives' above, the Group did not operate an STI plan for the year ended 30 June 2023.

4. Remuneration details for 2023 (cont)

4.3 Proportion of fixed and at-risk remuneration

Non-Executive Directors' fees are 100% fixed.

The proportion of remuneration linked to achieving targeted performance and the fixed proportion of Executive Directors and other KMP are as follows:

	2023			2022		
	Fixed remuneration	At-risk – STI[1]	At-risk – LTI[2]	Fixed remuneration	At-risk – STI[1]	At-risk - LTI
David Nenke	95%	-	5%	n/a	n/a	n/a
Tony Nash[3]	107%	-	(7%)	57%	43%	-
Geoff Stalley	104%	-	(4%)	55%	45%	-
Fiona Levens	99%	-	1%	n/a	n/a	n/a
Steven Traurig	102%	-	(2%)	56%	44%	-
Wayne Baskin	n/a	n/a	n/a	48%	52%	-

1. The "At-risk – STI" percentage reflects the maximum opportunity as a proportion of the total available remuneration.

2. Negative "At-risk LTI" represents the write-back of share-based remuneration where non-market vesting conditions were not met.

3. Whilst Tony Nash was a Non-Executive Director as at 30 June 2023, he served as CEO until 13 July 2022 and therefore has been included in the above table.

4.4 Loans to Key Management Personnel and their related parties

There were no loans made to KMP or entities related to them, including their related parties, or other transactions at any time during FY22 or FY23.

4.5 Other transactions with Key Management Personnel and their related parties

Close family members of KMP (who meet the definition of related parties) employed by the business on an arm's length basis received remuneration for their services of $119,037 (2022: $127,043).

On 25 April 2023, the Company finalised a consultancy agreement with Tachyon Ventures Pty Ltd, an associated entity of Tony Nash. The Company had been actively engaged with Tony Nash through his associated entity Tachyon Ventures Pty Ltd for the provision of consulting services to the Group since 23 January 2023 and the entity has been providing ad hoc consultancy services since that time. Tachyon Ventures Pty Ltd did not receive any payments for these services until the agreement was finalised.

The key terms and conditions under the consultancy agreement are:

- Tachyon Ventures Pty Ltd will be paid a consultancy fee of $2,500 per day (exclusive of GST) for a maximum of 3 days per week, unless otherwise required by the Group, by notice in writing.
- The agreement may be terminated at any time by providing one month's notice.
- The agreement ends on 22 January 2024, with the option to extend by one further year by mutual agreement.

The Company incurred an expense of $273,750 in relation to the consultancy services during the financial year. $100,000 was unpaid as at 30 June 2023. The Group terminated the agreement effective 31 August 2023.

4. Remuneration details for 2023 (cont)

4.5 Other transactions with Key Management Personnel and their related parties (cont)

Associated entities of Directors Tony Nash and Steven Traurig provided loans to AFSG Asset Management Pty Ltd in FY23. AFSG Asset Management Pty Ltd has in turn provided Booktopia Pty Ltd with an unsecured $5,000,000 interest-bearing borrowing facility. For further details, refer to "Borrowings" at Note 20 to the financial statements.

4.6 Share-based compensation

Options and performance rights

Under the Group's LTI Plans, as described in 'Long term incentives' above, the following PRs affect the remuneration of KMP in the current financial year or future financial years:

Name	Number of PRs granted	Grant date	Vesting date	Performance condition	Vested %	Forfeited %
David Nenke	686,719	08/05/2023	30/06/2026	VWAP	-	-
	686,719					
Tony Nash	9,305	31/12/2020	30/06/2023	EPS	-	100%
	9,304	31/12/2020	30/06/2023	TSR	-	100%
	18,255	01/07/2021	30/06/2023	EPS	-	100%
	18,255	01/07/2021	30/06/2023	TSR	-	100%
	18,255	01/07/2021	30/06/2024	EPS	-	-
	18,255	01/07/2021	30/06/2024	TSR	-	-
	91,629					
Geoff Stalley	5,482	31/12/2020	30/06/2023	EPS	-	100%
	5,482	31/12/2020	30/06/2023	TSR	-	100%
	8,899	01/07/2021	30/06/2023	EPS	-	100%
	8,899	01/07/2021	30/06/2023	TSR	-	100%
	8,899	01/07/2021	30/06/2024	EPS	-	100%
	8,899	01/07/2021	30/06/2024	TSR	-	100%
	88,056	29/09/2022	30/06/2025	EPS	-	100%
	88,055	29/09/2022	30/06/2025	TSR	-	100%
	222,671					
Fiona Levens	5,099	01/07/2021	30/06/2024	EPS	-	-
	5,098	01/07/2021	30/06/2024	TSR	-	-
	46,705	28/11/2022	30/06/2025	EPS	-	-
	46,704	28/11/2022	30/06/2025	TSR	-	-
	103,606					
Steven Traurig	4,699	31/12/2020	30/06/2023	EPS	-	100%
	4,699	31/12/2020	30/06/2023	TSR	-	100%
	7,456	01/07/2021	30/06/2023	EPS	-	100%
	7,456	01/07/2021	30/06/2023	TSR	-	100%
	7,455	01/07/2021	30/06/2024	EPS	-	-
	7,456	01/07/2021	30/06/2024	TSR	-	-
	45,245	28/11/2022	30/06/2025	EPS	-	-
	45,245	28/11/2022	30/06/2025	TSR	-	-
	129,711					

4. Remuneration details for 2023 (cont)

4.6 Share-based compensation (cont)

Issue of shares

The table provided at 6.1 shows the number of shares that were issued to KMP during the year ended 30 June 2023.

5. Service agreements

Remuneration and other terms of employment for KMP are formalised in service agreements. Details of these agreements as at 30 June 2023 are as follows:

Name	Base salary (inc. superannuation)	Agreement commenced	Term of agreement[1]	Termination notice period (bilateral)[2]
David Nenke	$500,000	8 May 2023	No minimum term	6 months
Tony Nash[3]	$632,500	23 Oct 2020	2 years	6 months
Geoff Stalley[3]	$500,000	14 Oct 2020	No minimum term	1 month
Fiona Levens	$353,600	29 Aug 2022	No minimum term	12 weeks
Steven Traurig	$341,000	14 Oct 2020	No minimum term	6 months

1. After a term of agreement is reached the service agreement continues on the same terms with the same notice period.
2. No notice is required for termination of employment in certain circumstances, including serious misconduct.
3. Service agreement as at the date of resignation.

Any payments made on termination of KMP will be subject to the termination benefits cap under the Corporations Act in the absence of shareholder approval. KMP have no entitlement to termination payments in the event of removal for misconduct.

6. Key Management Personnel equity interests

6.1 Performance rights holdings

The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

KMP	1 July 2022	Granted[1]	Vested	Expired / forfeited	30 June 2023
David Nenke	-	686,719	-	-	686,719
Tony Nash	91,629	-	-	(55,119)	36,510
Geoff Stalley	46,560	176,111	-	(222,671)	-
Fiona Levens	10,197	93,409	-	-	103,606
Steven Traurig	39,221	90,490	-	(24,310)	105,401
	187,607	**1,046,729**	**-**	**(302,100)**	**932,236**

1. Performance share rights granted to Directors were approved by shareholders at the 2022 Annual General Meeting under ASX Listing Rule 10.14.

No loans will be made by the Company to the executives in relation to the issue of performance rights.

6. Key Management Personnel equity interests (cont)

6.1 Performance rights holdings (cont)

For the PRs issued during the year, the key inputs used in the model to determine the fair value at the grant date were:

Input	Tranche 1	Tranche 2	Tranche 3
Grant date	29 Sep 22	28 Nov 22	8 May 23
Exercise price	$nil	$nil	$nil
Contractual life (years)	2.8	2.6	3.1
Share price at grant date	$0.255	$0.215	$0.220
Fair value at grant date - TSR	$0.206	$0.156	n/a
Fair value at grant date - VWAP	n/a	n/a	$0.133
Fair value at grant date - EPS	$0.255	$0.215	n/a
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	60.0%	60.0%	66.0%
Risk-free rate	3.6%	3.2%	3.1%

The fair value of the TSR component of PRs is independently determined using the Monte-Carlo Simulation, and Black-Scholes for the EPS component. The VWAP hurdle for PRs has been measured using the binomial methodology. The option pricing models take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

6.2 Shareholding

The number of fully paid ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

	1 July 2022	Received as part of remuneration	Additions	Disposals	30 June 2023
Peter George	-	-	-	-	-
Chris Beare	400,000	-	-	-	400,000
David Nenke	-	-	-	-	-
Tony Nash	20,158,555	-	-	-	20,158,555
Geoff Stalley	103,521	-	-	-	103,521
Abigail Cheadle	-	-	-	-	-
Fiona Pak-Poy	30,438	-	-	-	30,438
Judy Slatyer	-	-	-	-	-
Paul Welch	-	-	-	-	-
Stephen Ezekiel	230,055	-	-	-	230,055
Su-Ming Wong	6,707,472	-	-	-	6,707,472
Fiona Levens	21,739	-	-	-	21,739
Steven Traurig	20,696,577	-	-	-	20,696,577
	48,348,357	**-**	**-**	**-**	**48,348,357**

For Directors that resigned before 30 June 2023, the shareholding reflected is their closing shareholding.

End of audited Remuneration Report

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

____
Peter George
Chairman

28 August 2023
Sydney

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The Directors
Booktopia Group Limited
Level 6
1A Homebush Bay Drive
Rhodes NSW 2138

28 August 2023

Dear Directors,

Auditor's Independence Declaration to Booktopia Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Booktopia Group Limited.

As lead audit partner for the audit of the financial report of Booktopia Group Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit
- any applicable code of professional conduct in relation to the audit.

