kogan.com

Annual Report 2016

$3.9 million
EBITDA

$10.9 million
YOY REVENUE GROWTH

Kogan.com Limited listed on the Australian Stock Exchange on 7 July 2016. In FY16 we delivered:

116.7%
YOY EBITDA GROWTH

Contents

Kogan.com Limited ACN 612 447 293

SUCCESSFUL LAUNCH OF DICK SMITH

Chairman's Letter

Dear shareholder,

On behalf of the directors of Kogan.com Limited ("Kogan.com")[1], it is my pleasure to present the company's annual report for the year ended 30 June 2016 ("FY16"). Your company's strong financial performance during the year highlights the significant opportunity for Kogan.com as a leader in the growing online retail market.

Kogan.com listed on the Australian Securities Exchange (ASX) on 7 July 2016 to raise funds to accelerate growth. Prior to listing, Kogan.com acquired Kogan Operations Holdings Pty Ltd ("Kogan Group"). On all key metrics, Kogan Group has exceeded forecasts made in the Kogan.com replacement Prospectus dated 24 June 2016.

Kogan Group delivered statutory total revenue of $211.2 million, exceeding prospectus forecasts by 5.0%. Statutory EBITDA of $3.9 million reflects both revenue growth and gross margin expansion. After adjusting for the impact of one-off costs related to the IPO, pro forma EBITDA was $4.0 million, up 37.9% on the prospectus forecasts. Pro forma NPAT was $0.8 million, exceeding the prospectus forecast by 100%.

These results reflect the significant work undertaken by the Kogan.com team to grow your company's active customer and subscriber base – both organically and via expansion strategies. During the 2016 financial year, the team successfully acquired and integrated the Dick Smith online business and continued to expand your company's reach into vertical categories including Kogan Mobile and Kogan Travel.

These carefully-executed growth initiatives, combined with significant investment in back-end systems and automation, have allowed Kogan.com to deliver a strong maiden result for shareholders.

The Australian online retail market has grown rapidly, but remains underpenetrated compared to other developed economies. Euromonitor estimates that the Australian online retail market was valued at $17 billion in CY2015, and is forecast to grow at a compound annual growth rate (CAGR) of 11.5% to CY2019. Key structural drivers of growth include a significant shift in consumer preferences; ongoing technological innovation; enhancing user experience; and increasing internet usage and download speeds.

The Board is confident in Kogan.com's growth strategy and believes that the business has a strong platform from which to expand. Kogan.com's growth initiatives are designed to support its vision to be Australia's premier online retail destination through leveraging its core business strengths.

Management's first priority is to bed down existing growth initiatives to ensure the continued profitable expansion of Kogan Mobile and Kogan Travel and an increasing contribution from Dick Smith.

The majority of funds raised from Kogan.com's recent IPO are being invested in accelerating the company's growth strategy, including investment in new private label products and marketing.

Over the medium term, your company will also assess new business verticals that can scale with the Kogan community and potential industry consolidation opportunities.

On behalf of the Board, I would like to congratulate the entire Kogan.com team on delivering a strong financial result. In the months since my appointment to the Board, I have observed a team with a strong culture that values analytics, innovation and high levels of personal accountability. I would also like to thank my fellow directors Ruslan Kogan, David Shafer and Harry Debney for their contribution and collaboration.

Finally, thank you to our fellow shareholders who have recognised the achievements of Kogan.com under private ownership and invested in its future success and growth as a listed company. We look forward to delivering continued growth for shareholders as the company pursues its growth plans.

Yours sincerely

Greg Ridder
Chairman

Note

(1) References to Kogan.com in this annual report refer to the Kogan Group of entities that were held by Kogan Operations Holdings Pty Ltd which was then acquired by Kogan.com Ltd prior to listing on 7 July 2016. Refer to note 6.1 to the financial statements for further detail.

CEO's Report

The team remains focused on profitable growth and is motivated by the investments we are now able to make.

This financial year marks a major milestone in Kogan.com's decade-long history as we set out to raise capital for future growth via an initial public offering (IPO). We are very conscious that our accountability now extends to our shareholders, however our core focus remains the same: we are a challenger brand that stands for price leadership through digital efficiency. Our goal is to make in-demand products and services more affordable and accessible.

When I founded Kogan.com in 2006, the product range was limited to two private label televisions. Today the business boasts tens of thousands of products from leading household brands and an expanding suite of our own Private Label products. Consumers also turn to Kogan for market-leading offerings in mobile phone plans and travel packages.

The way people buy goods and services in Australia has undergone significant change in the past decade. It's a wave of change that continues with great momentum and we are proud to continue playing a leading role in that change.

With a strong balance sheet post IPO, Kogan.com is looking forward to making investments in the future growth of this business to the benefit of all shareholders.

STRONG GROWTH

Kogan.com delivered strong growth on all metrics during FY16. Reported revenue was $211.2 million, outperforming our prospectus forecasts by $10.1 million (5.0%).

Our successful launch of Dick Smith on 4 May delivered sales of $6.5 million in under two months. We are very pleased by this performance and proud of the team's ability to have Dick Smith re-launched ahead of our original schedule.

The acquisition of Dick Smith's online assets was opportunistic and the Kogan.com prospectus included no forward forecasts or assumptions about how that business would perform. It is still early days for us, but we are pleased by the top line contribution from dicksmith.com.au since its relaunch and the additional operating leverage we are generating via this channel.

Excluding Dick Smith, Kogan.com still outperformed prospectus forecasts by $3.6 million in revenue, with third party domestic sales delivering faster than expected growth and contributing to higher margins.

Today, almost one in every six Australians is a subscriber to one of our websites. Kogan.com had 3.7 million active subscribers at 30 June 2016, up 60.8% in the six months to 30 June 2016. Excluding the impact of Dick Smith, subscriber numbers achieved 26.1% growth over the same period. Active customer numbers were up 13.0% in total in the six months to 30 June 2016, and 8.2% organically, demonstrating the strength of the Kogan.com brand.

OPERATING LEVERAGE

Kogan.com delivered pro forma EBITDA of $4 million for the year, up 37.9% on our prospectus forecast and up 150.0% on last year. Our strong EBITDA performance reflects both sales growth and gross margin expansion.

Our gross margin for the financial year was 15.5%, bolstered by an increase in third party domestic sales (which operate at higher margins) and investments in systems, proprietary technology and logistics that were made prior to Kogan.com's listing. Approximately 48.0% of Kogan.com's overhead cost base is predominantly fixed, providing the company with significant operating leverage as we continue to scale.

The hard work undertaken by the team to implement SAP has delivered efficiencies in time and cost via automation, improved reporting and business insights.

NEW VERTICALS

Our new verticals – Kogan Travel and Kogan Mobile – together delivered $5.3 million in gross sales for the year, exceeding management's expectations.

Both of these channels are relatively new, but we did have a full-year contribution from Travel, which launched in May 2015 and delivered gross sales of $4.8 million, up 11.6% on forecasts. Kogan Travel markets affordable holidays online, leveraging and growing our subscriber base.

Kogan Mobile launched in October 2015 and delivered $0.5 million in sales for the eight months of the financial year that it was operational, outperforming prospectus by 25.0%. Kogan Mobile's gross sales are commission-based, so they reflect 100% gross margin.

Management remains motivated by the opportunities to continue to scale these recently-launched businesses into FY17 and beyond.

We made the right purchasing decisions driven by customer insights and analytics.

GROWTH FOCUS

Kogan.com was severely capital constrained during FY16, but we were able to deliver top line growth because we made the right purchasing decisions driven by customer insights and analytics. With the support of our shareholders, we have moved into the new financial year with a strong balance sheet to fund our growth ambitions.

We are continuing to build on and personalise our product range (including delivering on Private Label demand) and our marketing efforts. As an analytics-driven business, our aim is to fulfil on existing demand, not create it. This means, it's our role to ensure our fans are seeing the right products, at the right price point, at the right time.

IPO proceeds are progressively being deployed into Private Label products that meet our strict demand requirements. Kogan and Ovela are probably our best known brands, but we believe there are significant opportunities to grow our product range in other categories.

We also plan to invest in third party branded domestic inventory to meet increasing demand from our rapidly growing subscriber base. We will continue to use digital marketing to support our brand partners, drive repeat purchasing behaviour and build the Kogan.com community. The performance of the Third Party Domestic product division has exceeded our expectations and demonstrates the increased propensity of third party brands to choose Kogan.com as an online retail channel partner. Our ability to talk to over 3.7 million Aussie consumers provides a compelling platform for immediate consumer engagement.

The team remains focused on profitable growth and is motivated by the investments we are now able to make. We believe that incredible teams build incredible things and we are excited by the opportunities to continue building on Kogan.com's success together.

Ruslan Kogan
CEO

ORGANISATIONAL OVERVIEW & BUSINESS MODEL

ABOUT US

Founded in 2006, Kogan.com is Australia's leading pure play online retail website, having grown organically, through the strength of the "Kogan" brand, to generate more traffic, according to Alexa Internet, and Google search queries than any other Australian pure play online retail website.

