Booktopia Group Limited
ACN: 612 421 388

Appendix 4D
Half-year ended 31 December 2022

(Previous corresponding period (PCP): Half-year ended 31 December 2021)

Results for announcement to the market

	31 Dec 2022 $'000	31 Dec 2021 $'000		Change
Revenue from ordinary activities	**110,077**	129,969	Down	15.3%
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	**1,325**	4,097	Down	67.7%
Underlying EBITDA[1]	**(1,334)**	5,757	Down	>100.0%
Loss from ordinary activities after tax attributable to members	**(3,894)**	(633)	Down	>100.0%
Loss for the half-year attributable to members	**(3,894)**	(633)	Down	>100.0%
	Cents	Cents		
Net tangible asset backing per ordinary security	**(0.82)**	15.53	Down	>100.0%

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, including the gain on disposal of the Welbeck investment and adjustments to the proposed settlement of the ACCC matter in the current period and M&A activity in the comparative period. 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 page 7 of 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

There has been no change to the ownership of controlled entities during the period ended 31 December 2022.

Details of joint venture and associate entities

On 2 December 2022, the Group sold its 25% stake in Welbeck Publishing Group's Australian operations. For further details, refer to Note 7 to the financial statements.

Other significant information and commentary on results

Please refer to the commentary in the Directors' Report included in the half-year financial report for an explanation of the result.

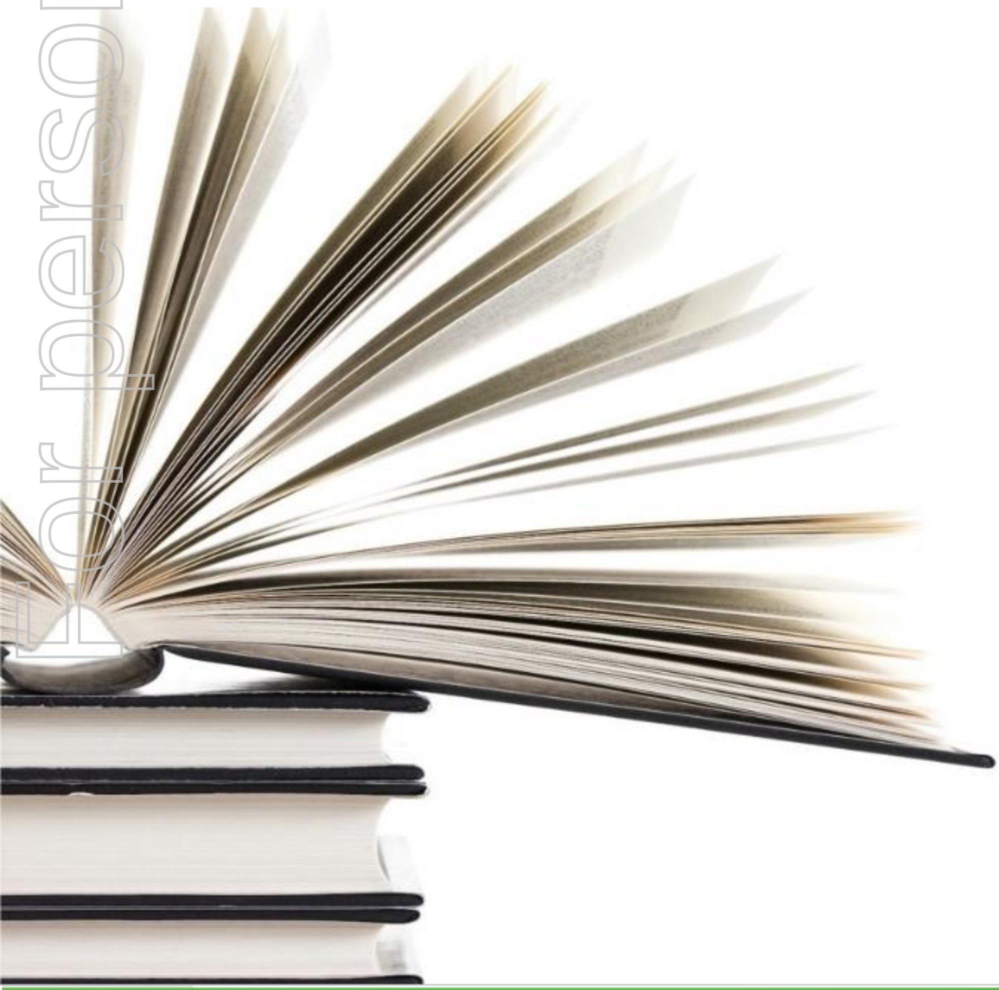
Additional information requiring disclosure under listing rule 4.2A.3 is contained in the half-year financial report.

BOOKTOPIA GROUP LIMITED

ACN: 612 421 388

Interim Financial Report

For the half-year ended 31 December 2022



Booktopia Group Limited
Interim Financial Report
For the half-year ended 31 December 2022

Contents | **Page**

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 (the "Company" or "parent entity") and the entities it controlled during the half-year ended 31 December 2022. The prior comparative period (PCP) is the half-year ended 31 December 2021.

