

Annual Report 2023

kogan
.com

Highlights 2023

**Over
401,000**

Kogan FIRST Subscribers,
and growing

**Strong
Balance
Sheet**

with no debt at
30 June 2023

2,945,000

Group Active Customers¹



1. Combined Active Customers of Kogan.com and Mighty Ape at 30 June 2023.

Growth in Verticals

including our largest, Kogan Mobile Australia

Improving

cost-of-doing-business

Return

to underlying profitability in 2HFY23



CONTENTS

2	Chairman's Letter	54	Environmental, Social and Governance	108	Independent Auditor's Report
4	Founder & CEO's Report	57	Auditor's Independence Declaration	113	Shareholder Information
7	Operating & Financial Review	58	Financial Report	116	Corporate Directory
28	Directors' Report	63	Notes to the Financial Statements		
35	Remuneration Report	107	Directors' Declaration		

Chairman's Letter



I am delighted to share with you the FY23 Annual Report for Kogan.com Ltd (Kogan.com). This year highlighted the evolutionary journey our company has been on as it progressively becomes a primarily subscription and software-based business.

In the latter part of the year, our business returned to sustained underlying profitability, signifying the successful execution of our strategic realignment. We are now well prepared to continue delighting our millions of customers through FY24 and beyond.

Dear Kogan.com Shareholders,

In FY23, we returned the business to underlying profitability, right-sized inventory to optimal levels, completed the year in a strong capital position with no bank debt and commenced a share buy-back program. These achievements have followed the execution of a purposeful strategy to position the Business to succeed in increasingly volatile market conditions. These efforts have guaranteed we are able to prioritise our millions of customers at the core of our operations.

The right-sizing of inventory to meet current levels of demand has been a key initiative for the Business. As at 30 June 2023, we completed the year with \$68.2 million of inventories, representing a reduction of over 57% since 30 June 2022. This reduction has been achieved through the rationalisation of our in-inventory offering, particularly through our Exclusive Brands Division.

The significant reduction in inventory levels helped to achieve material operational efficiencies in our Variable Costs, specifically through our warehousing and marketing expenses. Variable Costs reduced to 8.8% of Gross Sales in 2HFY23 from 9.5% of Gross Sales in 2HFY22. We expect these cost efficiencies to continue materialising in FY24 as further warehousing reductions occur during the next 12 months.

The Kogan Marketplace achieved another strong result, growing by 18.0% CAGR² on pre-COVID trading conditions (FY23 vs FY20). We continue to have a strong pipeline of potential Marketplace Sellers being onboarded every week, allowing for the Business to supplement its in-warehouse inventory offering with millions of Marketplace products, with no associated capital investment. The Kogan Marketplace also launched a new Advertising Platform towards the end FY23, allowing Marketplace Sellers to bid on the platform to gain prominence and additional sales. We have seen strong uptake upon launch and expect strong results from the platform in FY24.

Our Kogan FIRST loyalty program grew to over 401,000 Subscribers as at 30 June 2023, an increase of 7.8% year-on-year. We continued to improve the program, introducing double Qantas points, increasing Kogan reward credits, providing additional exclusive member-only deals and introduced competition giveaways. As we grow this loyal cohort of customers, we expect to see improving return-on-investment (ROI) of our marketing spend, as these shoppers are more loyal and more likely to commence their online shopping journey directly on one of the Kogan.com platforms. Our ROI for marketing improved in FY23, with marketing spend per Group Active Customer reducing to \$16 in FY23 from \$18 in FY22, and our owned & earned traffic on the Kogan.com website increased to 71%, versus 65% in F22.

2. Compound Annual Growth Rate.

This year marked the exit of Simon Barton, Mighty Ape Founder, from the Business in March 2023. Gracie MacKinlay, who was appointed Mighty Ape CEO in June 2022, and has delivered solid results in a challenging macroeconomic environment in New Zealand. We also welcomed Daniel Balasoglou as the new CFO of Mighty Ape, who brings a wealth of knowledge and experience to the team. We continue to invest in the IT infrastructure, logistics network and Mighty Ape team to set the Business up for future growth.

During FY23, we maintained a majority independent Board, Audit & Risk Committee and Remuneration & Nomination Committee. Our commitment to rigorous governance standards and effective risk management remains steadfast across every facet of our Business.

Our Corporate Governance Statement and other policies and charters are available on the Company's corporate website, www.kogancorporate.com.

STRATEGIC OPPORTUNITIES

Having completed the year with a strong Balance Sheet and repositioned the Business to align with current market conditions, we are filled with confidence as we enter FY24.

