ANNUAL REPORT

2019

kogan.com

HIGHLIGHTS 2019

1,609,000 Active Customers

$30.1m
EBITDA

$551.8m
GROSS SALES

15.6%
YOY EBITDA GROWTH

15.9%

YOY GROWTH IN ACTIVE CUSTOMERS

STRONG GROWTH THROUGH KEY INITIATIVES:

EXCLUSIVE BRANDS

KOGAN MARKETPLACE

INVESTMENTS IN INVENTORY & MARKETING

NEW VERTICALS EXPANSION:

KOGAN MONEY HOME LOANS

KOGAN CARS

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I am delighted to present Kogan.com Ltd's (Kogan.com) Annual Report for the financial year ended 30 June 2019 (FY19). This year the team delivered over half a billion dollars in Gross Sales for the first time whilst also delivering double digit growth of Gross Profit and EBITDA.

CHAIRMAN'S LETTER

The FY19 results show the execution of a clear strategy, an agile and committed team and best-in-market consumer offerings. We adapted to changes in GST application, diversified and expanded our warehousing locations and invested in both inventory and new service offerings to support both our growth ambitions and our customer experience.

In FY19 our Exclusive Brands portfolio business achieved accelerated growth of 41.6% on FY18 and Kogan Mobile grew commission-based revenue by 9.8% year-on-year. Importantly, these growth rates were off a very strong base.

At 30 June 2019 we had a strong balance sheet with $27.5 million in cash and an undrawn debt facility of $30.0 million. Inventory levels were $75.9 million with more than 99% of this being less than 365 days old.

Kogan.com's portfolio continued to expand and diversify in FY19 through the launch of Kogan Marketplace, Kogan Money Home Loans and Kogan Cars. Each service offering is in partnership with industry leaders.

Our aim has always been to deliver incredible value to our customers. We continue to expand our portfolio of brands and services with best-in-market offers.

STRATEGIC OPPORTUNITIES

At Kogan.com we see enormous opportunity for growth in both our existing businesses and in the expansion of our portfolio. We have announced agreements with industry leading partners for New Verticals set to launch during the first half of FY20. FY20 will see the launch of Kogan Money Super, Kogan Money Credit Cards, Kogan Mobile New Zealand and Kogan Energy. These new partnerships will strengthen and complement our existing portfolio of businesses.

In relation to the new launches in FY19, of most significance has been Kogan Marketplace. This is proving to be a transformational step for Kogan.com as it will allow us to move to a more capital-light business model. We have a backlog of sellers wanting to join the platform and have received overwhelmingly positive feedback from our customers.

PEOPLE

Our team at Kogan.com is truly committed to bringing our business strategy to life across all areas of the business. On behalf of the Board, I would like to thank each and every one of our amazing team members for their hard work throughout the year.

DIVIDEND

Following the strong results of FY19, the Board was delighted to declare total dividends of 14.3 cents per share, fully franked. This represents year-on-year growth of 10.0%.

LOOKING AHEAD

Through the incredible work that has been performed in FY19, the Board truly believes Kogan.com is set to have another strong year in FY20 and beyond, and we can't wait to deliver even better value to our customers and shareholders into the future.

Greg Ridder
Chairman

We delivered strong growth in the business while we continued to invest in the future. We have made significant advancements in our mission to make the most in-demand products and services more affordable and accessible.

FOUNDER & CEO'S REPORT

The Kogan brand has gone from strength-to-strength over the last 12 months. Our team has worked tirelessly to deliver a wider range of products and services at exceptional prices, cementing Kogan.com as the destination for market-leading value.

During the year we have also taken measures to improve our return on investment on marketing and warehousing expenses to ensure we maintain a low cost of doing business.

The year had many highlights, some of which were:

- Gross Sales exceeding half a billion dollars for the first time ever;
- Double digit growth of Gross Sales (12.0%), Gross Profit (12.5%) and EBITDA (15.6%) on last year;
- Growth of Active Customers by 15.9% on FY18, now totalling more than 1.6 million;
- Accelerated growth of our Exclusive Brands product division, achieving growth year-on-year of 41.6%;
- Expanding our warehousing footprint to 13 locations, providing faster and cheaper fulfilment to our customers;
- Achieving strong growth of Kogan Mobile, Kogan Internet and Kogan Insurance;
- The launch of Kogan Marketplace, Kogan Money Home Loans and Kogan Cars;
- The announcement of Kogan Money Super, Kogan Money Credit Cards, Kogan Mobile New Zealand and Kogan Energy, all expected to launch in 1HFY20.

These key highlights are the result of meticulous planning and execution by the Kogan team during the year.

BUILDING THE KOGAN.COM PORTFOLIO

At Kogan.com, everything we do revolves around our promise to our loyal customers, to make the most in-demand products and services more accessible and affordable. By delivering on this promise over the past 13+ years, Kogan.com has become synonymous with value and trust. It has allowed us to leverage our brand to expand into a portfolio of products and services that is always growing.

In the past 12 months to 30 June 2019, more than 1.6 million people purchased from our retail channels and a significant amount of our traffic continues to come from free sources. Our commitment to bring the most in-demand products and services to our Kogan Community at great prices continues to resonate. We have also significantly expanded our logistics network in FY19 to now have over 13 distribution centres. This means we can serve more customers quicker and cheaper than ever.

In FY19 we engaged with our community through Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Life, Kogan Travel, Kogan Money Home Loans and Kogan Cars. We are continually evolving as a business to respond to the demands of our customers and to strengthen our competitive advantage in the market. As such, we are always looking to explore opportunities for future growth in our Portfolio.

With that in mind, FY20 will see the launch of more New Verticals. In August 2019 we launched a new partnership with Mercer that sees Kogan.com offering Aussies an alternative superannuation fund. With an online-led experience, the fund brings together Kogan.com's capabilities in digital efficiencies together with Mercer's expertise in superannuation to offer Aussies a low-fee choice for their retirement savings.

Outlook – continued accelerated growth across the business

Active Customer base	Exclusive Brands	Kogan Marketplace	Kogan Mobile	New Verticals

We will also be further expanding our Kogan Money brand to include Kogan Money Credit Cards, partnering with Citibank, offering unique loyalty incentives for consumer shopping on Kogan.com and elsewhere. Additionally we are introducing Kogan Mobile New Zealand, partnering with Vodafone NZ, and Kogan Energy, partnering with Powershop Australia.

These Verticals continue to deliver on our win-win-win mantra. They are a win for our customers through competitive market-leading offers. They are a win for our partners by providing an effective and efficient customer acquisition channel. And they are a win for our business, enabling us to scale our offering and leverage our brand to provide incredible offers to our customers.

We are incredibly excited about the launch of Kogan Marketplace which has shown strong growth. Along with its exciting growth trajectory, this will allow us to move to a more capital-light business, as sales are not inventory-based. This will be significant to managing our operating costs.

PRODUCT OFFERING EXPANSION

We make data driven decisions backed by existing demand metrics to determine how we deploy capital on inventory. Our goal is not to create demand, but to service demand on the most popular products.

A perfect example of this is the continued expansion of our Exclusive Brands division, which is right at the heart of our business. This year it represented 49.7% of overall gross profit (FY18: 44.2%). Impressively, we were able to grow revenue in this division by 41.6% on FY18, confirming that our team knows what our customers want, and are able to offer these products at great prices.

The increase in our product offering has meant our inventory holdings have also increased to $75.9 million (FY18: $50.2 million). More than 99% of inventory in-warehouse at 30 June 2019 was less than 365 days old, demonstrating the effectiveness of our sourcing and marketing methodologies as well as the speed at which we are selling through.

AWARDS AND ACCOLADES

During the year we won a number of prestigious awards. One of our proudest moments would have to be securing a three-peat of the Peoples' Choice Award at the Australia Post Online Retail Industry Awards. This award is the most prestigious award in Australian online retail and reinforces the fact that our team is delivering what our customers want – great products and services at jaw-dropping prices. What makes this award extra special is that it is voted on by the Australian public – for us, that's the only vote that matters. There's no vote more important than the vote of our customers. More than 1,350 retailers were considered for this award and over 285,000 Australians voted.

The recognition received for offers in many of our New Verticals, as some of the most compelling deals in the market, also reinforces the success of our strategy.

In FY20 we will be scaling up and launching New Verticals, which will drive further diversification of income across our portfolio. This will allow us to become a stronger business for our customers and our shareholders.

FY20 & BEYOND

Our talented and driven team remain focused on growth moving into FY20. In the new year we expect to see the scaling up and launch of New Verticals, and further growth in our Active Customer base, which will drive growth in our Product Divisions. As we scale the New Verticals, we drive further diversification of income across our portfolio and we become a stronger business for our customers and our shareholders.

During FY20 Kogan Money Super, Kogan Money Credit Cards, Kogan Mobile New Zealand, and Kogan Energy are due to launch. The team is extremely excited about the expansion of our service offering to our customers and we can't wait to deliver even more incredible value.

The launch of these New Verticals doesn't mean we stop. We will continue to expand the Kogan Portfolio of products and services either through selective and opportunistic M&A, or partnering with industry leaders.

As always, we look forward to delighting our customers in the year ahead.

Ruslan Kogan
Founder & CEO

OPERATING & FINANCIAL REVIEW

ORGANISATIONAL OVERVIEW & BUSINESS MODEL

OUR BUSINESS MODEL

Kogan.com is a portfolio mix of retail and services businesses that includes Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Health, Kogan Pet, Kogan Life, Kogan Money, Kogan Cars and Kogan Travel. Kogan.com is a leading Australian consumer brand renowned for price leadership through digital efficiency. The Company is focused on making in-demand products and services more affordable and accessible.

We have created a business model that allows us to be agile, bold and innovative. We can leverage our brand to seize opportunities like Kogan Marketplace, Kogan Mobile, Kogan Internet and Kogan Insurance to drive future growth, bringing best in market offers to our customer base.

Our aim is to continue to build our portfolio of businesses synonymous with great value, service and compelling offerings.

WHO WE ARE

Our community and our portfolio continues to grow at pace.

At 30 June 2019, we had 1,609,000 Active Customers[1], representing year-on-year growth of 15.9%.

Kogan Retail & Kogan Marketplace

Kogan.com is part of a 'Next Generation' of online retailers. Kogan.com's technology and sourcing-driven business model is more than just a disruptive, low-cost distribution platform. In combining data analytics, systems and culture with the deep technological expertise of its management and team, Kogan.com has created a vertically integrated business model with a market-leading Exclusive Brands capability. This is complemented by a compelling range of in-demand Third-Party Brands, supporting website traffic and cash generation.

Kogan Marketplace partners with select sellers, giving them access to our 1,609,000 Active Customers, in addition to our marketing capability. Our curated marketplace works with sellers who generate incremental sales with exposure on the Kogan.com platform and marketing initiatives to the Kogan Community.

1 Active Customers refers to unique customers who have purchased in the last twelve months from the reference date, rounded to the nearest thousand.

Kogan Mobile

Kogan Mobile launched in October 2015 offering pre-paid mobile phone plans online in partnership with Vodafone. The strong commercial relationship with Vodafone has translated into strong growth for Kogan Mobile. The unique model means that Vodafone is responsible for operations, while Kogan.com is responsible for branding, marketing and customer acquisition. The success of Kogan Mobile demonstrates the strength of the Kogan brand in powering new verticals.

Kogan Travel

Kogan Travel launched in May 2015 and offers directly sourced holiday packages and travel bookings, in addition to hotel bookings through hotels.kogan.com and cruises through cruises.kogan.com. Kogan Travel is a member of the Australian Federation of Travel Agents (AFTA) and is an accredited Travel agent under the AFTA Travel Accreditation Scheme (ATAS).

Kogan Insurance

Kogan Insurance launched in August 2017 in partnership with Hollard Insurance Company to offer general insurance, covering home, contents, landlord, car and travel insurance, with a focus on value for money. The underwriting of our general insurance policies is provided by Hollard, with Kogan.com earning commission on the sale of all insurance policies.

In addition to the general insurance offering above, Kogan.com launched Kogan Pet, Kogan Life and Kogan Health insurance offerings during 2HFY18. These additional insurance offerings are in partnership with PetSure, a wholly owned subsidiary of The Hollard Insurance Company; Greenstone Financial Services Pty Ltd; and Medibank Group, respectively.

Similar to Kogan Mobile and Kogan Internet, Kogan.com provides branding, marketing and customer acquisition for all insurance offerings.

Kogan Internet

Under an expanded partnership with Vodafone Hutchison Australia that was announced in June 2017, Kogan Internet launched in April 2018, providing fixed-line NBN plans.

NEW VERTICALS LAUNCHED IN FY19

Kogan Money

In August 2018, Kogan.com announced Kogan Money Home Loans in partnership with Adelaide Bank and Pepper Group Limited. These partnerships have seen Kogan.com offering competitively priced home loans to Australian homeowners and investors under the brand, Kogan Money. Kogan Money Home Loans is the first of a suite of financial products to be rolled out under the Kogan Money brand. Kogan Money continues to focus on simplifying financial services for all Australians and making them more affordable through digital efficiency.

Kogan Cars

In June 2019, Kogan.com announced a partnership with Eclipx Group to launch Kogan Cars. Kogan Cars secures new cars at competitive prices from dealers across Australia and enables customers to trade-in cars from a wide range of makes and models.

NEW VERTICALS LAUNCHING IN FY20

Kogan Money Super

In partnership with Mercer Australia, Kogan.com is offering a no frills, ultra-low fee Australian superannuation fund, Kogan Money Super. Kogan Money Super launched on 21 August 2019, leveraging Kogan.com's digital efficiency as one of Australia's cheapest superannuation options and aims to manage a share of the 28.6 million Aussie superannuation accounts, which represent a combined total of more than $2.6 trillion in assets.

Kogan Money Credit Cards

In partnership with Citigroup, Kogan.com will be offering competitively priced credit cards with compelling and unique loyalty incentives for customers to shop on Kogan.com and elsewhere.

Kogan Mobile New Zealand

In June 2018, Kogan.com announced a new partnership with Vodafone New Zealand Limited that will see Kogan.com offering telecommunications services in New Zealand. Kogan Mobile New Zealand launched on 3 September 2019 and enables Kogan.com to bring market-leading telecommunications offers to New Zealand consumers in partnership with the largest mobile network operator in New Zealand.

Kogan Energy

In June 2019, Kogan.com announced a partnership with Powershop Australia, part of the Meridian Energy Limited Group. Kogan Energy was launched on 10 September 2019. The agreement sees Kogan.com offer competitive power and gas services to Australian households. Through our digital efficiency, customers receive a first-class experience using technology that enables customers to easily track their energy usage at any time.

HOW WE DELIVER VALUE TO OUR CUSTOMERS:

Compelling offering:

We aim to bring market leading prices to our customers on in-demand products and services across our portfolio of businesses.

We achieve this by leveraging our 13+ years' experience in Exclusive Brands, extensive Third-Party Brand offering, and using the strength of the Kogan brand to partner with industry leaders for Kogan Mobile, Kogan Insurance, Kogan Internet and Kogan Money Home Loans.

We are able to pass on savings to customers by streamlining and cutting overheads in our supply chains and marketing.

Recognition:

MOZO Experts Choice Awards for Kogan Internet, Kogan Money & Kogan Life Insurance.

Finder Award for Best Prepaid SIM – Kogan Mobile Extra Large 30 Day Plan.

Customer-centric approach:

We are customer obsessed. Understanding and servicing our customers' needs is central to what we do. Our customers have high expectations and we aim to offer a seamless shopping experience.

Our analytics capability ensures we know what our customers want and when they want it. Our investment in automation has driven faster fulfilment of products and services and happier customers.

Our portfolio of retail and services businesses is focused on making in-demand products and services more affordable and accessible for our customers.

Recognition:

Winner of the People's Choice Award at the Australia Post Online Retail Industry Awards (ORIAS) securing a three-peat! The People's Choice Award is awarded on the basis of a vote from more than 285,000 Australian online retail customers for the best Australian online retailer.

Industry leading IT platform & data driven culture:

The Kogan brand is renowned for price leadership through digital efficiency. We believe 'There is always a better way' and our vision is to harness the power of technology and personalisation to change the way our customers shop online.

We understand our customers, what inspires them and what interests them. We leverage this understanding, driven by data analytics and long-term investments in systems to continue to reach and inspire our customers in new and exciting ways.

We use technology innovation to stay ahead of our customers' expectations and ahead of the curve in offering price leading goods and services in Australia.

BUILDING THE KOGAN BRAND

In the twelve months to 30 June 2019, the Company achieved 15.9% growth in Active Customers[2]. The Company had 1,609,000 Active Customers as at 30 June 2019 (compared with 1,388,000 as at 30 June 2018).

Most importantly, we are keeping and growing our customer base. Kogan.com's Net Promoter Score[3] has been stable with an average 59.7 (Figure 1.2). This number is important to us, because it shows we are delighting our customers and we know that our business will only continue to thrive if we continue to delight our customers.

In addition to continuing to build our customer base, a large percentage of our traffic continues to come from free sources. This further demonstrates the strength of the brand we've built through consistently delighting our customers. Our commitment to bring the most in-demand products and services to our Kogan Community at great prices continues to resonate.

We use a data driven approach to continually improve our offering and to ensure that the right product or service is shown to the right customers at the right time – through the right marketing medium. This also enhances the customer's experience as we are able to personalise offers and treat every shopper as an individual.