Directors

The following persons were Directors of Booktopia Group Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

	Office	Date of appointment / resignation
Current directors		
Peter George	Chairman and Independent Non-Executive Director	1 December 2022
Antony (Tony) Nash	Founder and Non-Independent Non-Executive Director	16 May 2016
Steven Traurig	Chief Commercial Officer, Executive Director and Joint Company Secretary	16 May 2016
Abigail Cheadle	Independent Non-Executive Director	12 December 2022
Stephen Ezekiel	Independent Non-Executive Director	12 December 2022
Former directors		
Christopher Beare	Chairman and Independent Non-Executive Director	1 December 2022
Fiona Pak-Poy	Independent Non-Executive Director	28 November 2022
Judith Slatyer	Independent Non-Executive Director	28 November 2022
Su-Ming Wong	Independent Non-Executive Director	20 September 2022

Principal activities

Booktopia Group is Australia's largest dedicated online book retailer. It was established in 2004 and was admitted to the Australian Securities Exchange ('ASX') in December 2020. The Group generates the majority of its revenue from the sale of physical books. It also sells eBooks, audiobooks, magazines and stationery. Customers largely consist of retail consumers with a growing number of corporate and government customers including schools, libraries, universities and government departments. Sales are generated via the Group's two websites as well as listing select titles on online marketplaces in Australia and New Zealand. In addition, the Group offers publishers a distribution solution to the Australian and New Zealand market and also publishes select titles in print and digital formats under the Booktopia Editions imprint.

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. A key element in the supply chain is the Group's Customer Fulfilment Centres (CFC) located in Western Sydney. The Group is in the process of moving from existing CFC facilities into a new CFC at South Strathfield which is expected to be completed by November 2023. The new CFC facility at South Strathfield has been custom designed to enhance efficiency of key activities including the use of new technologies in the customer fulfilment process. The new CFC will be highly automated with conveyor lines, advanced robotics and software systems which are central to the efficient moving of products into, within and out of the CFC.

Together with the CFC facilities, the Group's business model is supported by the following key factors:

- **Specialist online marketing knowledge:** the Group's management has significant experience in Search Engine Optimisation. The Group's strong in-house Search Engine Optimisation and paid search marketing skills further allow the business to target attractive customers with the goal of ensuring optimal return for its marketing spend;

Principal activities (continued)

- **Stock availability and fast delivery times:** the Group's supplier relationships and its commitment to holding Stocked Titles "ready-to-ship" enhances the customer experience through titles being both available and able to be delivered quickly; and

- **Customer-centric focus:** the Group's customer focus from its senior management team to its CFC staff and Australian-based call centre, is a key differentiator to many competitors. Other initiatives it employs include in-house 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.

The Group's key expenses incurred in generating revenue include book purchases, marketing and advertising costs (Pay-Per-Click advertising and affiliate commissions), marketing staff who manage the Group's marketing initiatives, distribution costs and email marketing costs.

The Group also offers distribution services to some Australian and international publishers under the banner of Booktopia Publisher Services (BPS). While this offering continues to grow, it still remains a small part of the overall business.

Review of operations

During the half, the Group continued to implement its strategy to establish a new CFC in Strathfield South as well as upgrading the Group's technology platforms to facilitate the transition over to the new CFC. The new CFC will be highly automated and is expected to improve margins by lowering operating costs and to deliver operational efficiencies for customers. The transition from the two existing CFCs to the single new CFC will take place over the next six months with the new CFC expected to be operational to plan by November 2023.

As with any major project of this nature, there are certain risks. The Group has engaged specialists to build out robust designs and plans to mitigate these risks as much as possible.

Substantial progress was made on funding the fit-out at the new CFC, with funding being secured in February 2023. This funding is 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 "Going concern" in Note 2 to the financial statements.

The Group has also made the decision to utilise a third-party Warehouse Management System (WMS) which will deliver further efficiencies in the new CFC, replacing some elements of the current proprietary technology stack.

The above measures are in response to the strategic end-of-lease migration of operations from Lidcombe to South Strathfield and the increased risks posed by competition in the "post-COVID" era, with customers now having the options of physical stores again, as well as much improved online offerings from many of the large retailers.

During the period, the composition of the Board changed significantly. Following the proposed Extraordinary General Meeting (EGM) called by Tony Nash Enterprises Pty Ltd, 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 is confident that the newly appointed Directors will provide the Board with an appropriate range of skills and expertise needed to steer the Group towards a new period of sustainable growth.

The Board is actively engaged with the former CEO, Tony Nash, through his associated entity, Tachyon Ventures Pty Ltd in seeking to formalise a consultancy agreement for the provision of consulting services supplied to Booktopia since 23 January 2023. Once the formal agreement is finalised the material terms of the arrangement will be announced to the market.