We anticipate strong results and benefits from the Kogan FIRST loyalty program, Kogan Marketplace and the newly launched Advertising Platform. We also look forward to strong growth in our Verticals, particularly Kogan Mobile Australia, our largest Vertical, and Mighty Mobile, our newest Vertical. Finally, we expect a return to strong profitability in our Exclusive Brands Division, and in turn, a return to positive operating leverage.

OUR TEAM

Our team has shown unwavering dedication in executing our strategy throughout this year. On behalf of the Kogan.com Board, I extend my heartfelt gratitude to each of our outstanding team members for their tireless efforts during a particularly challenging year.

CAPITAL MANAGEMENT

The Business commenced a share buy-back program in May 2023, which is due to complete in April 2024. To date the Business has invested over \$18.0 million, with further purchases planned.

Having returned the Business to Adjusted EBITDA profitability in FY23, and with continued cost efficiencies expected to materialise in FY24, we look forward to returning to strong positive operating leverage during the upcoming financial year, consistent with our historical performance.

LOOKING AHEAD

Having successfully stabilised the Business in FY23, the Board is excited to build on the strong momentum created and deliver robust results in FY24 and beyond. In doing so, our aim is to continue delivering incredible value to our customers and shareholders into the future.



Greg Ridder
Chairman

Founder & CEO's Report



In FY23, the evolution of our Business toward a platform-based business gained significant traction. For the first time ever, the majority of our Gross Sales and Gross Profit for Kogan.com (excluding Mighty Ape) were generated by our Platform-Based Sales. This signals our transition to a Business with higher recurring, higher quality and higher margin earnings moving forward.

This transformation paves the way for a greater allocation of capital towards providing exceptional value to our customers in the years ahead.

Dear Kogan.com Shareholders,

At the start of FY23, we shared that we would complete the right-sizing of inventory levels, implement cost reduction initiatives, return to sustained profitability and set the Business up for success in increasingly difficult trading conditions. I'm glad to report that we have effectively delivered on all fronts, demonstrating the strength of our Business and the brilliance of the Kogan.com Team. Delivering on these objectives has allowed us to continue pursuing our mission of making the most in-demand products and services more affordable and accessible.

Yet these achievements are not the highlight of FY23 for me. Many years ago we set Kogan.com on a path of diversifying its revenue streams so that we could build a more resilient Business. The first of our Verticals, Kogan Mobile Australia, was launched all the way back in 2015. Since then we have introduced other Verticals such as Kogan Money, Kogan Mobile New Zealand and Kogan Energy. Our Verticals see us partner with industry leaders in their respective fields, to bring our millions of customers everyday essential services at incredible value. We then built on the value we were bringing to millions of customers with the introduction of Kogan Marketplace and the Kogan FIRST loyalty program.

It is this evolution from being a 100% first-party retail business to a part-retail, part platform business that is the highlight for me. Transitioning Kogan.com (excluding Mighty Ape) to a majority Platform-Based Sales business has been many years in the making, and I'm pleased to say that we're now there. In FY23, Kogan.com's Platform-Based Sales contributed over 57% of total Gross Sales and over 71% of Gross Profit. This evolution will continue to deliver higher recurring Revenue, higher Gross Margin, lower inventory risk and enable lower operating costs. Most importantly, it's leading to incredible deals for Aussie and Kiwi customers.

In our 17th year of operations, Kogan.com continues to be a leader in the eCommerce industry across Australia and New Zealand. It's impressive to think that we have been delighting millions of shoppers for years, with millions more yet to discover the convenience and value of shopping online. This presents Kogan.com with an enormous opportunity for growth and influence in the market. With a solid foundation and key focus on innovation, we are well placed to welcome many more smart shoppers in an ever growing market.

BUILDING THE KOGAN.COM PLATFORM

At Kogan.com, we are in a constant state of evolution, adapting our business to meet the needs of our millions of customers and to maintain our competitive advantage. Our growing portfolio of Platform-Based Sales brings diversification of Revenue streams, bolstering our resilience as a Company. We are constantly on the lookout for fresh ways to delight our customers.

In the 12 months to 30 June 2023, we have had millions of customers transact with our retail platforms, across Kogan.com, Dick Smith, Mighty Ape, Matt Blatt, and Brosa. Through continued improvements to our technology, we have achieved efficiency gains in our marketing efforts, increasing the proportion of owned & earned traffic and lowered the spend per Group Active Customer. We expect to build on these improvements as we grow our Kogan FIRST loyalty program.

