Booktopia Group Limited

ABN 14 612 421 388

Annual report
for year ended 30 June 2019

Booktopia Group Limited
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Annual report - 30 June 2019

Contents

Your directors present their report on the consolidated entity consisting of Booktopia Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report, the consolidated entity is referred to as the group.

Directors

The following persons held office as directors of Booktopia Group Limited during the financial year:

Antony Louis Nash
Steven Benjamin Traurig
Simon Leon Nash
Christopher Thomas Beare

Principal activities

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

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

Dividends - Booktopia Group Limited

No dividends have been paid during the financial year. The directors do not recommend that a dividend be paid in respect of the financial year (2018: $nil).

Review of operations

The profit from ordinary activities after income tax amounted to $824,000 (2018: $1,640,000).

The group reviews its performance through the measurement of revenue and EBITDA each period. During the 2019 and 2018 periods the group incurred some one-off costs that were associated with preparing the business for equity raising transactions. As a result of the group yet to finalise the process it is appropriate to present the result for the financial periods updated for the costs and activity that was outside the ordinary course of business and as a consequence the directors present an underlying result that reflects the business without the one-off costs associated with the equity raising as follows:

	2019 $'000	2018 $'000
Revenue		
Revenue from contracts with customers	130,857	111,488
Underlying EBITDA		
Statutory profit before income tax from continuing operations	1,303	1,950
Statutory loss before income tax from discontinuing operations	(76)	(39)
Underlying adjustments		
DCC Trading Losses	101	39
Capital Raise Costs	167	-
DC & DCC Net Redundancy Costs	131	-
DC Restructuring Charge	350	-
Underlying statutory profit before income tax	1,976	1,950
Finance Expense	165	276
Depreciation and Amortisation	1,888	1,607
Underlying EBITDA	4,029	3,833

Review of operations (continued)

Booktopia Group Limited continued to execute on its plan to recruit a number of new positions that were critical to grow the top line revenue of the business over the next few years. The financial year ended 30 June 2019 revenues certainly achieved the outcomes the business was expecting. This investment in operational expenditure came at a cost to the profitability and EBITDA of the business in the financial year ended 30 June 2019 as the Distribution Centre was already at capacity and the only way to meet the increased volumes to dispatch was to increase headcount and some diseconomies of scale were experienced. The investment in automation will occur in 2020 and would not be deployed until the financial year ended 30 June 2021. Therefore we expect to capitalise fully on the revenue growth that will deliver greater profits per units shipped in most of the financial year ended 30 June 2021 and all of the financial year ended 30 June 2022.

Significant changes in the state of affairs

On 26 November 2018, the board of Booktopia Group Limited passed a resolution to increase the number of ordinary shares to 113,470,527. This is disclosed in note 20. This change had no effect on the percentage of the shareholdings per shareholder or the over value of contributed equity.

On 15 May 2019, Booktopia Group Limited sold its Australian operations unit DC Cameras and Opticals for a cash consideration of $25,000 for the business intellectual properties. No tangible assets were sold nor liabilities resumed as part of the sale. For details of the sale see Note 8.

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

Event since the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the group and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the group.

Environmental regulation

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

Insurance of officers and indemnities

(a) Insurance of officers

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

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

Proceedings on behalf of the group

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

Proceedings on behalf of the group (continued)

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Rounding of amounts

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

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

Antony Louis Nash
Director

Sydney
27 November 2019

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Auditor's Independence Declaration

As lead auditor for the audit of Booktopia Group Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Adam Thompson
Partner
PricewaterhouseCoopers

Sydney
27 November 2019

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ABN 14 612 421 388

Annual report - 30 June 2019

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These financial statements are the consolidated financial statements of the consolidated entity consisting of Booktopia Group Limited and its subsidiaries. A list of subsidiaries is included in note 25. The financial statements are presented in the Australian dollar ($).

The financial statements were authorised for issue by the directors on ______November 2019. The directors have the power to amend and reissue the financial statements.