In 2006, Founder and CEO Ruslan Kogan established a supply chain which 'cut out the middle men' to source consumer electronics products directly from international contract manufacturers. Sourced directly and sold online, Kogan.com was able to offer these products at lower price points than equivalent products sold by Australian bricks and mortar retailers. David Shafer, CFO and COO, became a business partner in 2010, joining the business full time to focus on driving further growth.

On 7 July 2016, Kogan.com embarked on its next stage of growth, listing on the ASX (refer to note 6.1).

BUSINESS MODEL

Kogan.com believes that it is part of a 'Next Generation' of online retailers who are evolving the online retail format beyond its origins as a disruptive, low-cost distribution platform. Kogan.com aims to deliver price leadership across products and services with established high consumer demand through technology-driven efficiency.

We delivered value in FY16 through:

DATA DRIVEN CULTURE	BEST-IN-CLASS SERVICE & TECHNOLOGY	COMPELLING OFFERING
Revenue growth through precision purchasing, even while capital constrained. Active customer and subscriber growth, despite suppressed marketing budget. Improved digital efficiency: • SAP (ERP) roll-out and optimisations; • Streamlining of supply chain; and • Automation initiatives.	Increased automation driving faster dispatch and improved customer experience. Focus on personalisation and precision marketing. Scalable web infrastructure enabling rapid integration of Dick Smith.	Continual improvement of consumer offering, servicing known consumer demand through: • Growth of Private Label range and brands; • New Third Party brands; and • Launch and growth of New Verticals, Kogan Mobile and Kogan Travel.

Kogan.com's growth over the past 10 years has been supported by a large and highly-engaged user base, the Kogan Community. In the six months to June 2016, the business achieved solid growth in Active Subscribers and Active Customers, excluding Dick Smith, of 600,000 (26.1%) and 51,000 (8.2%), respectively.

Table 1.1 Active Subscribers and Active Customers

	DEC-15	JUN-16		
	Kogan	Kogan	Dick Smith	Total unique
Active subscribers	2.3m	2.9m	1.2m	3.7m
Active customers	621,000	672,000	32,000 (88.2% New)	702,000

OPERATIONS

Kogan.com earns the majority of its revenue and profit through the sale of goods to Australian consumers. Its offering comprises products released under Kogan.com's in-house brands, such as Kogan and Ovela ("Private Label Products"), and products sourced from third party brands such as Apple, Canon, Samsung, HTC and Swann ("Third Party Branded Products").

Kogan.com management analyses the sale of products using three divisions:

- Private Label;
- Third Party International: third party branded products sourced from the international wholesale market; and
- Third Party Domestic: third party branded products sourced domestically from Australian and international third party brands, where Kogan.com works in partnership with the brand, or an agent of the brand, to feature its products.

Kogan.com launched two new verticals in CY2015. Kogan Travel offers travel packages and hotel and cruise bookings online, while Kogan Mobile offers prepaid mobile phone plans online, in partnership with Vodafone Hutchison Australia Pty Ltd ("Vodafone").

In April 2016, Kogan.com acquired the Dick Smith assets, which includes the "Dick Smith" brand name, associated domain names, the DSE private label brand and Dick Smith's database. Dick Smith was successfully integrated into the business and launched on 4 May 2016. Dick Smith achieved revenue of $6.5 million in FY16 and is delivering operating leverage into the business via additional revenues from the existing operating cost base.

PERFORMANCE REVIEW & OUTLOOK

RESULTS SUMMARY

PRO FORMA RESULTS

Pro Forma results are provided for the financial year ended 30 June 2016 to allow shareholders to make a meaningful comparison with the Pro Forma Prospectus forecast and to make an assessment of the Group's performance as a listed company. Pro Forma adjustments have been made on a consistent basis with those made in the Prospectus. A reconciliation of the pro forma results to the statutory results is provided in Table 1.3 provided in this section. Refer to Table 1.9 for an explanation of non IFRS financial measures used throughout this report.

Figure 1.1 Pro Forma results

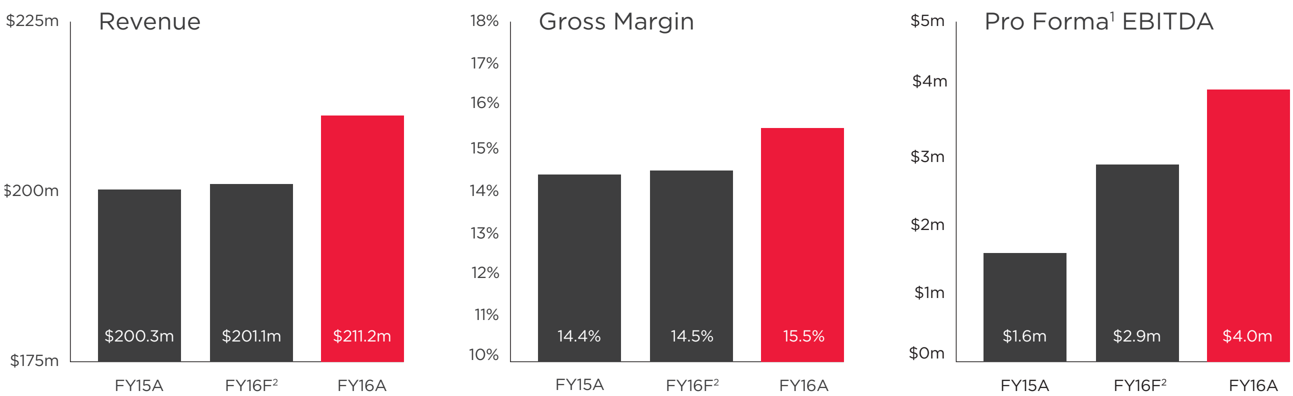


Table 1.2 Pro Forma results versus forecast – FY16

	Pro forma forecast	Pro forma actual	
$m	**FY2016**	**FY2016**	**Variance**
Revenue	**201.1**	**211.2**	5.0%
Cost of sales	(171.9)	(178.5)	3.8%
Gross Profit	**29.2**	**32.7**	12.0%
Gross Margin (%)	*14.5%*	*15.5%*	6.9%
Operating costs	(26.3)	(28.7)	9.1%
EBITDA	**2.9**	**4.0**	37.9%
EBITDA Margin (%)	*1.4%*	*1.9%*	35.7%
EBIT	**0.7**	**1.6**	128.6%
Profit before tax	**0.7**	**1.5**	114.3%
NPAT	**0.4**	**0.8**	100.0%

+ve/-ve NPAT impact

FY16 PRO FORMA RESULTS VERSUS PROSPECTUS FORECAST

Revenue

Revenue was $10.1 million above forecast, of which Dick Smith represented $6.5 million. Third Party Domestic was a key out-performance area of the business, in addition to new verticals Kogan Mobile and Kogan Travel performing well. Kogan Mobile and Kogan Travel Gross Sales out-performed forecast by 25.0% and 11.6%, respectively.

Gross margin

Gross margin exceeded the Prospectus forecast of 14.5% by 6.9%. The increase in gross margin was largely driven by mix change with Third Party Domestic sales representing 24.2% of product Gross sales compared to a forecast of 18.4%.

EBITDA

Approximately 48.0% of the overhead cost base is predominantly fixed, resulting in an increased EBITDA margin against forecast. The business is successfully optimising SAP to improve regular reporting in order to enable faster and better decision-making by management. Efficiencies gained from the optimisation of SAP have also led to automation across various operational functions, improving customer experience, reducing error and costs.

Table 1.3 Reconciliation of Statutory to Pro Forma results

$m	FY16 Statutory	Transaction Costs[1]	Pro Forma Costs[2]	FY16 Pro Forma
Revenue	**211.2**	**–**	**–**	**211.2**
Cost of sales	(178.5)	–	–	(178.5)
Gross profit after freight	**32.7**	**–**	**–**	**32.7**
Gross margin after freight (%)	*15.5%*	–	–	*15.5%*
Operating costs	(28.8)	1.1	(1.1)	(28.7)
EBITDA	**3.9**	**1.1**	**(1.1)**	**4.0**
EBITDA Margin (%)	*1.9%*	–	–	*1.9%*
EBIT	**1.5**	**1.1**	**(1.1)**	**1.6**
Profit before tax	**1.4**	**1.1**	**(1.1)**	**1.5**

Notes:

(1) Transaction costs comprise one-off IPO related costs recorded in FY16 are added back to reconcile to the Prospectus Pro Forma forecast.

(2) Consistent with the Prospectus, pro-forma listed entity costs including Director fees; senior management salaries; the cost of obtaining company secretarial and investor relations services; and other public company costs.

STATUTORY RESULTS

Table 1.4 Statutory results for FY16 versus FY15

$m	2016 Statutory	2015 Statutory	Variance
Revenue	211.2	200.3	5.4%
Cost of sales	(178.5)	(171.4)	4.1%
Gross profit	**32.7**	**28.9**	13.1%
Operating costs	(31.1)	(27.5)	13.1%
Results from operating activities	**1.6**	**1.3**	23.1%
Net finance costs	(0.2)	(1.0)	80.0%
Profit before income tax	**1.4**	**0.3**	366.7%
Net profit/(loss) for the year	**0.8**	**(0.1)**	**n/a**
EBITDA	**3.9**	**1.8**	116.7%

+ve/-ve NPAT impact

Statutory performance versus prior year

Revenue increased by 5.4% year on year driven by:

- growth in Third Party Domestic revenue;
- launch of new verticals Kogan Travel (May 2015) and Kogan Mobile (October 2015); and
- launch of Dick Smith on 4 May 2016.