Our Kogan FIRST loyalty program had over 401,000 Subscribers at 30 June 2023, with an acceleration in Subscribers towards the end of the financial year as we introduced more compelling customer benefits. These new benefits and features to the program included the introduction of double Qantas points and prize giveaways, including our first major prize giveaway of a new car. To date our loyal Subscribers have received tens of millions of dollars in member benefits, and Kogan.com has been able to build a direct relationship with these customers, which has and will continue to deliver, long-term benefits such as marketing efficiencies.

The Kogan Marketplace is pivotal to the growth of our Platform-Based Sales. It has thousands of Marketplace Sellers, with tens of millions of listings on our platform. It provides support to many small businesses across Australia and New Zealand, by giving them access to our millions of customers. It also provides Kogan.com with the ability to conserve capital investment in inventory and to reduce inventory risk. As we continue to deliver improvements for Customers and Sellers alike, we expect to see the Marketplace to return to growth in the near future.

A key pillar for the expected return to growth in Kogan Marketplace is the launch of the Advertising Platform. This platform allows for our Marketplace Sellers to bid to increase the visibility of their product

listings. This allows Marketplace Sellers to positively influence their sales results, and provides for an improved shopping experience for our customers by helping them find what they are looking for, faster. We've only recently launched at the end of FY23, and with positive early signs, we're excited about its prospects during FY24 and beyond.

Another pillar for Platform-Based Sales is our Verticals. Kogan Mobile Australia returned to sustained growth during the year, growing Revenue year-on-year by 3.1%, having recently been impacted heavily during the height of the COVID-19 pandemic. Kogan Mobile Australia delivers some of the best value prepaid plans in the market, and is our largest Vertical. Adding to the positive news, Kogan Mobile New Zealand continued its strong uptake in New Zealand and Kogan Money and Kogan Energy also achieved double digit growth year-on-year.

PRODUCT OFFERING AND PERFORMANCE

In FY23, our focus for the two Product Divisions, Exclusive Brands and Third-Party Brands, was to recalibrate operations to the prevailing marketing conditions. We commenced the year with \$159.9 million in inventory and subsequent elevated operating costs across warehousing and marketing.

Our efforts throughout the year to rebase the Business and rectify our inventory levels were successful. We ended the financial year with \$68.2 million of inventory, a reduction of \$91.7 million during the year. This involved the rationalisation of all of our in-inventory categories and SKUs. For example, we reduced our unique SKUs in Exclusive Brands by 38%, allowing us to only invest in the most sought-after products moving forward.

The impact to warehousing and marketing costs began to materialise almost immediately, with our second half results demonstrating a reduction in Group Variable Costs to 8.8% of Gross Sales from 9.5% of Gross Sales in 2HFY22. We anticipate further efficiencies to be achieved in FY24 as we reap the benefit of the reduction in inventory levels in our warehousing arrangements. Further, we achieved a significant recovery in the Gross Margin of both Product Divisions following the completion of clearance sales towards the end of 1HFY23, with further recovery expected in FY24.

Founder & CEO's Report continued

The unwinding of excess inventory contributed to strong positive operating cash flows, of \$70.9 million in FY23. Our net cash position (total cash less loans & borrowings) increased by \$34.2 million to \$65.4 million at 30 June 2023. The growth in our cash balance included the repayment of all bank debt, completion of the Mighty Ape Tranche 3 acquisition payment and over \$10 million of purchases for the share buy-back announced during FY23.

Despite facing tough market conditions in New Zealand, our Mighty Ape business achieved a strong performance for the year. We were honoured to receive several customer awards, and the growth of Jungle Express has continued to captivate and delight our Kiwi customers.

Throughout FY23, the Mighty Ape and Kogan.com teams collaborated closely to further harness the synergies within the Group. These efforts resulted in enhanced Gross Margin for Mighty Ape and cost savings across various service contracts within the Group.

FY24 & BEYOND

We expect the number of Kogan FIRST Subscribers to accelerate following newly introduced features and benefits to the program. We anticipate continued growth in our Verticals and have already launched Mighty Mobile, our newest Vertical, in New Zealand at the start of FY24. We expect a return to growth in Kogan Marketplace and we are excited about the potential of our recently introduced Advertising Platform. Finally, we expect continued improvement in our Product Divisions' profitability.