Yours faithfully,

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Damien Cork
Partner
Chartered Accountants

Financial Statements

For the year ended 30 June 2023

Booktopia Group Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2023

	Note	30 Jun 2023 $'000	30 Jun 2022 $'000
Revenue	5	**197,630**	240,751
Other income	6	**3,201**	173
Interest income		**106**	10
Expenses			
Product and freight costs		**(144,041)**	(175,770)
Employee benefits expense	7	**(35,146)**	(38,682)
Amortisation, depreciation and impairment expense	7	**(20,053)**	(12,807)
Advertising and marketing expense		**(11,744)**	(10,221)
IT and communication expense		**(2,681)**	(2,190)
Merchant fees		**(2,561)**	(3,037)
Occupancy expense		**(2,050)**	(1,610)
Legal and consulting fees		**(1,714)**	(3,234)
Other expenses	7	**(3,999)**	(8,570)
Finance costs	7	**(2,939)**	(2,486)
Share of results of associate	16	**80**	(55)
Loss before tax		**(25,911)**	(17,728)
Income tax (expenses) / benefit	8	**(3,136)**	2,641
Loss for the year attributable to the owners of the company		**(29,047)**	(15,087)
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the year attributable to the owners of the company		**(29,047)**	(15,087)

	Note	Cents	Cents
Earnings per share attributable to the owners of the company			
Basic earnings per share	34	**(21.2)**	(11.0)
Diluted earnings per share	34	**(21.2)**	(11.0)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the financial statements.

Booktopia Group Limited
Consolidated Statement of Financial Position
As at 30 June 2023

	Note	30 Jun 2023 $'000	30 Jun 2022 $'000
Current assets			
Cash and cash equivalents	9	**749**	8,506
Trade and other receivables	10	**3,632**	1,675
Inventories	11	**13,362**	17,345
Security deposits	12	**1,162**	-
Lease incentive receivable		**305**	624
Prepayments		**1,250**	1,286
Total current assets		**20,460**	29,436
Non-current assets			
Property, plant and equipment	13	**17,134**	22,426
Right-of-use assets	14	**32,578**	22,737
Intangibles	15	**9,047**	9,088
Investment in associate	16	**-**	939
Deferred tax assets	8	**1,085**	4,618
Security deposits	12	**5,004**	3,551
Total non-current assets		**64,848**	63,359
Total assets		**85,308**	92,795
Current liabilities			
Trade and other payables	17	**27,827**	28,714
Contract liabilities	18	**12,198**	9,719
Lease liabilities	19	**2,961**	3,367
Borrowings	20	**12,335**	-
Income tax payable		**-**	6
Provisions	21	**2,259**	3,616
Financial liabilities	22	**956**	-
Total current liabilities		**58,536**	45,422
Non-current liabilities			
Lease liabilities	19	**38,316**	27,619
Provisions	21	**892**	5,206
Financial liabilities	22	**2,071**	-
Total non-current liabilities		**41,279**	32,825
Total liabilities		**99,815**	78,247
Net assets		**(14,507)**	14,548
Equity			
Issued capital	23	**50,920**	50,920
Share-based payments reserve	24	**89**	145
Accumulated losses		**(65,516)**	(36,517)
Total shareholders' equity		**(14,507)**	14,548

The consolidated statement of financial position is to be read in conjunction with the notes to the financial statements.

Booktopia Group Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2023

	Issued capital $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2021	51,671	195	(21,475)	30,391
Loss after income tax benefit for the year	-	-	(15,087)	(15,087)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(15,087)	(15,087)
Transactions with shareholders:				
Performance Rights vested in the year	73	(76)	3	-
Transfer reserve for lapsed Performance Rights	-	(42)	42	-
Share-based payments expense (Note 7)	-	68	-	68
Treasury shares acquired on market	(824)	-	-	(824)
Balance at 30 June 2022	50,920	145	(36,517)	14,548

	Issued capital $'000	Share-based payments reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2022	**50,920**	**145**	**(36,517)**	**14,548**
Loss after income tax benefit for the year	**-**	**-**	**(29,047)**	**(29,047)**
Other comprehensive income for the year, net of tax	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**(29,047)**	**(29,047)**
Transactions with shareholders:				
Transfer reserve for lapsed Performance Rights	**-**	**(48)**	**48**	**-**
Share-based payments expense (Note 7)	**-**	**(8)**	**-**	**(8)**
Balance at 30 June 2023	**50,920**	**89**	**(65,516)**	**(14,507)**

The consolidated statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Booktopia Group Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2023

	Note	30 Jun 2023 $'000	30 Jun 2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**218,559**	263,777
Payments to suppliers and employees (inclusive of GST)		**(224,756)**	(254,024)
		(6,197)	9,753
Income taxes refunded		**389**	305
Net cash (used in) / provided by operating activities	32	**(5,808)**	10,058
Cash flows from investing activities			
Payments for property, plant and equipment		**(6,381)**	(6,035)
Payments for intangibles	15	**(2,851)**	(1,993)
Payments for security deposits		**(2,524)**	(2,135)
Interest received		**15**	10
Proceeds from rental income		**489**	-
Proceeds from sale of investment in associate	16	**1,512**	-
Payments for investment in associate	16	**-**	(3,148)
Net cash used in investing activities		**(9,740)**	(13,301)
Cash flows from financing activities			
Proceeds from borrowings		**18,943**	-
Repayment of borrowings		**(6,608)**	-
Lease principal repayments		**(4,144)**	(1,429)
Interest and other finance costs paid		**(2,925)**	(2,486)
Lease incentives received		**2,537**	4,425
Treasury shares acquired		**-**	(824)
Net cash provided by / (used in) financing activities		**7,803**	(314)
Net decrease in cash and cash equivalents		**(7,745)**	(3,557)
Cash and cash equivalents at the beginning of the financial period		**8,506**	12,037
Effects of exchange rate changes on cash and cash equivalents		**(12)**	26
Cash and cash equivalents at the end of the financial period	9	**749**	8,506

The consolidated statement of cash flows is to be read in conjunction with the notes to the financial statements.

1. General information

Booktopia Group Limited ("Company") is a for-profit listed public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange ("ASX"). The consolidated financial report of the Company for the year ended 30 June 2023 ("the financial report") comprises the Company and its controlled entities ("Group"). Booktopia Group Limited is the ultimate parent entity in the Group.

Booktopia Group is a dedicated online book retailer established in 2004, and was admitted to the ASX in December 2020. A description of the nature of the Group's operations and its principal activities are included in the Directors' Report.

The financial statements were authorised for issue in accordance with a resolution of Directors, on 28 August 2023.

2. Basis of preparation and significant accounting policies

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, derivative financial instruments.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the consolidated entity takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 30.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Booktopia Group Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended.

2. Basis of preparation and significant accounting policies (cont)

Principles of consolidation (cont)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the 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.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency

The financial statements are presented in Australian dollars, which is Booktopia Group Limited's functional and presentation currency.

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

Going concern

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the discharge of liabilities in the normal course of business. In making this assessment, the directors have considered cash forecast scenarios prepared by management which extend to the end of December 2024 and other matters set out below.

For the year ended 30 June 2023, the Group reported a loss after tax of $29,047,000 (FY22: loss of $15,087,000) and had an excess of current liabilities over current assets of $38,076,000 (30 June 2022: $15,986,000). The business generated negative cashflows from operating activities of $5,808,000 (FY22: positive operating cashflows of $10,058,000) and had negative net assets of $14,507,000 at balance date (30 June 2022: net assets of $14,548,000).

To improve its operations, the Group has commissioned a new Customer Fulfilment Centre (CFC). This CFC will underpin the Group’s future distribution capacity, with outbound capacity increased to over 12 million units per annum, at reduced costs per unit and with flexibility built into the design for further expansion as the need arises into the future.

2. Basis of preparation and significant accounting policies (cont)

Going concern (cont)

To finance the CFC, the Group obtained two material sources of debt financing and undertook a $10.9 million equity raise which was approved by shareholders on 16 August 2023. The debt funding comprises:

- a $7 million trade finance facility with Moneytech Finance Pty Limited (Moneytech) commencing 14 February 2023 secured with first ranking general security over the Group's assets; and
- an unsecured debt facility of $5 million with AFSG Asset Management Pty Ltd ("AFSG Loan") which has been funded by loans from entities controlled by Directors Tony Nash and Steven Traurig ("Investor loans"). These were subsequently extended for a further 3 years from the date the amending deed was signed on 23 August 2023 and were partially converted to equity as set out below. Details of these facilities are set out in note 20.

The $10.9 million equity raise comprised of $9.3 million of equity raised from sophisticated and professional investors in a placement, and $1.6 million of equity by way of partial debt to equity conversion of the AFSG Loan. After transaction costs, a total of $8.4 million was received by the Group in cash through the equity raise and the AFSG Loan was reduced to $3.6 million after interest capitalised since establishment.

The Moneytech facility has an initial term of 24 months, however can be withdrawn at Moneytech's discretion. Should this occur the existing payables which are included as part of the facility would be repaid in accordance with the agreed payment dates, and no further payables would be included in the facility. The facility includes certain financial covenants including a requirement that the Group achieves revenue and gross profit metrics. Subsequent to the year end, the Group obtained a variation to increase the revenue and gross profit covenant thresholds for June, July and August 2023. This was due to the acceleration of the transition to the new CFC which resulted in a disruption to the shipping of product earlier than originally planned which impacted revenue and margins in those three months. The covenants have been and are forecast to continue to be compliant under the variations for July to August 2023 and thereafter during the forecast period under the original financial covenant thresholds.

Based on the assumptions in the cash flow forecast and on the presumption that the Group will continue to have available the Moneytech facility, the Group should have sufficient cash flows and liquidity for at least 12 months from the date of signing of the financial report. Accordingly, the directors have concluded it appropriate to prepare the financial report on a going concern basis.

However, there remains risks to the Group's ability to continue as a going concern if the Group is unable to achieve its operating cash flow forecasts and/or the Group breaches its debt covenants which results in Moneytech calling the facility; and/or Moneytech withdraws the facility.