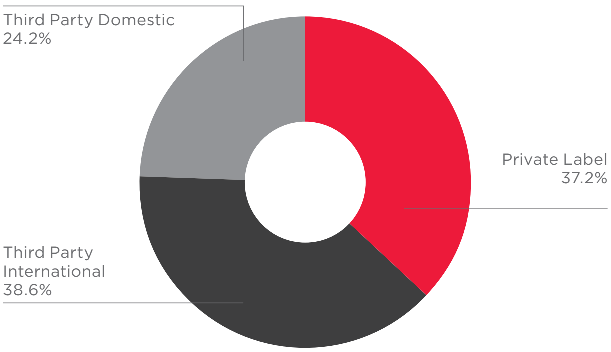
The mix shift towards Third Party Domestic products, which have ~3x higher gross margins than Third Party International products, partially offset by discounting in 1H FY16 to clear aged inventory from the initial SAP implementation issues, drove the increase in gross margin of 7.6% year on year.

The increase in EBITDA was primarily driven by growth in revenue and gross margin. In addition, there was a reduction in marketing expenditure to conserve cash, and lower people costs as a result of efficiencies and automation achieved following the SAP implementation. This was partially offset by higher warehousing costs, driven by an increase in volumes and Third Party Domestic revenue.

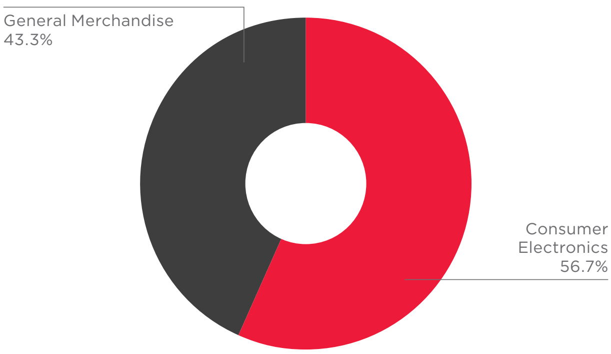
PRODUCT DIVISION AND NEW VERTICALS INFORMATION

Figure 1.2 Product division Gross Sales

Gross Sales Mix By Product Division (Excluding New Verticals)



Private Label Product Gross Sales Mix



Third Party Domestic was a key out-performance area of the business, as additional brands joined Kogan.com and the range was expanded, with Third Party Domestic sales representing 24.2% of product Gross Sales compared to a forecast of 18.4%. With margins ~3x Third Party International, Third Party Domestic growth has a positive impact on overall gross margin.

Table 1.5 New Verticals Gross Sales

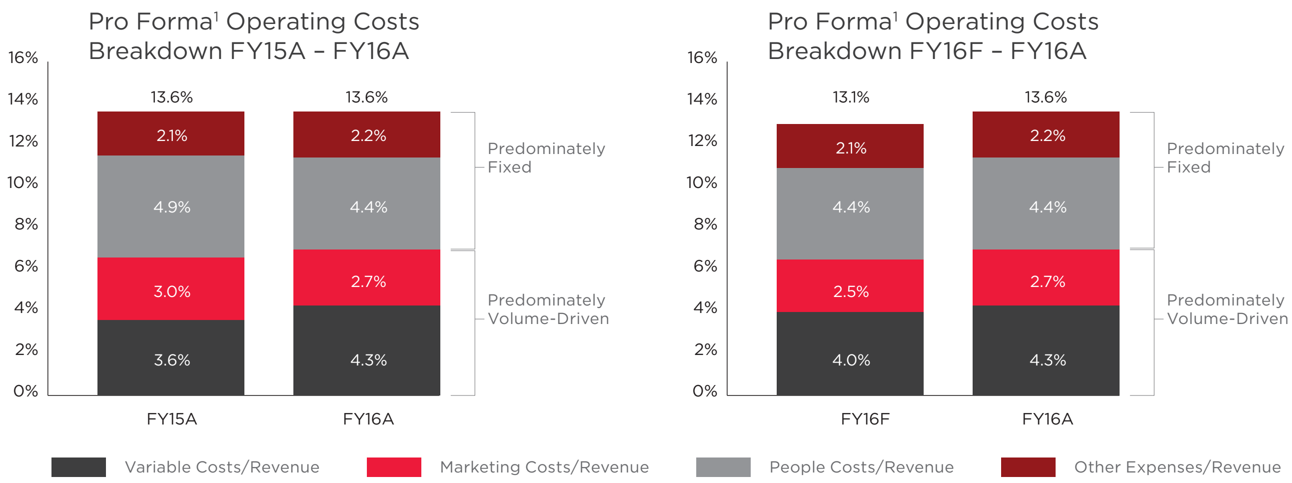
$m	FY16 Forecast	FY16 Actual	Variance $m	%
Kogan Travel	4.3	4.8	0.5	11.6%
Kogan Mobile	0.4	0.5	0.1	25.0%
Gross sales	**4.7**	**5.3**	**0.6**	**12.8%**

Kogan Travel was launched in May 2015 to market affordable travel and holidays online through the existing and new customer base. Kogan Travel successfully outperformed FY16 forecast as a result of compelling deals to a variety of destinations.

Kogan Mobile was launched in October 2015 to offer affordable pre-paid mobile plans and is continuing to grow at a steady pace with new customer acquisitions and repeat customers exceeding forecast.

OPERATING COSTS

Figure 1.3 Pro Forma Operating costs as % of revenue – FY16 versus Prospectus forecast and FY15



Pro Forma operating costs as a % of revenue were flat on the prior year at 13.6%, albeit the split between cost categories varied year on year. Pro Forma FY16 operating costs as a % of revenue were ahead of the forecast level by 0.5 percentage points, primarily driven by a mix shift. Whilst gross margins on Third Party Domestic products are ~3x higher than Third Party International, out-performance against forecast revenue leads to marginally higher operating costs.

STATEMENT OF FINANCIAL POSITION

Table 1.6 Summary net assets at 30 June 2016 and 30 June 2015

$m	30-Jun-16	30-Jun-15
Current assets	26.9	28.6
Non-current assets	5.5	3.2
Total assets	**32.4**	**31.8**
Current liabilities	(25.3)	(22.5)
Non-current liabilities	(0.0)	(0.5)
Total liabilities	**(25.4)**	**(23.1)**
Net assets	**7.1**	**8.7**

Net assets decreased by $1.6 million largely driven by increased trade payables, and a decrease in inventory as a result of cash constraints, partially offset by an increase in intangible assets following the Dick Smith acquisition and a reduction in borrowings.

NET DEBT

Table 1.7 Net debt at 30 June 2016 and 30 June 2015

$m	30-Jun-16	30-Jun-15
Total borrowings	4.9	8.1
Less cash and cash equivalents	(1.8)	(0.4)
Net debt	**3.1**	**7.7**

Net debt at 30 June 2016 was $4.6 million lower than the prior year. In November 2015, the Group reduced its banking facilities from $9 million to $5.5 million, which reduced the level of debt in the business. On 31 May 2015, the Group signed a new multi-option facility agreement with Westpac Banking Corporation, maturing on 31 May 2019. The Facility includes a Cash Advance Facility, Trade Finance Facility and LC Facility with a total limit of $10.0 million.

Pro Forma net debt at 30 June 2016 was $2.6 million compared to the Prospectus assumed level prior to listing of $4.0 million. The Group received approximately $35 million in cash (prior to offer costs) from the IPO on 7 July 2016.

CASH FLOWS

Table 1.8 Statutory cash flow FY16

$m	FY16 statutory	FY15 statutory
EBITDA	**3.9**	**1.8**
Change in net working capital	8.1	(4.2)
Operating cash flow before capital expenditure	**12.0**	**(2.4)**
Purchase of PP&E	(0.0)	(0.8)
Purchase of the Dick Smith Assets	(2.7)	–
Investment in intangibles	(1.7)	(2.8)
Cash flow before financing and taxation	**7.6**	**(5.9)**
Operating cash flow conversion	**307.7%**	**n/a**

The business generated $12.0 million of operating cash flow before capital expenditure in FY16, resulting in an operating cash conversion ratio of 307.7%, driven by a reduction in net working capital. Working capital reduced by $8.1 million in FY16, predominantly driven by an increase in trade payables as a result of improved payment terms negotiated with some Private Label suppliers, and a decrease in inventory due to cash constraints experienced during FY16, which were subsequently relieved by the receipt of IPO proceeds (refer to note 6.1) on 7 July 2016.

OUTLOOK

The Group has started the new financial year well and preparations are at an advanced stage for the peak Christmas trading season. The Group intends to make further investments in Private Label and Third Party Domestic product divisions, as well as continuing to invest in marketing and technology.

With released capital constraints, the Group expects FY17 to show:

- accelerated growth of the active customer base;
- increased value from the investment in SAP and automation;
- increased operating leverage (as demonstrated in late FY16 by Dick Smith);
- Private Label growth;
- continued aggressive growth of Third Party Domestic; and
- continued growth of new verticals, Kogan Travel and Kogan Mobile.