As we now turn our attention to FY24, we can't wait to get started. Having made significant strides to improve profitability and reduce operating costs, we look forward to returning the Business to positive operating leverage. We anticipate that our Platform-Based Sales will continue to drive strong results, across Kogan FIRST, Kogan Marketplace and our Verticals. In fact, we have already started, with the launch of Mighty Mobile, New Zealand's first unlimited data prepaid mobile offering. We will also continue focussing on our Product Divisions, with expectations of strong contributions particularly from our Exclusive Brands and the Mighty Ape business.

We believe we're still in the early stages of our evolution to a largely Platform-Based Sales business, with much more to achieve and deliver for our customers. We look forward to delighting our millions of customers and winning many more in FY24 and beyond, by making the most in demand products and services more accessible and affordable.



Ruslan Kogan
Founder & CEO

Operating & Financial Review

ORGANISATIONAL OVERVIEW & BUSINESS MODEL

OUR BUSINESS MODEL

Kogan.com is a leading Australian consumer brand renowned for price leadership through digital efficiency. It is a portfolio of retail and services businesses that includes Kogan Retail, Mighty Ape, Kogan Marketplace and Kogan Verticals. The Company is focused on making in-demand products and services more affordable and accessible.

We have established a dynamic business model that allows us to be nimble, bold and innovative. Over the years we have added much loved brands such as Dick Smith, Matt Blatt, Mighty Ape and Brosa to the Kogan Group. We harness our platform to seize opportunities like the Kogan Marketplace and partner with industry leading companies to offer our Kogan Verticals, driving growth and bringing best-in-market offers to our millions of customers.

Our objective is to continue growing our portfolio of business, while also delivering exceptional value and service to our customers.



WHO WE ARE

Kogan.com is an Australian eCommerce company, focused on making the most in-demand products and services more affordable and accessible. We have built a vertically integrated eCommerce business across Australia and New Zealand, with millions of products on our platform as well as offering everyday essential services in partnership with industry leaders such as TPG, QBE and NAB.

As at 30 June 2023, we had 2,945,000 Group Active Customers³. Within this group, we had over 401,000 Kogan FIRST Subscribers⁴, who received exclusive deals, discounts, draw entries for prize giveaways and reward points every time they shop with us.



Kogan Retail & Kogan Marketplace

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

Kogan Marketplace partners with thousands of select sellers and distributors, giving them access to our Kogan Community, in addition to our marketing and online distribution capability. Our curated marketplace works with sellers and distributors who generate incremental sales with exposure on the Kogan.com platform and marketing initiatives to the Kogan Community.

3. Group Active Customers refers to unique customers who have purchased in the last twelve months from reference date on either the Kogan.com or Mighty Ape platforms, rounded down to the nearest thousand.

4. Kogan FIRST Subscribers excludes Kogan FIRST customers who are in a trial period, and includes only non-trial members.

Operating & Financial Review continued



Kogan FIRST

Kogan FIRST loyalty program was launched in the last quarter of FY19, and grew to over 401,000 subscribers at 30 June 2023, representing 7.8% growth year-on-year.

Kogan FIRST Subscribers are offered exclusive deals on top of everyday discounts on the platform, Kogan FIRST Reward Credits, free shipping, double Qantas Rewards points, entries to win major prizes and priority Customer Care.



Kogan Mobile Australia

Kogan Mobile Australia launched in October 2015 offering pre-paid mobile phone plans online. We partner with part of TPG to deliver this amazing vertical. The strong commercial relationship with TPG has translated into a return to growth in Revenue for Kogan Mobile Australia in FY23. The unique model means that TPG is responsible for operations, while Kogan is responsible for branding, marketing and customer acquisition.



Kogan Travel

Kogan Travel originally launched in May 2015 and was temporarily paused during the COVID-19 pandemic. It was relaunched during FY23, partnering with Luxury Escapes to offer market leading travel package deals.



Kogan Insurance

Kogan Insurance launched in August 2017 to offer general insurance, covering home, contents, landlord, car and travel insurance, with a focus on value for money. Following a new agreement during FY22, QBE now underwrites our general insurance policies, with Kogan.com earning commission on the sale of all insurance policies. Similarly to our other Verticals, Kogan.com provides branding, marketing and customer acquisition for all insurance offerings.



Kogan Internet

Under an expanded partnership with part of TPG that was announced in June 2017, Kogan Internet launched in April 2018, providing fixed line NBN plans.



Kogan Money Super

In partnership with Mercer Australia, Kogan.com offers a no frills, ultra low fee Australian superannuation fund, Kogan Super. Kogan Super leverages Kogan.com's digital efficiency as one of Australia's lowest fee superannuation options.



Kogan Mobile New Zealand

Kogan Mobile New Zealand launched in 1HFY20 in partnership with One NZ, offering telecommunications services in New Zealand. One NZ is New Zealand's largest mobile network operator.