In December 2022, the ACCC matter was heard by the Federal Court. Court orders are yet to be handed down at the time of this report.

Financial performance

Shipped units for the half year decreased 16.7%, predominantly due to the previous half being favourably impacted by COVID-19 lockdowns which increased consumer demand for online goods. The current half-year saw the return of most customers to physical retail stores across the country, in combination with continued use of e-commerce. The evolution in consumer behaviour saw increased competition in online retailing as many major retailers invested in their e-commerce platforms during the pandemic.

The impacts of other market conditions such as inflation and higher interest rates on consumer spending are difficult to quantify, and the business continues to adapt to these pressures by investing in the new CFC at Strathfield South, improving delivery time frames to customers, and reducing costs associated with handling products, resulting in a more competitive and enhanced offering to customers.

The table below summarises the results of the Group for the half-year ended 31 December 2022 ("HY23") against the prior comparative period of the half-year ended 31 December 2021 ("HY22"):

	HY23 $'000	HY22 $'000	Variance $'000	%
Sales of goods	**110,077**	129,969	(19,892)	(15.3%)
Product and freight costs	**(81,012)**	(94,289)	13,277	14.1%
Employee benefits expense	**(18,353)**	(20,123)	1,770	8.8%
Legal and consulting fees	**(404)**	(1,875)	1,471	78.5%
Share of result from Welbeck investment	**80**	-	80	n/a
Other expenses and income	**(9,063)**	(9,585)	522	5.4%
EBITDA[1]	**1,325**	4,097	(2,773)	(67.7%)
Amortisation and depreciation expense	**(7,347)**	(3,388)	(3,959)	(>100.0%)
Net finance costs	**(675)**	(1,112)	437	39.3%
Income tax benefit / (expense)	**2,803**	(230)	3,033	>100.0%
Net loss after tax	**(3,894)**	(633)	(3,262)	(>100.0%)
	HY23	**HY22**	**Cents**	**%**
Earnings per share (cents)	**(2.85)**	(0.46)	(2.39)	(>100.0%)

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 and Amortisation (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.

The Group delivered revenues of $110,077,000, down 15.3% from $129,969,000 in the comparative period. As a result, product and freight costs decreased 14.1% to $81,012,000.

Revenue was higher in the prior period predominantly due to COVID-19 lockdowns which increased consumer demand for online book purchases. In addition, trading conditions were volatile during the half-year due to various economic headwinds impacting consumer behaviour. The online retail market, in particular, continues to experience a high level of uncertainty as the economy responds to a "post-COVID" era and adapts to an inflationary economy globally.

The comparative period includes legal and consulting fees of $1,875,000, of which $1,387,000 related to acquisition related activities and $158,000 is related to the ACCC matter.

Financial performance (continued)

Depreciation and amortisation for the half-year increased due to the Group entering into a new lease for a CFC at Strathfield South, resulting in management reassessing the useful lives of certain assets at the current CFC in Lidcombe.

In order to explain the results for the half-year, the table below illustrates the impact of one-off adjustments on the half-year ended 31 December 2022 against the prior comparative period of the half-year ended 31 December 2021. The one-off adjustments do not form part of the core activities of the Group and are not expected to occur frequently.

	EBITDA	Depreciation and amortisation	Net finance costs	Tax expense	NPAT
	$'000	$'000	$'000	$'000	$'000
Half-year ended 31 December 2022					
Statutory results	**1,325**	**(7,347)**	**(675)**	**2,803**	**(3,894)**
ACCC matter	**(2,202)**	**-**	**-**	**-**	**(2,202)**
Gain on disposal of Welbeck investment	**(457)**	**-**	**-**	**-**	**(457)**
Useful lives assessment of assets in current CFC	**-**	**3,878**	**-**	**(1,163)**	**2,715**
Underlying result	**(1,334)**	**(3,469)**	**(675)**	**1,640**	**(3,838)**
Half-year ended 31 December 2021					
Statutory results	4,097	(3,388)	(1,112)	(230)	(633)
Legal costs related to ACCC matter	158	-	-	(47)	111
M&A activity undertaken	1,502	-	-	-	1,502
Underlying result	5,757	(3,388)	(1,112)	(277)	980
(Decrease) / increase on prior period	(7,091)	(81)	437	1,917	(4,818)
Change (%)	(>100.0%)	(2.4%)	39.3%	>100.0%	(>100.0%)

A brief description of the current half-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. At 31 December 2022, this provision was remeasured to reflect current market conditions impacting the discount rate and the phasing of cash flows.
Gain on 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.
Useful lives assessment of assets in current CFC	As a result of the Board's approval in June 2022 of a lease for a new CFC in Strathfield South, the useful lives of the assets in the current CFC were reassessed. The accelerated depreciation associated with these assets will continue until the Group's lease for its current CFC ends in October 2023.