If the matters outlined above were to occur, and the Group was not able to adequately mitigate these through other measures, a material uncertainty would exist that may cast significant doubt as to the ability of the Group to continue as a going concern. Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. No adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2. Basis of preparation and significant accounting policies (cont)

Current and non-current classification

Assets and liabilities are presented in the balance sheet based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Adoption of new accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2022.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2023. Those that may potentially impact financial reporting in future years include:

Standard / Interpretation	Name	Effective from periods beginning:
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
AASB 2021-6	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards	1 January 2023
AASB 2022-5	Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	1 January 2024
AASB 2022-6	Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2023
AASB 2023-1	Amendments to Australian Accounting Standards – Supplier Finance Arrangements	1 January 2024

The Group has assessed the impact of these new or amended Accounting Standards and Interpretations as not being significant.

2. Basis of preparation and significant accounting policies (cont)

Rounding of amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Capitalisation of borrowing costs

The determination of Borrowing costs to be capitalised is subject to a significant judgement as to whether and to what extent the costs are directly attributable to the creation of the asset. Where borrowing costs would be avoidable if not for the project, then those borrowing costs are capitalised only to the proportion of the facilities drawn that has been spent on amounts qualifying for capitalisation.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

On 23 June 2022, the Board approved the decision to relocate the Lidcombe CFC to the new CFC in Strathfield South. All assets located at Lidcombe have been evaluated to determine which assets will be transferred to the new CFC. Assets that cannot be transferred have been depreciated at an accelerated rate based on the expected decommissioning date.

Furthermore, during the year, as part of the new CFC project, the decision was made to replace certain IT systems. As a result, the useful lives of the systems that are being replaced was reassessed and amortisation accelerated where required.

Net realisable value of inventory

The Group has reviewed the inventory balances for indicators that non-returnable inventory is being carried at a value above which it is expected to be realised after adjusting for costs to realise the sale. Indicators included aged and slow-moving inventory, and products that have a listed selling price discounted below their cost, as well as historical trends.

3. Critical accounting judgements, estimates and assumptions (cont)

Capitalisation of development costs

The Group invests heavily in internally generated software, as a key component of the business's operating model. As part of determining the values to be capitalised, the Group makes judgements as to whether the costs being capitalised meet the criteria for capitalisation; in particular whether an asset is being created or enhanced, and whether the costs being capitalised are directly attributable to the asset. These judgements are based on a thorough and detailed understanding of the costs being incurred and their relationship to the identifiable asset.

In addition to internally generated software, in the year ended 30 June 2023 the Group has significantly invested in the fit out and automation of the new CFC. The Group has applied similar judgements as with internally generated software to determine whether these costs, including employee labour, can be capitalised.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

The incremental borrowing rate (IBR) is another significant component in the measurement of the right-of-use asset and lease liability. The Group calculates the IBR for each lease using inputs including the Group’s borrowing facilities (adjusted for tenure) and the government bond rate applicable at the time of entering into the lease if the interest rate implicit in the lease is not readily determinable.

Recoverability of tax losses

The recoverability of the tax losses is an area of significant judgement. Please refer to Note 8 for further details relating to management’s assessment of the recoverability of tax losses which is a significant component in determining the carrying value of deferred tax assets.

4. Operating segments

The group operates in one segment being the sale and distribution of books and book-related products through its online platforms. This operating segment has been determined based on the internal reporting provided to the Board of Directors (who are identified as the Chief Operating Decision Makers ("CODM") as defined under AASB 8). This information is reviewed by the CODM on a monthly basis to assess performance and to determine the allocation of resources within the Group.

The operating segment information is the same information as provided throughout the financial statements and therefore has not been duplicated here.

The CODM reviews EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and adjustments to the statutory reported results ('Underlying EBITDA'). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	30 Jun 2023 $'000	30 Jun 2022 $'000
Loss before income tax	**(25,911)**	(17,728)
Less: Interest income	**(106)**	(10)
Add: Finance costs	**2,939**	2,486
Add: Amortisation, depreciation and impairment expense	**20,053**	12,807
Reported EBITDA	**(3,025)**	(2,445)
Adjustments to the statutory results:		
ACCC matter	**(2,121)**	5,611
Disposal of Welbeck investment	**(457)**	-
M&A activity undertaken	**-**	1,747
Restructuring	**1,052**	1,302
Underlying EBITDA of the segment	**(4,551)**	6,215

Significant customers

During the year ended 30 June 2023 there were no significant customers (2022: none). A customer is considered significant if its revenues are 10% or more of the Group's revenue.

Significant accounting policy – Operating segment

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

5. Revenue

	30 Jun 2023 $'000	30 Jun 2022 $'000
Revenue from the sale of goods	197,630	240,751

Disaggregation of revenue

The major revenue stream is the sale of book and book adjacent products to the Australian and New Zealand markets. Sales to New Zealand customers represent 1.7% of the total (2022: 1.5%). Refer to Note 18 for details of the associated Contract liability balances.

Significant accounting policy – Revenue recognition

Revenue is recognised at a point in time when the product is reasonably certain to have been received by the customer in good condition. Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods to a customer.

The Group's contracts with customers for the sale of goods generally include one performance obligation. Revenue for the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically at the time of delivery of the goods to the customer. Cash payment is generally received at the point of sale. Any cash received in advance of the completion of the performance obligation is recognised on the balance sheet as a contract liability.

Where satisfaction of a performance obligation is completed over time, revenue is recognised in line with the progress towards complete satisfaction of the performance obligation.

Rights of return

Revenue is recognised net of estimated returns expected from customers based on customer return patterns in the past 12 months. A refund liability and a corresponding asset in inventory representing the right to recover the returned products from the customer is also recognised.

Gift cards and store credits

Gift card and store credit liabilities are contract liabilities as payments have been received for performance obligations to be completed at a future point in time. Revenue from the sale of gift cards and issue of store credits is recognised when the vouchers are redeemed and the customer purchases goods by using the card, or when the vouchers are no longer expected to be redeemed (breakage). Breakage revenue is recognised over the life of the vouchers in accordance with the pattern of usage.

6. Other income

	Note	30 Jun 2023 $'000	30 Jun 2022 $'000
Remeasurement of provision for ACCC matter	21	**2,203**	-
Rental income		**506**	-
Disposal of Welbeck Investment	16	**457**	-
Lease remeasurement		**35**	173
		3,201	173

6. Other income (cont)

Significant accounting policy – Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

7. Expenses

	Note	30 Jun 2023 $'000	30 Jun 2022 $'000
Loss before income tax includes the following specific expenses:			
7.1 Amortisation, depreciation and impairment expense			
Plant and equipment depreciation	13	**14,401**	5,477
Right-of-use assets depreciation	14	**2,760**	2,882
Amortisation of intangible assets	15	**2,892**	2,294
Impairment of Welbeck investment	16	**-**	2,154
		20,053	12,807
7.2 Finance costs			
Interest on lease liabilities		**1,907**	2,216
Interest and finance charges on borrowings		**1,032**	270
		2,939	2,486
7.3 Leases			
Short-term lease payments		**37**	163
7.4 Employee benefits expense			
Defined contribution superannuation expense		**2,262**	2,269
Share-based payments expense	35	**(8)**	68
Redundancy and termination costs		**1,052**	927
Other non-disclosable employee benefits		**31,840**	35,418
		35,146	38,682
6.5 Other individually significant transactions			
ACCC provision at present value – included in Other expenses	21	**-**	4,948

Significant accounting policy – Finance costs

Finance costs that are directly attributable to the development of a qualifying asset are capitalised as part of the costs of the qualify asset. Capitalisation commences when borrowing costs are incurred and capital expenditure is incurred for the activity of developing a qualifying asset. An asset is deemed to be a qualifying asset when the total cost and length of the build mean the borrowing costs that would be capitalised are of significance. All other finance costs are expensed in the period in which they are incurred.

8. Income tax

	30 Jun 2023 $'000	30 Jun 2022 $'000
Income tax expense		
Current tax - current year	**-**	8
Current tax - adjustment to prior periods	**(397)**	(96)
Deferred tax – origination and reversal of temporary differences	**2,406**	(2,644)
Deferred tax – adjustment to prior periods	**1,127**	91
Aggregate income tax expense / (benefit)	**3,136**	(2,641)
Numerical reconciliation of income tax expense and tax at the statutory rate:		
Loss before income tax expense	**(25,911)**	(17,728)
Tax at the statutory rate of 30%	**(7,773)**	(5,318)
Tax effect amounts which are not deductible / (taxable) in calculating taxable income:		
Non-deductible fines and penalties	**(546)**	1,520
Current tax not recognised in prior period	**(397)**	(96)
Disposal of Welbeck investment	**(137)**	-
Impairment of Welbeck investment	**-**	646
Non-deductible acquisition related legal and consulting costs	**-**	451
Amortisation of intangibles	**-**	54
Tax losses not recognised as a deferred tax asset	**10,459**	-
Non-refundable tax offsets not recognised as a deferred tax asset	**395**	-
Other items	**8**	11
	2,009	(2,732)
Adjustment recognised for prior periods on deferred tax	**1,127**	91
Income tax expense / (benefit)	**3,136**	(2,641)

Franking Credits

As at 30 June 2023, the Group had a franking credit surplus of $401,955 (2022: $784,752).