	Notes	2019 $'000	2018 $'000
Revenue from continuing operations	5	**129,113**	111,486
Employee benefits expense		**(16,485)**	(14,057)
Product and freight costs		**(94,631)**	(80,463)
Merchant expenses		**(1,924)**	(1,612)
Occupancy expenses		**(2,073)**	(2,042)
Depreciation and amortisation expense	6	**(1,888)**	(1,607)
Transaction related expenses		**(167)**	17
Marketing expenses		**(9,064)**	(7,742)
Other expenses		**(1,436)**	(1,765)
Finance income		**23**	9
Finance expenses		**(165)**	(276)
Profit before income tax		**1,303**	1,950
Income tax expense	7	**(425)**	(271)
Profit from continuing operations		**878**	1,679
Profit/(loss) from discontinued operation	8	**(54)**	(39)
Profit for the year		**824**	1,640
Other comprehensive income			
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**824**	1,640
Profit is attributable to:			
Owners of Booktopia Group Limited		**824**	1,640
Total comprehensive income for the year is attributable to:			
Owners of Booktopia Group Limited		**824**	1,640

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

	Notes	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	823	496
Inventories	10	8,645	8,553
Other current assets	11	334	243
Financial assets at amortised cost	12	1,464	1,565
Total current assets		11,266	10,857
Non-current assets			
Property, plant and equipment	13	6,312	5,869
Deferred tax assets	14	1,008	1,486
Intangible assets	15	5,519	3,786
Financial assets at amortised cost	12	1,009	1,014
Total non-current assets		13,848	12,155
Total assets		25,114	23,012
LIABILITIES			
Current liabilities			
Trade and other payables	16	19,044	16,579
Borrowings	17	1,432	2,781
Contract liabilities	5(b)	3,433	2,967
Current tax liabilities		30	252
Provisions	18	141	246
Employee benefit obligations	19	1,507	1,343
Total current liabilities		25,587	24,168
Non-current liabilities			
Borrowings	17	1,033	1,168
Provisions	18	850	836
Employee benefit obligations	19	127	147
Total non-current liabilities		2,010	2,151
Total liabilities		27,597	26,319
Net assets		(2,483)	(3,307)
EQUITY			
Contributed equity	20	311	311
Accumulated losses	21	(2,794)	(3,618)
Total equity		(2,483)	(3,307)

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

	Contributed equity $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017	311	(5,258)	(4,947)
Profit for the year	-	1,640	1,640
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,640	1,640
Balance at 30 June 2018	**311**	**(3,618)**	**(3,307)**
Balance at 1 July 2018	311	(3,618)	(3,307)
Profit for the year	-	824	824
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	824	824
Balance at 30 June 2019	**311**	**(2,794)**	**(2,483)**

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

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		131,448	123,911
Payments to suppliers and employees (inclusive of goods and services tax)		(125,269)	(121,488)
		6,179	2,423
Interest paid		(165)	(276)
Income taxes paid		(146)	-
Net cash inflow from operating activities		5,868	2,147
Cash flows from investing activities			
Payments for property, plant and equipment		(1,477)	(492)
Payments for intangible assets and development costs		(2,605)	(1,826)
Proceeds from sale of DCC		25	-
Net cash (outflow) from investing activities		(4,057)	(2,318)
Cash flows from financing activities			
Proceeds from borrowings		-	459
Repayment of borrowings		(1,484)	(100)
Net cash (outflow) inflow from financing activities		(1,484)	359
Net increase in cash and cash equivalents		327	188
Cash and cash equivalents at the beginning of the financial year		496	308
Cash and cash equivalents at end of year	9	823	496

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The consolidated financial statements of the Booktopia Group Limited group comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

(ii) Historical cost convention

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

(iii) New and amended standards adopted by the company

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

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*

The group also elected to adopt the following amendments early:

- Amendments made to Australian Accounting Standards by AASB 2015-1 (Improvements 2012-2014 cycle), and

The group had to change its accounting policies and make certain retrospective adjustments following the adoption of AASB 9 and AASB 15. This is disclosed in note 2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(d) Negative net assets

As at 30 June 2019 the group has negative net assets of $2,483,000 and its current liabilities exceed its current assets by $14,321,000. The position is a result of the group incurring historic losses that have been funded out of bank debt and working capital. The excess of current liabilities over current assets is typical of the working capital management of retail companies. Despite the negative net assets and the excess of current liabilities over current assets the directors are confident of continuing to generate profits and positive cash flows from operations.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity 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.