Financial position

The table below sets out the summarised Statement of Financial Position as at 31 December 2022 against comparatives as at 30 June 2022:

	31 Dec 2022 $'000	30 Jun 2022 $'000	Variance $'000	%
Trade and other receivables	**2,393**	1,675	718	42.9%
Inventories	**20,571**	17,345	3,226	18.6%
Trade and other payables	**(29,190)**	(28,714)	(476)	1.7%
Contract liabilities	**(11,341)**	(9,719)	(1,622)	16.7%
Working capital excluding cash and equivalents	**(17,567)**	(19,413)	1,846	(9.5%)
Cash and cash equivalents	**826**	8,506	(7,680)	(90.3%)
Right-of-use assets	**21,567**	22,737	(1,170)	(5.1%)
Investment in Welbeck Australia	**-**	939	(939)	n/a
Lease liabilities	**(29,002)**	(30,986)	1,984	(6.4%)
Other current assets	**1,756**	1,910	(154)	(8.1%)
Other non-current assets	**39,764**	39,683	81	0.2%
Other current liabilities	**(4,036)**	(3,622)	(414)	11.4%
Other non-current liabilities	**(2,607)**	(5,206)	2,599	(49.9%)
Net assets / shareholders' equity	**10,701**	14,548	(3,847)	(26.4%)

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. Inventory levels increased by 18.6% due to the business securing much of the inventory required for the H2 academic season.

The cash balance reduced significantly during the period due to investment in the new CFC and other capital projects, as well as financing the operating cash shortfalls of the business during the period. In February 2023, the Group secured financing for the new CFC at South Strathfield, as well as to meet its operating cash requirements. Further details relating to the debt financing facilities can be found under "Going concern" at Note 2 to the financial statements.

On 2 December 2022, the Group sold its 25% stake in Welbeck Publishing Group's Australian operations.

The provision recognised for the proposed settlement of the ACCC matter has been remeasured. Due to changes in the phasing of the proposed instalments and the applicable discount rate, the present value of this provision was materially reduced, which is predominantly reflected in the "Other non-current liabilities" line above.

Business strategy and prospects

As discussed previously under "Principal activities", the Group's core strategy remains being Australia's largest dedicated online book retailer. The key elements that underpin this strategy include:

- The Group's focus on growing market share on its offering to businesses, including government bodies and other educational organisations;
- Continued investment in the new CFC to lower operational costs to be able to better respond to competition;
- Differentiation from competitors by staffing an Australian-based call centre and employing subject-matter experts to enhance content and customer experience; and
- Expansion of the Group's distribution arm (Booktopia Publisher Services).

Business strategy and prospects (continued)

Please refer to "Principal activities" for further information on these items.

The changing behaviour of consumers after emerging from a "COVID lockdown" environment, coupled with increased competition from emerging omnichannel retailers is making it more challenging to attract customers. The Group hopes to be able to respond to these challenges through the strategies discussed above. Once Booktopia has unlocked the increased capacity and efficiencies it expects from the new CFC, it expects to return to growth with more competitive prices and enhanced delivery timeframes.

Material business risks

In addition to the key business risks as discussed in the "Review of operations" and "Financial performance" sections, the Group notes a number of material business risks that have become increasingly more relevant since the Annual Report.

Cyber security

Cyber security is recognised as a risk to nearly all businesses, and in particular to businesses such as Booktopia's. In light of recent media coverage of cyber-attacks, the Group believes it is appropriate to provide some entity specific information on this risk. The Group takes cyber security very seriously realising not only the risk to our business but the risk to our valued customers. Since listing in December 2020, the Group has worked tirelessly to identify and seek to mitigate the most significant aspects of cyber risks to our systems. Furthermore, penetration testing of our systems is regularly undertaken and all employees using our systems undergo regular testing to ensure they understand and react to potential risks in the appropriate manner. The Group will continue to monitor and seek to mitigate this risk.

Ability to secure financing

On 1 February 2023, the Group secured short term debt financing for the new CFC at South Strathfield. The Group continues to engage with prospective financiers to lock in longer term commercial financing for this investment. More information on the Group's financing position is set out under "Going concern" in Note 2 to the financial statements.

Project risk

Along with the ongoing challenge to secure long term financing for the project, the relocation to the new CFC at Strathfield South is fundamental to the Group's future prospects, enabling it to remain competitive on both costs and customer experience. Like any project of this scale, the transition is not without project risk. The Group has invested significantly in the design and planning for the project to ensure the new CFC delivers the best possible outcome for the business and its customers, and to ensure the project is delivered smoothly and efficiently.

Matters subsequent to the end of the reporting period

On 23 January 2023, the Group announced that it would implement several strategies that are focussed on improving shareholder returns through measures to improve earnings going forward. Along with certain measures implemented to improve margins, the Group also executed a restructure of the corporate office staff in February 2023. A process is also underway to sublease some excess leased space which the Group does not expect to need for a number of years.

On 1 February 2023, the Group announced that it had secured debt financing to support the development of the new CFC at South Strathfield. For further details, please refer to "Going concern" found at Note 2 to the financial statements.