8. Income tax (cont)

The movement and analysis of the recorded deferred tax asset balance for the year ended 30 June 2023 is as follows:

	1 Jul 2022 $'000	Prior year adjustments $'000	Recognised in profit or loss $'000	30 Jun 2023 $'000
Current assets				
Trade and other receivables	38	-	(4)	34
Inventories	77	-	283	360
Lease incentive receivable	(187)	-	96	(91)
Prepayments	2	-	(2)	-
IPO and transaction costs	796	-	(258)	538
Non-refundable tax offsets	-	395	(395)	-
Non-current assets				
Property, plant and equipment	(2,622)	114	130	(2,378)
Right-of-use assets	(6,821)	113	(2,980)	(9,688)
Intangible assets	(1,871)	-	(392)	(2,263)
Investment in associate	16	(16)	-	-
Current liabilities				
Trade and other payables	811	-	(8)	803
Contract liabilities	(228)	-	(152)	(380)
Lease liabilities	1,010	-	(122)	888
Borrowings	-	-	363	363
Provisions	738	-	(60)	678
Non-current liabilities				
Lease liabilities	8,242	-	3,242	11,484
Provisions	425	-	(157)	268
Equity				
Unutilised tax losses	3,489	(1,733)	(1,756)	-
IPO and transaction costs	703	-	(234)	469
	4,618	(1,127)	(2,406)	1,085

The Group has incurred $34,863,000 of tax losses to 30 June 2023, (30 Jun 2022: $11,630,000) predominantly due to operational losses and higher deductions claimed for depreciating assets as a result of acceleration of the depreciation on the Lidcombe assets. Tax losses are recognised as deferred tax assets only to the extent it is probable that future taxable profits will recover the tax losses. Given the unfavourable results over recent years, as at 30 June 2023, there is insufficient evidence to support the recovery of the available tax losses and accordingly these amounts have not been recognised as deferred tax assets as at 30 June 2023.

8. Income tax (cont)

The movement and analysis of the recorded deferred tax asset balance for the comparative period is as follows:

	1 Jul 2021	Prior year adjustments	Recognised in profit or loss	30 Jun 2022
	$'000	$'000	$'000	$'000
Current assets				
Trade and other receivables	(6)	-	44	38
Inventories	30	-	47	77
Lease incentive receivable	-	-	(187)	(187)
Prepayments	(1)	5	(2)	2
IPO and transaction costs	810	236	(250)	796
Non-current assets				
Property, plant and equipment	(241)	(294)	(2,087)	(2,622)
Right-of-use assets	(2,871)	-	(3,950)	(6,821)
Intangible assets	(1,440)	-	(431)	(1,871)
Investment in associates	-	-	16	16
Current liabilities				
Trade and other payables	223	-	588	811
Provisions	605	-	133	738
Contract liabilities	-	-	(228)	(228)
Lease liabilities	175	-	835	1,010
Non-current liabilities				
Provisions	398	-	27	425
Lease liabilities	3,202	-	5,040	8,242
Equity				
Unutilised tax losses	-	205	3,284	3,489
IPO and transaction costs	1,181	(243)	(235)	703
	2,065	(91)	2,644	4,618

Significant accounting policy – Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

8. Income tax (cont)

Significant accounting policy – Income tax (cont)

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

9. Cash and cash equivalents

	30 Jun 2023 $'000	30 Jun 2022 $'000
Cast at bank	**573**	8,330
Other cash equivalents	**176**	176
	749	8,506

Significant accounting policy – Cash and cash equivalents

Cash and cash equivalents includes cash on hand, unrestricted 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.

10. Trade and other receivables

	30 Jun 2023 $'000	30 Jun 2022 $'000
Trade receivables	**2,019**	1,215
Less: Allowance for expected credit losses	**-**	-
	2,019	1,215
Other receivables	**1,613**	460
	3,632	1,675

Credit terms for customers is generally 30 days. The ageing profile of debtors, based on invoice dates is as follows:

	30 Jun 2023 $'000	30 Jun 2022 $'000
Less than 30 days (not yet due)	**1,360**	722
31 to 60 days	**342**	397
61 to 90 days	**78**	55
More than 90 days	**239**	41
	2,019	1,215

At each reporting date the Group performs an assessment of expected credit losses, based on the simplified lifetime credit loss allowance. Whilst the Group has $659,000 of trade receivable balances past due (deemed to be in default), these are largely due to administrative matters with large low credit risk customers rather than being indicative of increased credit risk. The Group has determined based on this assessment that no material expected credit loss provision is required in the current and prior year. There have been no significant credit loss events in recent years.

Customer payments are predominantly received upfront, which results in a low carrying value for trade receivables, relative to the revenue generated. The Group does, however, have a number of organisations to which it offers credit. These are predominantly resellers, libraries, educational organisations and government bodies.

Significant accounting policy – Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Write-off policy

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the amounts are over two years past due, whichever occurs sooner. Trade receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

11. Inventories

	30 Jun 2023 $'000	30 Jun 2022 $'000
Merchandise	**14,293**	16,994
Consumable inventory	**271**	608
Less: Provision for impairment	**(1,202)**	(257)
	13,362	17,345

The amount of inventory recognised as an expense during the year ended as at 30 June 2023 is $118,439,000 (2022: $147,922,000). Included in this amount is a write-down of inventory to net realisable value of $493,000 (2022: $154,000).

Significant accounting policy – Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in, first out' basis. Cost comprises of purchase and costs incurred to bring the inventory to a saleable condition and location, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

12. Security deposits

	30 Jun 2023 $'000	30 Jun 2022 $'000
Analysed as:		
Current	**1,162**	-
Non-current	**5,004**	3,551
	6,166	**3,551**

The Group holds long term security deposits in respect of its leased premises and certain banking facilities.

$1,162,000 has been classified as current due to the Group being able to access the funds within 12 months after the end of the reporting period. This relates to the security deposits expected to be recovered on the exit of the Lidcombe lease.

Significant accounting policy – Security deposits

The Group holds security deposits in the form of restricted cash to cover its contractual obligations under its bank guarantees for leased premises and other banking facilities.

13. Property, plant and equipment

	30 Jun 2023 $'000	30 Jun 2022 $'000
Leasehold improvements – at cost	**3,459**	5,001
Less: Accumulated depreciation	**(410)**	(902)
	3,049	4,099
Computer equipment – at cost	**1,132**	1,498
Less: Accumulated depreciation	**(491)**	(682)
	641	816
Plant and other equipment – at cost	**7,167**	27,216
Less: Accumulated depreciation	**(2,364)**	(10,286)
	4,803	16,930
Assets under construction	**8,641**	581
	17,134	22,426

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements $'000	Computer equipment $'000	Plant and other equipment $'000	Assets under construction $'000	Total $'000
Balance at 1 July 2021	815	385	15,813	4,634	21,647
Additions	2,322	633	1,471	1,830	6,256
Transfers in/(out)	1,151	-	4,732	(5,883)	-
Depreciation expense	(189)	(202)	(5,086)	-	(5,477)
Balance at 30 June 2022	**4,099**	**816**	**16,930**	**581**	**22,426**
Additions	**-**	**132**	**75**	**8,484**	**8,691**
Capitalised borrowing costs	**-**	**-**	**-**	**418**	**418**
Transfers in/(out)	**-**	**-**	**842**	**(842)**	**-**
Depreciation expense	**(1,050)**	**(307)**	**(13,044)**	**-**	**(14,401)**
Balance at 30 June 2023	**3,049**	**641**	**4,803**	**8,641**	**17,134**

Assets under construction relate to the design and fit-out of the new CFC at Strathfield South.

The Board's approval of plans for the new CFC resulted in the reassessment of the useful lives of certain assets in the Lidcombe CFC, resulting in accelerated depreciation expense for the year of $10,290,000 (2022: $2,776,000).

13. Property, plant and equipment (cont)

As at 30 June 2023, the Group has contractual capital commitments related to the new CFC project of $1,478,000.

Significant accounting policy – Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of plant and equipment includes all directly attributable costs associated with the acquisition or construction of the asset including borrowing costs incurred for the purpose of funding the construction phase of a qualifying asset, internal employee costs.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Computer equipment	3 - 7 years
Plant and other equipment	4 – 10 years

Leasehold improvements are depreciated over the shorter of the unexpired period of the lease or the estimated useful life of the assets (10 years).

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

14. Right-of-use assets

	30 Jun 2023 $'000	30 Jun 2022 $'000
Premises – Right-of-use assets	**36,830**	24,253
Less: Accumulated depreciation	**(4,446)**	(1,811)
	32,384	22,442
Equipment – Right-of-use assets	**852**	852
Less: Accumulated depreciation	**(658)**	(557)
	194	295
	32,578	22,737

The Group leases premises for its offices and CFCs under agreements ending in nine years including options to extend that are expected to be exercised. The leases have various escalation clauses.

14. Right-of-use assets (cont)

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Premises $'000	Equipment $'000	Total $'000
Balance at 1 July 2021	9,225	346	9,571
Additions	24,254	38	24,292
Remeasurement	(8,244)	-	(8,244)
Depreciation expense	(2,793)	(89)	(2,882)
Balance at 30 June 2022	**22,442**	**295**	**22,737**
Additions	**12,810**	**-**	**12,810**
Remeasurement	**(209)**	**-**	**(209)**
Depreciation expense	**(2,659)**	**(101)**	**(2,760)**
Balance at 30 June 2023	**32,384**	**194**	**32,578**

On 1 March 2023, the Group entered into a lease for a new CFC in Strathfield South. This represented $12,810,000 of the additions noted above. The incremental borrowing rate (IBR) associated with new lease commitment was 18.1%. The unclaimed incentives receivable for this lease have been disclosed separately in the Group's Statement of Financial Position as lease incentive receivable.

For other disclosures required under *AASB 16 Leases*, refer to:

- Note 7 for depreciation on right-of-use assets and other expenses relating to short-term leases;
- Note 7 for interest on lease liabilities;
- Note 19 for lease liabilities;
- Consolidated statement of Financial Position for the lease incentives receivable balance; and
- Consolidated statement of cash flows for repayment of lease liabilities.

Significant accounting policy – Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset, as follows:

Premises	2 – 12 years
Equipment	2 – 10 years

14. Right-of-use assets (cont)

Significant accounting policy – Right-of-use assets (cont)

Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group does not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets unless considering the volume and term of such classes of assets becomes material in aggregate. Lease payments on leases where right-of-use assets has not been recognised are expensed to profit or loss as incurred.