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

1 Summary of significant accounting policies (continued)

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

(i) Subsidiaries (continued)

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

(d) Revenue recognition

From 1 July 2018, with the implementation of the new standard AASB 15 *Revenue from Contracts with Customers*, the accounting policy for revenue recognition is as follows:

Sale of goods - retail

Revenue on the sale of goods is recognised when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer, substantially all of which is at the point in time of receipt of the products by the customer and customer has accepted the product.

1 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Sale of goods - retail (continued)

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

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

Payment of the transaction is due immediately when the customer purchases the product. It is the group's policy to sell its products to the end customer with a right of cancellation within 1 business day and with a discretionary return policy.

Accumulated experience is used to estimate and provide for such returns at the time of the sale.

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

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(e) Income tax

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(e) Income tax (continued)

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

(f) Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 23). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(g) Impairment of assets

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

(h) Cash and cash equivalents

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

(i) Trade receivables

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

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

1 Summary of significant accounting policies (continued)

(j) Inventories

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

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

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

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

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

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

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

(l) Property, plant and equipment

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

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

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

• Plant and equipment	2.5 - 15 years
• Leasehold assets	over life of the lease

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

1 Summary of significant accounting policies (continued)

(l) Property, plant and equipment (continued)

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

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

(m) Intangible assets

(i) Goodwill

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

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

(ii) Customer relationships

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

(iii) Software

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

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

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

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

(iv) Research and development

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

1 Summary of significant accounting policies (continued)

(m) Intangible assets (continued)

(v) Amortisation methods and useful lives

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

• Customer relationships	5 years
• Software	10 years

(n) Trade and other payables

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

(o) Borrowings

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

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

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

(p) Borrowing costs

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

(q) Provisions

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

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

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

1 Summary of significant accounting policies (continued)

(r) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

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

(iii) Termination benefits

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

(iv) Retirement benefit obligations

The defined contribution scheme received fixed contributions from group companies and the group's legal or constructive obligation is limited to these contributions.

Contributions to the defined contribution section of the group's superannuation plan and other independent defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(s) Contributed equity

Ordinary shares are classified as equity.

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

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

1 Summary of significant accounting policies (continued)

(t) Dividends

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

(u) Goods and Services Tax (GST)

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

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

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

(v) Rounding of amounts

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

(w) Parent entity financial information

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Booktopia Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

2 Changes in accounting policies

This note explains the impact of the adoption of AASB 9 *Financial Instruments* and AASB *15 Revenue from Contracts with Customers* on the group's financial statements.

(a) AASB 9 Financial Instruments

The group has adopted AASB 9 from 1 July 2018. The standard introduced new recognition, classification and measurement models for financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

2 Changes in accounting policies (continued)

(a) AASB 9 Financial Instruments (continued)

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

(b) AASB 15 Revenue from Contracts with Customers

The group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption
Accounting Standards AASB 9 and AASB 15 were adopted as from 1 July 2018 using transitional rules that allow for comparatives not to be restated. There was no material change in the carrying amounts of assets and liabilities on adoption of the standards and there was no impact on opening retained profits.

3 Financial risk management

(a) Market risk

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets amd financial liabilities denominated in a currency that is not the entity's functional currency. As at 30 June 2019, foreign currency risk is not hedged, rather, the risk is measured using sensitivity analysis and cash flow forecasting.