Table 1.1 Active Customers

	Jun-18	Jun-19	Jun-18 vs Jun-19 variance
Active Customers	1,388,000	1,609,000	15.9%

Figure 1.1 LTM Active Customers

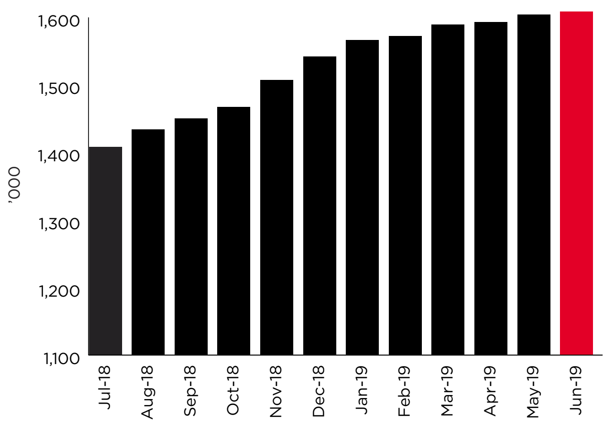
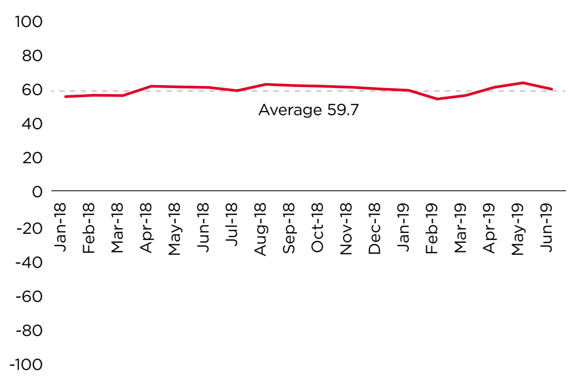


Figure 1.2 Net Promoter Score



2 Active Customers refers to unique customers who have purchased in the last twelve months from the reference date, rounded to the nearest thousand.

3 Net Promoter Score (NPS) is calculated based on answers to the question, "How likely is it that you would recommend Kogan.com to a friend or colleague?". Kogan.com measures its NPS as the percentage of customers who are "promoters" rating its products and services 9 or 10 out of a possible 10, less the percentage of "detractors", rating its products and services 0 to 6 out of a possible 10. The maximum possible NPS is 100, and the minimum possible NPS is -100.

Figure 1.3 LTM customer orders and average Gross Sales per customer[4]

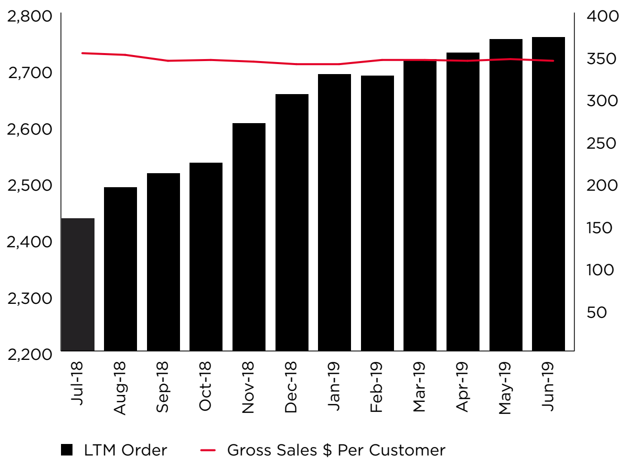
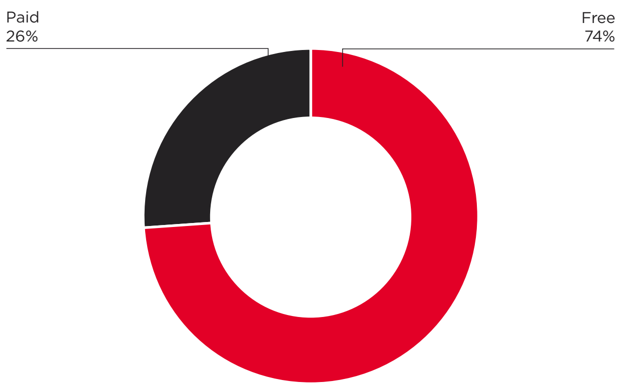


Figure 1.4 Traffic – free vs paid customer

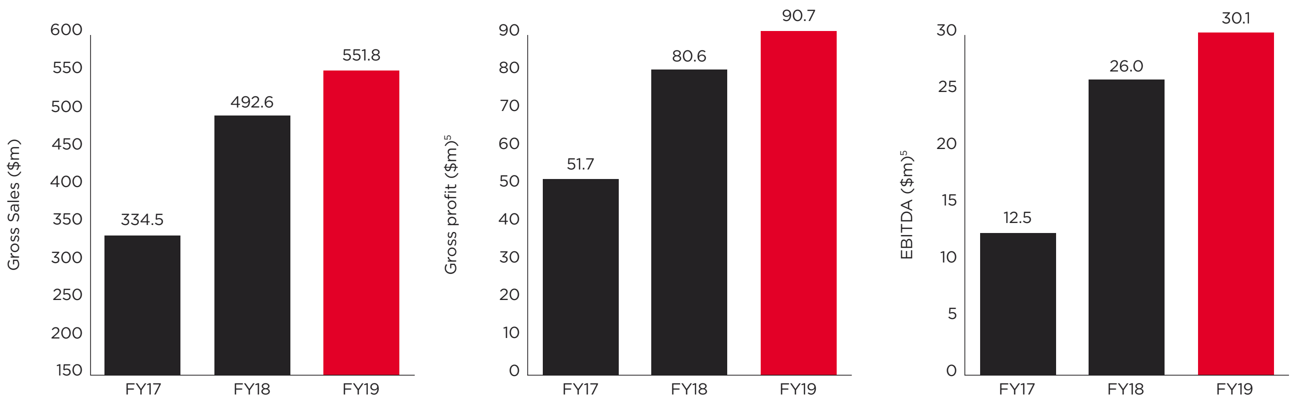


PERFORMANCE REVIEW & OUTLOOK

Results Summary

Refer to Table 1.6 for an explanation of Non-IFRS measures used throughout this report.

Figure 1.5 Financial highlights



4 Gross Sales $ per customer is Gross Sales (ex GST) within the prior 365 days.

5 The company has applied AASB 15 & 16 at 1 July 2018. Under the transition method chosen, comparative information is not restated.

Table 1.2 FY19 results compared to FY18[1]

$m	FY19	FY18[2]	Variance
Revenue	**438.7**	**412.3**	**6.4%**
Cost of sales	(348.0)	(331.7)	4.9%
Gross profit	**90.7**	**80.6**	**12.5%**
Gross margin	*20.7%*	*19.5%*	*1.2pp/5.7%*
Operating costs	(66.7)	(60.6)	10.0%
Results from operating activities	**24.0**	**20.0**	**20.1%**
Unrealised FX (loss)/gain	(0.2)	1.3	(114.6)%
Net finance costs	(0.4)	(0.3)	46.1%
Profit before tax	**23.4**	**21.0**	**11.4%**
NPAT	**17.2**	**14.1**	**21.9%**
EBITDA	**30.1**	**26.0**	**15.6%**
EBITDA Margin	*6.9%*	*6.3%*	*0.6pp/9.5%*
Equity based compensation	1.2	1.1	12.2%
EBITDA before equity based compensation	31.3	27.1	15.4%

1 Any discrepancies between totals, sums of components and percentage variances in this table are due to rounding.

2 The Group applied AASB 9, 15 & 16 as at 1 July 2018. Under the transition methods chosen, comparative information is not restated.

Exclusive Brands continued to achieve significant year-on-year revenue growth with an increase of 41.6% on FY18. Exclusive Brands represents 49.7% of overall Gross Profit in FY19. This growth was achieved through ongoing investment in Exclusive Brands inventory to broaden our range – including into white goods – and meet consumer demand from the growing base of Active Customers.

Third-Party Brands, which is a combination of what we formerly referred to as Global Brands and Partner Brands, has collectively experienced a year-on-year decrease in revenue following changes in the GST law, effective from 1 July 2018, and apparent GST avoidance by foreign websites. Apple sales during FY19 also suffered a material decline year-on-year following subdued demand for Apple products, in particular the new iPhone.

Revenue comparisons year-on-year are also impacted by changes to the accounting standard for revenue recognition. FY19 is presented in line with AASB 15 while FY18 represents the reported results as set out in the prior period presentation and results. See Note 6.4.

During FY19 we launched Kogan Marketplace which has achieved $1.5 million in commission-based revenues, reflected as Gross Profit. The launch of Kogan Marketplace is proving to be a transformational step for the Group. As Kogan Marketplace grows, the Group expects to be able to reduce its reliance on Third-Party Brand inventory and become more capital-light.

In line with our growth strategy, we launched two New Verticals in FY19:

- Kogan Money Home Loans; and
- Kogan Cars.

During FY19 the Group invested in expanding its warehousing footprint to 13 fulfilment centres. Whilst incurring up-fronts costs, these investments in the future of the business have already helped provide efficiencies as well as further scale the business and provide consumers with faster and cheaper fulfilment to more locations.

ROI on marketing expenditure continues to improve following the implementation of a new proprietary marketing bidding system. This resulted in a year-on-year decline in marketing costs. This, in combination with a strong NPS of 59.7, has helped build our customer base and drive revenue growth.

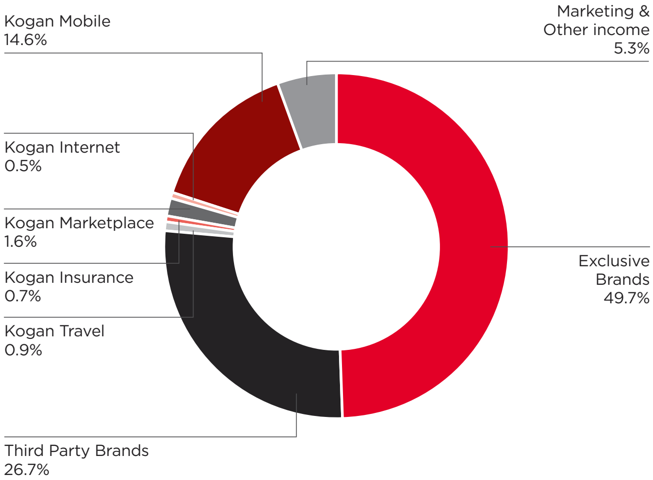
In order to retain key talent and align their interests with shareholders, the business has made strategic investments in people. Long-term incentives remain in place and people costs have increased year-on-year, partly as a result. FY19 people costs includes $1.2 million of costs relating to non-cash equity-based compensation. The majority of this equity-based compensation was issued in the period surrounding the IPO.

EBITDA grew 15.6% to a total of $30.1 million, which included $1.2 million of non-cash equity-based compensation. EBITDA was also impacted by unrealised FX losses of $0.2 million, which are non-cash.

PORTFOLIO BUSINESS MIX

Exclusive Brands and Third-Party Brands represented 49.7% and 26.7% of Gross Profit in FY19, respectively. When combined with Kogan Mobile, these three core divisions accounted for 91.0% of Gross Profit.

Figure 1.6 FY19 Gross Profit mix



Growth in Exclusive Brands and Kogan Mobile contributed to a year-on-year increase in Gross Profit to $90.7 million (FY18: $80.6 million).

Whilst Third-Party Brands reduced as a proportion of overall Gross Profit (from 38.8% in FY18 to 26.7% in FY19), Exclusive Brands, which accounts for 49.7% of Gross Profit, increased 5.5pp on FY18.

Kogan Marketplace demonstrated strong potential in its first full quarter of operations, contributing 1.6% of full year FY19 Gross Profit.

Table 1.3 New Verticals Revenue

$m	FY19	FY18	YoY revenue growth %
Kogan Travel	0.8	6.9	n/a[1]
Kogan Insurance	0.6	0.3	144.0%
Kogan Internet	0.4	0.6	(23.4%)
Kogan Mobile	13.2	12.0	9.8%
New Verticals Revenue growth excluding Kogan Travel[1]			**11.0%**

1 Year-on-year growth of Kogan Travel has been excluded due to the impact of applying AASB 15 from 1 July 2018.

Kogan Mobile, continues to grow and contribute significantly to Gross Profit. In FY19 Kogan Mobile represented 14.6% of Gross Profit. Active Customers grew by 24.4% year-on-year and commission-based revenue grew by 9.8% compared to FY18. We are working with Vodafone to roll out ongoing enhancements to our customer offers.

Kogan Insurance, which includes our suite of insurance products, continues to scale as commission-based revenues increased 144.0% year-on-year. We are focused on working with our Partners in Kogan Insurance to implement strategies to continue this growth in FY20.

Kogan Internet, also in partnership with Vodafone, grew Active Customers by 273.2% year-on-year. It is expected to continue to scale in FY20. Commission-based revenues declined year-on-year, however, we expect commission-based revenues to grow broadly in-line with Active Customer growth in FY20.

Figure 1.7 Kogan Mobile Active Customers

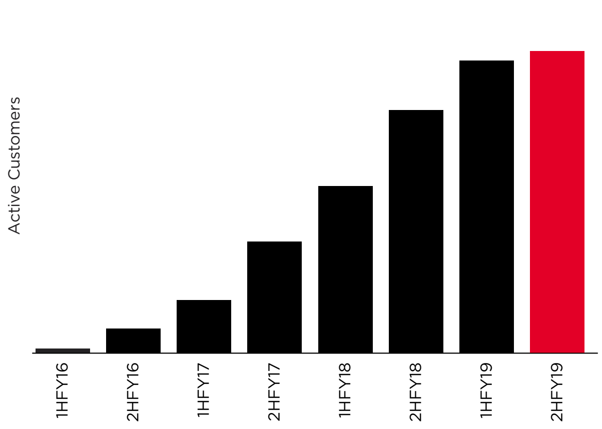
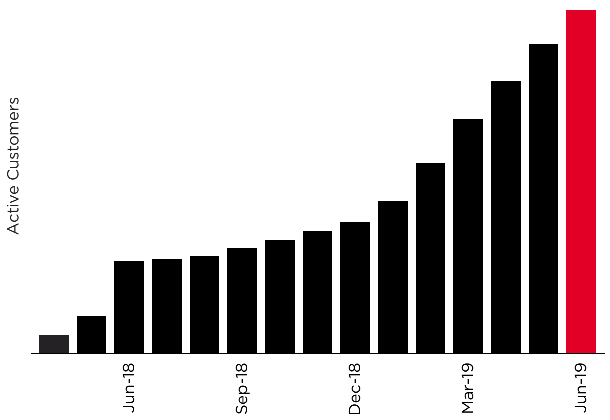


Figure 1.8 Kogan Internet Active Customers



STATEMENT OF FINANCIAL POSITION

Table 1.4 Summary of net assets at 30 June 2019 and 30 June 2018

$m	30 Jun 19	30 Jun 18
Current assets	109.5	99.0
Non-current assets	8.9	6.9
Total assets	**118.4**	**106.0**
Current liabilities	(65.4)	(57.4)
Non-current liabilities	(2.0)	(0.7)
Total liabilities	**(67.4)**	**(58.2)**
Net assets	**51.0**	**47.9**

A strong balance sheet at 30 June 2019 with $27.5 million of cash and $75.9 million inventories, with no bank debt.

In line with growth strategies, Kogan.com invested in Exclusive Brands and Third-Party Brands inventory. As at 30 June 2019, Kogan.com had inventory of $75.9 million, comprising $67.5 million of inventory on hand and $8.4 million of inventory in transit.

The growth of Kogan Marketplace is expected to result in a reduced requirement for Third-Party Brands inventory to enable growth in Gross Sales. This will allow Kogan.com to transition towards a more capital-light business over time.

CASH FLOWS

Table 1.5 Statutory cash flow FY19

$m	FY19	FY18
EBITDA	30.1	26.0
Non-cash in EBITDA	(1.8)	(0.2)
EBITDA excluding non-cash and financing costs	**28.3**	**25.8**
Change in net working capital	(19.8)	5.9
Operating cash flow before capital expenditure	**8.5**	**31.7**
Purchase of PP&E	(0.1)	(0.1)
Investment in intangibles	(5.2)	(7.1)
Cash flow before financing and taxation	3.2	24.5

Net working capital decreased by $19.8 million in FY19, reflecting the investment that has been made during the financial year in inventory to support long term sustainable growth. While inventory increased overall during the year, inventory reduced in the second half from $92.9 million at 31 December 2018 to $75.9 million at 30 June 2019.

OUTLOOK

At Kogan.com we are relentless in our mission to bring more in-demand products and services to customers at market-leading prices. With that in mind, the pace continues into the new financial year.

In FY20 we expect continued brand growth and deeper market penetration of maturing portfolio businesses alongside continued expansion of new portfolio businesses.

As we scale the New Verticals, we drive further diversification of income across our portfolio and we become a stronger business for our customers and our shareholders.

During FY20, Kogan Money Super, Kogan Money Credit Cards, Kogan Mobile New Zealand and Kogan Energy are due to launch.

In FY20, we expect:

- growth in the Active Customer base;
- growth in Exclusive Brands;
- growth in Kogan Marketplace;
- growth in Kogan Insurance and Kogan Internet;
- launch of Kogan Mobile New Zealand, Kogan Money Super, Kogan Money Credit Cards, and Kogan Energy; and
- traction in Kogan Trading US and Kogan Cars.

NON IFRS MEASURES

Throughout this report, Kogan.com has included certain Non-IFRS financial information, including EBITDA and Gross Sales. Kogan.com believes that these Non-IFRS measures provide useful information to recipients for measuring the underlying operating performance of Kogan.com's business. Non-IFRS measures have not been subject to audit.