The Group estimates that the right-of-use asset and corresponding lease liability for the new CFC at South Strathfield will be $12,850,000. The estimation has been determined using an incremental borrowing rate which reflects the terms associated with the new debt financing facilities. The lease for the new CFC will commence on 1 March 2023.

No other matter or circumstance has arisen since 31 December 2022 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 periods.

Future developments

The Board have reviewed and agreed the continuing strategy of the Group and the Directors aim to maintain the management policies and processes that support the principal activity of the Group with a view to delivering the best outcomes for stakeholders. The Group is continually reviewing and refining these strategies and policies to improve the framework of financial control and manage costs effectively while delivering strategic growth objectives.

A key ambition for the next 12 months is successfully relocating core fulfilment activities to a new more efficient CFC facility together with delivering a market-leading customer experience expected from Booktopia by our customers.

Dividends

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

Rounding

In accordance with ASIC Legislative Instrument 2016/191 (Rounding in Financial/Directors' Reports) amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

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.

Geoff Stalley (Acting CEO) was a former partner of the appointed auditor, Deloitte Touche Tohmatsu. Geoff performed no services for the Group while he was a partner of Deloitte Touche Tohmatsu and the auditor was appointed 3 years after Geoff retired from the firm.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

Peter George
Chairman

28 February 2023
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 37
8 Parramatta Square
10 Darcy Street
Parramatta NSW 2150
Australia
Phone: +61 2 9840 7000
www.deloitte.com.au

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

28 February 2023

Dear Board Members

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 review of the interim financial report of Booktopia Group Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Damien Cork
Partner
Chartered Accountants

Booktopia Group Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2022

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue	4	**110,077**	129,969
Other income – Remeasurement of the provision for the ACCC matter	9	**2,202**	-
Other income – Gain on disposal of investment in associate	7	**457**	-
Interest income		**11**	5
Expenses			
Product and freight costs		**(81,012)**	(94,289)
Employee benefits expense		**(18,353)**	(20,123)
Depreciation and amortisation expense	5	**(7,347)**	(3,388)
Advertising and marketing expense		**(6,052)**	(4,580)
Merchant fees		**(1,454)**	(1,698)
IT and communication expense		**(1,386)**	(1,022)
Occupancy expense		**(943)**	(816)
Legal and consulting fees		**(404)**	(1,875)
Other expenses		**(1,887)**	(1,469)
Finance costs	5	**(686)**	(1,117)
Share of results of associate	7	**80**	-
Loss before tax		**(6,697)**	(403)
Income tax benefit/(expense)		**2,803**	(230)
Loss for the period attributable to the owners of the company		**(3,894)**	(633)
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the period attributable to the owners of the company		**(3,894)**	(633)
Earnings per share attributable to the owners of the company		**Cents**	**Cents**
Basic earnings per share	6	**(2.85)**	(0.46)
Diluted earnings per share	6	**(2.85)**	(0.46)

This statement is to be read in conjunction with the notes to the financial statements.

Booktopia Group Limited
Condensed Consolidated Statement of Financial Position
For the half-year ended 31 December 2022

	Note	31 Dec 2022 $'000	30 Jun 2022 $'000
Current assets			
Cash and cash equivalents		**826**	8,506
Trade and other receivables		**2,393**	1,675
Inventories		**20,571**	17,345
Lease incentive receivable		**624**	624
Prepayments		**1,132**	1,286
Total current assets		**25,546**	29,436
Non-current assets			
Property, plant and equipment	8	**19,526**	22,426
Right-of-use assets		**21,567**	22,737
Intangibles		**9,598**	9,088
Investment in associate	7	**-**	939
Deferred tax assets	2	**7,422**	4,618
Security deposits		**3,218**	3,551
Total non-current assets		**61,331**	63,359
Total assets		**86,877**	92,795
Current liabilities			
Trade and other payables		**29,190**	28,714
Contract liabilities		**11,341**	9,719
Lease liabilities		**3,665**	3,367
Income tax payable		**6**	6
Provisions	9	**4,030**	3,616
Total current liabilities		**48,232**	45,422
Non-current liabilities			
Lease liabilities		**25,337**	27,619
Provisions	9	**2,607**	5,206
Total non-current liabilities		**27,944**	32,825
Total liabilities		**76,176**	78,247
Net assets		**10,701**	14,548
Equity			
Issued capital		**50,920**	50,920
Share-based payments reserve		**144**	145
Accumulated losses		**(40,363)**	(36,517)
Total shareholders' equity		**10,701**	14,548

This statement is to be read in conjunction with the notes to the financial statements.