(b) Credit risk

(i) Impairment of financial assets

Trade receivables

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

3 Financial risk management (continued)

(b) Credit risk (continued)

(i) Impairment of financial assets (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

There are no restatement for the change of accounting policy of impairment of trade receivables. There are no restatement for the change of accounting policy of impairment of other financial assets at amortised cost.

4 Critical estimates, judgements and errors

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

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(b) Critical accounting estimates and assumptions

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

(i) Useful life of intangible asset

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

(ii) Useful life of customer relationships

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

4 Critical estimates, judgements and errors (continued)

(b) Critical accounting estimates and assumptions (continued)

(iii) Impairment assessment of goodwill

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

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

(iv) Deferred tax assets

The group has recognised deferred tax assets as at 30 June 2019 relating to temporary timing differences of $1,008,000 (2018: $1,486,000) due to it being probable that these differences will be subsequently recovered.

5 Revenue from contract with customers

	2019 $'000	2018 $'000
Sale of goods	129,113	111,488
Total revenue from continuing operations	129,113	111,488

(a) Disaggregation of revenue from contracts with customers

The group derives revenue from the transfer of goods and services over time and at a point in time as follow:

2019	Total $'000
Timing of revenue recognition	
At a point in time	129,147
Over time	-
	129,147

2018	Total $'000
Timing of revenue recognition	
At a point in time	111,488
Over time	-
	111,488

(b) Assets and liabilities related to contracts with customers

	2019 $'000	2018 $'000
Contract liability - deferred revenue	3,433	2,967

6 Expenses

	2019 $'000	2018 $'000
Depreciation		
Plant and equipment	1,034	901
Amortisation		
Software	854	706
Total depreciation and amortisation	1,888	1,607

7 Income tax expense

(a) Income tax expense

	2019 $'000	2018 $'000
Current tax		
Current tax on profits for the year	53	342
Adjustments for current tax of prior periods	(106)	(90)
Total current tax expense	(53)	252
Deferred income tax		
Decrease in deferred tax assets	269	80
Increase/(decrease) in deferred tax liabilities	209	(61)
Total deferred tax expense	478	19
Income tax expense	425	271

7 Income tax expense (continued)

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

	2019 $'000	2018 $'000
Profit from continuing operations before income tax expense	1,357	1,950
Profit from discontinuing operation before income tax expense	(54)	(39)
	1,303	1,911
Tax at the Australian tax rate of 30.0% (2018 - 30.0%)	390	573
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Amortisation of intangibles	141	40
Adjustments for tax of prior periods	(106)	(90)
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(252)
Income tax expense	425	271

8 Discontinued operation

(i) Description

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

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the 11 months ended 15 May 2019.

	2019 $'000	2018 $'000
Revenue	1,745	2,373
Expenses	(1,846)	(2,412)
Loss before income tax	(101)	(39)
Income tax expense	30	12
Loss after income tax of discontinued operation	(71)	(27)
Gain on sale after income tax (see (c) below)	17	-
Loss from discontinued operation	(54)	(27)
Net cash inflow from operating activities	(24)	(15)
Net cash (outflow) from financing activities	25	-
Net increase in cash generated by the subsidiary	1	(15)

8 Discontinued operation (continued)

(c) Details of the sale

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

9 Cash and cash equivalents

	2019 $'000	2018 $'000
Current assets		
Cash at bank and in hand	823	496

10 Inventories

	2019 $'000	2018 $'000
Current assets		
Work in progress	1,115	934
Finished goods	7,566	7,667
Provision for stock obsolescence	(36)	(48)
	8,645	8,553

(a) Amounts recognised in profit or loss

Inventories recognised as expense during the year ended 30 June 2019 amounted to $80,795,940 (2018: $69,163,378). These were included in cost of sales.

Write-downs of inventories to net realisable value amounted to $94,000 (2018: $nil). These were recognised as an expense during the year ended 30 June 2019 and included in 'cost of sales' in profit or loss.