The table below provides details of the Non-IFRS measures used in this report.

Table 1.6 Non IFRS measures

EBITDA	Earnings before interest, tax, depreciation and amortisation.
Gross Sales	(formerly referred to as GTV or Gross Transaction Value): is the gross transaction value, on a cash basis, of products and services sold, of Kogan Retail, Kogan Marketplace and the New Verticals.

STRATEGY, RISKS AND OPPORTUNITIES

STRATEGY

Kogan.com's strategy involves a number of initiatives aimed at sustaining long-term growth, which include continued growth in our existing portfolio of businesses, the launch of further New Verticals and selective & opportunistic M&A.

Kogan.com maintains a prudent and disciplined approach to capital deployment and continues to invest in growth opportunities in the medium to long-term that generate shareholder value.

EXCLUSIVE BRANDS STRATEGY

Exclusive Brands is a pillar of the business and remains a focus area for FY20 and beyond. In FY19, Kogan.com achieved year-on-year Revenue growth of 41.6% in Exclusive Brands. In addition, Exclusive Brands continues to be the largest contributor to Gross Profit, representing 49.7% of Gross Profit in FY19.

In FY20, the business is focused on continuing to launch new products and new ranges, where there is proven demand. Our Exclusive Brands business benefits from:

- full control of the end-to-end supply chain;
- strong competitive advantage;
- building trusted brands renowned for "value";
- compelling consumer offering;
- white goods as a new core category; and
- 13+ years' experience.

NEW VERTICALS

We continue to explore opportunities to partner with industry leaders and bring more services to our customers at market-leading prices. FY20 will see the launch of Kogan Money Super, Kogan Money Credit Cards, Kogan Mobile New Zealand and Kogan Energy, as discussed earlier in this report, in addition to the New Verticals launched during FY19 that will scale in FY20.

The business is focused on growing the existing New Verticals to our goal market share and continuing to build our portfolio of services businesses.

RISKS

Set out below are the key financial and operational risks facing the business. Kogan.com manages and seeks to mitigate these risks through internal review and control processes at the Board and management level.

Australian retail environment and general economic conditions may worsen	Many of Kogan.com's products are discretionary goods and, as a result, sales levels are sensitive to consumer sentiment. Kogan.com's offering of products, and its financial and operational performance, may be affected by changes in consumers' disposable incomes, or their preferences as to the utilisation of their disposable incomes.
Competition may increase and change	Kogan.com could be adversely affected by increased competition in the various segments in which it operates. The Australian online retail market is highly competitive and is subject to changing customer preferences.
Inventory management	In order to operate its business successfully, Kogan.com must maintain sufficient inventory and also avoid the accumulation of excess inventory.
Key supplier, service provider and counterparty factors	Kogan.com has a large number of international suppliers and service providers, from which it sources a broad range of products and services. There is a risk that Kogan.com may be unable to continue to source products or services from existing suppliers or service providers, and in the future, to source products from new suppliers or services from new service providers, at favourable prices, on favourable terms, in a timely manner or in sufficient volume.
Performance and reliability of Kogan.com's websites, databases and operating systems	Kogan.com's websites, Apps, databases, IT and management systems, including its ERP and security systems, are critically important to its success. The satisfactory performance, reliability and availability of Kogan.com's websites, Apps, databases, IT and management systems are integral to the operation of the business.
Manufacturing and product quality	Kogan.com currently uses a wide range of third party suppliers to produce its Exclusive Brands products. While Kogan.com employs dedicated personnel to assess product samples and uses third-party inspection agencies for quality control and inspections, there is no guarantee that every supplier will meet Kogan.com's cost, quality and volume requirements.
Reputational product sourcing factors	The Kogan.com portfolio of Exclusive Brand names and related intellectual property are key assets of the business. In addition, Kogan.com sells a range of Third-Party Branded products, where the intellectual property is owned by third parties.
Changes in GST and other equivalent taxes	Changes in local indirect tax, such as the goods and services tax ("**GST**"), and duty treatment of any of the markets in which Kogan.com operates, could have an impact on the sales of imported brands.
Retention of key team members	Kogan.com relies on the expertise, experience and strategic direction provided by its Executive Directors and key team members. These individuals have extensive experience in, and knowledge of, Kogan.com's business and the Australian online retail market. Additionally, successful operation of Kogan.com's business depends on its ability to attract and retain quality employees.
Reliance on third party payment providers	Kogan.com is exposed to risks in relation to the methods of payment that it currently accepts, including credit card, interest free, buy now pay later, PayPal and vouchers. Kogan.com may incur loss from fraud or erroneous transactions.
Laws and regulations may change	Kogan.com must comply with a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to fair trading and consumer protection, product safety, employment, property, taxation (including GST and stamp duty), customs and tariffs. Changes to laws and regulations, and the implementation of those laws, may adversely affect Kogan.com, including by increasing its costs either directly or indirectly.

DIRECTORS' REPORT

The Directors of Kogan.com Ltd and its controlled entities ("the Group") present their report together with the consolidated financial report of the Group for the financial year ended 30 June 2019 and the audit report thereon.

DIRECTORS

The following persons were Directors of the Group at any time during the financial year and up to the date of signing this report.

Greg Ridder – Independent, Non-Executive Chairman

Ruslan Kogan – Chief Executive Officer and Executive Director

David Shafer – Chief Financial Officer, Chief Operating Officer and Executive Director

Harry Debney – Independent, Non-Executive Director

Michael Hirschowitz – Independent, Non-Executive Director (appointed on 29 March 2019)

Particulars of each Director's experience and qualifications are set out later in this report.

COMPANY SECRETARY

Kogan.com engages Mertons Corporate Services Pty Ltd to provide company secretarial services, with Mark Licciardo as Kogan.com's Company Secretary.

PRINCIPAL ACTIVITIES

Kogan.com is a portfolio mix of retail and services businesses that included Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Health, Kogan Pet, Kogan Life, Kogan Money, Kogan Cars and Kogan Travel during the year ended 30 June 2019.

Kogan.com earns the majority of its revenue and profit through the sale of goods and services to Australian consumers. Its offering comprises of products released under Kogan.com's in-house brands, such as Kogan, Ovela, Fortis, Vostok and Komodo ("Exclusive Brands Products"), and products sourced from imported and domestic Third-Party Brands such as Apple, Canon, Swann and Samsung ("Third-Party Brands Products").

In addition to product offerings, Kogan.com earns revenue and profit from Kogan Marketplace and the New Verticals including Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Money, Kogan Cars and Kogan Travel ("New Verticals").

Kogan.com has signed a number of new agreements with industry leading partners that will launch in the first half of FY20, being:

- Kogan Money Super – in partnership with Mercer Australia, Kogan.com will be offering all working and retired Australians a low-fee choice for their retirement savings;
- Kogan Money Credit Cards – in partnership with Citigroup, Kogan.com will be offering competitively priced credit cards with compelling and unique loyalty incentives for customers to shop on Kogan.com and elsewhere;
- Kogan Mobile New Zealand – in partnership with Vodafone New Zealand Limited, Kogan.com will be offering telecommunications services in New Zealand; and
- Kogan Energy – in partnership with Powershop Energy (a subsidiary of Meridian Energy), Kogan.com will be offering competitive prices on gas and electricity to Australian homeowners.

The results of Kogan HK Limited, a Hong Kong registered entity, have been compiled using International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Kogan US Trading Inc did not trade during the year ended 30 June 2019 and therefore no financial information was compiled in this report in the current financial year.

An operating and financial review of the Group during the financial year and the results of these operations are contained on pages 6 to 17 of this report.

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

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors have declared a final dividend of 8.2 cents per Ordinary Share, fully franked. The record date of the dividend is 27 August 2019 and the dividend will be paid on 14 October 2019. The dividend was not determined until 20 August 2019 and accordingly no provision has been recognised as at 30 June 2019.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Kogan.com has entered into a deed of indemnity, insurance and access with each Director confirming the Director's right of access to Board papers and requires Kogan.com Ltd to indemnify the Director, on a full indemnity basis and to the full extent permitted by law against all losses or liabilities (including all reasonable legal costs) insured by the Director as an officer of Kogan.com or of a related body corporate.

Under the deeds of indemnity, insurance and access, Kogan.com must maintain a Directors' and Officers' insurance policy insuring a Director (among others) against liability as a Director and Officer of Kogan.com and its related bodies corporate until seven years after a Director ceases to hold office as a Director or a related body corporate (or the date any relevant proceedings commenced during the seven year period have been finally resolved).

Disclosure of the total amount of the premiums paid under this renewed insurance policy is not permitted under the provisions of the insurance contract.

INDEMNIFICATION AND INSURANCE OF AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the year, for any person who is or has been an auditor of the Group.

PROCEEDINGS ON BEHALF OF THE COMPANY

An entity within the Group is subject to a lawsuit by the ACCC. It is not possible to reasonably predict the outcome of this matter and accordingly no provision was recorded at 30 June 2019.

DIVIDENDS

In respect of the financial year ended 30 June 2019, the Directors:

- declared a fully franked interim dividend of 6.1 cents per Ordinary Share. The record date of the dividend is 23 April 2019 and the dividend was paid on 8 May 2019.
- declared a fully franked final dividend of 8.2 cents per Ordinary Share. The record date of the dividend is 27 August 2019 and will be paid on 14 October 2019.

Details with respect to the dividends paid during the year are provided in Note 3.3.2.

There was no dividend reinvestment plan in operation during the financial year.

NON-AUDIT SERVICES

During the year KPMG, the Group's auditors, performed certain other services in addition to the audit and review of the financial statements.

The Board of Directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit and Risk Management Committee to ensure they did not adversely affect the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110: *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

The following fees were paid or payable to KPMG for non-audit services provided during the year ended 30 June 2019:

	$
Advisory services	51,417
Taxation services	44,610
	96,027

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the financial year ended 30 June 2019 can be found on page 33 of the financial report and forms part of the Directors Report.

THE BOARD OF DIRECTORS AND COMPANY SECRETARY

Greg Ridder
(BBus (Acc), Grad Dip (Mktg), GAICD, CPA)
Non-Executive Chairman

Mr Ridder was appointed to the Board of Kogan.com in May 2016 as Independent, Non-Executive Chairman. Mr Ridder also serves as Chairman of the Remuneration and Nomination Committee.

Formerly Asia Pacific Regional President at NYSE listed Owens-Illinois, Mr Ridder led growth and diversification from its traditional Australian base through joint ventures and acquisitions in China and Southeast Asia. Recently he has focused on intensive business improvement, acting as CEO at the Australian Institute of Architects, CEO at Phoenix Australia and as CFO at World Vision Australia. Mr Ridder is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions.

Mr Ridder holds a Bachelor of Business in Accounting from RMIT, a Graduate Diploma in Marketing from Monash University, and has completed the Advanced Management Programme at INSEAD in France. Mr Ridder is a CPA and graduated member of the Australian Institute of Company Directors.

Board Committee membership

- Member of the Audit and Risk Management Committee
- Chairman of the Remuneration and Nomination Committee

Ruslan Kogan
(BBS)
Chief Executive Officer and Executive Director

Mr Kogan founded Kogan.com in 2006, and has been its CEO since inception, growing the business into Australia's leading pure play online retailer in under a decade.

Prior to founding Kogan.com, Mr Kogan held roles in the IT departments of Bosch and GE, and as a consultant at Accenture.

Mr Kogan holds a Bachelor of Business Systems from Monash University.

Board Committee membership

- Member of the Remuneration and Nomination Committee

David Shafer
(LLB (Hons), BCom, CFA)
Chief Financial Officer, Chief Operating Officer and Executive Director

Mr Shafer has worked with Kogan.com since 2006, moving to a full time role as Chief Operating Officer and Executive Director in November 2010.

Prior to joining Kogan.com, Mr Shafer was a Senior Associate at Arnold Bloch Leibler.

Mr Shafer holds a Bachelor of Law (Honours) and Bachelor of Commerce from The University of Melbourne and is a Chartered Financial Analyst.

Board Committee membership

- Member of the Audit and Risk Management Committee

Harry Debney
(BAppSc (Hons))
Independent Non-Executive Director

Mr Debney was appointed to the Board of Kogan.com in May 2016, as an Independent, Non-Executive Director and also serves as Chairman of the Audit and Risk Management Committee.

Mr Debney is CEO of Costa Group and has overseen the business' transition from a privately-owned Company to a member of the S&P/ASX 200 Index.

Prior to joining Costa Group, Mr Debney spent 24 years at Visy Industries, including eight years as CEO. During this time, he substantially grew the Visy business, both organically and through acquisitions.

Mr Debney holds a Bachelor of Applied Science (Honours) from The University of Queensland.

Directorships of listed entities within the past three years:

- Director of Costa Group Holdings Ltd (appointed in September 2010)

Board Committee membership

- Chairman of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee

Michael Hirschowitz
(B.Com, BACC, GAICD)
Independent Non-Executive Director

Mr Hirschowitz was appointed to the Board of Kogan.com in March 2019, as an Independent, Non-Executive Director.

Mr Hirschowitz currently serves as the CFO at QSR Guzman y Gomez, having joined them in November 2018.

Prior to joining QSR Guzman y Gomez, Mr Hirschowitz served as the CFO & Executive Director of the Accent Group, formerly known as RCG Corporation Ltd, for 22 years. During his time there, he helped create Australia and New Zealand's largest lifestyle and performance footwear business.

Mr Hirschowitz holds a Bachelor of Commerce and a Bachelor of Accounting from the University of Witwatersrand and is a Graduate member of the Australian Institute of Company Directors.

Directorships of listed entities within the past three years:

- Director of Accent Group (resigned in February 2018)

Board Committee membership

- Member of the Audit and Risk Management Committee
- Member of the Remuneration and Nomination Committee

Mark Licciardo (Mertons Corporate Services Pty Ltd)
(B Bus (Acc), GradDip CSP, FGIA, GAICD)
Company Secretary

Mr Licciardo is Managing Director of Mertons Corporate Services Pty Ltd (Mertons) which provides company secretarial and corporate governance consulting services to ASX listed and unlisted public and private companies.

Prior to establishing Mertons in 2007, Mr Licciardo was Company Secretary of the Transurban Group and Australian Foundation Investment Company Limited. Mr Licciardo has also had an extensive commercial banking career with the Commonwealth Bank and State Bank Victoria. Mr Licciardo is a former Chairman of the Governance Institute Australia (GIA) in Victoria and the Melbourne Fringe Festival, a fellow of GIA, the Institute of Chartered Secretaries (CIS) and the Australian Institute of Company Directors (AICD) and a Director of ASX listed Frontier Digital Ventures Limited, iCar Asia Limited and Mobilicom Limited as well as several other public and private companies.

MEETINGS OF DIRECTORS

Directors' meetings held between 1 July 2018 and 30 June 2019:

	BOARD		AUDIT AND RISK		REMUNERATION AND NOMINATION	
	A	B	A	B	A	B
Greg Ridder	13	13	3	3	1	1
Harry Debney	13	13	3	3	1	1
Michael Hirschowitz	3	3	–	–	–	–
Ruslan Kogan	13	13	3[1]	3[1]	1	–
David Shafer	13	13	3	3	n/a	n/a

1 Indicates that a Director is not a member of a specific committee and attended by invitation.

A Number of meetings held during the time the Director held office or was a member of the committee during the year.

B Number of meetings attended.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders.

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition ('the ASX Principles'). Kogan.com's Corporate Governance Statement, which summarises the Company's corporate governance practices and incorporates the disclosures required by the ASX Principles, can be viewed at www.kogancorporate.com.

ENVIRONMENTAL REGULATION

The Group is not subject to any significant environmental regulations under Commonwealth or State legislation.

DIRECTORS INTERESTS

The following table sets out each Director's relevant interest in shares of the Company at the date of this report.

	Ordinary Shares
Ruslan Kogan	21,132,522
David Shafer	8,098,236
Greg Ridder	160,500
Harry Debney	78,538
Michael Hirschowitz	30,070

SHARE RIGHTS

UNISSUED SHARES UNDER RIGHTS

All rights were granted during the current financial year.

As at 30 June 2019 unissued shares of the Group under right are:

VEST DATE	AVERAGE RIGHTS PRICE	NUMBER OF SHARES
30 June 2019	3.23	229,360
31 December 2019	4.40	658,477
30 June 2020	3.07	335,738
31 December 2020	4.06	663,586
30 June 2021	2.88	333,295
31 December 2021	4.73	24,109
30 June 2022	4.09	97,805
		2,342,370

All unissued shares are Ordinary Shares of the Company.

SHARES ISSUED ON EXERCISE OF RIGHTS

During the financials year, the Group issued 253,894 Ordinary Shares as a result of the rights vesting.

REMUNERATION REPORT (AUDITED)

INTRODUCTION

The Directors are pleased to present the FY19 Remuneration Report, outlining the Board's approach to the remuneration for Key Management Personnel (KMP).

The Board recognises that the performance of the Group depends on the quality and motivation of its team members. The Group remuneration strategy therefore seeks to appropriately attract, reward and retain team members at all levels of the business, but in particular for management and key executives. The Board aims to achieve this by establishing executive remuneration packages that include a mix of fixed remuneration, short term incentives and long term incentives.

The Report covers the following matters:

1. Details of Key Management Personnel;
2. Remuneration governance;
3. Remuneration Policy;
4. Group's performance;
5. Details of remuneration;
6. Equity instruments;
7. Executive service agreements; and
8. Key Management Personnel transactions.