NON IFRS MEASURES

Throughout this report, Kogan.com has included certain non-IFRS financial information, including EBITDA, Gross Sales and Net Debt. 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 1.9 Non-IFRS measures

EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBIT	Earnings before interest and tax.
Gross Sales	Gross Sales represents sales on a cash basis and prior to cancellations and refunds. Gross Sales is a key measure which management uses to track financial performance and to make management decisions at a product group level. In respect of commission based sales generated under Kogan Mobile and part of Kogan Travel, Gross Sales represents only the commission received by the company, and not the gross transaction value paid by consumers.
Net Debt	Loans and borrowings less cash and cash equivalents.
Operating cash flow conversion	Operating cash conversion is calculated as operating cash flow before capital expenditure/EBITDA.

STRATEGY, RISKS AND OPPORTUNITIES

STRATEGY

Kogan.com's growth initiatives are designed to support its vision to become Australia's premier online retail destination through leveraging its core business strengths.

Kogan.com's corporate strategy involves a number of initiatives aimed at sustaining long-term growth, which include:

- Continued growth in Kogan Mobile and Kogan Travel;
- Growth in contribution from Dick Smith;
- Investment in Private Label;
- Continued growth in Third Party Domestic;
- Building the Kogan Community;
- Launch of additional business verticals; and
- Selective and opportunistic M&A.

PRIVATE LABEL STRATEGY

Following the IPO, the business has sufficient funds to invest in Private Label. IPO proceeds are being deployed into products for which there is proven demand, with the benefits expected to be realised from the second quarter of FY17.

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.

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.

TOPIC	SUMMARY
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.
Stagnation or decline in the Australian Online Retail Market	Growth in the Australian Online Retail Market is expected to be driven partly by the migration of customers from traditional retail formats to Online Retail platforms.
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.
Changes in customer preferences or trading patterns	There is a risk that Kogan.com fails to anticipate and adapt to changing consumer preferences in a timely manner. While Kogan.com undertakes rigorous demand analysis in relation to product launches and ordering, the products available on Kogan.com's websites must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to change.
Inventory management	In order to operate its business successfully, Kogan.com must maintain sufficient inventory and also avoid the accumulation of excess inventory. Kogan.com holds inventory for its business, particularly in relation to its Private Label Products and Third Party Branded Domestic Products. Kogan.com relies on its data analytics and inventory management system to manage its stock levels relative to forecast stock purchases.
Key supplier, service provider and counterparty factors	Kogan.com's ability to offer a wide variety of brands, services, categories and product types, including both Private Label Products and Third Party Branded Products, is a key contributor to the appeal of its business to customers. 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 SAP 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 Private Label Products. While Kogan.com employs dedicated engineers 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.

TOPIC	SUMMARY
Reputational product sourcing factors	The Kogan.com portfolio of Private Label 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 technology and inventory obsolescence	Technology changes could drive a change in the level of demand for certain products and, in particular, Consumer Electronics products. The rate of technology changes, such as a lower rate of new product development, could adversely impact Kogan.com's financial and operational performance in the future. Rapid changes in technology are a key driver of demand for new products in certain segments in which Kogan.com operates.
Intellectual property infringement claims against Kogan.com	Other parties may develop and patent substantially similar or substitutable products, processes, or technologies as those used by Kogan.com. In addition, other parties may allege that Kogan.com's Private Label Products incorporate intellectual property derived from third parties without their permission. Kogan.com seeks to mitigate this risk in a number of ways, including by endeavouring to obtain warranties from its manufacturers and suppliers that Private Label Products do not infringe on third parties' intellectual property and undertaking intellectual property searches. No individual Private Label product is material to Kogan.com.
Inadvertent sale of infringing Third Party Branded Products	Kogan.com can offer no assurances that Third Party Branded Products will not attempt to infringe rights associated with other products sold by other third parties.
Changes in GST and other equivalent taxes	Changes in local indirect tax, such as the goods and services tax in Australia ("**GST**"), and duty treatment of any of the markets in which Kogan.com operates, could have an impact on the sales of imported brands.

Directors' Report

The directors of Kogan Operations Holdings Pty Ltd and its controlled entities ("the Group") present their report together with the financial report of the Group for the financial year ended 30 June 2016.

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

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 acting as Kogan.com's company secretary. Mark's qualifications and experience are set out later in this report.

PRINCIPAL ACTIVITIES

Kogan.com is Australia's leading pure play online retail website. The principal activities of the Group during the year ended 30 June 2016 were the online sale of goods and services in Australia, New Zealand and various other geographies. The Group earns the majority of its revenue and profit through the sale of goods to Australian consumers.

An operating and financial review of the Group during the financial year and the results of these operations are contained on pages 4 to 14 of this report.

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

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 8 June 2016, Kogan.com Ltd entered into a sale agreement with the Existing Owners, pursuant to which the Existing Owners agreed to sell all of their shares in Kogan Operations Holdings Pty Ltd (the parent entity of the Kogan Group) to Kogan.com Ltd on settlement of the Initial Public Offering prior to the listing on the ASX of Kogan.com Ltd, which took place on 7 July 2016. The aggregate consideration paid by Kogan.com Ltd for the Kogan Operations Holdings Pty Ltd shares under the Sale Agreement was $131,816,250. In preparation for listing Kogan.com Ltd acquired all of the issued shares in Kogan Operations Holdings Pty Ltd prior to listing on 7 July 2016.

The consideration was paid by way of $15,000,012 in cash (payable out of the Offer Proceeds) and the issuance of 64,897,910 Shares (representing a value of $116,816,238 based on the Offer Price).

The cash consideration payable by Kogan.com Limited to the Existing Owners was allocated 50% to Ruslan Kogan's shareholder entity and 50% to David Shafer's shareholder entity, with the balance by way of the issuance of Shares.

The Initial Public Offering resulted in the issuance of 27.8 million Shares at an issue price of $1.80 per share, which raised a total of $50m in cash proceeds (prior to issue costs), plus 0.7 million shares were issued to certain senior managers (excluding Ruslan Kogan and David Shafer) for nil consideration. After payment of the cash proceeds to the Existing Owners as detailed above, $35 million in cash (prior to issue costs) was retained in the business to repay existing external debt and fund growth in the group's operations as detailed in prospectus disclosures.

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 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

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIVIDEND POLICY

The Directors have no current intention to declare and pay a dividend. It is the Directors' current intention to reinvest cash flows generated in future in the further growth of Kogan.com. During the year distributions totalling $2.5 million were paid to the Existing Owners of the Group prior to IPO. Kogan.com Ltd has not paid or declared any dividends during or since the end of 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 to ensure they did not adversely affect the integrity and objectivity of the auditor; and
- the nature of the 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 2016:

	$
IPO related advisory services including due diligence, taxation and remuneration	515,816
Other advisory services (including R&D tax)	213,216
	729,032

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 23 of the financial 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, Greg 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. Greg is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions.

Greg 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. Greg 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 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
- Member of the Remuneration and Nomination 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

Board Committee membership

- Chairman 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 the founder and Managing Director of Mertons Corporate Services. A former company secretary of Top 50 ASX listed companies Transurban Group and Australian Foundation Investment Company Limited, his expertise includes working with boards of directors in the areas of corporate governance, administration and company secretarial.

Mr Licciardo is also the former Chairman of the Governance Institute of Australia (GIA) Victoria division and Melbourne Fringe Festival and a current non-executive director of a number of public and private companies.

MEETINGS OF DIRECTORS

As the Group listed on the ASX on 7 July 2016, subsequent to the end of the financial year, no meetings of Directors (including committees of Directors) were held during the financial year.

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.

REMUNERATION REPORT

INTRODUCTION

The directors are pleased to present the FY16 Remuneration Report, outlining the Board's approach to the remuneration for key management personnel (KMP).

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.

DIRECTOR	POSITION HELD
GREG RIDDER	Chairman, Non-executive Director
RUSLAN KOGAN	Chief Executive Officer and Executive Director
DAVID SHAFER	Chief Financial Officer and Chief Operating Officer and Executive Director
HARRY DEBNEY	Non-executive Director

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 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 Company's performance and objectives, employment conditions and external remuneration relativities.

The information in this report has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

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 employees;
- 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, member 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.

Kogan.com has not engaged remuneration consultants for their services as at the date of this report.

REMUNERATION OVERVIEW FOR FY16 AND OUTLOOK FOR FY17

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. Distributions paid in FY16 and FY15 are disclosed in the notes to the Financial Statements.

Subsequent to Listing, Ruslan Kogan and David Shafer entered into employment contracts with base salaries, exclusive of superannuation at 9.5%, of $350,000 and $300,000, respectively. Ruslan Kogan and David Shafer are subject to notice periods on termination of employment by either the individual or Kogan.com of 12 months and 6 months, respectively. Additionally, Ruslan Kogan and David Shafer are subject to restraint of trade periods of 12 months and 6 months, respectively, during which time neither can 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 usual legal requirements.

The Board may invite Ruslan Kogan and David Shafer to participate in Kogan.com's incentive programs, but as at the date of this report, neither has been granted any additional incentives under Kogan.com's incentive programs.