11 Other current assets

	2019 $'000	2018 $'000
Current assets		
Prepayments	**334**	243

12 Financial assets at amortised cost

	2019			2018		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Loans to related parties	-	**938**	**938**	-	763	763
Employee loans	-	**71**	**71**	36	251	287
Security deposits	**796**	-	**796**	796	-	796
Other receivables	**668**	-	**668**	733	-	733
	1,464	**1,009**	**2,473**	1,565	1,014	2,579

Employee loans have been provided to key management personnel. These unsecured loans are generally for periods of 5-10 years and repayable in annual instalments with reference to the benchmark bank variable housing loan interest rates.

13 Property, plant and equipment

	Plant and equipment $'000	Leased assets $'000	Total $'000
At 1 July 2018			
Cost	5,638	3,177	8,815
Accumulated depreciation	(1,908)	(1,038)	(2,946)
Net book amount	3,730	2,139	5,869
Year ended 30 June 2019			
Opening net book amount	3,730	2,139	5,869
Additions	1,477	-	1,477
Depreciation charge	(804)	(230)	(1,034)
Closing net book amount	4,403	1,909	6,312
At 30 June 2019			
Cost	7,115	3,177	10,292
Accumulated depreciation	(2,712)	(1,268)	(3,980)
Net book amount	4,403	1,909	6,312

14 Deferred tax assets

	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Blackhole expenditure relating to IPO transaction expenses	**340**	479
Provisions	**490**	448
Acrrued expenses	**458**	630
Intangible assets-customer relationships	**(280)**	(71)
	1,008	1,486

Movements	Blackhole expenditure $'000	Accrued expenses $'000	Tax losses $'000	Provisions $'000	Intangible assets $'000	Total $'000
At 1 July 2017	677	113	189	658	(132)	1,505
(Charged)/credited - to profit or loss	(198)	517	(189)	(210)	61	(19)
At 30 June 2018	479	630	-	448	(71)	1,486

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

15 Intangible assets

	Goodwill $'000	Software $'000	Customer relationships $'000	Total $'000
At 30 June 2018				
Cost	213	5,921	709	6,843
Accumulated amortisation	-	(2,655)	(402)	(3,057)
Net book amount	213	3,266	307	3,786
Year ended 30 June 2019				
Opening net book amount	213	3,266	307	3,786
Additions	-	2,605	-	2,605
Disposal	-	(18)	-	(18)
Amortisation charge	-	(712)	(142)	(854)
Closing net book amount	213	5,141	165	5,519

15 Intangible assets (continued)

	Goodwill $'000	Software $'000	Customer relationships $'000	Total $'000
At 30 June 2019				
Cost	213	8,507	709	9,429
Accumulated amortisation	-	(3,366)	(544)	(3,910)
Net book amount	213	5,141	165	5,519

16 Trade and other payables

	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Trade payables	17,011	-	17,011	15,563	-	15,563
Accrued expenses	2,018	-	2,018	1,016	-	1,016
Other payables	15	-	15	-	-	-
	19,044	-	19,044	16,579	-	16,579

17 Borrowings

	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Trade finance payable	790	-	790	1,726	-	1,726
Lease liabilities	642	662	1,304	685	711	1,396
Total secured borrowings	1,432	662	2,094	2,411	711	3,122
Unsecured						
Loans from related parties	-	-	-	370	-	370
Other financial liabilities	-	371	371	-	457	457
Total unsecured borrowings	-	371	371	370	457	827
Total borrowings	1,432	1,033	2,465	2,781	1,168	3,949

Loans from related parties represent the balances relate to amounts received from key management personnel and from related parties of key management personnel.

18 Provisions

	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Lease incentive liability	141	850	991	246	836	1,082

(a) Information about individual provisions and significant estimates

Lease incentive liability

The lease agreement for the head office includes a rent-free period provided by the lessor as a lease incentive. The lease incentive is presented as part of the lease liabilities and is reversed on a straight line basis over the lease term.