15. Intangibles

	30 Jun 2023 $'000	30 Jun 2022 $'000
Goodwill – at cost	**213**	213
Software – at cost	**18,061**	17,156
Less: Accumulated amortisation	**(9,227)**	(8,326)
	8,834	8,830
Other intangibles – at cost	**-**	789
Less: Accumulated depreciation	**-**	(744)
	-	45
	9,047	9,088

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill $'000	Software $'000	Other intangibles $'000	Total $'000
Balance at 1 July 2021	213	9,125	51	9,389
Additions	-	1,985	8	1,993
Amortisation expense	-	(2,280)	(14)	(2,294)
Balance at 30 June 2022	**213**	**8,830**	**45**	**9,088**
Additions	**-**	**2,851**	**-**	**2,851**
Amortisation expense	**-**	**(2,847)**	**(45)**	**(2,892)**
Balance at 30 June 2023	**213**	**8,834**	**-**	**9,047**

15. Intangibles (cont)

Goodwill acquired through acquisition was allocated to the Group's single cash generating unit ('CGU'), being the online sale of books and similar product to customers in Australian and New Zealand. The Directors assessed the recoverable amount of the Group's CGU and determined there was no impairment. The recoverable amount of the CGU (including Goodwill) was determined based on value in use calculations using four-year cash flow projections based on the financial budget approved by the Directors which was extrapolated into perpetuity using a long-term growth rate of 2.5% and discounted to present value.

An analysis of the sensitivity of the impairment test to reasonable changes in assumptions has been performed. None of the reasonable alternative assumptions applied indicate an impairment.

During the year, the decision was made to implement a new Warehouse Management System in the new CFC. As a result, depreciation was accelerated for certain software. This acceleration resulted in additional amortisation of $518,000 that would not have otherwise been incurred.

Significant accounting policy – Intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software

Costs associated with maintaining software programs 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 benefit;
- 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.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use or enhancement. These costs are amortised over their estimated useful life of 5-7 years. The remaining useful life is assessed annually and adjusted as required.

15. Intangibles (cont)

Significant accounting policy – Intangibles (cont)

Impairment of non-financial assets

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

16. Investment in associate

Welbeck Publishing Pty Ltd (WPGANZ) is a book publishing business that publishes titles across Australia and New Zealand. The Group's interest in WPGANZ was accounted for using the equity method in the consolidated financial statements.

On 2 December 2022, the Group disposed of its 25% interest in WPGANZ, the Australian subsidiary of Welbeck Publishing Group for $1,512,000. The Group incurred directly attributable legal and consulting fees in relation to the sale of $36,000. A gain on disposal of $457,000 was recognised and is disclosed at Note 6 Other income.

Reconciliations of the carrying values of WPGANZ at the beginning and end of the current and previous financial year are set out below:

	Note	30 Jun 2023 $'000	30 Jun 2022 $'000
Opening balance		**939**	-
Investment during the year including directly attributable expenses		**-**	3,148
Share of the result for the year		**80**	(55)
Impairment of the investment	7	**-**	(2,154)
Proceeds on disposal net of directly attributable expenses		**(1,476)**	-
Gain on disposal of investment	6	**457**	-
Closing balance		**-**	939

The net asset value of the associate at 30 June 2022 was $781,000, with the group's share being $195,000.

16. Investment in associate (cont)

Significant accounting policy – Investment in associate

The Group's investments in its associates, being entities in which the Group has significant influence and are neither subsidiaries nor joint arrangements, are accounted for using the equity method. Under this method, the investment in the associates is carried in the balance sheet at cost plus any post-acquisition changes in the Group's share of the net assets of the associates.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date the equity method was discontinued, and any proceeds from disposing an interest in an associate is included in the determination of the gain or loss on disposal of the associate.

Goodwill relating to associates is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment. The income statement reflects the Group's share of the results of the operations of the associate.

Where the reporting dates of the associates and the Group vary, the associates' management accounts for the period to the Group's balance date are used for equity accounting. The associates apply accounting policies consistent with those of the Group.

17. Trade and other payables

	30 Jun 2023 $'000	30 Jun 2022 $'000
Trade payables	**23,949**	23,760
Accrued expenses	**2,960**	3,715
GST payable	**279**	679
Other payables	**639**	560
	27,827	28,714

Refer to Note 26 for further information on financial instruments.

Significant accounting policy – Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

18. Contract liabilities

	30 Jun 2023 $'000	30 Jun 2022 $'000
Contract liabilities	**12,198**	9,719

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	30 Jun 2023 $'000	30 Jun 2022 $'000
Opening balance	**9,719**	11,384
Payments received from customers	**200,109**	239,086
Performance obligations met – opening balance	**(9,719)**	(11,384)
Performance obligations met – arising during the year	**(187,911)**	(229,367)
Closing balance	**12,198**	9,719

Unsatisfied performance obligations

At the end of a period, a contract liability exists to our customers for the delivery of their paid orders. It is expected that substantially all of the unsatisfied performance obligations will be satisfied within the next twelve months, and the revenue recognised in that period.

Significant accounting policy – Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

19. Lease liabilities

	30 Jun 2023 $'000	30 Jun 2022 $'000
Analysed as:		
Current	**2,961**	3,367
Non-current	**38,316**	27,619
	41,277	**30,986**

Refer to Note 14 for details of the new significant lease added in the period.

19. Lease liabilities (cont)

Significant accounting policy – Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments comprise of:

- Fixed payments less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate;
- Amounts expected to be paid under residual value guarantees;
- Exercise price of a purchase option when the exercise of the option is reasonably certain to occur; and
- Any anticipated termination penalties.

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the interest rate implicit in the lease or incremental borrowing rate. The carrying amounts are remeasured if there is a change in the following:

- Future lease payments arising from a change in an index or a rate used;
- Residual guarantee;
- Lease term;
- Certainty of a purchase option; and
- Termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

20. Borrowings

	30 Jun 2023 $'000	30 Jun 2022 $'000
Secured borrowing at amortised cost:		
Trade finance facility - MoneyTech	**6,956**	-
Deferred facility costs	**(190)**	-
Unsecured borrowing at amortised cost:		
Unsecured debt facility - AFSG Asset Management Pty Ltd	**5,138**	-
Deferred facility costs	**(33)**	-
Insurance premium funding	**464**	-
	12,335	-

There was $44,000 undrawn on the MoneyTech facility at 30 June 2023.

20. Borrowings (cont)

Trade finance facility

On 1 February 2023, the Group established a $7,000,000 trade finance facility with Australian non-bank lender MoneyTech Finance Pty Limited (Moneytech) to assist working capital requirements while investment continues in the new CFC. The facility has an initial term of 24 months and has a first ranking security under a general security agreement to the assets of the business. The facility is repayable on demand. The headline variable interest rate at the establishment of the facility was 8.2% as at 30 June 2023. Arrangement fees and facilities fees also apply to this facility.

Unsecured debt facility

On 1 February 2023, the Group established a short-term unsecured bridging debt facility of $5,000,000 with AFSG Asset Management Pty Limited to assist in funding the new CFC fit out. The facility has been funded by loans from entities controlled by Directors Tony Nash and Steven Traurig and has an initial term of 180 days and a headline interest rate of 10% per annum, before amortisation of establishment costs and facility costs. Refer to Note 36 for further details of the extension of this facility after the balance sheet date.

Defaults and breaches

As set out in Note 2, the MoneyTech facility includes certain financial covenants including a requirement that the Group achieves revenue and gross profit targets. Subsequent to the year end the Group obtained a variation to the revenue and gross profit covenant thresholds for June, July and August due to the acceleration of the transition to the new CFC which resulted in a disruption to the shipping of product earlier than originally planned. The covenants have been and are forecast to continue to be compliant under these variations and thereafter during the forecast period.

Significant accounting policy – Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

21. Provisions

	30 Jun 2023 $'000	30 Jun 2022 $'000
Current liabilities		
Annual leave	**1,620**	1,756
Long service leave	**639**	702
ACCC matter	**-**	1,158
	2,259	3,616
Non-current liabilities		
Long service leave	**465**	433
Lease make good	**427**	983
ACCC matter	**-**	3,790
	892	5,206

21. Provisions (cont)

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms. There is a binding agreement for performance of the make good work at the Lidcombe CFC. Since there is no uncertainty of the timing or value of the obligation, it was transferred from provisions to accrued expenses (within Trade and other payables balance).

Provision relating to ACCC matter

On 10 March 2023, the Federal Court handed down its orders on the proceedings commenced by the Australian Competition and Consumer Commission (ACCC) in December 2021.

The Federal Court has made declarations and ordered the Group to pay total pecuniary penalties of $6,000,000 to be paid in instalments over five years, subject to the terms of the orders. The provision represented the present value of the penalty payable by the Group over the five-year instalment period. The provision was reclassified to “Financial liabilities” on 10 March 2023 when the Federal Court handed down the final orders. Refer to Note 22 for further details relating to “Financial liabilities”.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good $’000	ACCC matter $’000
Carrying amount at the start of the year	**983**	**4,948**
Additional provisions recognised	**231**	**-**
Remeasurement	**161**	**(2,203)**
Unwinding of discount	**23**	**110**
Transfer to trade and other payables	**(971)**	**-**
Transfer to other financial liabilities	**-**	**(2,855)**
Carrying amount at the end of the year	**427**	**-**

Significant accounting policy – Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

21. Provisions (cont)

Significant accounting policy – Provisions (cont)

Lease make good provision

The Group has obligations under its property leasing agreements to undertake certain remedial works at the end of the lease. The calculation of this provision requires assumptions such as expected tenancy terms and remediation cost estimates. The provision recognised for each site is periodically reviewed and updated based on data available at the time. The actual cost incurred to meet the obligation upon exiting a lease is likely to differ from the estimated provision.

Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured at the present value of the estimated future cash outflows to be made by the Group in respect of services provided by the employees up to reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

22. Financial liabilities

	30 Jun 2023 $'000	30 Jun 2022 $'000
Current liabilities		
ACCC penalty	**956**	-
	956	-
Non-current liabilities		
ACCC penalty	**2,071**	-
	2,071	-

As discussed under Note 21, the Federal Court handed down its orders on the proceedings commenced by the ACCC on 10 March 2023. The amount recognised under Financial liabilities represents the present value of the final penalty payable by the Group over the five-year instalment period.