DETAILS OF KEY MANAGEMENT PERSONNEL

Key Management Personnel (KMP) are individuals who have authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and comprise the Directors and the Senior Executives of the Group, as listed below.

KEY MANAGEMENT PERSONNEL	POSITION HELD
GREG RIDDER	Chairman, Independent, Non-Executive Director
RUSLAN KOGAN	Chief Executive Officer and Executive Director
DAVID SHAFER	Chief Financial Officer, Chief Operating Officer and Executive Director
HARRY DEBNEY	Independent, Non-Executive Director
MICHAEL HIRSCHOWITZ	Independent, Non-Executive Director

REMUNERATION GOVERNANCE

The Board has appointed the Remuneration and Nomination Committee whose objective is to assist the Board in relation to the Group remuneration strategy, policies and actions. In performing this responsibility, the Committee must give appropriate consideration to the Group performance and objectives, employment conditions and external remuneration relativities.

Remuneration and Nomination Committee

Kogan.com's Remuneration and Nomination Committee is comprised of the Directors.

The responsibilities of the Remuneration and Nomination Committee include to:

- develop criteria for Board membership and identify specific individuals for nomination;
- establish processes for the review of the performance of individual Directors, Board committees and the Board as a whole and implementation of such processes;
- review and make recommendations to the Board on Board succession plans generally;
- review and make recommendations to the Board on the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board;
- review and make recommendations to the Board on Kogan.com's remuneration framework, remuneration packages and policies applicable to senior management and Directors;
- review and make recommendations to the Board on equity-based remuneration plans for the executive team and other team members;
- define levels at which the CEO must make recommendations to the committee on proposed changes to remuneration and employee benefit policies;
- ensure that remuneration packages and policies attract, motivate and retain high calibre executives; and
- ensure that remuneration policies demonstrate a clear relationship between executives' performance and remuneration.

All Directors who are not members of the committee are entitled to attend any meeting of the committee. The committee may invite any Director, including members of senior management.

A full Charter outlining the Remuneration and Nomination Committee's responsibilities and the Process for Evaluation of Performance are available at www.kogancorporate.com.

REMUNERATION POLICY

The Group has established incentive arrangements subsequent to listing on the ASX to assist in the attraction, motivation and retention of the executive team and other selected team members. To align the interests of its team members and the goals of the Group, the Directors have decided the remuneration packages of the executive team and other selected team members will consist of the following components:

- fixed remuneration (inclusive of superannuation);
- short term cash based incentives; and
- long term equity based incentives.

The payment of any cash and award of equity under the incentive arrangements will be subject to the achievement of performance criteria or hurdles set by the Board. The remuneration packages of the senior management team are determined by the Remuneration and Nomination Committee and reported to the Board. The remuneration of senior managers will be reviewed annually by the Remuneration and Nomination Committee. At the absolute discretion of the Remuneration and Nomination Committee, Kogan.com may seek external advice on the appropriate level and structure of the remuneration packages of the senior management team from time to time.

The table below represents the target remuneration mix for group executives in the current year. The short-term incentive is provided at target levels, and the long-term incentive amount is provided based on the value granted in the current financial year.

		AT RISK	
	Fixed remuneration	Short term incentive	Long-term incentive
CEO	80%	20%	–%
CFO, COO	80%	20%	–%

Fixed remuneration

Fixed remuneration is comprised of the base salary and team member benefits which include superannuation, leave entitlements and other benefits.

The salaries are normally paid monthly and are based on:

- responsibilities, capability, competency, experience and performance;
- team member's performance in the period since the last review; and
- the Group's pay structure.

The salaries are benchmarked against similar ASX-listed and other online retail companies.

No KMP received an adjustment to fixed remuneration in the 2019 financial year.

Short term incentives (STI) – Cash based

The following table outlines the significant aspects of the STI.

Purpose of STI plan	Provide a link between remuneration and both short term Company and individual performance. Create sustainable shareholder value. Reward individual for their contribution to the success of the Group. Actively encourage team members to take more ownership over the EBITDA.
Eligibility	Offers of cash incentive may be made to any employee of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of cash incentive under the STI.
Calculation & Target	The actual EBITDA of Kogan.com shall exceed the management forecast for the full financial year (after payment of the STI). 25% of the outperformance will be allocated to a 'bonus pool'. The 'bonus pool' will then be shared in cash bonuses among a number of employees in fixed proportions.
Maximum opportunity	The maximum payable is 25% of the outperformance and 35% of the employee's annual salary.
Performance conditions	Outperformance of the actual EBITDA. Continuation of employment.
Why were the performance condition chosen	To achieve successful and sustainable financial business outcomes as well as any annual objectives that drive short-term and long-term business success and sustainability.
Performance period	1 July 2018 to 30 June 2019.
Timing of assessment	July 2019, following the completion of the 30 June 2019 accounts.
Form of payment	Paid in cash.
Board discretion	Targets are reviewed annually and the Board has discretion to adapt appropriately to take into account exceptional items.

Long term incentives (LTI) – Equity Incentives Plan (EIP)

The Group has established an Equity Incentive Plan (EIP), which is designed to align the interests of eligible team members more closely with the interests of Shareholders in the listed entity post 7 July 2016. Under the EIP, eligible team members may be offered Restricted Shares, Options or Rights which may be subject to vesting conditions. The Group may offer additional long-term incentive schemes to senior management and other team members over time.

The following table outlines the significant aspects of the current EIP.

Purpose of LTI plan	Support the strategy and business plan of the Group. Align the interests of team members more closely with the interests of Shareholders. Reward individual for their contribution to the success of the Group over the long term.
Eligibility	Offers of Incentive Shares may be made to any team member of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of Incentive Shares under the EIP.
Service condition on vesting	Individuals must be employed by the Group at the time of vesting, and not be in their notice period.
Form of award and payment	Performance Rights.
Board discretion	The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the EIP.
Consideration	Nil.
Rights	Each Right confers on its holder an entitlement to a Share, subject to satisfaction of applicable conditions.
Restrictions on dealing	Shares allocated upon exercise of Performance Rights will rank equally with all existing Ordinary Shares from the date of issue (subject only to the requirements of Kogan.com’s Securities Trading Policy). Upon vesting, there will be no disposal restrictions placed on the Shares issued to participants (subject only to the requirements of Kogan.com’s Securities Trading Policy).
Lapse of Rights	A Right will lapse upon the earliest to occur of: • expiry date; • failure to meet vesting conditions; • employment termination; • the participant electing to surrender the Right; • where, in the opinion of the Board, a participant deals with a Right in contravention of any dealing restrictions under the EIP.

Non-Executive Directors’ remuneration

Kogan.com Non-Executive Director remuneration policy is set up to attract and retain Directors with the experience, knowledge, expertise and acumen to manage the Company.

Each of the Non-Executive Directors has entered into appointment letters with Kogan.com, confirming the terms of their appointment, their roles and responsibilities and Kogan.com’s expectations of them as Directors.

Under the Constitution, the Board may decide the remuneration from Kogan.com to which each Director is entitled for their services as a Director. However, under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed at Kogan.com's general meeting.

This amount has been fixed by Kogan.com at $500,000 per annum. Any change to that aggregate annual sum needs to be approved by Shareholders.

The annual Non-Executive Directors' fees paid or payable to Greg Ridder (Chairman), Harry Debney (Chairman of the Audit and Risk Committee) and Michael Hirschowitz for FY19 are $185,000, $110,000 and $95,000 respectively.

No additional fees are presently proposed to be paid for membership or Chairmanship of the Audit and Risk Management Committee or the Remuneration and Nomination Committee. In subsequent years, additional fees for membership or Chairmanship of these committees may apply.

All Directors' fees include superannuation payments, to the extent applicable.

Non-Executive Directors are not eligible to participate in Kogan.com's short term or long term incentive programs.

GROUP PERFORMANCE

Relationship to remuneration policy

In considering the consolidated Group's performance and the benefits of shareholder wealth, the Remuneration and Nomination Committee considers a range of indicators in respect of senior executive remuneration and linked these to the previously described short and long term incentives.

At Kogan.com, we remunerate our KMP in a way which:

- aims to align executive interests with Shareholders;
- is sufficiently competitive in the marketplace to enable us to attract, retain, and motivate exceptional talent; and
- encourages and rewards the behaviours and outcomes that will deliver business success and a good return for our Shareholders.

To achieve this, we set challenging targets and monitor performance against them closely.

We have strengthened the connection between our key reward metrics and our business strategy by adapting the performance conditions used for our STI.

We remain committed to the use of stretching performance metrics and recognise the importance of having performance conditions that are linked to customer engagement.

Shareholder wealth

The following table presents these indicators showing the impact of the Group's performance on Shareholder wealth, during the financial years:

	FY19	FY18
Net profit attributable to owners of the Company (in $'m)	17.2	14.1
Earnings per share	0.18	0.15
EBITDA (in $'m)	30.1	26.0
Dividends paid (in $'m)	11.4	10.0
Operating revenue growth	6%	42%
Share Price at 30 June 2019	4.75*	6.82

* Share Price as at Friday 28 June 2019.

Profit amounts have been calculated in accordance with Australian Accounting Standards (AASBs).

EBITDA is calculated based on the operating profit before interest, tax, depreciation and amortisation.

Operating revenue is operating profit as reported in the statement of profit or loss.

DETAILS OF REMUNERATION

Executive KMP remuneration

Details of the remuneration to the executive Key Management Personnel is set out below.

		SHORT-TERM		POST-EMPLOYMENT	LONG TERM BENEFITS	
	Year	Salary and Fees $	Short-Term Incentives $	Super-annuation $	Annual & long service leave $	Total $
Ruslan Kogan	2019	385,000	–	19,616	34,707	439,323
David Shafer	2019	330,000	–	19,616	29,749	379,365
Total		**715,000**	**–**	**39,232**	**64,456**	**818,688**
Ruslan Kogan	2018	385,000	87,068	34,014	36,258	542,340
David Shafer	2018	330,000	74,663	31,963	31,239	467,865
Total		**715,000**	**161,731**	**65,977**	**67,497**	**1,010,205**

Non-Executive Directors' remuneration

The table below sets out the remuneration paid to Non-Executive Directors:

		SHORT-TERM BENEFITS	POST-EMPLOYMENT BENEFITS	
	Year	Total fees $	Super-annuation $	Total $
Greg Ridder	2019	185,000	–	185,000
Harry Debney	2019	110,000	–	110,000
Michael Hirschowitz	2019	23,750[1]	–	23,750
Total		**318,750**		**318,750**
Greg Ridder	2018	170,000	–	170,000
Harry Debney	2018	95,000	–	95,000
Michael Hirschowitz	2018	–	–	–
Total		**265,000**	**–**	**265,000**

1 Michael Hirschowitz was appointed as an Independent Non-Executive Director on 29 March 2019.

EQUITY INSTRUMENTS

Kogan.com successfully listed on the ASX on 7 July 2016. The following table presents the interests of each Director held directly, indirectly or beneficially, including their related parties:

Ordinary Shares

	No. shares held 2019	% ownership 2019	No. shares held 2018	% ownership 2018
Ruslan Kogan	21,132,522	22.5%	24,904,461	26.6%
David Shafer	8,098,236	8.6%	9,543,688	10.2%
Greg Ridder	160,500	0.2%	160,500	0.2%
Harry Debney	78,538	0.0%	245,198	0.3%
Michael Hirschowitz	30,070	0.0%	n/a	n/a

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

Notice and termination payments

Executives are on contracts with no fixed end date.

The following table captures the notice periods applicable to the termination of the executives' employment:

	Termination notice by Kogan.com	Termination notice by employee	Termination payments provided for under contract
CEO	12 months	12 months	12 months
CFO, COO	6 months	6 months	6 months

Chief Executive Officer & Chief Financial Officer, Chief Operating Officer Service Agreements

Prior to the Company's ASX Listing on 7 July 2016, Ruslan Kogan and David Shafer were not subject to employment arrangements and instead received profit distributions proportionate to their shareholdings in the Group.

Subsequent to ASX listing, Ruslan Kogan and David Shafer entered into employment contracts.

Chief Executive Officer

Ruslan Kogan is employed in the position of Chief Executive Officer of Kogan.com.

Kogan.com has entered into an employment contract with Ruslan to govern his employment with Kogan.com.

Ruslan or Kogan.com may terminate Ruslan's employment by giving 12 months' notice. Kogan.com may elect to make payment in lieu of notice. Kogan.com may terminate Ruslan's employment without notice in circumstances warranting summary dismissal.

Upon termination of Ruslan's employment, Ruslan will be subject to a restraint of trade period of 12 months during which time Ruslan Kogan cannot compete with Kogan.com or provide services in any capacity to a competitor of Kogan.com or solicit suppliers, clients or employees of Kogan.com. The enforceability of the restraint clause is subject to all usual legal requirements.

The Board may invite Ruslan to participate in Kogan.com's incentive programs.

Chief Financial Officer and Chief Operating Officer

David Shafer is employed in the position of Chief Financial Officer and Chief Operating Officer of Kogan.com.

Kogan.com has entered into an employment contract with David to govern his employment with Kogan.com.

David or Kogan.com may terminate David's employment by giving 6 months' notice. Kogan.com may elect to make payment in lieu of notice. Kogan.com may terminate David's employment without notice in circumstances warranting summary dismissal.

Upon termination of David's employment, David will be subject to a restraint of trade period of 6 months during which time David cannot compete with Kogan.com or provide services in any capacity to a competitor of Kogan.com or solicit suppliers, clients or employees of Kogan.com. The enforceability of the restraint clause is subject to all usual legal requirements.

The Board may invite David to participate in Kogan.com's incentive programs.

KEY MANAGEMENT PERSONNEL TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Kogan Australia Pty Ltd entered into a Logistic Services Agreement with eStore Logistics Pty Ltd ("eStore"), in a prior financial period, in relation to the provision of warehousing, distribution and logistics services by eStore to Kogan Australia. Ruslan Kogan is a minority Shareholder and Director of eStore. The agreement was entered into on arm's length terms.

		CONSOLIDATED GROUP	
KMP	**Transaction type**	**2019 $**	**2018 $**
Ruslan Kogan	Purchases from eStore warehousing	10,605,444	9,734,113

The Director's report is signed on behalf of the Board in accordance with a resolution of the Directors.

Greg Ridder
Non-Executive Chairman

Melbourne, 25 September 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Kogan.com Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Kogan.com Ltd for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

KPMG

KPMG

Simon Dubois

Partner

Melbourne

25 September 2019

FINANCIAL REPORT

CONTENTS

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED GROUP	
	Note	2019 $	2018[1] $
Revenue	1.1	438,699,586	412,312,395
Cost of sales	1.2a	(348,043,359)	(331,718,953)
Gross profit		**90,656,227**	**80,593,442**
Selling and distribution expenses		(23,178,478)	(24,526,714)
Warehouse expenses		(13,666,222)	(9,409,514)
Administrative expenses		(28,192,795)	(25,449,124)
Other expenses		(1,625,970)	(1,227,541)
Results from operating activities		**23,992,762**	**19,980,549**
Finance income		195,119	309,384
Finance costs	1.2b	(594,435)	(582,695)
Unrealised foreign exchange (loss)/gain		(190,017)	1,299,973
Net finance (costs)/income		**(589,333)**	**1,026,662**
Profit before income tax		**23,403,429**	**21,007,211**
Tax expense	1.3	(6,202,203)	(6,896,218)
Net profit and other comprehensive income for the period attributable to the owners of the Company		**17,201,226**	**14,110,993**
Basic earnings per share	3.4a	0.18	0.15
Diluted earnings per share	3.4b	0.18	0.15

The accompanying notes form part of these financial statements.

1 The Group applied AASB 9, 15 & 16 as at 1 July 2018. Under the transition methods chosen, comparative information is not restated.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		CONSOLIDATED GROUP	
	Note	2019 $	2018[1] $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		27,461,870	42,617,940
Trade and other receivables	2.1.2a	5,365,362	4,999,536
Inventories	2.1.1	75,850,076	50,200,175
Financial assets		382,691	572,708
Prepayments and other current assets	2.1.2b	482,211	652,478
TOTAL CURRENT ASSETS		109,542,210	99,042,837
NON-CURRENT ASSETS			
Property, plant and equipment	2.3	1,566,189	449,088
Intangible assets	2.2	5,815,193	6,492,748
Deferred tax assets	1.3	1,473,779	–
TOTAL NON-CURRENT ASSETS		8,855,161	6,941,836
TOTAL ASSETS		118,397,371	105,984,673
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	2.1.3a	51,725,667	45,355,366
Lease liability	2.1.3b	556,702	–
Current tax liabilities	1.3	3,310,528	3,154,445
Employee benefits		747,673	684,879
Provisions		1,304,082	871,493
Deferred income	2.1.3c	7,733,283	7,319,876
TOTAL CURRENT LIABILITIES		65,377,935	57,386,059
NON-CURRENT LIABILITIES			
Lease liability	2.1.3b	692,293	–
Deferred tax liabilities	1.3	–	577,527
Employee benefits		136,241	110,536
Provisions		–	29,293
Deferred income	2.1.3c	1,210,947	–
TOTAL NON-CURRENT LIABILITIES		2,039,481	717,356
TOTAL LIABILITIES		67,417,416	58,103,415
NET ASSETS		**50,979,955**	**47,881,258**
EQUITY			
Share capital	3.3.1a	167,822,590	167,293,634
Merger reserve	3.3.1c	(131,816,250)	(131,816,250)
Other reserves		1,537,178	832,851
Retained earnings		13,436,437	11,571,023
TOTAL EQUITY		**50,979,955**	**47,881,258**

The accompanying notes form part of these financial statements.