(b) Movements in provisions

Movements in each class of provision during the financial year are set out below:

2019	Lease incentive liability $'000
Carrying amount at start of year	1,082
Charged/(credited) to profit or loss	-
Amounts used during the year	(91)
Carrying amount at end of year	991

2018	Lease incentive liability $'000
Carrying amount at start of year	928
- additional provisions recognised	154
Carrying amount at end of year	1,082

19 Employee benefit obligations

	2019			2018		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Leave obligations	1,507	127	1,634	1,343	147	1,490

(a) Leave obligations

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

20 Contributed equity

(a) Share capital

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares				
Fully paid	**113,470,527**	1,055	**311**	311

Booktopia Group Limited increased the number of ordinary shares to 113,470,527 during the year. This change had no effect on the percentage of the shareholdings per shareholder or the over value of contributed equity.

(b) Ordinary shares

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

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

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

21 Accumulated losses

Movements in accumulated losses were as follows:

	2019 $'000	2018 $'000
Balance 1 July	**(3,618)**	(5,258)
Net profit for the period	**824**	1,640
Balance 30 June	**(2,794)**	(3,618)

22 Contingent liabilities

The group has given bank guarantees as at 30 June 2019 of $1,162,177 (2018: $1,162,177) to its landlord in relation to office lease commitments.

23 Commitments

(a) Lease commitments: company as lessee

(i) Non-cancellable operating leases

	2019 $'000	2018 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**1,877**	1,826
Later than one year but not later than five years	**6,646**	8,523
	8,523	10,349

23 Commitments (continued)

(a) Lease commitments: company as lessee (continued)

(i) Non-cancellable operating leases (continued)

Rental expense relating to operating leases

Total rental expense relating to operating leases	2,073	2,042

(ii) Finance leases

Finance lease and hire purchase arrangements are in place on plant equipment and motor vehicles under normal terms and conditions with the company's bankers.

	2019 $'000	2018 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	701	748
Later than one year but not later than five years	747	741
Later than five years	-	-
Minimum lease payments	1,448	1,489
Future finance charges	(144)	(93)
Total lease liabilities	1,304	1,396
Representing lease liabilities:		
Current	642	685
Non-current	662	711
	1,304	1,396

24 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 25(a).

(b) Key management personnel compensation

	2019 $	2018 $
Total key personnel management compensation	2,071,798	1,882,193

(c) Loans to/from related parties

	2019 $	2018 $
Loans to key management personnel		
Beginning of the year	1,050,410	870,915
Loans advanced	175,000	179,495
Loans repayments received	(215,845)	-
End of year	1,009,565	1,050,410

25 Interests in other entities

(a) Material subsidiaries

The group's principal subsidiaries at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group 2019 %	2018 %
Booktopia Pty Ltd	Australia	100	100

26 Events occurring after the reporting period

No matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group or economic entity in subsequent financial years.

27 Parent entity financial information

(a) Summary financial information

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

	2019 $'000	2018 $'000
Balance sheet		
Current assets	11,266	10,857
Non-current assets	13,848	12,155
Total assets	25,114	23,012
Current liabilities	25,587	24,168
Non-current liabilities	2,010	2,151
Total liabilities	27,597	26,319
Shareholders' equity		
Issued capital	311	311
Retained earnings	(2,794)	(3,618)
	(2,483)	(3,307)
Profit or loss for the year	824	1,640
Total comprehensive income	824	1,640

(b) Guarantees entered into by the parent entity

The parent entity had a bank guarantee as at 30 June 2019 for the performance of certain office lease commitments amount to $1,162,177 (2018: $1,162,177).

27 Parent entity financial information (continued)

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

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

The parent entity did not have any contractual commitments as at 30 June 2019 or 30 June 2018.

In the directors' opinion:

(a) the financial statements and notes set out on pages 5 to 33 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

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

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

Antony Louis Nash
Director

Sydney
27 November 2019

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Independent auditor's report

To the members of Booktopia Group Limited

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Adam Thompson
Partner

Sydney
27 November 2019