Booktopia Group Limited
Condensed Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2022

	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 half-year	-	-	(633)	(633)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(633)	(633)
Transactions with owners in their capacity as owners:				
Performance Rights vested in the half-year	73	(76)	3	-
Recycling reserve for lapsed Performance Rights	-	(41)	41	-
Share-based payments expense	-	73	-	73
Treasury shares acquired on market	(824)	-	-	(824)
Balance at 31 December 2021	50,920	151	(22,064)	29,007
Balance at 1 July 2022	**50,920**	**145**	**(36,517)**	**14,548**
Loss after income tax benefit for the half-year	**-**	**-**	**(3,894)**	**(3,894)**
Other comprehensive income for the half-year, net of tax	**-**	**-**	**-**	**-**
Total comprehensive income for the half-year	**-**	**-**	**(3,894)**	**(3,894)**
Transactions with owners in their capacity as owners:				
Recycling reserve for lapsed Performance Rights	**-**	**(48)**	**48**	**-**
Share-based payments expense	**-**	**47**	**-**	**47**
Balance at 31 December 2022	**50,920**	**144**	**(40,363)**	**10,701**

This statement is to be read in conjunction with the notes to the financial statements.

Booktopia Group Limited
Condensed Consolidated Statement of Cash Flows
For the half-year ended 31 December 2022

	Note	31 Dec 2022 $'000	31 Dec 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**121,656**	144,738
Payments to suppliers and employees (inclusive of GST)		**(124,707)**	(141,575)
		(3,051)	3,163
Income taxes paid		**-**	(421)
Net cash (used in)/from operating activities		**(3,051)**	2,742
Cash flows from investing activities			
Payments for investment in associate		**-**	(3,114)
Proceeds from sale of investment in associate	7	**1,512**	-
Payments for property, plant and equipment		**(2,137)**	(1,497)
Payments for intangibles		**(1,674)**	(1,027)
Receipts from/(payments for) security deposits		**333**	(2,135)
Interest received		**11**	5
Net cash used in investing activities		**(1,955)**	(7,768)
Cash flows from financing activities			
Treasury shares acquired		**-**	(824)
Lease principal repayments		**(1,979)**	(592)
Lease incentives received		**-**	560
Interest and other finance costs paid		**(686)**	(1,117)
Net cash used in financing activities		**(2,665)**	(1,973)
Net decrease in cash and cash equivalents		**(7,671)**	(6,999)
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		**(9)**	12
Cash and cash equivalents at the end of the financial period		**826**	5,050

This statement 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. The shares of the Company are publicly traded on the Australian Securities Exchange ("ASX"). The condensed consolidated financial report of the Company for the half-year ended 31 December 2022 ("the interim financial report") comprises the Company and its controlled entities ("Group"). Booktopia Group Limited is the ultimate parent entity in the Group.

Booktopia Group is Australia's largest dedicated online book retailer. It was established in 2004 and 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 February 2023.

2. Significant accounting policies

Basis of preparation

This general purpose interim financial report has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the annual financial report.

It is recommended that the interim financial report be read in conjunction with the annual financial report for the year ended 30 June 2022 and is considered together with any public announcements made by the Company during the six months ended 31 December 2022, and thereafter, in accordance with the continuous disclosure obligations of the ASX listing rules.

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

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies adopted in the preparation of the half-year financial report are consistent with those applied in the preparation of the Group's annual financial report for the year ended 30 June 2022, with the exception of the adoption of new and revised Accounting Standards and Interpretations as described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised Accounting Standards and Interpretations

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Significant accounting policies (continued)

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 June 2024 and other matters set out below.

For the period ended 31 December 2022, the Group reported a loss after tax of $3,894,000 (FY22: loss of $15,087,000) and had an excess of current liabilities over current assets of $22,686,000 (30 June 2022: $15,986,000). The business generated negative cashflows from operating activities of $3,051,000 (FY22: positive operating cashflows of $10,058,000) and had nets assets of $10,701,000 at balance date (30 June 2022: $14,548,000).

On 4 August 2022, the Group executed a lease agreement for its new Customer Fulfilment Centre (CFC) which 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.

On 1 February 2023, the Group announced that it had secured debt financing to support the development of the new CFC at South Strathfield. The finance package consists of two components:

- Trade finance facility – The Group has 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 is a first ranking general security agreement. The facility limit on establishment is set at $4,000,000, with the option to increase to $7,000,000 subject to the final court orders issued relating to the ACCC matter (Note 9). The headline variable interest rate at the establishment of the facility is 8.2%. Arrangement fees and facilities fees also apply to this facility. The conditions precedent for the facility were met on 14 February 2023.

- Unsecured debt facility – A short term unsecured bridging debt facility of $5,000,000 with AFSG Capital Pty Limited to assist in funding the new CFC fitout. The facility has been funded by loans from entities controlled by Directors Tony Nash and Steven Traurig ("Investor loans") 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. The facility includes an option to extend for a further 180 days, at the lender's discretion. The loan provided for an initial $1,000,000 and a further $4,000,000 on full utilisation of the MoneyTech facility. The loan is conditional on the receipt of funds by AFSG from the investor loans. As at the date of this report, the Group has issued draw notices to AFSG for the remaining $4,000,000 and to date $3,950,000 (of the $5,000,000) has been received.