In FY17, the Non-executive Directors' fees, inclusive of superannuation, to be paid to Greg Ridder (as Chairman) and to Harry Debney are $160,000 and $85,000, respectively. Non-executive Directors did not receive remuneration for any services provided in FY16 (FY15: nil). Non-executive Directors are not eligible to participate in Kogan.com's incentive programs. 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.

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 employees. To align the interests of its employees and the goals of the Group, the Directors have decided the remuneration packages of the executive team and other selected employees will consist of the following components:

- Fixed remuneration (inclusive of superannuation); and
- Equity based long-term incentives.

The Group has established an Equity Incentive Plan (EIP), which is designed to align the interests of eligible employees more closely with the interests of Shareholders in the listed entity post 7 July (refer to note 6.1 to the Financial Statements). Under the EIP, eligible employees 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.

Following the successful listing on 7 July 2016, certain senior management and other employees received one-off bonuses in the form of shares. The aggregate amount of bonuses is $1,183,750 worth of shares at the offer price of $1.80. This offer made to relevant employees was for nil consideration and the shares vested immediately. No Directors received an IPO bonus.

INTERESTS OF DIRECTORS

The interests of each director upon listing on 7 July 2016 up to the date of signing this report, held directly, indirectly or beneficially, including their related parties, were as follows:

Table 2.0 Interests of Directors

	% ownership 30 June 2016	Number of shares held post IPO on 7 July 2016
Greg Ridder	–	111,110
Ruslan Kogan	70%	47,095,205
David Shafer	30%	17,802,705
Harry Debney	–	222,221

PERFORMANCE RIGHTS UNDER THE EQUITY INCENTIVE PLAN (EIP)

Kogan.com has adopted the EIP in order to assist in the motivation and retention of senior management and other selected employees of Kogan.com. The EIP is designed to align the interests of eligible employees more closely with the interests of Shareholders, by providing an opportunity for eligible employees to receive an equity interest in Kogan.com. Current grants under Kogan.com's long-term incentive plan are shown below.

Grant date	29 July 2016
Number and exercise price	495,140 performance rights over unissued Shares (worth approximately $891,250 based on the Offer Price), with nil exercise price. For each performance right that vests, the holder will be issued one Share.
Consideration	Nil.
Performance period	The principal terms of the Performance Rights are: One fifth of the Performance Rights will vest annually over a 5 year period to 30 June 2021, subject to the achievement of applicable performance conditions. 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. The period commencing from the grant date and ending on 30 June 2021.
Service condition on vesting	Individual must be employed by the Kogan Group at time of vesting.
Performance conditions	The performance rights will vest subject to a relative total shareholder return ("**TSR**") performance hurdle over the performance period. Kogan.com's TSR from the date of Listing will be assessed against the relative performance of the constituent companies in the S&G ASX Emerging Companies Index, excluding mining and energy companies, over the performance period. The relative TSR performance targets and corresponding vesting percentages are as follows: • below the median TSR growth – 0%; • at the median TSR growth – 50%; • between the median and 75th percentile TSR growth – pro-rata straight-line between 50% and 100%; and • above the 75th percentile growth – 100%.
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).

Signed in accordance with a resolution of the Directors.

Greg Ridder
Non-Executive Chairman

Melbourne, 28 September 2016

Auditor's Independence Declaration

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

To: the directors of Kogan Operations Holdings Pty Ltd and its controlled entities

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2016 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

BW Szentirmay

Partner

Melbourne

28 September 2016

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Financial Report

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 June 2016

		CONSOLIDATED GROUP	
		2016	**2015**
	Note	**$**	**$**
Revenue	1.1	211,158,595	200,288,613
Cost of sales		(178,462,191)	(171,422,406)
Gross profit		**32,696,404**	**28,866,207**
Selling and distribution expenses		(10,182,023)	(8,949,321)
Warehouse expenses		(4,672,696)	(4,257,270)
Administrative expenses	1.2a	(15,798,804)	(13,144,861)
Other expenses		(406,279)	(1,191,755)
Results from operating activities		**1,636,602**	**1,323,000**
Finance income		6,207	9,561
Finance costs	1.2b	(211,588)	(1,046,620)
Net finance costs		**(205,381)**	**(1,037,059)**
Profit before income tax		**1,431,221**	**285,941**
Tax expense	1.3	(622,072)	(355,531)
Net profit/(loss) for the year		**809,149**	**(69,590)**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As At 30 June 2016

	Note	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,808,301	397,781
Trade and other receivables	2.1.2a	2,981,881	2,201,109
Inventories	2.1.1	20,532,375	25,072,509
Other current assets	2.1.2b	1,444,206	138,753
Current tax receivable	1.3	132,217	758,073
TOTAL CURRENT ASSETS		26,898,980	28,568,225
NON-CURRENT ASSETS			
Plant and equipment	2.3	571,302	710,682
Intangible assets	2.2	4,633,473	2,497,810
Deferred tax assets	1.3	339,536	–
TOTAL NON-CURRENT ASSETS		5,544,311	3,208,492
TOTAL ASSETS		32,443,291	31,776,717
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	2.1.3	15,469,375	7,944,653
Borrowings	3.1	4,900,000	8,100,000
Employee benefits		341,233	279,054
Provisions		235,812	344,732
Deferred income/revenue		4,382,340	5,854,873
TOTAL CURRENT LIABILITIES		25,328,760	22,523,312
NON-CURRENT LIABILITIES			
Deferred tax liabilities		–	137,835
Employee benefits		43,364	15,692
Deferred income/revenue		427	378,185
TOTAL NON-CURRENT LIABILITIES		43,791	531,712
TOTAL LIABILITIES		25,372,551	23,055,024
NET ASSETS		**7,070,740**	**8,721,693**
EQUITY			
Issued capital	3.3	343	343
Reserves		(290,645)	(290,645)
Retained earnings		7,361,042	9,011,995
TOTAL EQUITY		**7,070,740**	**8,721,693**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes In Equity

For The Year Ended 30 June 2016

Consolidated Group

	Note	Share Capital $	Retained Earnings $	Translation Reserve $	Total Equity $
Balance at 1 July 2014		337	9,568,687	(290,645)	9,278,379
Comprehensive income					
Loss for the year		–	(69,590)	–	(69,590)
Total comprehensive income for the year		–	(69,590)	–	(69,590)
Transactions with owners, in their capacity as owners, and other transfers					
Issue of ordinary shares		6	–	–	6
Distributions paid	3.3.1	–	(487,102)	–	(487,102)
Total transactions with owners, in their capacity as owners		6	(487,102)	–	(487,096)
Balance at 30 June 2015		**343**	**9,011,995**	**(290,645)**	**8,721,693**
Balance at 1 July 2015		343	9,011,995	(290,645)	8,721,693
Comprehensive income					
Profit for the year		–	809,149	–	809,149
Total comprehensive income for the year		–	809,149	–	809,149
Transactions with owners, in their capacity as owners, and other transfers					
Issued of ordinary shares		–	–	–	–
Distributions paid	3.3.1	–	(2,460,102)	–	(2,460,102)
Total transactions with owners and other transfers		–	(2,460,102)	–	(2,460,102)
Balance at 30 June 2016		343	7,361,042	(290,645)	7,070,740

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For The Year Ended 30 June 2016

	Note	CONSOLIDATED GROUP 2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		208,751,567	201,898,599
Payments to suppliers and employees		(196,594,316)	(204,287,517)
Interest received		6,224	9,561
Finance costs paid		(211,589)	(1,046,620)
Income tax paid		(473,587)	(2,665,243)
Net cash provided by/(used in) operating activities	1.4	11,478,299	(6,091,220)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(34,371)	(760,477)
Purchase of intangible assets		(4,373,306)	(2,778,747)
Net cash used in investing activities		(4,407,677)	(3,539,224)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	6
Proceeds from borrowings		4,900,000	8,100,000
Payment of borrowings		(8,100,000)	(1,439,266)
Distributions paid		(2,460,102)	(487,102)
Net cash provided by/(used in) financing activities		(5,660,102)	6,173,638
Net increase/(decrease) in cash held		1,410,520	(3,456,806)
Cash and cash equivalents at beginning of financial year		397,781	3,854,587
Cash and cash equivalents at end of financial year	3.2	1,808,301	397,781

The accompanying notes form part of these financial statements.

For The Year Ended 30 June 2016

BASIS OF PREPARATION

The financial report of Kogan Operations Holdings Pty Ltd and its controlled entities ("the Group") for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 28 September 2016.

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.

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). Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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 parent (Kogan Operations Holdings Pty Ltd) and all of the subsidiaries (including any structured entities), 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 4.1.

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. COMPARATIVE FIGURES

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

C. AASB 1 *FIRST-TIME ADOPTION OF AUSTRALIAN ACCOUNTING STANDARDS*

In previous periods, the Group prepared special purpose financial statements. Special purpose financial statements are unable to claim compliance with International Financial Reporting Standards (IFRS) as they do not comply with the disclosure requirements of all accounting standards. As a result of the Group preparing Tier 1 general purpose financial statements for the first time, the Group has applied AASB 1 *First-time Adoption of Australian Accounting Standards* in preparing these consolidated financial statements. As the Group has always materially complied with recognition and measurement criteria of all AASBs, the Group's accounting policies have not changed in the current period and there is no quantitative effect on the prior year's results, therefore no transition reconciliations are provided in the notes to these consolidated financial statements. Additional disclosures have been included as required under Tier 1 general purpose financial statements, including comparatives where relevant.