1 The Group applied AASB 9, 15 & 16 as at 1 July 2018. Under the transition methods chosen, comparative information is not restated.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

		CONSOLIDATED GROUP					
	Note	**Share capital $**	**Retained earnings $**	**Merger reserve $**	**Translation reserve $**	**Share based payments reserve $**	**Total equity $**
Balance at 1 July 2017		167,100,702	7,460,780	(131,816,250)	(290,645)	217,098	42,671,685
Comprehensive income							
Net profit and other comprehensive income for the year		–	14,110,993	–	–	–	14,110,993
Total net profit and other comprehensive income for the year		–	14,110,993	–	–	–	14,110,993
Transactions with owners, in their capacity as owners							
Issue of Ordinary Shares under Equity Incentive Plans	3.3.1b	192,932	–	–	–	(192,932)	–
Equity-settled share-based payments	5.2c	–	–	–	–	1,099,330	1,099,330
Dividends paid	3.3.2	–	(10,000,750)	–	–	–	(10,000,750)
Total transactions with owners, in their capacity as owners		192,932	(10,000,750)	–	–	906,398	(8,901,420)
Balance at 30 June 2018[1]		**167,293,634**	**11,571,023**	**(131,816,250)**	**(290,645)**	**1,123,496**	**47,881,258**
Balance at 30 June 2018		167,293,634	11,571,023	(131,816,250)	(290,645)	1,123,496	47,881,258
Adjustment on the initial application of AASB 15 (net of tax)	6.4	–	(3,902,089)	–	–	–	(3,902,089)
Adjusted balance as at 1 July 2018		167,293,634	7,668,934	(131,816,250)	(290,645)	1,123,496	43,979,169
Comprehensive income							
Net profit and other comprehensive income for the year		–	17,201,226	–	–	–	17,201,226
Total net profit and other comprehensive income for the year		–	17,201,226	–	–	–	17,201,226
Transactions with owners, in their capacity as owners							
Issue of Ordinary Shares under Equity Incentive Plans	3.3.1b	528,956	–	–	–	(503,956)	25,000
Equity-settled share-based payments	5.2c	–	–	–	–	1,208,283	1,208,283
Dividends paid	3.3.2	–	(11,433,723)	–	–	–	(11,433,723)
Total transactions with owners, in their capacity as owners		528,956	(11,433,723)	–	–	704,327	(10,200,440)
Balance at 30 June 2019		**167,822,590**	**13,436,437**	**(131,816,250)**	**(290,645)**	**1,827,823**	**50,979,955**

The accompanying notes form part of these financial statements.

1 The Group applied AASB 9, 15 & 16 as at 1 July 2018. Under the transition methods chosen, comparative information is not restated.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	CONSOLIDATED GROUP 2019 $	2018[1] $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		497,943,349	448,098,179
Payments to suppliers and employees		(489,176,203)	(416,051,385)
Interest received		195,119	309,384
Finance costs paid		(465,554)	(114,070)
Income tax paid		(6,425,103)	(4,413,508)
Net cash provided by operating activities	1.4	2,071,608	27,828,600
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(64,640)	(130,497)
Purchase of intangible assets		(5,403,347)	(7,107,093)
Proceeds from disposal of intangible assets		250,000	–
Net cash (used in) investing activities		(5,217,987)	(7,237,590)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(11,433,723)	(10,000,750)
Repayment of lease liability		(575,968)	–
Net cash (used in) financing activities		(12,009,691)	(10,000,750)
Net (decrease)/increase in cash held		(15,156,070)	10,590,260
Cash and cash equivalents at beginning of financial year		42,617,940	32,027,680
Cash and cash equivalents at end of financial year	3.2	27,461,870	42,617,940

The accompanying notes form part of these financial statements.

1 The Group applied AASB 9, 15 & 16 as at 1 July 2018. Under the transition methods chosen, comparative information is not restated.

BASIS OF PREPARATION

The financial report of Kogan.com Ltd and its controlled entities ("the Group") for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 25 September 2019.

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards and the nature of its operations and principal activities are described in the Directors' Report on page 18.

The Group applied AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* as at 1 July 2018. The Group early adopted AASB 16 *Leases* as at 1 July 2018. This is the first set of the Group's financial information where AASB 9, 15 and 16 have been applied. Under the transition methods chosen, for all newly applied standards above, comparative information is not restated. Changes to significant policies are described in Note 6.4.

These General Purpose Financial Statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2018, except for the changes to significant policies relating to the initial application of AASB 9, 15 and 16 as described in Note 6.4.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

A. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate all of the assets, liabilities and results of the Group, in line with AASB 10 *Consolidated Financial Statements*. Subsidiaries are entities the parent controls. The parent controls an entity when it 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 over the entity. A list of the subsidiaries is provided in Note 4.1a.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

B. SEGMENT INFORMATION

The Group's operations consist primarily of selling goods and services online to Australian customers. The Group has considered the requirements of AASB 8 *Operating Segments* and assessed that the Group has one operating segment, representing the consolidated results, as this is the only segment which meets the requirements of AASB 8.

C. USES OF JUDGEMENTS AND ESTIMATES

In preparing this financial report, management have made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

BASIS OF PREPARATION *(continued)*

Estimates and judgments that have the most significant effect on the amounts recognised in the financial statements are:

- the provisions for warranties and sales returns are based on estimates from historical warranty and sales returns data associated with similar products and services. The Group expects to incur most of the liability over this next year.
- the assessment of the recoverable value of non-current assets, including intangible assets, is based on management's assessment of the nature of the capitalised costs and their expected continued contribution of economic benefit to the Group, having regard to actual and forecast performance and profitability.
- the provision for slow moving and obsolete inventory is based on estimates of net realisable value of aged items over 365 days.

D. COMMON CONTROL TRANSACTION

On 6 July 2016 Kogan.com Ltd acquired control of Kogan Operations Holdings Pty Ltd and subsidiaries at book value for consideration in preparation for the Initial Public Offering and the Group's admission to the ASX on 7 July 2016 pursuant to a replacement prospectus dated 24 June 2016.

E. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

SECTION 1: BUSINESS PERFORMANCE

1.1 REVENUE

Sale of goods

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to a customer. When a performance obligation is satisfied, the Group recognises as revenue the amount the transaction price which excludes the associated costs and possible return of goods. Prior to these conditions being met, receipts from the sale of goods are recorded in deferred income. Revenue is measured net of returns, trade discounts and volume rebates.

The timing of transfer of control varies depending on the individual terms of the sales agreement. For sale of goods, the transfer usually occurs upon dispatch of the goods, where control is contractually transferred to the customer.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a specific review of warranty claims outstanding.

A provision for sales returns is recognised for the expected value of returns, based on historical sales return data and a specific review of the profile of sales for the period and post period-end.

Rendering of services

Revenue from the rendering of services is recognised when management has fulfilled its service obligations to the Group's customers, recovery of the consideration is probable and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts.

The timing of revenue recognition varies depending on the individual terms of the services agreement and the contractual obligations of the Group.

Revenue from the rendering of services is deferred when a customer has paid up front but the Group has not yet fulfilled its obligation to the customer, in line with the terms and conditions of sale.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
Revenue		
Sales revenue:		
– sale of goods	418,117,456	389,884,367
– rendering of services	14,448,355	18,986,988[1]
	432,565,811	408,871,355
Other revenue:		
– commission from marketing	2,864,325	1,249,736
– other revenue	3,269,450	2,191,304
	6,133,775	3,441,040
Total revenue	**438,699,586**	**412,312,395**

1 The revenue for rendering of services for Kogan Travel as at 30 June 2018 does not include the cost of services. On adoption of AASB 15, it was determined that revenue would be recorded on a net basis. From 1 July 2018, the cost of services for Kogan Travel was netted against its revenue. Under the transition methods chosen, comparative information is not restated.

1.2a OPERATING ACTIVITIES

Expenses

	2019 $	**2018 $**
Cost of sales	347,958,038	325,356,947
Cost of services	85,321	6,362,006[1]
Total cost of sales	**348,043,359**	**331,718,953**
Employee benefit expense	16,519,214	15,513,108
Depreciation and amortisation expense	6,739,410	5,339,333

1 The cost of services as at 30 June 2018 includes the cost of services relating to Kogan Travel. Following the clarifications from AASB 15, it was determined that revenue would be recorded on a net basis. From 1 July 2018, the cost of services for Kogan Travel was netted against its revenue. Under the transition methods chosen, comparative information is not restated.

1.2b FINANCE COSTS

	2019 $	**2018 $**
Realised foreign exchange losses	128,881	468,625
Finance costs on debt facilities	465,554	114,070
Total finance costs	**594,435**	**582,695**

1.3 TAX BALANCES

Income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

SECTION 1: BUSINESS PERFORMANCE *(continued)*

1.3 TAX BALANCES *(continued)*

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
a. The components of tax expense comprise:		
Current tax	6,550,553	5,703,917
Deferred tax	(158,501)	1,270,983
Over-provision in respect of prior years	(189,849)	(78,682)
	6,202,203	6,896,218
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2018: 30%):		
Consolidated Group	7,021,029	6,302,163
Add:		
Tax effect of:		
– amortisation of intangibles	14,355	326,331
– shared based payments	–	329,799
– entertainment (non-deductible)	27,398	31,735
– current year revenue losses not recognised	1,395	330
– other items	46,778	49,558
Less:		
Tax effect of:		
– shared based payments	(679,361)	–
– research and development tax benefit	(39,542)	(65,016)
– over provision of prior year income tax	(189,849)	(78,682)
Income tax attributable to the Group	6,202,203	6,896,218
The applicable weighted average effective tax rates are as follows:	27%	33%

The effective tax rate for FY19 of 27% reflects the impact of non-deductible intangible amortisation and other non-deductible costs, offset by share based-payments deductions, research and development tax benefit and an overprovision for income tax in the prior year.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
Current and deferred tax balances:		
Assets		
CURRENT/NON-CURRENT		
Deferred tax asset	1,473,779	–
Total	1,473,779	–
Liabilities		
CURRENT		
Current tax liabilities	3,310,528	3,154,445
Deferred tax liabilities	–	577,527
Total	3,310,528	3,731,972

Movements in deferred tax balances

								BALANCE AT 30 JUNE		
2019	**Net balance at 1 July**	**Under/ Over**	**Recog-nised in profit or loss**	**Recog-nised in OCI**	**Recog-nised directly to equity**	**Acqui-sitions**	**Other**	**Net**	**Deferred tax assets**	**Deferred tax liabilities**
Property, plant & equipment	16,106	-	(357,057)	-	-	-	-	(340,951)	19,466	(360,417)
Intangible assets	(1,495,176)	-	144,159	-	-	-	-	(1,351,017)	-	(1,351,017)
Financial assets	(171,812)	-	57,005	-	-	-	-	(114,807)	-	(114,807)
Employee benefits	201,252	-	30,664	-	-	-	-	231,916	231,916	-
Provisions	345,312	-	176,303	-	-	-	-	521,615	525,572	(3,957)
Deferred Income	-	-	(708,949)	-	1,672,324	-	-	963,375	963,375	-
Lease liability	-	-	374,699	-	-	-	-	374,699	374,699	-
Other items	520,226	220,484	316,923	-	-	-	-	1,057,633	1,057,633	-
Tax losses carried forward	6,565	-	124,751	-	-	-	-	131,316	131,316	-
Net tax assets (liabilities)	(577,527)	220,484	158,498	-	1,672,324	-	-	1,473,779	3,303,977	(1,830,198)

SECTION 1: BUSINESS PERFORMANCE *(continued)*

1.3 TAX BALANCES *(continued)*

2018	Net balance at 1 July	Under/ Over	Recog-nised in profit or loss	Recog-nised in OCI	Recog-nised directly to equity	Acqui-sitions	Other	BALANCE AT 30 JUNE Net	Deferred tax assets	Deferred tax liabilities
Property, plant & equipment	11,745	-	4,361	-	-	-	-	16,106	16,106	-
Intangible assets	(736,663)	-	(758,513)	-	-	-	-	(1,495,176)	-	(1,495,176)
Financial assets	218,180	-	(389,992)	-	-	-	-	(171,812)	-	(171,812)
Employee benefits	155,266	-	45,986	-	-	-	-	201,252	201,252	-
Provisions	337,845	-	7,467	-	-	-	-	345,312	345,312	-
Other items	926,494	-	(406,268)	-	-	-	-	520,226	520,226	-
Tax losses carried forward	1,069	-	5,496	-	-	-	-	6,565	6,565	-
Net tax assets (liabilities)	913,936	-	(1,491,463)	-	-	-	-	(577,527)	1,089,461	(1,666,988)

1.4 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	CONSOLIDATED GROUP 2019 $	2018 $
Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	17,201,226	14,110,993
Non-cash flows in profit:		
- depreciation & amortisation	6,739,410	5,339,333
- profit on the sale of intangibles	(108,741)	-
- issue of Performance Rights and Shares	1,233,284	1,099,330
- unrealised foreign exchange movement	190,017	(1,299,973)
- Income tax expense	6,202,203	6,896,218
Changes in assets and liabilities:		
- (increase) in trade and term receivables	(365,826)	(2,954,212)
- decrease/(increase) in prepayments and other assets	96,098	(101,129)
- (increase) in inventories	(25,649,901)	(10,458,188)
- increase in trade payables and accruals	6,417,203	16,850,771
- (decrease)/increase in deferred income	(3,950,057)	2,154,460
- increase in provisions	491,795	604,505
- tax paid	(6,425,103)	(4,413,508)
Cash flows from operating activities	2,071,608	27,828,600

SECTION 2: OPERATING ASSETS AND LIABILITIES

2.1 WORKING CAPITAL

2.1.1 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes all direct costs attributable to purchase, such as freight and insurance.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
CURRENT		
Inventory in transit	8,391,265	9,789,279
Inventory on hand	67,458,811	40,410,896
	75,850,076	50,200,175

2.1.2a Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
CURRENT		
Trade receivables	4,859,126	2,676,873
	4,859,126	2,676,873
Other receivables	506,236	2,322,663
Total current trade and other receivables	5,365,362	4,999,536

Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties other than those receivables specifically provided for and mentioned within Note 3.2. The class of assets described as “trade and other receivables” is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia given the substantial operations in this region. The Group’s exposure to credit risk for receivables at the end of the reporting period in those regions is as follows:

	CONSOLIDATED GROUP	
AUD	**2019 $**	**2018 $**
Australia	5,365,362	4,999,536
	5,365,362	4,999,536

SECTION 2: OPERATING ASSETS AND LIABILITIES *(continued)*

2.1 WORKING CAPITAL *(continued)*

2.1.2a Trade and other receivables *(continued)*

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balance of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The Group had one customer that owed more than 10% of total trade and other receivables as at 30 June 2019 and 30 June 2018.

			AGED RECEIVABLES FROM DUE DATE			
	Gross Amount $	**Past Due and Impaired $**	**< 30 $**	**31-60 $**	**61-90 $**	**> 90 $**
2019						
Trade and term receivables	4,859,126	–	3,944,799	891,447	7,574	15,306
Other receivables	506,236	–	506,236	–	–	–
Total	5,365,362	–	4,451,035	891,447	7,574	15,306
2018						
Trade and term receivables	2,676,873	–	2,522,174	76,032	56,537	22,130
Other receivables	2,322,663	–	2,322,663	–	–	–
Total	4,999,536	–	4,844,837	76,032	56,537	22,130

2.1.2b Prepayments and other current assets

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
Prepayments	452,361	546,732
Rental bond	27,469	29,197
Other	2,381	76,549
	482,211	652,478

2.1.3 Trade and other payables

2.1.3a Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 45 days of recognition of the liability.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
CURRENT		
Trade payables	32,390,113	32,504,512
Other payables	17,019,640	10,914,140
Accrued expenses	2,315,914	1,936,714
	51,725,667	45,355,366

2.1.3b Lease liability

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to all contracts effective as at 1 July 2018.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual guarantee; and

SECTION 2: OPERATING ASSETS AND LIABILITIES *(continued)*

2.1 WORKING CAPITAL *(continued)*

2.1.3b Lease liability *(continued)*

- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measure at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group does not have any short-term or low-value leases.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position. As of 30 June 2019, the net carrying amount of the right-of-use asset is $1,201,392, please refer to Note 2.3.

The lease liability as of 30 June 2019 is presented below:

Lease liability – Maturity analysis

	CONSOLIDATED GROUP	
Maturity analysis – contractual undiscounted cash flows	**2019 $**	**2018 $**
Less than one year	586,528	594,446
One to five years	757,007	1,305,257
More than five years	–	–
Total undiscounted lease liabilities as at 30 June	1,343,535	1,899,703
Lease liabilities included in the statement of financial position as at 30 June	1,248,995	–
Current	556,702	–
Non-current	692,293	–

Property lease

The Group leases a building for its office space. The lease of office space is a non-cancellable lease with a 4-year term that expired on 31 July 2018. An option existed to renew the lease for one further term of 3 years.