Please refer to Note 26 for further details on the remaining contractual maturity of the ACCC penalty.

Significant accounting policy – Financial liabilities

Financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities. The Group does not have any financial liabilities which are classified at FVTPL.

22. Financial liabilities (cont)

Significant accounting policy – Financial liabilities (cont)

Financial liabilities are initially measured at fair value, net of directly attributable transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for substantial modification of terms of an existing financial liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification and the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other income.

23. Issued capital

	30 Jun 2023 Shares	30 Jun 2022 Shares	30 Jun 2023 $'000	30 Jun 2022 $'000
Ordinary shares – fully paid	**137,359,299**	137,359,299	**52,110**	52,110
Less: Treasury shares held by the Company in trust	**(523,196)**	(523,196)	**(1,190)**	(1,190)
	136,836,103	136,836,103	**50,920**	50,920

Refer to Note 36 for details of the equity raise that completed after the balance sheet date.

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Ordinary shares (cont)

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

523,196 ordinary shares (30 Jun 2022: 523,196) are held in trust for the purpose of meeting future obligations under current share-based payment arrangements. As the Group controls the trust, it is included in the consolidated numbers presented above.

23. Issued capital (cont)

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the balance sheet, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is subject to certain financing arrangements and covenants and meeting these is given priority in all capital risk management decisions.

The capital risk management policy remains materially consistent with that presented in the 2022 Annual Report.

Refer to Note 36 for details of the capital raise that has occurred since the year end.

Significant accounting policy – Issued capital

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.

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 borrowing costs and related income tax effects, is included in equity attributable to the owners of Booktopia Group Limited.

24. Share-based payments reserve

The share-based payments reserve is used to recognise the value of equity benefits provided to eligible employees as part of their remuneration. Specifically, the reserve relates to performance rights issued by the Company to its employees. The performance rights vest over a prescribed service period, subject to the achievement of performance conditions.

The opening and closing reserve balances, as well as the movements on the reserves and retained earnings balance, are presented in the Statement of Changes in Equity. Refer to Note 35 for details of share-based payment arrangements that give rise to the reserve.

25. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

26. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance monitors financial risks within the Group's operations and reports to the Board periodically.

Market risk

Foreign currency risk

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 entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Group’s exposure to foreign currency risk is as shown below:

	Net liabilities 30 Jun 2023 $’000	Net liabilities 30 Jun 2022 $’000
United States Dollar	**2,213**	2,282
Great British Pound	**1,557**	997
Other currencies	**54**	15
	3,824	3,294

Based on the above exposure, had the Australian dollar weakened by 20%/strengthened by 20% against these foreign currencies with all other variables held constant, the Group's loss before tax for the year would have been $765,000 lower/ $765,000 higher (2022: $659,000 lower/$659,000 higher) and equity would have been $536,000 lower/$536,000 higher (2022: $461,000 lower/$461,000 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonably possible fluctuations taking into consideration movements over the last 36 months. The actual foreign exchange gain for the year ended 30 June 2023 was $418,000 (2022: gain of $258,000).

26. Financial instruments (cont)

Market risk (cont)

Price risk

The Group is not exposed to any significant price risk as it is able to adjust the selling price of its products to mitigate any changes in costs of its products.

Interest rate risk

The Group's main interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not enter into any derivative financial instruments to manage its exposure to interest rate risk.

At the end of the reporting period, the Group's exposure to interest rate risk was as follows:

	Interest rate type	Weighted average interest rate	Balance
		%	$'000
Trade finance facility	Variable	**17.6%**	**6,956**
Insurance premium funding	Fixed	**4.0%**	**464**
Unsecured debt facility	Fixed	**15.4%**	**5,138**
			12,558

The weighted average interest rates presented above include the following:

Trade finance facility – the variable interest rate payable, fixed monthly fees, amortisation of establishment over the term of the facility and monthly roll over charges.

Unsecured debt facility – the fixed interest rate payable, fixed monthly fees, amortisation of establishment over the term of the facility.

The Group's net borrowings, with a variable interest rate, were $6,956,000 as at 30 June 2023 (2022: $nil). Assuming this had been the drawn down value for the full year, had interest rates reduced by 1.0%/increased by 1.0% with all other variables held constant, the Group's loss before tax for the year would have been $70,000 lower/ $70,000 higher and equity would have been $70,000 lower/$70,000 higher. The percentage change is the expected overall volatility of interest rates, which is based on management's assessment of reasonably possible fluctuations taking into consideration movements over the last 36 months. The actual interest expense on borrowings with a variable interest rate for the year ended 30 June 2023 was $256,000 (2022: nil).

26. Financial instruments (cont)

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 a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group does not hold any collateral. It does however have credit insurance over most of the balance.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Refer to the Going Concern section of Note 2 for further discussion on the current situation.

26. Financial instruments (cont)

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the balance sheet.

2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	23,949	-	-	-	23,949
Other payables	-	639	-	-	-	639
Interest-bearing						
Variable rate:						
Trade finance facility	17.6%	6,956	-	-	-	6,956
Fixed rate:						
Unsecured debt facility	15.4%	5,138	-	-	-	5,138
Insurance premium funding	4.0%	464	-	-	-	464
ACCC penalty	17.8%	1,050	1,200	3,600	-	5,850
Lease liability – new in the year	18.1%	2,590	2,988	9,552	13,759	28,889
Lease liability – other	4.1%	3,769	3,215	10,286	14,511	31,781
Total non-derivatives		44,555	7,403	23,438	28,270	103,666

2022	%	$'000	$'000	$'000	$'000	$'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	23,760	-	-	-	23,760
Other payables	-	560	-	-	-	560
Interest-bearing						
Fixed rate:						
Lease liability – new in the year	4.0%	2,509	3,124	9,961	18,474	34,068
Lease liability – other	7.2%	2,042	645	-	-	2,687
Total non-derivatives		28,871	3,769	9,961	18,474	61,075

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above. The carrying amounts of financial instruments reflect their fair value.

27. Key management personnel disclosures

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	30 Jun 2023 $	30 Jun 2022 $
Short-term employee benefits	**1,553,386**	2,607,482
Post-employment benefits	**169,927**	156,952
Long-term benefits	**16,532**	53,212
Share-based payments	**(65,623)**	29,718
	1,674,222	2,847,364

The negative Share-based payment expense for the current year is as a result of the writeback of share-based remuneration where non-market vesting conditions were not met.

28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	30 Jun 2023 $	30 Jun 2022 $
Audit services		
Audit or review of the financial statements – PricewaterhouseCoopers[1]	**-**	28,593
Audit or review of the financial statements – Deloitte Touche Tohmatsu	**798,764**	482,701
	798,764	511,294
Non-audit services (after appointment as auditor)		
Due diligence services – Deloitte Touche Tohmatsu	**-**	231,850
Tax compliance and other services – Deloitte Touche Tohmatsu	**35,500**	34,450
	35,550	266,300
Non-audit services (prior to appointment as auditor)		
Other assurance services – PricewaterhouseCoopers[1]	**-**	89,854
Due diligence services – Deloitte Touche Tohmatsu	**-**	345,106
Due diligence services – Deloitte Touche Tohmatsu (network firm)	**-**	91,374
	-	526,334
		1,303,928

1. PricewaterhouseCoopers were the Group's auditor until the appointment of Deloitte Touche Tohmatsu on 29 November 2021.

29. Related party transactions

Subsidiaries

Interests in subsidiaries are set out in Note 31.

Key management personnel

Disclosures relating to key management personnel (KMP) are set out in Note 27 and the Remuneration Report included in the Directors' Report.

Transactions with related parties

Close family members of KMP (who meet the definition of related parties) employed by the business on an arm's length basis received remuneration for their services of $119,037 (2022: $127,043).

Receivable from and payable to related parties

There were no trade receivables from related parties at the current and previous reporting date.

On 25 April 2023, the Group finalised a consultancy agreement with Tachyon Ventures Pty Ltd, an associated entity of director and former CEO Tony Nash.

The Group incurred an expense of $274,000 in relation to the consultancy services during the financial year, with trade payables of $100,000 outstanding as at 30 June 2023. The agreement will terminate on 31 August 2023.

Loans to/from related parties

There were no loans receivable from or payable to related parties at the current and previous reporting date. Refer to Note 20 for further details on the unsecured facility from AFSG. Also refer to Note 36 for details of the conversion of part of this facility to equity controlled by related parties that occurred after the year end.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates, unless stated otherwise.

30. Parent entity information

Set out below is the supplementary information about the parent entity.

	30 Jun 2023 $'000	30 Jun 2022 $'000
Profit/(loss) after income tax	**(21,084)**	(1,064)
Total comprehensive income	**(21,084)**	(1,064)

	30 Jun 2023 $'000	30 Jun 2022 $'000
Total current assets	**-**	-
Total assets	**7,500**	28,808
Total current liabilities	**-**	168
Total liabilities	**-**	168
Equity		
Issued capital	**50,920**	50,920
Share-based payments reserve	**89**	145
Accumulated losses	**(43,509)**	(22,425)
Total shareholders' equity	**7,500**	28,640

Included in the result for the year is an impairment charge of $22,725,000 against the intercompany loan receivable. This was based on an assessment of the expected operating cashflows available from the subsidiary and is a matter of significant judgement and estimation uncertainty.

The impairment can reverse in future years as the cashflows from the subsidiary improve.

As described in Note 31, Booktopia Group Limited and all its controlled entities are party to a Deed of Cross Guarantee.

The parent entity had no contingent liabilities or capital commitments as at 30 June 2023 and 30 June 2022.