Kogan Energy

Kogan Energy offers competitive power and gas deals and was launched in September 2019 in partnership with part of Shell Energy Operations Pty Ltd.



Kogan Money Credit Cards

Kogan Credit Cards, in partnership with NAB, is a credit card with uncapped Kogan reward points, no annual fee, complimentary Kogan FIRST membership, and competitive rates and fees. It was launched in October 2019.



Dick Smith

In 2016, Kogan.com acquired Dick Smith, one of Australia's premier consumer electronics brands and a pioneer of the consumer electronics industry in Australia.



Matt Blatt

In May 2020, Kogan.com acquired Matt Blatt, one of Australia's premier furniture and homewares brands and a pioneer of the online furniture industry in Australia.



Mighty Ape

In December 2020, Kogan.com acquired Mighty Ape, one of New Zealand's largest online retailers with a focus on gaming, toys and other entertainment categories.



Brosa

In December 2022, Kogan.com acquired Brosa, one of Australia's largest online luxury furniture retailers, out of administration. The deal involved the purchase of Brosa's intellectual property and inventory, and excluded all leases and liabilities.

Operating & Financial Review continued

HOW WE DELIVER VALUE TO OUR CUSTOMERS:

Compelling offering:

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

We achieve this by leveraging our 17+ years' experience in Exclusive Brands and Third-Party Brands offering. We also use the strength of the Kogan platform to partner with thousands of Marketplace sellers and industry leaders across our many Kogan Verticals.

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

Customer-centric approach and industry leading IT platform:

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

Understanding and servicing our customers' needs is central to what we do. We employ the power of technology and personalisation to offer a seamless shopping experience. Our data analytics capability ensures we know what our customers want and when they want it. Our investment in automation has driven faster fulfilment of products and services and happier customers.

Along with data analytics, we are investing heavily in AI to optimise our marketing campaigns and merchandising, making our offers more relevant than ever. Our projects today include improved search results for our customers and we're shortly rolling out immediate customer service resolutions, any time of day. We will also be producing summarised product reviews to save our customers time.

As the technology improves, we anticipate leveraging generative AI to dynamically create in-situ product placement images. This will enable customers to personalise the product images to their environment, and provide savings on expensive product staging and photography costs.

An evolution of our business model

Since launching in 2006, Kogan.com has sourced the latest and greatest products for millions of customers at the best possible prices. This has required investment in developing and nurturing relationships with manufacturers and wholesalers, creating an expansive logistics network across Australia and New Zealand and ensuring our Customer Care team continue to delight our customers after they've received their products.

As the business grew and developed, Kogan.com evolved, introducing the first of our current Verticals in 2016, being Kogan Mobile Australia. Since then many more Verticals have been launched with industry leading partners. These Verticals provide everyday essential services at incredible value. We use our digital marketing expertise and our platform to generate subscription-based revenue with lower operating costs.

In 2019 Kogan.com extended its platform to thousands of Marketplace Sellers, allowing these Australian and New Zealand businesses to reach millions of Kogan Group customers and grow their business rapidly. In turn, the Kogan Marketplace enabled Kogan.com to offer millions of products online with no investment in inventory, sourcing, logistics and reduced post-delivery activity.

In 2019 we also introduced the Kogan FIRST loyalty program to reward our most loyal customers.

All of this has contributed to our transition from a 100% inventory-based and capital intensive online retail business in 2015, to a more sustainable and higher performing services and platform business with growing margins today.

The evolution of our business model reached a milestone this financial year. In FY23, the majority of Kogan.com (excluding Mighty Ape) Gross Sales and Gross Profit was generated from subscription, platform and software based sales. These sales deliver a higher quality, recurring, lower risk and higher margin Revenue than our traditional inventory-based Product Divisions.