Extension options

Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

2.1.3c Deferred income

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for FY18 has not been restated – i.e. it is presented, as previously reported under AASB 118, AASB 111 and related interpretations. Please refer to Note 6.4 for impact of initial application.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
CURRENT		
Deferred income from extended care – adjustment on the initial application of AASB 15	2,000,303	–
Deferred income presales	5,732,980	7,319,876
	7,733,283	7,319,876
NON-CURRENT		
Deferred income from extended care – adjustment on the initial application of AASB 15	1,210,947[1]	–

1 Out of the non-current deferred income from extended care balance, an amount of $374,051 is greater than 2 years.

2.2 INTANGIBLE ASSETS

(i) Website development and software costs

Website development and software costs are measured at cost less any accumulated amortisation and accumulated impairment losses. Such development costs are only capitalised if they can be reliably measured, the process is technically and commercially feasible, future economic benefits are probable, and the Group has sufficient resources to complete development.

(ii) Intellectual property

Acquired intellectual property, including customer lists, which enable direct marketing of products and services are capitalised to the extent it is probable that expected future economic benefits attributable to the asset will flow to the entity, and the cost can be reliably measured.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

Intangibles that are considered to have indefinite useful lives are not subject to amortisation.

The estimated useful lives for the current and comparative periods are as follows:

Patents and trademarks	2.5 years
Website development costs	2.5 years
Software costs	2.5 years
Intellectual property	2.0 years

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

(v) Impairment of Assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Unit (CGU).

SECTION 2: OPERATING ASSETS AND LIABILITIES *(continued)*

2.2 INTANGIBLE ASSETS *(continued)*

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated to reduce the carrying amount of assets in the CGU on a pro rata basis. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
Patents and trademarks:		
Cost	780,802	625,153
Accumulated amortisation and impairment losses	(539,064)	(355,316)
Net carrying amount	241,738	269,837
Website development costs:		
Cost	5,100,226	4,056,281
Accumulated amortisation and impairment losses	(3,951,372)	(2,870,315)
Net carrying amount	1,148,854	1,185,966
Software costs:		
Cost	849,799	831,792
Accumulated amortisation and impairment losses	(819,115)	(788,011)
Net carrying amount	30,684	43,781
Intellectual property:		
Cost	17,642,778	13,643,245
Accumulated amortisation and impairment losses	(13,248,861)	(8,650,081)
Net carrying amount	4,393,917	4,993,164
Total intangibles	5,815,193	6,492,748

	Patents and trademarks $	Website development costs $	Software costs $	Intellectual property $	Total $
Consolidated Group:					
Year ended 30 June 2018					
Balance at the beginning of the year	130,710	843,599	87,137	3,418,594	4,480,040
Additions	266,728	1,162,700	46,846	5,630,819	7,107,093
Amortisation charge	(127,601)	(820,333)	(90,202)	(4,056,249)	(5,094,385)
Closing value at 30 June 2018	269,837	1,185,966	43,781	4,993,164	6,492,748
Year ended 30 June 2019					
Balance at the beginning of the year	269,837	1,185,966	43,781	4,993,164	6,492,748
Additions	341,861	1,043,945	18,007	3,999,533	5,403,346
Disposals	(141,260)	–	–	–	(141,260)
Amortisation charge	(228,700)	(1,081,057)	(31,104)	(4,598,780)	(5,939,641)
Closing value at 30 June 2019	241,738	1,148,854	30,684	4,393,917	5,815,193

2.3 PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are measured on a cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

SECTION 2: OPERATING ASSETS AND LIABILITIES *(continued)*

2.3 PROPERTY, PLANT AND EQUIPMENT *(continued)*

Depreciation

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

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Computer equipment (reducing balance & straight-line basis)	67%
Office equipment (reducing balance & straight-line basis)	10-25%
Leasehold improvements	20%
Right-of-use asset	33%

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

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

	CONSOLIDATED GROUP	
	2019 $	2018 $
Computer equipment:		
Cost	345,975	307,608
Accumulated depreciation	(313,123)	(253,233)
Net carrying amount	32,852	54,375
Office equipment:		
Cost	948,657	924,806
Accumulated depreciation	(636,294)	(552,015)
Net carrying amount	312,363	372,791
Leasehold improvements:		
Cost	36,565	34,144
Accumulated amortisation	(16,983)	(12,222)
Net carrying amount	19,582	21,922
Right-of-use asset:		
Cost	1,778,061	–
Accumulated amortisation	(576,669)	–
Net carrying amount	1,201,392	–
Total property, plant and equipment	1,566,189	449,088

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Computer equipment $	Office equipment $	Leasehold improvements $	Right-of-use asset $	Total $
Consolidated Group:					
Balance at 1 July 2017	51,220	422,973	15,179	–	489,372
Additions	72,612	46,796	11,089	–	130,497
Depreciation expense	(69,457)	(96,978)	(4,346)	–	(170,781)
Balance at 30 June 2018	54,375	372,791	21,922	–	449,088
Adjustment on the initial application of AASB 16	–	–	–	1,778,061	1,778,061
Balance as at 1 July 2018	54,375	372,791	21,922	1,778,061	2,227,149
Additions	38,367	23,851	2,421	–	64,640
Depreciation expense	(59,890)	(84,279)	(4,761)	(576,669)	(725,600)
Balance at 30 June 2019	32,852	312,363	19,582	1,201,392	1,566,189

SECTION 3: CAPITAL STRUCTURE AND FINANCING

3.1 LOAN AND BORROWINGS

The Group's interest bearing loans and borrowings have been measured at amortised cost.

On 27 November 2018, the Group renewed its multi-option facility agreement with Westpac Banking Corporation, for a term of three years, maturing on 27 November 2021. The renewal saw an increase in the facility from $10.0 million to $20.0 million. The facility agreement was then amended on 23 April 2019 to increase the facility limit to $30.0 million.

There were no amounts drawn down under the facility at year end (2018: nil).

3.2 CAPITAL AND FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments and payable and derivatives.

Financial risk management policies

The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. This includes the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk consisting of interest rate risk and foreign currency risk. There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through internal procedures (such as the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

SECTION 3: CAPITAL STRUCTURE AND FINANCING *(continued)*

3.2 CAPITAL AND FINANCIAL RISK MANAGEMENT *(continued)*

Credit risk *(continued)*

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the Board has otherwise assessed as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.)

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period excluding the value of any collateral or other security held, is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position. Credit risk also arises through the provision of financial guarantees, as approved at board level, given to parties securing the liabilities of certain subsidiaries.

The Group has no significant concentrations of credit risk with any single counterparty or group of counterparties. However, the Group has significant credit risk exposures to Australia given the substantial operations in this region. Details with respect to credit risk of trade and other receivables are provided in Note 2.1.2a. The Group's exposure to credit risk is minimised given a significant portion of sales are paid for at the time of purchase.

Management has assessed that trade and other receivables that are not past due are considered to be of good credit rating. Aggregates of such amounts are detailed in Note 2.1.2a.

Cash and cash equivalents

Credit risk related to balances with banks and other financial institutions is managed by the Board.

The Group held cash and cash equivalents of $27,461,870 as at 30 June 2019 and $42,617,940 as at 30 June 2018. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A to AA-, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.

No impairment allowance was recognised on initial application of IFRS 9, as at 1 July 2018 and during FY19.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- using derivatives that are only traded in highly liquid markets;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial liability and financial asset maturity analysis

		WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
Consolidated Group	**Note**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**
Financial liabilities due for payment									
Trade and other payables	2.1.3a	(51,725,667)	(45,355,366)	-	-	-	-	(51,725,667)	(45,355,366)
Lease liability	2.1.3b	(556,702)	-	(692,293)	-	-	-	(1,248,995)	-
Total expected outflows		(52,282,369)	(45,355,366)	(692,293)	-	-	-	(52,974,662)	(45,355,366)
Financial assets – cash flows realisable									
Cash and cash equivalents		27,461,870	42,617,940	-	-	-	-	27,461,870	42,617,940
Trade, term and loan receivables	2.1.2a	5,365,362	4,999,536	-	-	-	-	5,365,362	4,999,536
Financial assets		382,691	572,708					382,691	572,708
Total anticipated inflows		33,209,923	48,190,184	-	-	-	-	33,209,923	48,190,184
Net (outflow)/inflow on financial instruments		(19,072,446)	2,834,818	(692,293)	-	-	-	(19,764,739)	2,834,818

Market risk

a. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings and cash and cash equivalents.

The balance of borrowings was fully repaid as at 30 June 2019.

b. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in the US dollar may impact on the Group's financial results unless those exposures are appropriately hedged.

Foreign currency transactions

Functional and presentation currency

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

SECTION 3: CAPITAL STRUCTURE AND FINANCING *(continued)*

3.2 CAPITAL AND FINANCIAL RISK MANAGEMENT *(continued)*

Foreign exchange forward contracts

The Group has open foreign exchange forward contracts at the end of the reporting period relating to highly probable forecast transactions and recognised financial assets and financial liabilities. These contracts commit the Group to buy and sell specified amounts of foreign currencies in the future at specified exchange rates. It is the Group's policy to manage pricing of its products (with the exception of ageing and obsolete inventory) according to specified target Gross Margins, rather than to sacrifice Gross Margin in order to drive sales volumes. In an environment in which the Australian dollar is declining, in particular relative to the United States dollar, the Group's ability to price Third-Party branded international products competitively in comparison with other Australian retailers deteriorates (to the extent that those retailers have not adjusted retail prices). As a result, lower volumes of Third-Party branded international products are generally sold during periods of sharp decline in the Australian dollar, leading to lower revenues in that product segment. The reverse occurs in periods in which there is a sharp increase in the Australian dollar, while there has historically been neutral revenue impact in periods in which the currency is relatively stable, whether that is at high or low levels.

The following table summarises the notional amounts of the Group's commitments in relation to foreign exchange forward contracts. The notional amounts do not represent amounts exchanged by the transaction counterparties and are therefore not a measure of the exposure of the Group through the use of these contracts.

		NOTIONAL AMOUNTS		AVERAGE EXCHANGE RATE	
Consolidated Group		**2019 $**	**2018 $**	**2019 $**	**2018 $**
Buy USD/sell AUD:					
Settlement	– less than 6 months	38,186,686	47,053,962	0.71	0.75
	– 6 months to 1 year	3,215,467	–	0.70	–

The fair value of foreign exchange contracts at 30 June 2019 totalled $382,691 (2018: $572,708).

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in exchange rates. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	CONSOLIDATED GROUP	
	Profit $	**Equity $**
Year ended 30 June 2019		
+/–10bps in foreign exchange rates	4,140,215	4,140,215
Year ended 30 June 2018		
+/–10bps in foreign exchange rates	4,705,396	4,705,396

The Group, through its hedging of foreign exchange using forward contracts, reduces its exposure to foreign exchange risk by locking in the exchange rate with the bank on deal date. Any movement in interest rates has been deemed to be immaterial.

Fair values

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value estimation

The carrying value of financial assets and financial liabilities are not materially different to their fair values.

Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint ventures as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Financial assets and financial liabilities at *fair value through profit or loss* (FVTPL) are initially recognised at fair value and thereafter carried at fair value.

a. Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

b. Financial assets/financial liabilities at fair value through profit or loss

Financial assets/financial liabilities relating to foreign exchange forward contracts are measured at fair value and fair value changes are recognised in profit or loss.

c. Financial liabilities at amortised cost

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss when the financial liability is derecognised.

Derivative instruments

The Group enters into forward contracts to manage the cash flow risk attached to inventory purchased in foreign currency. The Group has elected not to adopt hedge accounting, with any period movements in the fair value of the derivative contract taken to the income statement.

SECTION 3: CAPITAL STRUCTURE AND FINANCING *(continued)*

3.2 CAPITAL AND FINANCIAL RISK MANAGEMENT *(continued)*

Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- financial assets measured at FVTPL.

The Group measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions; or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and financials assets at FVTPL are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For financials assets at FVTPL, the loss allowance is charged to profit or loss.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The Group holds the following financial assets and financial liabilities at reporting date:

		CONSOLIDATED GROUP	
	Note	**2019 $**	**2018 $**
Financial assets			
Cash and cash equivalents		27,461,870	42,617,940
Financial assets at amortised cost			
– trade and other receivables	2.1.2a	5,365,362	4,999,536
Financial assets at fair value through profit or loss			
– foreign exchange forward contracts		382,691	572,708
Total financial assets		33,209,923	48,190,184
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	2.1.3a	51,725,667	45,355,366
– lease liability – current	2.1.3b	556,702	–
– lease liability – non-current	2.1.3b	692,293	–
Total financial liabilities		52,974,662	45,355,366

Fair value measurements

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- cash and cash equivalents; and
- foreign exchange forward contracts.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

a. Fair value hierarchy

AASB 9 *Financial Instruments* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

LEVEL 1	LEVEL 2	LEVEL 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

SECTION 3: CAPITAL STRUCTURE AND FINANCING *(continued)*

3.2 CAPITAL AND FINANCIAL RISK MANAGEMENT *(continued)*

Fair value measurements *(continued)*

Cash and cash equivalents are Level 1 measurements, whilst foreign exchange contracts are Level 2. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The fair value of foreign exchange contracts at 30 June 2019 totalled $382,691 (asset) (2018: $572,708 (asset). This represented the amount 'in the money' on outstanding forward foreign exchange contracts as at 30 June 2019.

b. Disclosed fair value measurements

The carrying amounts of assets and liabilities are the same as their carrying values.

The Group enters into forward exchange contracts to manage the foreign exchange risk attached to inventory purchased in foreign currency. The Group has elected not to adopt hedge accounting, with any period movements in the fair value of the derivative contract taken to the income statement.

The fair value of forward exchange contracts are determined using forward exchange rates at the balance sheet date.

3.3.1 ISSUED CAPITAL AND RESERVES

a. Ordinary Shares

	CONSOLIDATED GROUP			
	2019 $	**2018 $**	**2019 No.**	**2018 No.**
Fully paid Ordinary Shares	167,822,590	167,293,634	93,729,852	93,472,345
	167,822,590	167,293,634	93,729,852	93,472,345

Ordinary Shares participate in dividends and the proceeds on winding-up of the parent entity in proportion to the number of shares held. At the Shareholders' meetings each Ordinary Share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

b. Movements in ordinary share capital

Details	Date	Shares No.	Issue price	$
Balance	1 July 2016	343	$1.00	343
Shares cancelled as part of the Kogan purchase	7 July 2016	(343)	$-	-
Shares issued at IPO	7 July 2016	27,777,786	$1.80	50,000,015
Shares issued to senior managers under an IPO bonus schemes	7 July 2016	657,638	$1.80	1,183,749
Shares issued to the previous owners for the purchase of Kogan Operations Holdings Pty Ltd	7 July 2016	64,897,910	$1.80	116,816,238
Transaction cost arising on IPO offset against share capital, net of tax	7 July 2016	-	$-	(904,643)
Shares issued to eligible employees under an incentive plan	29 September 2016	3,247	$1.54	5,000
Balance	30 June 2017	93,336,581		167,100,702
Shares issued to eligible employees under an incentive plan	3 July 2017	128,357	$1.43	183,562
Shares issued to eligible employees under an incentive plan	8 March 2018	7,407	$1.27	9,370
Balance	30 June 2018	93,472,345		167,293,634
Shares issued to eligible employees under an incentive plan	6 July 2018	232,181	$1.66	386,227
Shares issued to eligible employees under an incentive plan	6 July 2018	3,613	$6.92	25,000
Shares issued to eligible employees under an incentive plan	28 February 2019	21,713	$5.42	117,729
Balance	30 June 2019	93,729,852		167,822,590

c. Merger reserve

The acquisition of Kogan Operations Holdings Pty Ltd by Kogan.com Ltd has been treated as a common control transaction at book value for accounting purposes, and no fair value adjustments have been made. Consequently, the difference between the fair value of issued capital and the book value of net assets acquired is recorded within a merger reserve of $131,816,250.

d. Performance Rights reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the Ordinary Shares at the date at which they are granted. The fair value is determined using a discounted cash flow valuation model, taking into account the terms and conditions upon which the equity instruments were granted, as discussed in Note 5.2.

e. Capital management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

SECTION 3: CAPITAL STRUCTURE AND FINANCING *(continued)*

3.3.1 ISSUED CAPITAL AND RESERVES *(continued)*

e. Capital management *(continued)*

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

3.3.2 DIVIDENDS

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
Dividends paid during the year	11,433,723	10,000,750
	11,433,723	10,000,750

a. Ordinary Shares

Recognition and measurement

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

The final 2019 dividend has not been declared at the reporting date and therefore is not reflected in the consolidated financial statements for the year ended 30 June 2019 and will be recognised in subsequent financial reports.

Dividends	**2019 Final**	**2019 Interim**	**2018 Final**	**2018 Interim**
Dividend per share (in cents)	8.2	6.1	6.1	6.9
Franking percentage	100%	100%	100%	100%
Payment date	14 October 2019	8 May 2019	7 September 2018	13 March 2018
Dividend record date	27 August 2019	23 April 2019	24 August 2018	1 March 2018

b. Franking credits

The franking account balance as at 30 June 2019 is $15,992,910 (2018: $10,698,661).