Significant accounting policy – Parent entity

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2. Additional policies specific to the parent entity are as follows:

- Investments in subsidiaries are accounted for at cost, less any impairment.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

31. Interests in subsidiary companies

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary companies in accordance with the accounting policy described in Note 2:

		Ownership interest	
Name	Principal place of business / Country of incorporation	2023	2022
Booktopia Pty Ltd	Australia	100%	100%
Making IT Better Pty Ltd	Australia	100%	100%
Virtual Lifestyles Pty Ltd	Australia	100%	100%

The subsidiary Companies have been party to a Deed of Cross Guarantee with the parent entity since 18 May 2022.

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the wholly-owned subsidiaries are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of Financial Reports.

The effect of the deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of its subsidiaries under certain provisions of the *Corporations Act 2001*. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full.

The Consolidated Statement of Profit and Loss and Other Comprehensive Income and Consolidated Statement of Financial Position of the consolidated entity approximates the forementioned statements comprising the Company and subsidiaries which are party to the deed as at the reporting date and therefore additional Company and subsidiary financial statements are not presented.

32. Reconciliation of loss after income tax to net cash from operating activities

	30 Jun 2023 $'000	30 Jun 2022 $'000
Loss after income tax expense for the year	**(29,047)**	(15,087)
Adjustments for:		
Amortisation, depreciation and impairment expense	**20,053**	12,807
Finance costs	**2,939**	2,486
Accrual for capital expenditure	**(2,310)**	(221)
Transfer of make-good provision to trade and other payables	**(971)**	-
Rental income	**(506)**	-
Disposal of Welbeck investment	**(457)**	-
Discounting on ACCC matter	**(432)**	-
Interest received	**(106)**	(10)
Share of net result of Welbeck Australia investment	**(80)**	55
Remeasurement of lease liabilities	**(35)**	(173)
Other adjustments	**51**	42
Change in operating assets and liabilities:		
Increase in trade and other receivables	**(1,957)**	(395)
Decrease in inventories	**3,983**	766
Decrease/(increase) in prepayments	**36**	(78)
Decrease/(increase) in deferred tax assets	**3,533**	(2,553)
(Decrease)/increase in trade and other payables	**(887)**	8,400
Increase/(decrease) in contract liabilities	**2,479**	(1,665)
(Decrease)/increase in income tax balances	**(6)**	217
(Decrease)/Increase in financial liabilities	**3,027**	-
(Decrease)/Increase in provisions	**(5,115)**	5,467
Net cash (used)/from operating activities	**(5,808)**	**10,058**

33. Changes in liabilities arising from financing activities

	Borrowings $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2021	-	11,502	11,502
Recognition of new leases	-	29,253	29,253
Interest expense	-	2,216	2,216
Net cash used in financing activities	-	(3,645)	(3,645)
Remeasurement of lease liabilities	-	(8,340)	(8,340)
Balance at 30 June 2022	**-**	**30,986**	**30,986**
Recognition of new leases	**-**	**14,770**	**14,770**
Interest expense	**600**	**1,907**	**2,507**
Amortisation of borrowing costs	**(265)**	**-**	**(265)**
Remeasurement of lease liabilities	**-**	**(335)**	**(335)**
Net cash used in financing activities	**12,000**	**(6,051)**	**5,949**
Balance at 30 June 2023	**12,335**	**41,277**	**53,612**

34. Earnings per share

	30 Jun 2023 $'000	30 Jun 2022 $'000
Loss after income tax attributable to the owners of Booktopia Group Limited	**(29,047)**	(15,087)

	Number	Number
Weighted average number of ordinary shares - basic earnings per share	**136,836,103**	136,984,397
Weighted average number of ordinary shares - diluted earnings per share	**136,836,103**	136,984,397

	Cents	Cents
Basic earnings per share	**(21.2)**	(11.0)
Diluted earnings per share	**(21.2)**	(11.0)

1,951,418 (2022: 437,440) performance rights over ordinary shares are excluded in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2023. These rights could potentially dilute basic earnings per share in the future.

34. Earnings per share (cont)

Significant accounting policy – Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Booktopia Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

35. Share-based payments

On 30 October 2020, the Company established a Long-Term Incentive Plan Rules ('LTIP') to assist in the motivation, retention and reward of certain employees. The LTIP was designed to align the interests of participants with the interests of shareholders by providing an opportunity for participants to receive an equity interest in the Company through the granting of awards. Under the LTIP, eligible participants may be offered share awards subject to vesting conditions set by the Board.

For the year ended 30 June 2023, 1,414,440 Performance Rights were granted subject to service, EPS growth and total shareholder return conditions (2022: 379,862). A further 686,719 Performance Rights were granted to new CEO David Nenke on 8 May 2023 which are subject to VWAP vesting conditions.

The Performance Rights ('PRs') entitle the participants to acquire a share on vesting at nil exercise price, subject to the satisfaction of vesting conditions. PRs will be automatically exercised and no exercise price is payable. PRs were issued to the participant at no cost as they form part of the participant's remuneration.

The PRs issued under the KMP and employee plan are measured as follows:

A: 50% of the rights will be tested against the Company's shareholder return ('TSR') relative to a comparator group over the performance period ('TSR rights').

B: 50% of the rights will be tested against achievement of earnings per share ('EPS') targets over the relevant performance period ('EPS rights').

The PRs issued under the new CEO plan are measured as follows:

C: 100% of the rights will be tested against the achievement of a 20-day volume weighted average price ('VWAP') of the Group's shares on the ASX above 0.728 cents, at any time between 1 July 2023 and the date of notice of the Group's AGM for the financial year ended 30 June 2026.

The PRs are tested over the relevant performance period.

35. Share-based payments (cont)

Set out below is a summary of PRs issued under the above plans:

2023

	Balance 1 July 2022	Issued	Exercised	Expired, forfeited and other	Balance 30 June 2023
(A) TSR rights	**225,440**	**707,207**	**-**	**(300,099)**	**632,548**
(B) EPS rights	**225,468**	**707,233**	**-**	**(300,552)**	**632,149**
(C) VWAP rights	**-**	**686,719**	**-**	**-**	**686,719**
	450,908	**2,101,159**	**-**	**(600,651)**	**1,951,416**

2022

	Balance 1 July 2021	Issued	Exercised	Expired, forfeited and other	Balance 30 June 2022
(A) TSR rights	57,580	196,651	-	(28,791)	225,440
(B) EPS rights	57,580	196,679	-	(28,791)	225,468
	115,160	393,330	-	(57,582)	450,908

Set out below are all the Performance Rights that affect the remuneration of employees in the current or future financial years:

Grant date	Vesting date	Vesting condition	PRs granted	Cancelled or forfeited	Vested	Outstanding
31/12/2020	30/06/2023	EPS	28,791	(28,791)	-	-
31/12/2020	30/06/2023	TSR	28,789	(28,789)	-	-
01/07/2021	30/06/2023	EPS	50,484	(50,484)	-	-
01/07/2021	30/06/2023	TSR	50,484	(50,484)	-	-
01/07/2021	30/06/2024	EPS	146,194	(30,278)	-	115,946
01/07/2021	30/06/2024	TSR	146,166	(29,832)	-	116,334
29/09/2022	30/06/2025	EPS	661,988	(190,999)	-	470,989
29/09/2022	30/06/2025	TSR	661,962	(190,994)	-	470,968
28/11/2022	30/06/2025	EPS	45,245	-	-	45,245
28/11/2022	30/06/2025	TSR	45,245	-	-	45,245
08/05/2023	30/06/2026	VWAP	686,719	-	-	686,719
			2,552,067	**(600,651)**	**-**	**1,951,416**

35. Share-based payments (cont)

For the performance rights granted during the year, the key inputs used in the model to determine the fair value at the grant date were:

Input	Tranche 1	Tranche 2	Tranche 3
Grant date	29 Sep 22	28 Nov 22	8 May 23
Exercise price	$nil	$nil	$nil
Contractual life (years)	2.8	2.6	3.1
Share price at grant date	$0.255	$0.215	$0.220
Fair value at grant date - TSR	$0.206	$0.156	n/a
Fair value at grant date - VWAP	n/a	n/a	$0.133
Fair value at grant date - EPS	$0.255	$0.215	n/a
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	60.0%	60.0%	66.0%
Risk-free rate	3.6%	3.2%	3.1%

The fair value of the TSR component of performance rights is independently determined using the Monte-Carlo Simulation, and Black-Scholes for the EPS component. The VWAP hurdle PRs have been measured using the binomial methodology. The option pricing models take into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

Significant accounting policy – Share-based payments

Equity-settled share-based compensation benefits are provided to KMP and other eligible employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The costs of equity-settled transactions are measured at fair value on grant date.

The costs of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

35. Share-based payments (cont)

Significant accounting policy – Share-based payments (cont)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

36. Events after the reporting period

The directors aim to maintain the management policies and processes that support the principal activity of the Company with a view to delivering the best outcomes for stakeholders. The Company is continually reviewing and refining these policies to improve the framework of financial control and manage costs effectively while delivering strategic growth objectives.

On 3 July 2023, the Group announced that the consultancy agreement with Tachyon Ventures Pty Ltd, an associated entity of Tony Nash, will cease on 31 August 2023 following the successful transition of the new CEO into the Group.

Furthermore, it was announced that the $5,000,000 unsecured AFSG loan had been renegotiated with a three-year extension to the facility, and other changes to terms of that arrangement.

On the same day, the Group announced, a successful capital raise of $8,100,000 and conversion of $1,600,000 of AFSG debt to shares. On 10 July 2023, it was announced that the revised total offer was expected to raise $10,900,000 being $9,300,000 from the placements, and $1,600,000 from the conversion.

The first tranche, comprising 13,735,930 Placement shares at $0.12 per share and 6,867,965 Placement options with an exercise price of $0.23 were issued on 7 July 2023. This was completed in line with Listing Rule 7.1's 15% placement capacity.

The second tranche of 40,430,737 Placement shares at $0.12 per share and 20,215,368 Placement options with an exercise price of $0.23 were approved at the Extraordinary General Meeting (EGM) on 16 August 2023, and issued on 18 August 2023.