To meet the Group's funding requirements a longer term facility is required prior to the payment of capital expenditures for the CFC expected to be in May 2023. Based on management's base case forecast, at least $2,000,000 in further finance will be required and extension or replacement of the facilities noted above excluding the effect of cash management activities.

The directors believe that the Group will be able to obtain longer term financing as required for the purpose of their ongoing investment in the CFC prior to this date and has commenced activities including, amongst others, undertaking a debt finance process with banks and other credit providers. However, there remains risks to the achievement of this milestone as noted below:

- Risk that the Group will be unable to obtain the longer-term financing by the date it is required in May 2023;
- Risk that the ACCC matter is not resolved in accordance with the Agreed Statement of Facts presented to the Federal Court of Australia and under consideration by the Court as at the date of this report;
- Risk that MoneyTech withdraws the facility before alternative financing is secured; and/or
- The Group is unable to achieve its operating cash flow forecasts and/or breaches debt covenants.

2. Significant accounting policies (continued)

Going concern (continued)

Based on the assumptions in the cash flow forecast and the likelihood that sufficient longer-term financing will be obtained and/or the current facilities are extended or maintained and not be withdrawn, 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, if the matters outlined above were to occur and/or the Group is unable to obtain the medium-term finance facilities from its existing or alternative financiers to fund the CFC, 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.

Critical accounting judgements, estimates and assumptions

Deferred tax assets

Management has determined that tax losses of $22,648,000 will be recoverable in future periods based on a conservative projection of the Group's forecast growth over the next five years, adjusted for permanent and temporary tax differences. Management have also conducted a sensitivity analysis of the projections to test reasonable changes in assumptions. None of the sensitivities applied gave any indication that tax losses will not be utilised in future periods. The utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences (future taxable profits). The amount of deferred tax assets dependent on future taxable profits was $6,794,000 at 31 December 2022 (30 June 2022: $3,489,000).

3. 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). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

	31 Dec 2022 $'000	31 Dec 2021 $'000
Loss before income tax	**(6,697)**	(403)
Less: Interest income	**(11)**	(5)
Add: Finance costs	**686**	1,117
Add: Depreciation and amortisation expense	**7,347**	3,388
Reported EBITDA	**1,325**	4,097
ACCC matter	**(2,202)**	158
Acquisition related legal and consulting fees	**-**	1,502
Gain on disposal of Welbeck investment	**(457)**	-
Underlying EBITDA of the segment	**(1,334)**	5,757

4. Revenue

	31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue from the sale of goods	**110,077**	129,969

Disaggregation of revenue

The primary revenue stream of the Group is the sale of books and book adjacent products to the Australian and New Zealand markets. Sales to New Zealand customers represent 1.5% of the total (31 December 2021 1.3%). Contract liabilities of $11,341,000 (30 June 2022: $9,719,000) relate primarily to payments received in advance from customers receiving their products.

Seasonality and cyclicality of interim operations

The proportion of revenue reported for the Group in the interim reporting period may differ from the second half of the year due to increased sales volumes in the lead up to Christmas. The sales volumes in the second half of the year can also be significantly impacted by the level of enrolments in academic institutions which directly impacts demand for academic textbooks. For the year ended 30 June 2022, the proportion of revenue attributable to the interim period compared to the second half of the financial year was at a ratio of 54:46 (30 June 2021: 50:50). It is worth noting that various COVID related state lockdowns would have also impacted the demand at different points in the previous periods.

5. Expenses

	31 Dec 2022 $'000	31 Dec 2021 $'000
Loss before income tax includes the following specific expenses:		
Depreciation and amortisation expense		
Plant and equipment depreciation (Note 8)	**5,013**	1,256
Right-of-use assets depreciation	**1,170**	1,233
Amortisation of intangible assets	**1,164**	899
	7,347	3,388
Finance costs		
Interest and finance charges on borrowings	**69**	100
Interest on lease liabilities	**617**	1,017
	686	1,117

6. Earnings per share

	31 Dec 2022 $'000	31 Dec 2021 $'000
Loss after income tax attributable to the owners of Booktopia Group Limited	**(3,894)**	(633)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**136,836,103**	137,130,272
Weighted average number of ordinary shares used in calculating diluted earnings per share	**136,836,103**	137,245,433

	Cents	Cents
Basic earnings per share	**(2.85)**	(0.46)
Diluted earnings per share	**(2.85)**	(0.46)

1,893,303 (31 December 2021: 115,161) performance rights over ordinary shares are not included in the calculation of diluted earnings per share because they are antidilutive for the half-year ended 31 December 2022. These rights could potentially dilute basic earnings per share in the future.

7. Investment in associate

Welbeck Publishing Pty Limited (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. The Group's share of results from WPGANZ for the half year ended 31 December 2022 was $80,000.

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 as Other income in the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income.