D. 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.

E. USES OF JUDGEMENTS AND ESTIMATES

In preparing the financial report, the Directors made an assessment of the ability of the group to continue as a going concern, which contemplates the continuity of business operations, realisation of assets and settlement of liabilities in the ordinary course of business and at the amounts stated in the financial report.

As disclosed in note 6.1, on 8 June 2016, Kogan.com Ltd entered into a sale agreement with the Existing Owners, pursuant to which the Existing Owners agreed to sell all of their shares in Kogan Operations Holdings Pty Ltd (the parent entity of the Group) to Kogan.com Ltd on settlement of the Initial Public Offering prior to the listing on the ASX of Kogan.com Ltd, which took place on 7 July 2016. The IPO resulted in a capital injection to the Group of approximately $35 million, prior to listing costs. Based on the forecast trading results and cash flows, the Directors believe that the group will continue to generate sufficient operating results and cash flows necessary to meet financing terms and conditions including relevant covenants. These forecasts are necessarily based on best-estimate assumptions that are subject to influences and events outside of the control of the group. The forecasts, taking into account reasonably possible changes in trading performance, show that the group will continue to operate within the level and terms of the loan facility conditions and covenants.

After making enquiries and considering the matters described above, the Directors have a reasonable expectation that the group will continue to have adequate financial resources to continue to meet its obligations as they fall due and remain within the limits of its loan facility conditions and covenants. For these reasons, the financial report has been prepared on a going concern basis.

Furthermore, in preparing these financial statements 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.

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

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ended 30 June 2016 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, as described in note 1.1. The Group expects to incur most of the liability over this next year.
- The assessment of the carrying 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 forecast performance and profitability.
- The provision for slow moving and obsolete inventory is based estimates of net realisable value of items aged > 180 days.

F. COMMON CONTROL TRANSACTION

On 8 June 2016 Kogan Operations Holdings Pty Ltd acquired control over all existing Kogan subsidiaries as part of an internal re-organisation that was undertaken at book value 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. A list of entities controlled by Kogan Operations Holdings Pty Ltd at 30 June 2016 can be found in Note 4.1.

The results, including prior year comparatives, reflect a full 12 months of trading for all Kogan group entities as if they were a consolidated group in both reporting periods. This ensures consistency of presentation with historical and forecast financial information contained in the prospectus.

SECTION 1: BUSINESS PERFORMANCE

1.1 REVENUE

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. 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 risks and rewards varies depending on the individual terms of the sales agreement. For sale of goods, the transfer usually occurs upon dispatch of the goods, where risks and rewards contractually transfer 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 in providing mobile and travel services 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	
	2016	**2015**
	$	**$**
Revenue		
Sales revenue:		
– Sale of goods	204,213,344	199,552,196
– Rendering of services	4,625,461	433,122
	208,838,805	**199,985,318**
Other revenue:		
– Marketing subsidies	1,184,759	–
– Other revenue	1,135,031	303,295
	2,319,790	**303,295**
Total revenue	**211,158,595**	**200,288,613**

1.2A PROFIT FOR THE YEAR

Expenses	2016 $	2015 $
Cost of sales	175,104,134	171,403,953
Cost of services	3,358,057	18,453
Total Cost of sales	**178,462,191**	**171,422,406**
Employee benefit expense	8,461,766	8,948,692
Depreciation and amortisation expense	2,411,394	1,403,119
Costs associated with the group's Initial Public Offering	1,090,236	–

1.2B FINANCE COSTS

	2016 $	2015 $
Foreign exchange gains/(losses)	27,719	(784,320)
Finance costs on debt facilities	(239,307)	(262,300)
Total Finance costs	**(211,588)**	**(1,046,620)**

1.3 TAX BALANCES

The 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.

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	
		2016	**2015**
	Note	**$**	**$**
a. The components of tax (expense) income comprise:			
Current tax		831,918	50,622
Deferred tax	1.3c	300,540	(57,000)
Under-provision in respect of prior years		(510,386)	361,909
		622,072	355,531
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% (2015: 30%):			
– Consolidated group		429,372	85,782
Add:			
Tax effect of:			
– Amortisation of intangibles		431,108	171,256
– Entertainment (non-deductible)		13,528	10,376
– Other items		19,558	2,326
Less:			
Tax effect of:			
– Prior year losses now recognised		(11,783)	–
– Rebateable fully franked dividends		(12,078)	–
– Over provision for current year income tax		–	(377,623)
– Current year revenue losses not recognised		9,253	122,143
– (Over)/under provision of prior year income tax		(510,386)	361,909
– Trust related tax adjustments		253,500	(20,668)
Income tax attributable to entity		622,072	355,531
The applicable weighted average effective tax rates are as follows:		43%	124%

The effective tax rate for FY16 of 43% reflects the impact of non-deductible intangible amortization and other non-deductible costs, offset by an overprovision for income tax in the prior year.

	CONSOLIDATED GROUP	
	2016	2015
	$	$
c. Current and deferred tax balances:		
Assets		
CURRENT/NON-CURRENT		
Current tax receivable	132,217	758,073
Deferred tax asset	339,536	–
Total	471,753	758,073
Liabilities		
NON-CURRENT		
Deferred tax liability	–	137,835
Total	–	137,835

1.4 NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED GROUP	
	2016	2015
	$	$
a. Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit/(loss) after income tax	809,149	(69,590)
Non-cash flows in profit:		
– depreciation	173,751	180,492
– amortisation	2,237,643	1,222,626
Changes in assets and liabilities:		
– increase in trade and term receivables	(780,772)	(997,901)
– (Increase)/decrease in prepayments	(1,305,453)	268,252
– (Increase)/decrease in inventories	4,540,134	(10,997,591)
– increase in trade payables and accruals	7,524,719	3,882,905
– increase/(decrease) in deferred income	(1,850,291)	2,537,326
– increase/(decrease) in provisions	(19,066)	191,973
– (decrease)/increase in income taxes receivable	625,856	(2,573,115)
– increase/(decrease) in deferred taxes payable	(137,835)	362,687
– increase in deferred taxes receivable	(339,536)	(99,284)
Cash flows from operating activities	11,478,299	(6,091,220)

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	
	2016	2015
	$	$
CURRENT		
Inventory in transit	4,772,392	4,030,519
Inventory on hand	15,759,983	21,041,990
	20,532,375	25,072,509

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	
	2016	2015
	$	$
CURRENT		
Trade receivables	627,436	1,353,153
	627,436	1,353,153
Other receivables	2,354,445	847,956
Total current trade and other receivables	2,981,881	2,201,109

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	
	2016	2015
AUD	$	$
Australia	2,981,881	2,201,109
	2,981,881	2,201,109

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

			Past Due but Not Impaired (Days overdue)			
	Gross Amount	Past Due and Impaired	< 30	31-60	61-90	> 90
	$	$	$	$	$	$
2016						
Trade and term receivables	627,436	–	562,447	56,942	–	8,047
Other receivables	2,354,445	–	–	–	–	–
Total	**2,981,881**	**–**	**562,447**	**56,942**	**–**	**8,047**
2015						
Trade and term receivables	1,353,153	(20,000)	713,816	97,461	418,373	123,503
Other receivables	847,956	–	–	–	–	–
Total	**2,201,109**	**(20,000)**	**713,816**	**97,461**	**418,373**	**123,503**

2.1.2b OTHER CURRENT ASSETS

	CONSOLIDATED GROUP	
	2016	2015
	$	$
Prepayments	1,034,115	106,223
Rental bond	218,397	–
Other	191,694	32,530
	1,444,206	138,753

2.1.3 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	
	2016	2015
	$	$
CURRENT		
Trade payables	10,105,669	5,395,210
Other payables	3,259,089	2,378,443
Accrued expenses	2,104,617	171,000
	15,469,375	7,944,653

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 CGUs.

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	
	2016 $	2015 $
Patents and Trademarks:		
Cost	260,439	190,934
Accumulated amortisation and impairment losses	(152,011)	(63,146)
Net carrying amount	108,428	127,788
Website development costs:		
Cost	2,146,396	1,680,183
Accumulated amortisation and impairment losses	(1,502,986)	(1,070,370)
Net carrying amount	643,410	609,813
Software costs:		
Cost	765,377	642,978
Accumulated amortisation and impairment losses	(416,074)	(124,939)
Net carrying amount	349,303	518,038
Intellectual Property:		
Cost	5,528,211	1,813,022
Accumulated amortisation and impairment losses	(1,995,879)	(570,852)
Net carrying amount	3,532,332	1,242,170
Total intangibles	4,633,473	2,497,810

On 11 March 2016 the Group agreed to acquire the online business of Dick Smith Electronics (receivers and managers appointed) through the purchase of goodwill, brand and intellectual property. The total purchase price was $2.61 million.