At the EGM on 16 August 2023, the conversion of $1,600,000 of the AFSG unsecured facility was also approved with 6,666,666 shares and 3,333,333 options being issued to an entity controlled by Tony Nash and the same being issued to an entity controlled by Steven Traurig on 18 August 2023.

On 28 July 2023, Steven Traurig resigned as director of Booktopia Group Limited.

Since year end, the Group has successfully exited its Lidcombe CFC and commenced make-good activities. These works are expected to be completed ahead of the 23 October 2023 end of lease.

From early July 2023, all inventory was housed in the new CFC, which as at the date of this report, is operational.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Booktopia Group Limited
Directors' Declaration
For the financial year ended 30 June 2023

In the opinion of the Directors of Booktopia Group Limited:

(a) The consolidated financial statements and notes of Booktopia Group Limited are in accordance with the *Corporations Act 2001*, including:

  i. giving a true and fair view of its financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

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

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

(c) There are reasonable grounds to believe that the members of the extended closed group identified in Note 31 will be able to meet any obligations or liabilities which they are, or may become, subject to by the Deed of Cross Guarantee described in Note 31.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2023.

Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

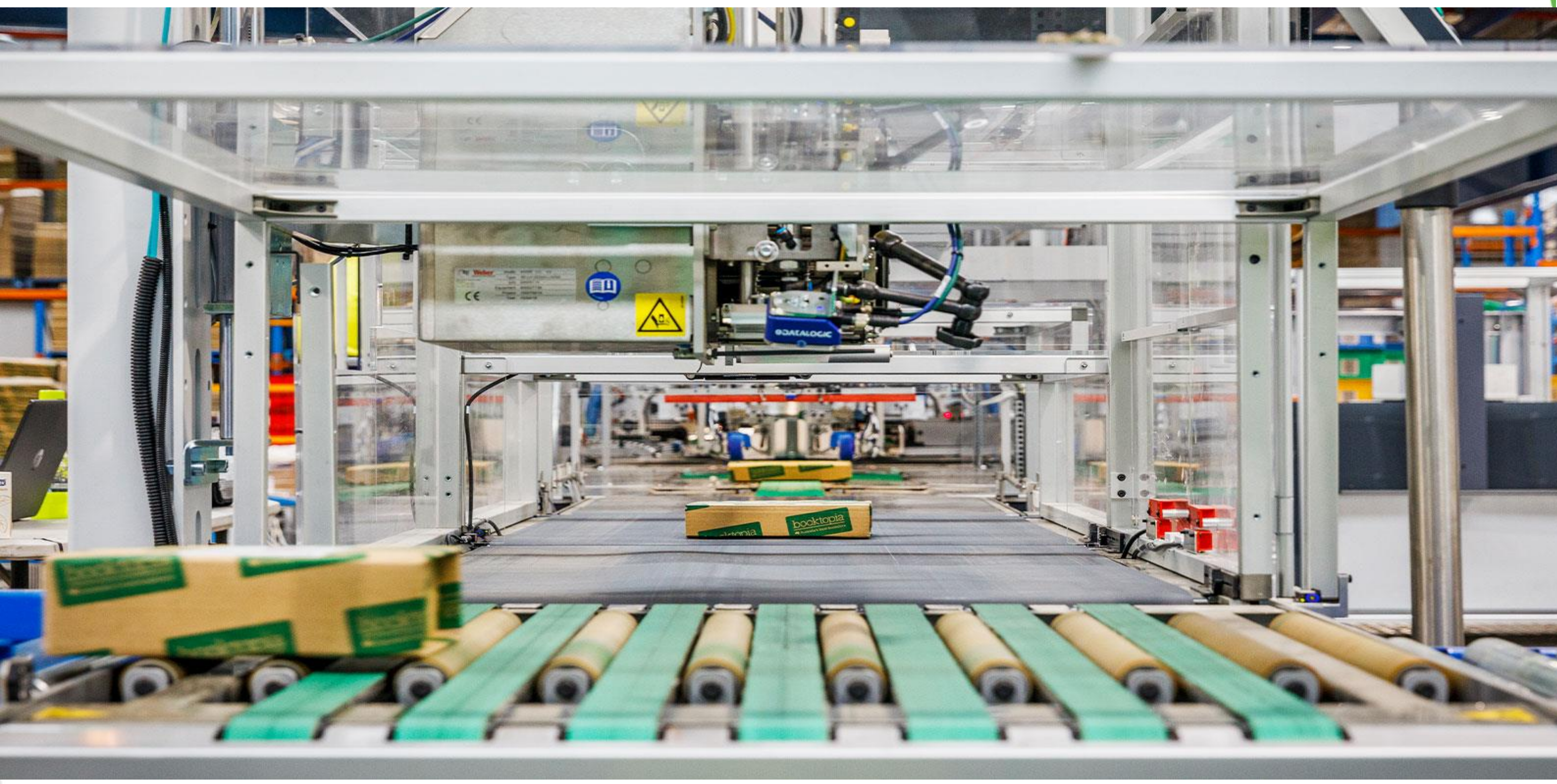
Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

Peter George
Chairman

28 August 2023
Sydney

Independent Auditor’s Report

For the year ended 30 June 2023



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Independent Auditor's Report to the Members of Booktopia Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Booktopia Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the 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.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report which indicates that the Group incurred a loss after tax of $29,047,000 (FY22: $15,087,000) and as at 30 June 2023 has an excess of current liabilities over current assets of $38,076,000 (FY22: $15,986,000). The Group generated negative cashflows from operating activities of $5,808,000 (FY22: positive operating cashflows of $10,058,000) and has net liabilities of $14,507,000 (FY22: net assets of $14,548,000) at balance date. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our audit opinion is not modified in respect of this matter.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Capitalised development costs As set out in Note 15 to the financial statements, during the year the Group capitalised development costs of $2.8m relating to the Group's website and IT platforms. These capitalised development costs consist primarily of payroll and related costs. The Group applied significant judgement on the following: • whether capitalised costs were of a developmental rather than research and administrative nature; • whether costs, including labour costs, were directly attributable to relevant projects; • determining the useful life of each project and the necessary adjustments to their useful life following their transition to a new customer fulfillment centre; and • the extent to which these capitalised software development costs will generate probable future economic benefits. The capitalisation of internal development costs is a key audit matter due to the quantum of the internal costs capitalised and the judgement involved in assessing the capitalisation on the labour costs for each software developer, the useful life of the development costs and the probability that these projects will generate economic benefits.	Our procedures included, but were not limited to: • Through inquiries with management obtaining an understanding of the Group's capitalisation policy, including the rationale for the percentage of payroll and related costs capitalised; • Understanding the relevant controls over the capitalisation of development costs and testing the design & implementation of relevant controls. Based on our findings, we have amended our nature, timing and extent of procedures as follows; • On a sample basis, testing software development costs capitalised during the year through the following: a) Corroborating time spent information to the payroll register and through discussions held with relevant employees; b) Challenging management's key assumptions on employee level labour capitalisation rates; and c) Assessing whether the costs incurred qualify for capitalisation in accordance with Group's accounting policy and AASB138 *Intangible assets*. • Challenging management's assessment and assumptions on the useful life of projects; • Challenging management's assessment on the probability of the projects generating economic benefits to support recoverability of the capitalised costs; and • Recalculating the amortisation expense for the year which relates to capitalised development costs. We also assessed the adequacy of disclosures in Note 15 to the financial statements.

Deloitte.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Revenue recognition As set out in Note 5, the Group recognises revenue from the sale of goods when the performance obligations with the customer are satisfied, typically on delivery to the customer. The Group applies judgement in determining whether the goods have been delivered to the customer by year end and whether they have fulfilled their performance obligations. This involves assessment of considerable volumes of data from the Group's IT platforms related to deposits paid, products delivered to customers and products in-transit to customers at the year end. The cut-off of revenue recognition and the associated contract liability is a key audit matter due to the judgement required in the assessment of orders received but not yet shipped, and those shipped but not delivered to customers at year end.	Our procedures included, but were not limited to: • Assessing the accounting policies adopted by the Group in relation to revenue recognition against the requirements of AASB 15 *Revenue from contracts with customers*; • Understanding relevant controls in the revenue recognition process and testing the design & implementation of relevant controls. Based on our findings, we have amended our nature, timing and extent of procedures as follows; • Selecting a sample of revenue transactions recognised prior to and post the year end and testing: a) Whether the products have been delivered; and b) Whether the revenue has been recognised in the appropriate period. • Selecting a sample of orders received but not yet delivered prior to the year end and testing: a) Whether the products have been delivered; and b) Whether the revenue has been recognised in the appropriate period. We also assessed the adequacy of disclosures in Note 5 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises:

- the Directors' Report, Additional ASX disclosures and Shareholder information which we obtained prior to the date of this auditor's report;
- the Chair's and CEO's Report which will be included in the Group's Annual Report which is expected to be made available to us after the date of this auditor's report.

The other information 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 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, 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 has 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 33 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Booktopia Group Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Damien Cork
Partner
Chartered Accountants

Parramatta, 28 August 2023

Booktopia Group Limited
Corporate Directory
For the ended 30 June 2023

DIRECTORS

Peter George
Abigail Cheadle
Paul Welch
Stephen Ezekiel
Tony Nash

COMPANY SECRETARY

Alistair Clarkson

REGISTERED OFFICE

Level 6
1A Homebush Bay Drive
Rhodes NSW 2138
Tel: 1300 187 187

SHARE REGISTER

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Tel: 1300 554 474

AUDITOR

Deloitte Touche Tohmatsu
Level 37
8 Parramatta Square
10 Darcy Street
Parramatta NSW 2150

SOLICITORS

Arnold Bloch Leibler
Chifley Tower,
Level 24
2 Chifley Square
Sydney NSW 2000

STOCK EXCHANGE LISTING

Booktopia Group Limited shares are listed on the Australian Securities Exchange (ASX code: BKG)

WEBSITE

www.booktopia.com.au