8. Property, plant and equipment

	31 Dec 2022 $'000	30 Jun 2022 $'000
Leasehold improvements – at cost	**5,001**	5,001
Less: Accumulated depreciation	**(1,367)**	(902)
	3,634	4,099
Computer equipment – at cost	**1,624**	1,498
Less: Accumulated depreciation	**(837)**	(682)
	787	816
Plant and other equipment – at cost	**28,130**	27,216
Less: Accumulated depreciation	**(14,679)**	(10,286)
	13,451	16,930
Assets under construction	**1,654**	581
	19,526	22,426

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

	Leasehold improvements $'000	Computer equipment $'000	Plant and other equipment $'000	Assets under construction $'000	Total $'000
Balance at 30 June 2022	**4,099**	**816**	**16,930**	**581**	**22,426**
Additions	**-**	**126**	**33**	**1,954**	**2,113**
Transfers in/(out)	**-**	**-**	**881**	**(881)**	**-**
Depreciation expense	**(465)**	**(155)**	**(4,393)**	**-**	**(5,013)**
Balance at 31 December 2022	**3,634**	**787**	**13,451**	**1,654**	**19,526**

Depreciation of Plant and other equipment includes accelerated depreciation of $3,878,000 reflecting the Group's intentions for the new CFC based at Strathfield South, which required management to reassess the useful lives of certain assets in the current CFC at Lidcombe.

As at 31 December 2022, the Group has contractual capital commitments related to the new CFC project of $2,835,000.

9. Provisions

	31 Dec 2022 $'000	30 Jun 2022 $'000
Current liabilities		
Annual leave	**1,758**	1,756
Lease make good	**900**	-
Long service leave	**707**	702
ACCC matter	**665**	1,158
	4,030	3,616
Non-current liabilities		
Long service leave	**439**	433
Lease make good	**88**	983
ACCC matter	**2,080**	3,790
	2,607	5,206

As set out in the financial report for the year ended 30 June 2022, the Group has been subject to proceedings in the Federal Court of Australia (the Court) commenced by the Australian Competition and Consumer Commission (ACCC). The Group and the ACCC lodged a joint submission with the Court and a proposed change to the penalty payment terms in November and December 2022 respectively. The ACCC matter was heard by the Federal Court in December and Court orders are yet to be handed down at the time of this report.

At 31 December 2022, the Group remeasured the provision for the estimated penalty payable relating to the ACCC matter to reflect the revised payment terms and an updated discount rate relevant at 31 December 2022. The remeasurement resulted in a gain of $2,202,000 presented as Other income in the Statement of Profit and Loss and Other Comprehensive Income, and the gain will be unwound as interest expenses over the payment term.

10. Events after the end of the reporting period

On 23 January 2023, the Group announced that it would implement several strategies that are focussed on improving shareholder returns through measures to improve earnings going forward. Along with certain measures implemented to improve margins, the Group also executed a restructure of the corporate office staff in February 2023. A process is also underway to sublease some excess leased space which the Group does not expect to need for a number of years.

On 1 February 2023, the Group announced that it had secured debt financing to support the development of the new CFC at South Strathfield. For further details, please refer to "Going concern" found at Note 2 to the financial statements.

The Group estimates that the right-of-use asset and corresponding lease liability for the new CFC at South Strathfield will be $12,850,000. The estimation has been determined using an incremental borrowing rate which reflects the terms associated with the new debt financing facilities. The lease for the new CFC will commence on 1 March 2023.

No other matter or circumstance has arisen since 31 December 2022 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 periods.

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 31 December 2022 and of its performance for the half-year ended on that date; and

  ii. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting*; and

(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.

Signed in accordance with a Resolution of the Board of Directors.

Peter George
Chairman

28 February 2023
Sydney

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Level 37
8 Parramatta Square
10 Darcy Street
Parramatta NSW 2150
Australia
Phone: +61 2 9840 7000
www.deloitte.com.au

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

Conclusion

We have reviewed the interim financial report of Booktopia Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report.

We are independent of the Group in accordance with 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 annual 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 review report.

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 $3,894,000 (FY22: loss of $15,087,000) and at 31 December 2022 has an excess of current liabilities over current assets of $22,686,000 (FY22: $15,986,000). The Group generated negative cashflows from operating activities of $3,051,000 (FY22: positive cashflows of $10,058,000) and has net assets of $10,701,000 (FY22: $ 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 review conclusion is not modified in respect of this matter.

Deloitte.

Directors' Responsibilities for the Interim Financial Report

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU

Damien Cork
Partner
Chartered Accountants
Parramatta, 28 February 2023

Booktopia Group Limited
Corporate Directory
For the half-year ended 31 December 2022

DIRECTORS

Peter George – Chairman
Tony Nash
Steven Traurig
Abigail Cheadle
Stephen Ezekiel

COMPANY SECRETARIES

Anna Sandham
Steven Traurig

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

Herbert Smith Freehills
ANZ Tower
161 Castlereagh Street
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