Figure 1.1 Kogan.com Platform-Based Gross Sales⁵ contribution⁶

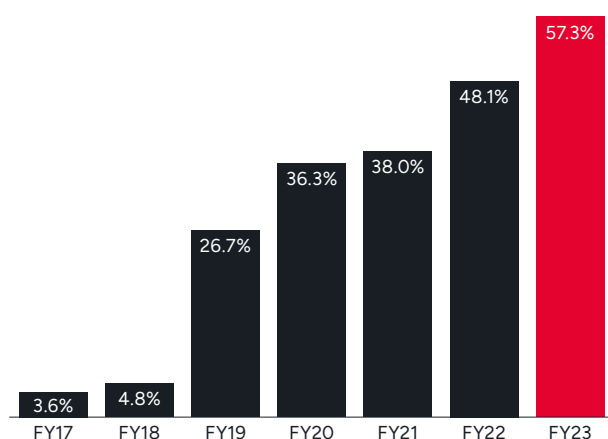
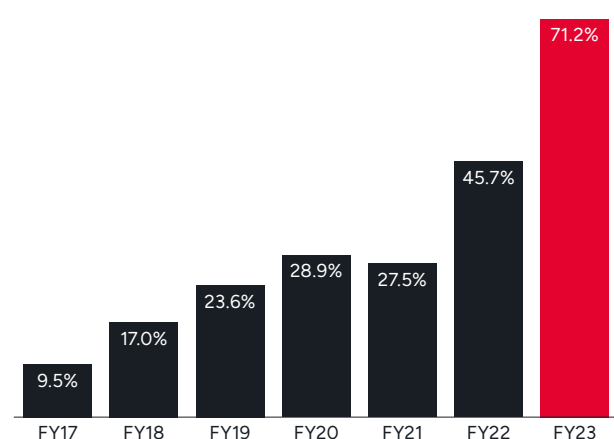


Figure 1.2 Kogan.com Platform-Based Gross Profit⁵ contribution⁶



5. Refers to Gross Sales/Profit generated by Kogan Marketplace, Kogan First, Kogan Verticals and Advertising & Other Income. It excludes sales by Exclusive Brands, Third-Party Brands and Mighty Ape.

6. Chart reflects Kogan.com only (excluding Mighty Ape).

Operating & Financial Review continued

THE KOGAN.COM PLATFORM

As at 30 June 2023, the Kogan Group had 2,945,000 Group Active Customers across Australia and New Zealand. Kogan.com had 2,190,000 Active Customers and Mighty Ape had 755,000 Active Customers, respectively. Focusing on Kogan.com, growth since pre COVID-19 was a CAGR⁷ of 8.0%, demonstrating the long-term growth achieved.

An integral component of building a strong platform is a community of loyal customers. In FY23 Kogan.com achieved strong growth in the proportion of repeat customers, increasing to 72%. It's this group of loyal and engaged customers who are setting the foundation for future growth.

Figure 2.1 Kogan.com Active Customers⁷

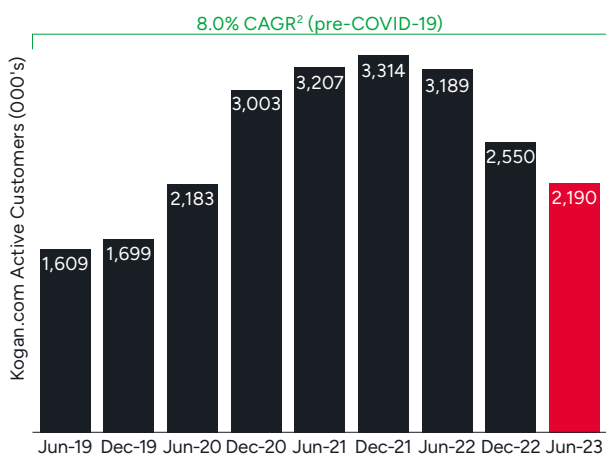
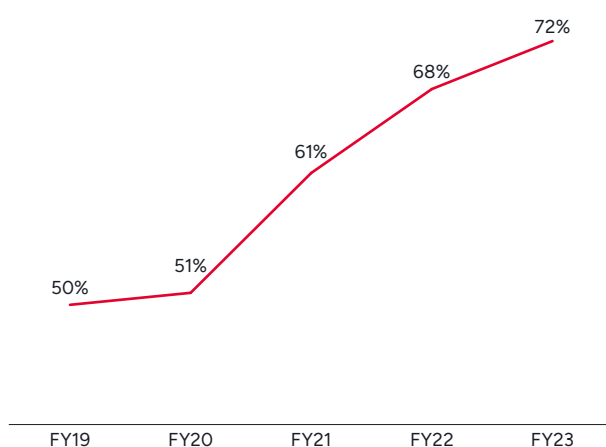


Figure 2.2 Kogan.com proportion of Repeat Customers⁷



In FY23 we successfully reduced our marketing spend per Group Active Customer. This was a result of multiple efficiency measures implemented by our Marketing team. In addition to this accomplishment, further improvements are expected in FY24. This is because the majority of marketing efforts in the first half of FY23 were directed towards the right-sizing of our inventory levels, which impacted our efficiency on marketing during that period.