3.4 EARNINGS PER SHARE

a. Basic earnings per share

	CONSOLIDATED GROUP	
	2019	**2018**
Net profit for the reporting period	17,201,226	14,110,993
Adjustments to reflect dividends paid	–	–
Net profit for the reporting period used in calculating EPS	17,201,226	14,110,993
Weighted average number of Ordinary Shares of the entity	93,712,226	93,466,568
Basic earnings per share	**0.18**	**0.15**

b. Diluted earnings per share

	CONSOLIDATED GROUP	
	2019	**2018**
Net profit for the reporting period	17,201,226	14,110,993
Weighted average number of Ordinary Shares of the entity – diluted		
Weighted average number of Ordinary Shares of the entity on issue	93,712,226	93,466,568
Adjustments to reflect potential dilution for Performance Rights	1,637,166	1,247,616
Diluted weighted average number of Ordinary Shares of the entity	95,349,392	94,714,184
Diluted earnings per share	**0.18**	**0.15**

SECTION 4: GROUP STRUCTURE

4.1 CONTROLLED ENTITIES

a. Information about Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of Ordinary Shares or, in the case of Kogan Technologies Unit Trust, ordinary units, which are held directly by the Group. Kogan.com Holdings Pty Ltd is the Trustee of the Kogan Technologies Unit Trust. The Trustee and the Trust are wholly-owned entities within the Group. The proportion of ownership interests held equal the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

		OWNERSHIP INTEREST HELD BY THE GROUP	
Name of Subsidiary	**Principal Place of Business**	**2019 %**	**2018 %**
Kogan Mobile Operations Pty Ltd (formerly Kogan Mobile Australia Pty Ltd)	Australia	100	100
Kogan Mobile Pty Ltd	Australia	100	100
Kogan Australia Pty Ltd	Australia	100	100
Kogan International Holdings Pty Ltd	Australia	100	100
Kogan HK Limited	Hong Kong	100	100
Kogan HR Pty Ltd	Australia	100	100
Kogan Travel Pty Ltd	Australia	100	100
Dick Smith IP Holdings Pty Ltd (formerly Kogan Technologies UK Pty Ltd)	Australia	100	100
Online Business Number 1 Pty Ltd	Australia	100	100
Kogan Technologies Unit Trust	Australia	100	100
Kogan.com Holdings Pty Ltd	Australia	100	100
Kogan Operations Holdings Pty Ltd	Australia	100	100
Kogan US Trading Inc	United States	100	–
Kogan Superannuation Pty Ltd	Australia	100	–

b. Significant restrictions

There are no significant restrictions over the Group's ability to access or use assets, and settle liabilities, of the Group.

SECTION 4: GROUP STRUCTURE *(continued)*

4.2 DEED OF CROSS GUARANTEE

A deed of cross guarantee between Kogan.com Ltd and its entities listed above was enacted during the financial year and relief was obtained from preparing individual financial statements for the Group under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. Under the deed, Kogan.com Ltd guarantees to support the liabilities and obligations of its subsidiaries listed above. As its entities are a party to the deed the income statement and balance sheet information of the combined class-ordered group is equivalent to the consolidated information presented in this financial report.

4.3 PARENT ENTITY DISCLOSURES

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2019 $	**2018 $**
Statement of Financial Position		
ASSETS		
Current assets	39,931,162	36,121,929
TOTAL ASSETS	39,931,162	36,121,929
LIABILITIES		
Current liabilities	52,440	–
TOTAL LIABILITIES	52,440	–
NET ASSETS	39,878,722	36,121,929
EQUITY		
Issued capital	36,005,997	35,477,041
Performance Rights reserve	1,827,823	1,123,496
Dividends	(11,433,723)	(10,000,750)
Retained earnings	13,478,625	9,522,142
TOTAL EQUITY	39,878,722	36,121,929
Statement of Profit or Loss and Other Comprehensive Income		
Total profit	1,557,232	(599,661)
Total comprehensive income	1,557,232	(599,661)

The parent did not have any material contingent liabilities at period end (2018: $nil).

4.4 RELATED PARTIES

a. The Group's main related parties are as follows:

(i) Entities exercising control over the Group:

The ultimate parent entity that exercised control over the Group at year-end was Kogan.com Ltd, which is incorporated in Australia.

(ii) Key Management Personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity, are considered Key Management Personnel (refer to 5.1)

(iii) Entities subject to significant influence by the Group:

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement. There are no such entities at year end (2018: nil).

(iv) Other related parties:

Other related parties include entities controlled by the ultimate parent entity and entities over which Key Management Personnel have joint control.

b. Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Kogan Australia Pty Ltd entered into a Logistic Services Agreement with eStore Logistics Pty Ltd ("eStore"), in a prior financial period, in relation to the provision of warehousing, distribution and logistics services by eStore to Kogan Australia. Ruslan Kogan is a minority Shareholder and Director of eStore. The agreement was entered into on arm's length terms.

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
Purchases from eStore warehousing	10,605,444	9,734,113
Amounts payable to eStore as at 30 June	843,673	450,177

SECTION 5: TEAM MEMBER REWARD AND RECOGNITION

5.1 KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Ruslan Kogan and David Shafer are subject to employment contracts with base salaries of $385,000 and $330,000, respectively, plus superannuation. The Board may invite Ruslan Kogan and David Shafer to participate in Kogan.com's incentive programs.

The annual Independent Non-Executive Directors' fees paid or payable to Greg Ridder, Harry Debney, and Michael Hirschowitz for FY19 is $185,000, $110,000 and $95,000, respectively.

Movement in shares

The movement during the reporting period in the number of Ordinary Shares in Kogan.com held, directly, indirectly or beneficially, by each KMP, including their related parties, is as follows:

Executive KMP

	Held at 1 July 2018	Received on exercise of rights	Shares purchased	Shares sold	Held at 30 June 2019
Ruslan Kogan	29,405,926	–	–	(4,501,465)	24,904,461
David Shafer	11,292,223	–	–	(1,748,535)	9,543,688

Non-Executive Directors

	Held at 1 July 2018	Received on exercise of rights	Share purchased	Shares sold	Held at 30 June 2019
Greg Ridder	152,500	–	8,000	–	160,500
Harry Debney	245,198	–	–	–	245,198
Michael Hirschowitz	–	–	30,070	–	30,070

SECTION 5: TEAM MEMBER REWARD AND RECOGNITION *(continued)*

5.2 INCENTIVE PLANS

Kogan.com Ltd has adopted an Equity Incentive Plan (EIP) to assist in the motivation and retention of management and selected team members.

The Group has established incentive arrangements subsequent to listing on the ASX to assist in the attraction, motivation and retention of the executive team and other selected team members. To align the interests of its team members and the goals of the Group, the Directors have decided the remuneration packages of the executive team and other selected team members will consist of the following components:

- fixed remuneration (inclusive of superannuation); and
- equity based long-term incentives.

The Group has established the EIP, which is designed to align the interests of eligible team members more closely with the interests of Shareholders in the ASX listed entity post 7 July 2016. Under the EIP, eligible team members may be offered Restricted Shares, Options or Rights which may be subject to vesting conditions. The Group may offer additional long-term incentive schemes to senior management and other employees over time.

Short term incentives (STI) – cash based

The following table outlines the significant aspects of the STI.

Purpose of STI plan	Provide a link between remuneration and both short term Company and individual performance. Create sustainable shareholder value. Reward individual for their contribution to the success of the Group. Actively encourage team members to take more ownership over the EBITDA.
Eligibility	Offers of cash incentive may be made to any team member of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of cash incentive under the STI.
Calculation & Target	The actual EBITDA of Kogan.com shall exceed the management forecast for the full financial year (after payment of the STI). 25% of the outperformance will be allocated to a 'bonus pool'. The 'bonus pool' will then be shared in cash bonuses among a number of team members in fixed proportions.
Maximum opportunity	The maximum payable is 25% of the outperformance and 35% of the team member's annual salary.
Performance conditions	Outperformance of the actual EBITDA. Continuation of employment.
Why were the performance condition chosen	To achieve successful and sustainable financial business outcomes as well as any annual objectives that drive short-term and long-term business success and sustainability.
Performance period	1 July 2018 to 30 June 2019.
Timing of assessment	July 2019, following the completion of the 30 June 2019 accounts.
Form of payment	Paid in cash.
Board discretion	Targets are reviewed annually and the Board has discretion to adapt appropriately to take into account exceptional items.

Long term incentives (LTI) – Equity Incentive Plan (EIP)

The following table outlines the significant aspects of the current LTI.

Consideration	Nil.
Eligibility	Offers of Incentive Securities may be made to any team member of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of incentive Shares under the EIP.
Amount payable & Entitlement	No amount is payable upon the exercise of a Performance Right that has vested, with each Performance Right entitling the holder to one fully paid Ordinary Share on exercise.
Service condition on vesting	Individuals must be employed by the Group at the time of vesting, and not be in their notice period.
Restrictions on dealing	Shares allocated upon exercise of Performance Rights will rank equally with all existing Ordinary Shares from the date of issue (subject only to the requirements of Kogan's Securities Trading Policy).

Upon vesting, there will be no disposal restrictions placed on the Shares issued to participants (subject only to the requirements of Kogan.com's Securities Trading Policy).

Recognition and measurement

a. Equity-settled transactions

The charge related to equity-settled transactions with team members is measured by reference to the fair value of the equity instruments at the date they are granted, using an appropriate valuation model selected according to the terms and conditions of the grant. The fair value is determined using a discounted cash flow valuation model. Judgement is applied in determining the most appropriate valuation model and in determining the inputs to the model. Third-party experts are engaged to advise in this area where necessary. Judgements are also applied in relation to estimations of the number of rights which are expected to vest, by reference to historic leaver rates and expected outcomes under relevant performance conditions.

The Group issues equity-settled share-based payments to certain team members, whereby team members render services in exchange for Shares or Rights over Shares of the Parent Company.

Equity-settled awards are measured at fair value at the date of grant. The cost of these transactions are recognised in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income and credited to equity on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest. The level of vesting is reviewed annually and the charge adjusted to reflect actual and estimated levels of vesting.

Where an equity-settled share-based payment scheme is modified during the vesting period, an additional charge is recognised over the remainder of that vesting period to the extent that the fair value of the revised scheme at the modification date exceeds the fair value of the original scheme at the modification date. Where the fair value of the revised scheme does not exceed the fair value of the original scheme, the Group continues to recognise the charge required under the conditions of the original scheme. Individuals must be employed by the Group at the time of vesting, and not in their notice period, to be entitled to the equity incentives.

b. Cash-settled transactions

The amount payable to team members in respect of cash-settled share-based payments is recognised as an expense, with a corresponding increase in liabilities, over the period which the team members become unconditionally entitled to the payment. The liability is measured at each reporting date and at settlement date based on the fair value, with any changes in the liability being recognised in profit or loss.

c. Expense recognised in profit or loss

During the period the Group recognised a share-based payment expense of $1,208,283 (2018: $1,099,330) which relates to Performance Rights granted during the year or in previous years.

The Group has not recognised any expense in relation to cash based short term incentives in 2019 (2018: $762,064).

SECTION 5: TEAM MEMBER REWARD AND RECOGNITION *(continued)*

5.2 INCENTIVE PLANS *(continued)*

Incentive Plans inputs

Long term incentives (LTI) – Equity

The following inputs were used in the measurement of the fair values of Performance Rights issued, at grant date:

	LONG TERM INCENTIVE PLANS			
Grant Dates	**29 July 2016**	**29 September 2016**	**20 December 2016**	**20 December 2016**
Number	495,140	178,573	1,451,856	37,037
Fair value at grant date	$583,727	$237,500	$1,516,224	$42,029
Share price at grant date	$1.49	$1.52	$1.34	$1.34
Rights life	1 to 5 years	1 to 5 years	3 & 4 years	1 to 5 years
Vesting dates	30 Jun 2017	30 Jun 2017	31 Dec 2019	31 Dec 2017
	30 Jun 2018	30 Jun 2018	31 Dec 2020	31 Dec 2018
	30 Jun 2019	30 Jun 2019		31 Dec 2019
	30 Jun 2020	30 Jun 2020		31 Dec 2020
	30 Jun 2021	30 Jun 2021		31 Dec 2021
Dividend yield	5.2%	5.1%	5.7%	5.7%

	LONG TERM INCENTIVE PLANS			
Grant Dates	**29 June 2017**	**29 June 2017**	**29 June 2017**	**29 June 2017**
Number	436,365	12,121	18,182	212,121
Fair value at grant date	$617,699	$17,667	$27,295	$290,244
Share price at grant date	$1.70	$1.70	$1.70	$1.70
Rights life	1 to 5 years	1 to 4 years	1 to 3 years	3 & 4 years
Vesting dates	30 Jun 2018	30 Jun 2018	30 Jun 2018	30 Jun 2020
	30 Jun 2019	30 Jun 2019	30 Jun 2019	30 Jun 2021
	30 Jun 2020	30 Jun 2020	30 Jun 2020	
	30 Jun 2021	30 Jun 2021		
	30 Jun 2022			
Dividend yield	6.3%	6.3%	6.3%	6.3%

	LONG TERM INCENTIVE PLANS			
Grant Dates	**22 December 2017**	**22 December 2017**	**6 April 2018**	**28 June 2018**
Number	55,633	30,810	18,013	21,708
Fair value at grant date	$324,011	$182,256	$151,273	$140,203
Share price at grant date	$6.20	$6.20	$8.60	$6.76
Rights life	1 to 4 years	1 to 5 years	1 to 5 years	1 to 4 years
Vesting dates	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2019
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2020
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2021
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2022
		30 Jun 2022	31 Dec 2022	
Dividend yield	2.1%	2.1%	1.5%	1.9%

	LONG TERM INCENTIVE PLANS			
Grant Dates	**25 September 2018**	**25 September 2018**	**27 February 2019**	**27 February 2019**
Number	4,259	3,388	10,491	15,152
Fair value at grant date	$24,489	$19,427	$42,908	$23,837
Share price at grant date	$5.83	$5.83	$4.09	$4.09
Rights life	1 year	1 to 2 years	1 to 3 years	1 to 2 years
Vesting dates	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2020
		30 Jun 2020	31 Dec 2020	30 Jun 2021
			31 Dec 2021	
Dividend yield	1.1%	1.1%	0.0%	0.0%

Reconciliation of outstanding Performance Rights

The following table details the total movement in Performance Rights issued by the Group during the year:

	LONG TERM INCENTIVE PLANS	
	Performance Rights	
	No. 2019	**No. 2019**
Outstanding at beginning of period	2,716,885	2,809,450
Granted during the period	33,290	145,395
Exercised during the period	(253,894)	(135,764)
Forfeited during the period	(153,911)	(102,196)
Expired during the period	–	–
Outstanding at the end of the period	2,342,370	2,716,885
Exercisable at the end of the period	229,360	232,181

SECTION 6: OTHER

6.1 SUBSEQUENT EVENTS

Dividends

The Directors have declared a final dividend of 8.2 cents per Ordinary Share, fully franked. The record date of the dividend is 27 August 2019 and the dividend will be paid on 14 October 2019. The dividend was not determined until 20 August 2019 and accordingly no provision has been recognised as at 30 June 2019.

6.2 REMUNERATION OF AUDITORS

	CONSOLIDATED GROUP	
	2019 $	**2018 $**
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	236,988	207,093
– other advisory services (including R&D tax)	96,027	101,622
	333,015	308,715

6.3 CAPITAL AND LEASING COMMITMENTS

Kogan.com Ltd early adopted AASB 16 *Leases* with an initial application date of 1 July 2018. The entity applied the modified retrospective transition method. Please refer to Note 6.4 for initial application impact and the nature of the Leases policy change.

The Group disclosed the maturity analysis of lease liabilities in Note 2.1.3b.

6.4 INITIAL APPLICATION OF AASB 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS,* AASB 9 *FINANCIAL INSTRUMENTS* & AASB 16 *LEASES*

a. AASB 15 *Revenue from Contracts with Customers*

The Group adopted AASB 15 *Revenue from Contracts with Customers* from 1 July 2018.

The effect of applying these standards is mainly attributed to the following:

- defer the recognition of revenue from extended care.
- recognise the revenue from Kogan Travel on a net basis.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces AASB 118 *Revenue,* AASB 111 *Construction Contracts* and related interpretations.

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for FY18 has not been restated – i.e. it is presented, as previously reported under AASB 118, AASB 111 and related interpretations.

The following table summarises the impact, net of tax, of transition to AASB 15 on retained earnings at 1 July 2018.

Retained Earnings	Impact of adopting AASB 15 at 1 July 2018
Extended care	(3,902,089)
Kogan Travel	–
Impact at 1 July 2018	(3,902,089)

The following tables summarise the impacts of adopting AASB 15 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated income statement and consolidated statement of comprehensive income for the twelve months then ended for each line items affected. There was no material impact on Group's consolidated statement of cash flows for the twelve month period ended 30 June 2019.

Impact on the consolidated statement of financial position

	Amounts without adoption of AASB 15	AASB 15 adjustment	As reported 30 June 2019
ASSETS			
Non-current assets			
Deferred tax assets	510,532	963,247	1,473,779
Total assets	**510,532**	**963,247**	**1,473,779**
LIABILITIES			
Current liabilities			
Deferred income	5,732,980	2,000,303	7,733,283
Non-current liabilities			
Deferred income	426	1,210,521	1,210,947
Total liabilities	**5,733,406**	**3,210,824**	**8,944,230**
EQUITY			
Retained earnings	17,338,526	(3,902,089)	13,436,437
Total equity	**17,338,526**	**(3,902,089)**	**13,436,437**

Impact on the consolidated income statement and consolidated statement of other comprehensive income as at 30 June 2019

	Amounts without adoption of AASB 15	AASB 15 adjustment	As reported 30 June 2019
Revenue	441,800,066	(2,793,326)	438,699,586
Cost of sales	(353,507,428)	5,156,915	(348,043,359)
Gross Profit	88,292,638	2,363,589	90,656,227
Income tax expense	(5,493,126)	(709,077)	(6,202,203)
Net profit for the period attributable to the owners of the Company	15,546,714	1,654,512	17,201,226

SECTION 6: OTHER *(continued)*

6.4 INITIAL APPLICATION OF AASB 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS,* AASB 9 *FINANCIAL INSTRUMENTS* & AASB 16 *LEASES* *(continued)*

a. AASB 15 *Revenue from Contracts with Customers* *(continued)*

The details of new significant accounting policies and the nature of the changes to previous accounting policies in relations to the Group's various goods and services are set out below.

Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

Type of product or service	Nature, timing of satisfaction of performance obligations, significant payment terms	Nature of change in accounting policy
Extended care	Kogan.com provides two types of care, a standard care of 12 months and an extended care. Under AASB 15, the Group considers the extended care provided beyond 12 months to be a distinct service. The customers obtain control of the extended care once the standard care 12 month period is over. Under AASB 15 the Group recognises the extended care revenue in deferred income and revenue is recognised over the care period on a straight-line basis once the standard care period is over.	Under AASB 118, revenue from the extended care was recognised when a reasonable estimate of the outcome from the transactions could be made and when it was probable that the economic benefits from those transactions would flow to the Group. A reasonable estimate of revenue and probability of economic benefits flowing to the Group could be determined at the time of the sale and revenue was recognised at that point in time. Revenue from the extended care was recognised monthly, in the month the extended care were sold. The outcome from the transactions was recognised in full throughout the year. Under AASB 15, the impact of the changes above is an increase in the deferred income liability from extended care. The revenue recognition for all extended care is deferred by 12 months and recorded on straight-line basis over the extended care period. In March 2019 Kogan.com on-sold to a Syndicate Underwriter at Lloyd's of London all extended warranties sold from 1 July 2018. The revenue from the sale was recognised at the time of sale.
Kogan Travel	AASB 15 clarified the principal versus agent considerations. Under AASB 15, Kogan's performance obligation is to arrange for Kogan Travel suppliers to provide and organise the travel deals sold on the kogantravel.com website. The Group is considered an agent in this transaction. The Group therefore recorded its revenues as the net amount it retains as a commission.	Under AASB 118, revenue for Kogan Travel was recognised on a gross basis. Following the clarifications from AASB 15, it was determined that revenue would be recorded on a net basis and that the Group was an agent. The impact of these changes is a reduction in revenue and cost of sale for Kogan Travel by the same amount. The net impact on profit and loss was nil.

b. AASB 9 *Financial Instruments*

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. However, it eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

Further, the Group has adopted the expected loss method under AASB 9, where a financial asset is deemed to be impaired and will include an impairment allowance if the credit risk has increased significantly and if the loan is credit-impaired. Under AASB 139, a financial asset was deemed impaired if there was objective evidence of impairment as a result of one or more events (a "loss event") having occurred.

The effect of adopting AASB 9 on the classification of financial assets and liabilities is as follows (there were no impact on the carrying amounts of the financial assets and liabilities):

	Original classification under AASB 139	**New classification under AASB 9**
Financial assets		
Foreign exchange forward contracts	Held-for-trading	Mandatorily at FVTPL
Trade and other receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial liabilities		
Trade payables	Other financial liabilities	Other financial liabilities

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies.

c. AASB 16 *Leases*

The Group early adopted AASB 16 *Leases* from 1 July 2018.

The effect of applying these standards is mainly attributed to the following:

- recognise a right-of-use asset and lease liability.
- reduce the lease liability by the amount of actual lease principal repayments and interest expenses.
- amortise the right-of use asset over the remaining lease period.
- principal repayment of the lease liability is included in financing activities.

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The previous accounting model for leases required lessees and lessors to classify their leases as either finances leases or operating leases and account for those two types of leases differently.

The Group has early adopted AASB 16 using the modified retrospective method with practical expedients, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for FY18 has not been restated – i.e. it is presented, as previously reported under AASB 117 *Leases* and related interpretations. The Group has applied the relief provisions in AASB 16.C3 (b) and has not reviewed contracts under the definition of a lease in AASB 16, which were not classified as leases under AASB 117.

There was no impact, on transition to AASB 16 on retained earnings at 1 July 2018. The Half-Year Report for the six months ended 31 December 2018 did not reflect the impact of the early adoption of AASB 16 *Leases*.

Reconciliation of lease liabilities

Minimum lease payments under operating leases as at 30 June 2018	**1,871,506**
Effect from discounting at the borrowing rate as at 1 July 2018	(93,445)
Liabilities from leases as at 1 July 2018	**1,778,061**

The lease liabilities were discounted at the borrowing rate as at 1 July 2018. The weighted average discount rate was 3.15%.

The following tables summarise the impacts of adopting AASB 16 on the Group's consolidated statement of financial position as at 30 June 2019 and its consolidated income statement and consolidated statement of comprehensive income and consolidated statement of cash flows for the twelve months then ended for each line items affected.

SECTION 6: OTHER *(continued)*

6.4 INITIAL APPLICATION OF AASB 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*, AASB 9 *FINANCIAL INSTRUMENTS* & AASB 16 *LEASES* *(continued)*

c. AASB 16 *Leases* *(continued)*

Impact on the consolidated statement of financial position

	Amounts without adoption of AASB 16	AASB 16 adjustment	As reported 30 June 2019
ASSETS			
Non-current assets			
Right of use lease assets	–	1,201,392	1,201,392
Deferred tax assets	1,459,498	14,281	1,473,779
Total assets	1,459,498	1,215,673	2,675,171
LIABILITIES			
Current liabilities			
Lease liability	–	556,702	556,702
Non-current liabilities			
Lease liability	–	692,293	692,293
Total liabilities	–	1,248,995	1,248,995

Impact on the consolidated income statement and consolidated statement of other comprehensive income as at 30 June 2019

	Amounts without adoption of AASB 16	AASB 16 adjustment	As reported 30 June 2019
Administrative expenses	(28,192,094)	(701)	(28,192,795)
Finance costs	(547,533)	(46,902)	(594,435)
Impact on profit before income tax	23,451,023	(47,603)	23,403,429
Income tax expense	(6,216,484)	14,281	(6,202,203)
Net profit for the period attributable to the owners of the Company	**17,234,548**	**(33,322)**	**17,201,226**

Impact on the consolidated statement of cash flows

	Amounts without adoption of AASB 16	AASB 16 adjustment	As reported 30 June 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees	(489,752,171)	575,968	(489,176,203)
Net cash provided by/(used in) operating activities	(489,752,171)	575,968	(489,176,203)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability	–	(575,968)	(575,968)
Net cash provided by/(used in) financing activities	–	(575,968)	(575,968)
Net increase/(decrease) in cash held	**(15,156,070)**	**–**	**(15,156,070)**

The details of new significant accounting policies and the nature of the changes to previous accounting policies in relations to the Group's leases are set out below.

Type of Lease	Policy prior to early adoption of AASB 16	Nature of change in accounting policy
Property	Under AASB 117, lease payments for operating leases, where all the risks and benefits substantially remain with the lessor, were recognised as expenses in the periods in which they are incurred. Lease incentives under operating leases were recognised as a liability and amortised on a straight-line basis over the lease term.	At inception, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use (ROU) asset at the commencement date. The ROU is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, less any lease incentive received. The ROU is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU is subject to testing for impairment if there is an indicator for impairment. On initial adoption of AASB 16, the Group has adjusted the right-of-use assets as at the date of initial application. The lease liability is measured at the present value of the fixed lease payments net of cash lease incentives that are not paid at the balance date. Lease payments are apportioned between the finance charges and reduction of the lease liability using the borrowing rate as per our facility agreement to achieve a constant rate of interest on the remaining balance of the liability. Lease payments for the building exclude service fees and other costs.

6.5 CONTINGENT LIABILITIES

An entity within the Group is subject to a lawsuit by the ACCC. It is not possible to reasonably predict the outcome of this matter, accordingly, no provision is recorded.

As at 30 June 2019, the Group had bank guarantees amounting to $1.2 million with Westpac Banking Corporation in relation to its ordinary course of business.

6.6 COMPANY INFORMATION

The registered office of the Company is:

Kogan.com Ltd
Level 7
330 Collins Street
Melbourne VIC 3000

The principal place of business is:

Kogan.com Ltd
139 Gladstone Street
South Melbourne VIC 3205

DIRECTORS' DECLARATION

1 In the opinion of the Directors of Kogan.com Ltd ('the Company'):

(a) the consolidated financial statements and notes that are set out on pages 34 to 75 and the Remuneration report in sections 25 to 32 in the Directors' report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance and its cash flows, for the financial year ended on that date; and

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

2 There are reasonable grounds to believe that the Company and the group entities identified in Note 4.1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3 The Directors draw attention to the Basis of Preparation note to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

4 This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2019.

Signed in accordance with a resolution of the Directors:

David Shafer
Director

Melbourne, 25 September 2019

Independent Auditor's Report

To the shareholders of Kogan.com Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Kogan.com Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated income statement and consolidated statement of other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of Kogan.com Ltd (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

KPMG

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition
- Valuation of inventory
- Provisions for warranties and sales returns

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition (AUD $438.7m)

Refer to Note 1.1 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Revenue recognition is a key audit matter due to the significant audit effort to test the: • High volume of sale of goods transactions recorded as revenue and the significant value of revenue recognised; • Group's judgement related to determining the timing of revenue recognition driven by the unique conditions, in each arrangement for the variety of services offered by the Group, such as Kogan Travel, Kogan Mobile, Kogan Insurance and Kogan Marketplace; and • Judgement to assess the Group's recognition basis as a principal on a gross basis or an agent on a net of costs paid basis using the relevant terms of the underlying contract against the requirements of the accounting standard. On 1 July 2018, AASB 15 Revenue from Contracts with Customers ('AASB 15') became effective for the Group. Assessing revenue recognition, measurement and disclosures due to the adoption of AASB 15 required significant audit effort across each revenue stream and contract type.	Our procedures included: • Evaluating the appropriateness of the Group's revenue recognition policies against the requirements of the accounting standard; • Testing key controls related to the sale of goods and rendering of services, including approval of revenue rates and matching of invoices to delivery documents; • Developing an expectation of the current year revenue by using cash receipts from customers and comparing with the Group's recorded revenue; • For a sample of sale of goods that were sold and service income that was earned before and after year end, we performed procedures to ascertain that revenue was recorded in the correct period; • For a sample of sale of goods and service income, we verified the transactions to the respective invoices and cash received from the customer in the bank statement; • Analysing the revenue recognition requirements for accurate presentation in terms of gross or net presentation, in the financial statements; • Analysing the relevant terms for a sample of the underlying contracts across each revenue stream to the criteria in the accounting standards, those in the Group's policy, and against what the Group identified as performance obligations; and • Assessing the new disclosures relating to the adoption of AASB 15 against the requirements of the accounting standards.

KPMG

Valuation of inventory (AUD $75.9m)	
Refer to Note 2.1.1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group sells high volumes of private label and third party branded products. In valuing inventory at the lower of cost and net realisable value, there are factors subject to judgement or estimation including: • Consideration of market and consumer factors that could impact the Group's ability to sell certain inventory items at profitable margins, such as seasonality of demand, changing consumer preferences, and obsolescence due to technological or product change (particularly relevant to electronic products); and • Establishing a provision for slow moving inventory based on relevant factors such as inventory ageing and inventory turnover. We identified the valuation of inventory as a key audit matter due to the significant audit effort arising from the subjective nature and level of judgement involved in determining the level of provisioning.	Our procedures included: • Analysing the level of inventory by ageing categories for each product type, including movements in ageing categories compared to prior periods, in order to highlight products or categories at higher risk of impairment; • Obtaining an understanding of how the inventory system computes ageing, and assessed the accuracy of inventory ageing by comparing the inventory receipt date for a sample of purchases to underlying documentation such as supplier invoices; • Comparing product unit cost to most recent sales price information for a sample of products in order to identify inventory that may not be able to be sold above cost; and • Assessing the Group's inventory provision, based on the ageing of product category and other relevant factors such as those identified above, for consistency with the Group's established accounting policy and accounting standards.

Provisions for warranties and sales returns (AUD $0.7m)	
Refer to Note 1.1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
It is the Group's policy that: • Sales are recorded at the time when goods are shipped to customers based on the price specified in the sales contract; and • Estimated costs associated with warranties and returns are recorded at the time when the sale is recognised based on historical claim and return experience. At year-end, provisions for expected warranty claims and sales returns which have been	Our procedures included: • Assessing historical product warranty claim and sales returns profiles and trends, and compared this historical data to what was used in the Group's year-end provision; • Comparing the warranty claims and sales returns recorded subsequent to 30 June 2019 to the year-end composition for consistency; • Challenging the use of historical data as the best estimate for expected future warranty claims and

incurred and not yet paid are estimated by the Group. We identified these provisions as a key audit matter as there is a risk the year-end provision is not representative of the underlying warranty and sales return profile taking into account factors such as changes in the product mix, or specific product quality or performance issues. Significant audit effort is required to respond to this risk.	sales returns. We did this by inquiring with the Group and inspecting relevant reports to understand any specific product quality issues which arose during the year which may impact the year-end provision; and • Assessing the Group's provision determination for consistency with the Group's established accounting policy and accounting standards.

Other Information

Other Information is financial and non-financial information in Kogan.com Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Kogan.com Ltd for the year ended 30 June 2019, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 25 to 32 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Simon Dubois

Partner

Melbourne

25 September 2019

SHAREHOLDER INFORMATION

The Shareholder information set out below was applicable as at 6 September 2019.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

A. NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

93,959,212 fully paid ordinary shares are held by 8,732 individual shareholders.

All issued ordinary shares carry one vote per share and the rights to dividends.

Performance Rights

2,174,207 performance rights are held by 51 individuals.

All performance rights are unvested and do not carry a right to vote.

B. DISTRIBUTION OF EQUITY SECURITY

	Fully paid ordinary shares	Performance Rights
1 – 1000	5,169	–
1,001 – 5,000	2,675	11
5,001 – 10,000	543	12
10,001 – 100,000	315	24
100,001 and over	30	4
	8,732	51
Holding less than a marketable parcel	257	–

C. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

Name	Units	% units
Kogan Management Pty Ltd <The Ruslan Tech A/C>	20,797,522	22.13
HSBC Custody Nominees (Australia) Limited	16,104,404	17.14
National Nominees Limited	8,267,218	8.80
Shafer Corporation Pty Ltd <The Shafer Family A/C>	8,098,236	8.62
J P Morgan Nominees Australia Pty Limited	7,705,240	8.20
Citicorp Nominees Pty Limited	4,354,438	4.63
Sandhurst Trustees Ltd <Endeavor Asset Mgmt MDA A/C>	1,480,889	1.58
HSBC Custody Nominees (Australia) Limited – A/C 2	1,377,978	1.47
BNP Paribas Noms Pty Ltd <DRP>	763,845	0.81
National Nominees Limited <DB A/C>	489,444	0.52
Aust Executor Trustees Ltd <GFFD>	475,854	0.51
Mr Goran Stefkovski	424,572	0.45
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	293,973	0.31
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	265,305	0.28
Mr Richard Ewan Bromley Mews + Mrs Wee Khoon Mews <Mews Superannuation Fund A/C>	243,609	0.26
BNP Paribas Nominees Pty Ltd <IOOF Invmt Mngt Ltd DRP>	225,000	0.24
CS Fourth Nominees Pty Limited <HSBC Cust Nom Au Ltd 11 A/C>	218,334	0.23
CS Third Nominees Pty Limited <HSBC Cust Nom Au Ltd 13 A/C>	214,421	0.23
Mr Matthew Brendan Ryland	208,000	0.22
Sun & Moon International Pty Ltd <Sun & Moon Super Fund A/C>	188,437	0.20
Total	**72,196,719**	**76.84**
Total Remaining Holders Balance	**21,762,493**	**23.16**

D. SUBSTANTIAL SECURITY HOLDERS

The Company has received the following substantial holder notices from shareholders who hold relevant interest in the Company's Ordinary Shares as at 6 September 2019:

Disclosed Holder	Number of Shares held at time of notice	% of Issued Capital disclosed at time of notice
Ruslan Kogan and Kogan Management Pty Ltd as Trustee for The Ruslan Tech Trust	21,132,522	22.49%
David Shafer and Shafer Corporation Pty Ltd as Trustee for the Shafer Family Trust	8,098,236	8.62%
Challenger Limited	7,167,002	7.65%
Greencape Capital Pty Ltd	7,167,002	7.65%

E. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

Ordinary Shares

Each Share is entitled to one vote when poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Performance Rights

All Performance Rights are unvested and do not carry a right to vote.

F. STOCK EXCHANGE LISTING

Quotation has been granted for all of the Ordinary Shares of the Company on all Member Exchanges of the ASX Limited.

G. UNQUOTED SECURITIES

2,174,207 performance rights held by 51 holders.

H. SECURITIES SUBJECT TO VOLUNTARY ESCROW

There are no securities subject to voluntary escrow.

I. ON MARKET BUY-BACK

There is currently no on market buy-back.

CORPORATE DIRECTORY

COMPANY SECRETARY

Mark Licciardo, Mertons Corporate Services

PRINCIPAL REGISTERED OFFICE

KOGAN.COM LTD

C/ – Mertons Corporate Services
7/330 Collins Street
Melbourne VIC 3000

+61 3 8689 9997

PRINCIPAL PLACE OF BUSINESS

KOGAN.COM LTD

139 Gladstone Street
South Melbourne VIC 3205

+61 3 6285 8572

LOCATION OF SHARE REGISTRY

COMPUTERSHARE

Yarra Falls
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STOCK EXCHANGE LISTING

Kogan.com Ltd (KGN) shares are listed on the ASX.

AUDITORS

KPMG

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