	Patents and Trademarks $	Website Develop-ment costs $	Software costs $	Intellectual Property $	Total $
Consolidated Group:					
Year ended 30 June 2015					
Balance at the beginning of the year	136,125	729,845	75,727	-	941,697
Additions	41,591	346,338	566,284	1,813,022	2,767,235
Effect of movements in exchange rates	-	-	-	-	-
Amortisation charge	(49,928)	(466,370)	(123,973)	(570,852)	(1,211,123)
Closing value at 30 June 2015	127,788	609,813	518,038	1,242,170	2,497,809
Year ended 30 June 2016					
Balance at the beginning of the year	127,788	609,813	518,038	1,242,170	2,497,809
Additions	69,505	466,213	122,400	3,715,189	4,373,307
Effect of movements in exchange rates	-	-	-	-	-
Amortisation charge	(88,865)	(432,616)	(291,135)	(1,425,027)	(2,237,643)
Closing value at 30 June 2016	108,428	643,410	349,303	3,532,332	4,633,473

2.3 PROPERTY, PLANT AND EQUIPMENT

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.

Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of 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 plant and equipment is reviewed annually by 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 consolidated 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.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated 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 basis)	67%
Office equipment and furniture (reducing balance basis)	10-25%
Leasehold improvements	20%

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	
	2016	2015
	$	$
Plant and Equipment		
Computer Equipment:		
At cost	167,033	145,528
Accumulated depreciation	(133,179)	(92,673)
	33,854	52,855
Office Equipment:		
At cost	859,367	856,311
Accumulated depreciation	(339,693)	(210,297)
	519,674	646,014
Leasehold improvements:		
At cost	22,350	12,540
Accumulated amortisation	(4,576)	(727)
	17,774	11,813
Total plant and equipment	571,302	710,682

a. 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 improve-ments	Total
	$	$	$	$
Consolidated Group:				
Balance at 1 July 2014	47,381	83,317	–	130,698
Additions	54,348	693,089	12,540	759,977
Depreciation expense	(48,874)	(130,392)	(727)	(179,993)
Balance at 30 June 2015	52,855	646,014	11,813	710,682
Additions	21,505	3,056	9,810	34,371
Depreciation expense	(40,506)	(129,396)	(3,849)	(173,751)
Balance at 30 June 2016	33,854	519,674	17,774	571,302

SECTION 3: CAPITAL STRUCTURE AND FINANCING

3.1 BORROWINGS

The group's interest-bearing loans and borrowings are measured at amortised cost.

	CONSOLIDATED GROUP	
	2016	**2015**
	$	**$**
CURRENT		
Working capital facility – secured	4,900,000	8,100,000
	4,900,000	8,100,000

The Group had an undrawn facility of $5,100,000 (2015: nil) available to fund inventory purchases (total facility limit: $10,000,000, 2015: $9,000,000).

On 31 May 2015, the Group signed a new multi-option facility agreement with Westpac Banking Corporation, maturing on 31 May 2019. The Facility includes a Cash Advance Facility, Trade Finance Facility and LC Facility with a total limit of $10.0 million.

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 consolidated 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 the maintenance of 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.

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.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 2.1.2a.

Credit risk related to balances with banks and other financial institutions is managed by the Board. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard & Poor's counterparty credit ratings.

	CONSOLIDATED GROUP	
	2016	2015
	$	$
Cash and cash equivalents	1,808,301	397,781
	1,808,301	397,781

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 following 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	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Financial liabilities due for payment								
Borrowings	(4,900,000)	(8,100,000)	–	–	–	–	(4,900,000)	(8,100,000)
Trade and other payables	(15,469,375)	(7,944,651)	–	–	–	–	(15,469,375)	(7,944,651)
Total expected outflows	(20,369,375)	(16,044,651)	–	–	–	–	(20,369,375)	(16,044,651)
Financial assets – cash flows realisable								
Cash and cash equivalents	1,808,301	397,781	–	–	–	–	1,808,301	397,781
Trade, term and loan receivables	2,981,881	2,201,109	–	–	–	–	2,981,881	2,201,109
Total anticipated inflows	4,790,182	2,598,890	–	–	–	–	4,790,182	2,598,890
Net (outflow)/ inflow on financial instruments	(15,579,193)	(13,445,761)	–	–	–	–	(15,579,193)	(13,445,761)

Market risk

(i) 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 net effective variable interest rate borrowings (i.e. unhedged debt) expose the Group to interest rate risk, which will impact future cash flows and interest charges and is indicated by the following floating interest rate financial liabilities:

	CONSOLIDATED GROUP	
	2016 $	2015 $
Borrowings	4,900,000	8,100,000
	4,900,000	8,100,000

Subsequent to 30 June 2016, the balance of borrowings has been fully repaid with IPO proceeds.

(ii) 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.

The foreign currency risk in the books of the parent entity is considered immaterial and is therefore not shown.

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.

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	
		2016	2015	2016	2015
Consolidated Group		$	$	$	$
Buy USD/sell AUD:					
Settlement	– less than 6 months	14,603,983	7,293,584	0.74	0.782
	– 6 months to 1 year	–	–	–	–

The fair value of foreign exchange contracts at 30 June 2016 totalled $33,000 (2015: $125,000).

Sensitivity analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates, exchange rates and commodity and equity prices. 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 2016		
+/–10bps in foreign exchange rates	1,460,398	1,460,398
Year ended 30 June 2015		
+/–10bps in foreign exchange rates	729,358	729,358

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.

I. Loans and receivables

Loans and receivables 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.

II. Financial liabilities

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

Derivative instruments

The group enters into forward exchange 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 when material.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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

	NOTE	CONSOLIDATED GROUP	
		2016	2015
		$	$
Financial assets			
Cash and cash equivalents		1,808,301	397,781
Loans and receivables	2.1.2a	2,981,881	2,201,109
Total financial assets		4,790,182	2,598,890
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	2.1.3	15,469,375	7,944,653
– borrowings		4,900,000	8,100,000
Total financial liabilities		20,369,375	16,044,653

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 13: *Fair Value Measurement* 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.

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.

Cash and cash equivalents are level 1 measurements, whilst foreign exchange contracts are level 2. The fair value of foreign exchange contracts at 30 June 2016 totalled $33,000 (2015: $125,000).

b. Disclosed Fair Value Measurements

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

3.3 ISSUED CAPITAL AND RESERVES

	CONSOLIDATED GROUP	
	2016	2015
	$	$
Fully paid ordinary shares	343	343
	343	343

The Group has issued share capital amounting to 343 ordinary shares.

	CONSOLIDATED GROUP	
	2016	2015
	No.	No.
a. Ordinary Shares		
At the beginning of the reporting period	343	337
Shares issued during the year:	–	6
At the end of the reporting period	343	343

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. 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.

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. The gearing ratios for the years ended 30 June 2016 and 30 June 2015 are as follows:

	NOTE	CONSOLIDATED GROUP	
		2016	2015
		$	$
Total borrowings		4,900,000	8,100,000
Less cash and cash equivalents		(1,808,301)	(397,781)
Net debt		3,091,699	7,702,219
Total equity		7,070,740	8,721,693
Gearing ratio		44%	88%

3.3.1 DISTRIBUTIONS

	CONSOLIDATED GROUP	
	2016	2015
	$	$
Distributions paid during the year	2,460,102	487,102
	2,460,102	487,102

Distributions have been paid to the trustees of the Kogan Technologies Unit Trust in their capacity as beneficiaries, prior to the internal restructure on 8 June 2016 (refer to note 6.1).

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. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

NAME OF SUBSIDIARY	PRINCIPAL PLACE OF BUSINESS	OWNERSHIP INTEREST HELD BY THE GROUP	
		2016	2015
		%	%
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	–
Kogan Technologies Unit Trust	Australia	100	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.

4.2 DEED OF CROSS GUARANTEE

A deed of cross guarantee between Kogan Operations Holdings Pty Ltd and all entities listed above was enacted during the financial year and relief was obtained from preparing individual financial statements for the Group under ASIC Class Order 98/1418. Under the deed, Kogan Operations Holdings Pty Ltd guarantees to support the liabilities and obligations of the subsidiaries listed above. As all 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

	2016 $	2015 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
Statement of Financial Position		
ASSETS		
Current assets	26,018	–
Non-current assets	1,200	–
TOTAL ASSETS	27,218	–
LIABILITIES		
Current liabilities	–	–
Non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	27,218	–
EQUITY		
Issued capital	1,200	–
Retained earnings	26,018	–
TOTAL EQUITY	27,218	–

Statement of Profit or Loss and Other Comprehensive Income		
Total profit	26,018	–
Total comprehensive income	26,018	–

The parent did not have any material contingent liabilities at period end (2015 : $nil).

The parent was incorporated in May 2016, and therefore there are no prior year comparatives. The 2016 profit and loss disclosures are for the period of incorporation to 30 June 2016.

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 Operations Holdings Pty Ltd, which is incorporated in Australia (refer to 6.1).

(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.

(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	
	2016	**2015**
	$	**$**
Purchases from eStore warehousing	4,625,251	4,037,557

SECTION 5: EMPLOYEE REWARD AND RECOGNITION

5.1 KEY MANAGEMENT PERSONNEL COMPENSATION

During the year no salaries and wages were paid to any key management personnel. Distributions of $2,460,102 were paid out of the Kogan Technologies Unit Trust to Kogan Management Pty Ltd ATF the Ruslan Tech Trust and Shafer Corporation Pty Ltd ATF the Shafer Family Trust in their capacity as owners, in lieu of salaries to Ruslan Kogan and David Shafer.