Our owned & earned traffic sources have increased to 71% during the year, compared to 65% in FY22. This makes it clear that our underlying marketing efficiencies are working, compounded by the benefits associated with growing our proportion of repeat customers and Kogan FIRST Subscribers.

Figure 2.3 Kogan.com traffic – owned & earned vs paid⁷

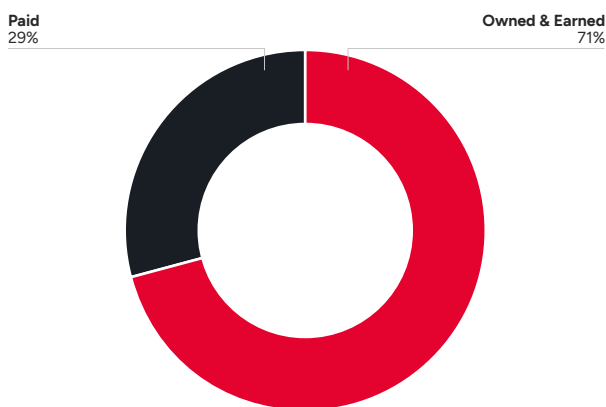
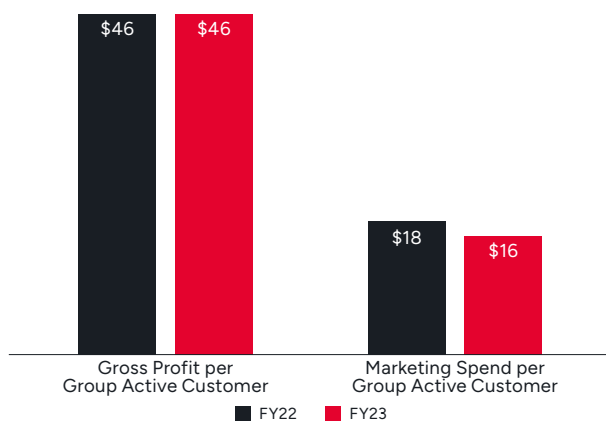


Figure 2.4 Group Marketing ROI^{8,9}



7. Chart reflects Kogan.com only (excluding Mighty Ape).
 8. 12-month Gross Profit divided by Group Active Customers.
 9. 12-month marketing spend divided by Group Active Customers.

PERFORMANCE REVIEW & OUTLOOK

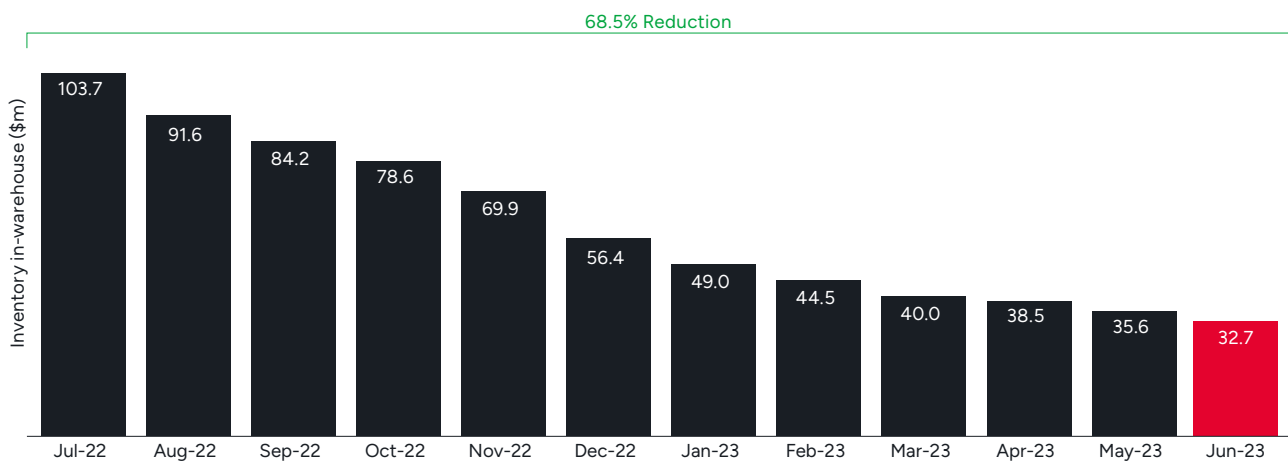
RESULTS SUMMARY

This year has consisted of two distinct halves for Kogan.com. It has been well documented that the Business embarked on a period of consolidation in the first half of FY23. This required us to achieve a sustainable level of inventory along with more efficient operating costs, and build a strong Balance Sheet. Having achieved a significant right-sizing of inventory (see Figure 3.1), we achieved a stronger second half as can be seen in Table 1.1.