Following the IPO (note 6.1), Ruslan Kogan and David Shafer are subject to employment contracts with base salaries of $350,000 and $300,000, respectively, plus superannuation of 9.5%. The Board may invite Ruslan Kogan and David Shafer to participate in Kogan.com's incentive programs, but as at the date of this report, neither has been granted any additional incentives under Kogan.com's incentive programs (refer to the Remuneration Report).

5.2 INCENTIVE PLANS

Kogan.com Ltd has adopted an equity incentive plan to assist in the motivation and retention of management and selected employees. Refer to details provided in the Remuneration Report.

SECTION 6: OTHER

6.1 SUBSEQUENT EVENTS

On 8 June 2016, Kogan.com Ltd entered into a sale agreement with the Existing Owners, pursuant to which the Existing Owners agreed to sell all of their shares in Kogan Operations Holdings Pty Ltd (the parent entity of the Kogan Group) to Kogan.com Ltd on settlement of the Initial Public Offering prior to the listing on the ASX of Kogan.com Ltd, which took place on 7 July 2016. The aggregate consideration paid by Kogan.com Ltd for the Kogan Operations Holdings Pty Ltd shares under the Sale Agreement was $131,816,250. In preparation for listing Kogan.com Ltd acquired all of the issued shares in Kogan Operations Holdings Pty Ltd prior to listing on 7 July 2016.

The consideration was paid by way of $15,000,012 in cash (payable out of the Offer Proceeds) and the issuance of 64,897,910 Shares (representing a value of $116,816,238 based on the Offer Price).

The cash consideration payable by Kogan.com Limited to the Existing Owners was allocated 50% to Ruslan Kogan's shareholder entity and 50% to David Shafer's shareholder entity, with the balance by way of the issuance of shares.

The Initial Public Offering resulted in the issuance of 27.8 million shares at an issue price of $1.80 per share, which raised a total of $50 million in cash proceeds (prior to issue costs), plus 0.7 million shares were issued to certain senior managers (excluding Ruslan Kogan and David Shafer) for nil consideration. After payment of the cash proceeds to the Existing Owners as detailed above, $35 million in cash (prior to issue costs) was retained in the business to repay existing external debt and fund growth in the group's operations as detailed in prospectus disclosures.

6.2 REMUNERATION OF AUDITORS

	CONSOLIDATED GROUP	
	2016	2015
	$	$
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	210,000	77,500
– IPO related advisory services including due diligence, taxation and remuneration	515,816	–
– Other advisory services (including R&D tax)	213,216	38,929
	939,032	116,429

6.3 CAPITAL AND LEASING COMMITMENTS

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements.

	2016 $	2015 $
Payable – minimum lease payments:		
– not later than 12 months	564,675	545,580
– between 12 months and 5 years	633,142	1,197,817
– later than 5 years	–	–
	1,197,817	1,743,396

The property lease is a non-cancellable lease with a 3-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of the change in the consumer price index (CPI) or 3.5% per annum. An option exists to renew the lease at the end of the 3-year term for an additional term of 1 year.

Contingent Assets and Liabilities

In a prior year Kogan Mobile Pty Ltd's service provider, ispONE, went into liquidation. Kogan Mobile Pty Ltd has commenced proceedings against the liquidator and is pursuing a statement of claim. There is also a counter-claim against the company, which was launched prior to ispONE entering voluntary administration in August 2013, then stayed as a result of the administration. Whilst the outcome of this matter is uncertain, a commercial negotiation has commenced, and management expects to recover some funds from the liquidator. The only amount brought to account in the financial statements is an amount of $293,320 for counter-enforced recovery of costs owing from the liquidator and supported by a Court Order, which the Group is satisfied will be recovered through the settlement process based on information available as at the date of this report.

In May 2016, the Group received a notice to provide information to a Government regulator in relation to certain promotional sales events. All information was provided within the relevant timeline and no response has been received as at the date of signing this report. The Group receives such requests to provide information from time to time. The directors do not expect that any possible finding would materially impact the Group.

6.4 NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The following standards, amendments to standards and the interpretations have been identified as those which may impact the Group in the period of initial application. They are not yet effective and their impacts have not yet been determined nor adopted by the Group in preparing this financial report.

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).
- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards – Effective Date of AASB 15*).
- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).
- AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations* (applicable to annual reporting periods beginning on or after 1 January 2016).
- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-10: *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*).

6.5 COMPANY INFORMATION

The registered office of the company is:

Kogan Operations Holdings Pty Ltd
Level 10
530 Collins Street
Melbourne VIC 3000

The principal places of business are:

Kogan Operations Holdings Pty Ltd
139 Gladstone Street
South Melbourne VIC

Directors' Declaration

1 In the opinion of the directors of Kogan Operations Holdings Pty Ltd ('the Company'):

(a) the consolidated financial statements and notes that are set out on pages 25 to 54 and the Remuneration report in sections 19 to 22 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 2016 and of its performance, for the financial year ended on that date; and

(ii) complying with Australian 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 Class Order 98/1418.

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.

Signed in accordance with a resolution of the directors:

Dated at Melbourne 28 day of September 2016.

David Shafer
Director

Independent Auditor's Report

To the Members of Kogan Operations Holdings Pty Ltd and Controlled Entities

Independent auditor's report to the members of Kogan Operations Holdings Pty Ltd

Report on the financial report

We have audited the accompanying financial report of Kogan Operations Holdings Pty Ltd (the company), which comprises the consolidated statement of financial position as at 30 June 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, the Basis of Preparation, notes 1.1 to 6.5 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the Basis of Preparation note, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Profession Standards Legislation.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is 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 2016 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in the Basis of Preparation note.

Report on the remuneration report

We have audited the remuneration report within the directors' report included in pages 19 to 22 of the annual report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Kogan Operations Holdings Pty Ltd for the year ended 30 June 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

BW Szentirmay

Partner

28 September 2016

Melbourne

Shareholder Information

The Shareholder information set out below was applicable as at 14 September 2016.

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

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	CLASS OF EQUITY SECURITY ORDINARY SHARES		
Holding	**No of Shareholders**	**Shares**	**Percentage (%)**
1–1000	492	286,014	0.306
1,001–5,000	1,007	4,240,747	4.544
5,001–10,000	260	6,385,392	6.841
10,001–100,000	14	4,354,465	4.665
100,001 and over	7	78,066,716	83.644
	1,780	**93,333,334**	**100.000**

There were 81 security holders with less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

	ORDINARY SHARES	
Name	**Number held**	**Percentage of issued shares (%)**
Kogan Management Pty Ltd <The Ruslan Tech A/C>	47,095,205	50.46
Shafer Corporation Pty Ltd <The Shafer Family A/C>	17,802,705	19.07
J P Morgan Nominees Australia Limited >	4,421,633	4.74
National Nominees Limited	3,399,543	3.64
HSBC Custody Nominees (Australia) Limited	2,212,210	2.37
Citicorp Nominees Pty Limited	1,633,217	1.75
UBS Nominees Pty Ltd	1,502,203	1.61
Aust Executor Trustees Ltd <Ds Capital Growth Fund>	814,581	0.87
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C>	747,090	0.80
Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda A/C>	524,954	0.56
Mr Goran Stefkovski	306,944	0.33
Rainrose Pty Ltd	304,114	0.33
Basapa Pty Ltd <Kehoe Family A/C>	295,000	0.32
Cs Fourth Nominees Pty Limited <Hsbc Cust Nom Au Ltd 11 A/C>	280,512	0.30
Austral Capital Pty Ltd <Austral Equity Fund A/C>	194,500	0.21
Mrs Rong Ma	180,000	0.19
Mr Harry George Debney + Mrs Jane Elizabeth Debney	166,660	0.18
Austral Capital Pty Ltd <Austral Equity A/C>	150,000	0.16
D R Super Holdings Pty Ltd <D R Superannuation Plan A/C>	145,000	0.16
Mr Richard Ewan Bromley Mews + Mrs Wee Khoon Mews <Mews Superannuation Fund A/C>	134,000	0.14
Total	**82,310,071**	**88.19**
Total Remaining Holders Balance	**11,023,263**	**11.81**

C. SUBSTANTIAL HOLDERS

Name	Number held	Percentage of issued shares (%)
Kogan Management Pty Ltd <The Ruslan Tech A/C>	47,095,205	50.46
Shafer Corporation Pty Ltd <The Shafer Family A/C>	17,802,705	19.07

D. VOTING RIGHTS

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

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.

E. STOCK EXCHANGE LISTING

Quotation has been granted for all of the ordinary shares of the Company on all Member Exchanges of the ASX Limited.

F. UNQUOTED SECURITIES

There are no unquoted shares.

G. SECURITIES SUBJECT TO VOLUNTARY ESCROW

There are the following securities subject to voluntary escrow:

Name	Number held
Kogan Management Pty Ltd <The Ruslan Tech A/C>	47,095,205
Shafer Corporation Pty Ltd <The Shafer Family A/C>	17,802,705

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

10/530 Collins Street
Melbourne VIC 3000

LOCATION OF SHARE REGISTRY

COMPUTERSHARE

Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
+61 3 9415 4000

STOCK EXCHANGE LISTING

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

AUDITORS

KPMG

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Melbourne Victoria 3000

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kogan.com