Our Gross Margin rapidly recovered with further improvement expected in FY24. Operating costs reduced and Adjusted EBITDA grew by 622.4% in 2HFY23 YoY. Additionally, we grew the cash balance and cleared all bank debt from the Business. As such, we have successfully rebased the Business to become less risky and a more efficient operation, all while delivering exceptional value to our customers.

In rebasing the Business, we have delivered on our goal of increasing the quality of our earnings via a shift towards Platform-Based Sales (refer to Figure 1.1 and 1.2). This is expected to deliver increasing profitability in the Business in future years, as Platform-Based Sales deliver higher recurring Revenue, higher Gross Margin and lower inventory risk, while also enabling lower operating costs.

Figure 3.1 Kogan.com inventory reduction



Operating & Financial Review continued

Table 1.1 2HFY23 Kogan Group Results

\$m	2HFY22	2HFY23	YoY Var (%)
Gross Sales¹⁰	482.0	373.7	(22.5%)
Revenue ¹¹	299.0	213.9	(28.4%)
Cost of Sales	(222.6)	(140.3)	(37.0%)
Gross Profit	76.3	73.6	(3.6%)
Gross Margin	25.5%	34.4%	8.9pp/34.8%
Other income	(0.0)	0.0	(100.0%)
Variable costs	(13.7)	(7.7)	(43.8%)
Marketing costs	(30.8)	(24.2)	(21.2%)
Contribution profit	31.9	41.7	30.7%
Contribution margin	10.7%	19.5%	8.8pp/82.6%
People costs	(39.9)	(28.0)	(29.9%)
Other costs	(10.1)	(11.7)	16.8%
Total operating costs	(94.3)	(71.6)	(24.1%)
Unrealised gains/(losses)	(1.8)	0.2	(110.2%)
EBITDA	(19.8)	2.2	111.1%
EBITDA margin	(6.6%)	1.0%	7.7pp/115.4%
Unrealised gains/(losses)	(1.8)	0.6	
Realised (loss) on Wonderfi shares	0.0	(0.4)	
Equity-based compensation	(13.0)	(17.1)	
Bitbuy.com domain sale	(0.0)	0.0	
Mighty Ape Tranches 3 & 4	(6.6)	7.9	
Adjusted EBITDA¹²	1.6	11.2	622.4%
Depreciation & amortisation	(9.9)	(8.2)	(17.0%)
EBIT	(29.8)	(6.0)	79.7%
Adjusted EBIT¹²	(8.4)	3.0	135.4%
Interest	(0.7)	(0.1)	(89.3%)
Net Profit Before Tax	(30.4)	(6.1)	79.9%
Income tax benefit	6.8	4.1	
NPAT	(23.6)	(2.0)	91.4%
Adjusted NPAT¹²	(7.7)	1.9	125.0%
EPS	(0.22)	(0.02)	91.5%
Adjusted EPS¹²	(0.07)	0.02	124.7%

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

10. Non-IFRS measure.

11. The differential between Revenue and Gross Sales is reflective of Kogan Marketplace and Kogan Verticals recognising only commission-based Revenue while the gross transaction values are recognised within Gross Sales.

12. Adjusted EBITDA, Adjusted EBIT, Adjusted NPAT and Adjusted EPS are measures of the underlying performance of the Business, they remove non-cash items including the unrealised FX gain/ (loss), equity-based compensation and one-off non-recurring items. Refer to page 26 of this Annual Report for a detailed reconciliation of adjusting items.

For the full financial year, the Group recorded Gross Sales of \$844.8 million and Revenue of \$489.5 million. The decline in both Gross Sales and Revenue reflected a rebasing of inventory levels, as well as the impact from challenging trading conditions caused by increasing cost-of-living pressures and interest rate rises.

Kogan.com's Exclusive Brands and Third-Party Brands Revenue declined 41.3% and 53.5% while being the focus of significant right-sizing of inventory. This right-sizing was successfully achieved at the end of 1HFY23 (see figure 3.1), and materially impacted profitability in that half. However we have seen a swift recovery of Gross Margin in these Divisions in 2HFY23 and expect that to continue in FY24.

The Kogan Marketplace Gross Sales declined year-on-year by 28.5%, impacted by challenging top-line trading conditions. However seller-fees reduced by a lesser percentage (22.2%) following improvements in seller management and experience. Towards the end of the year our new Advertising Platform went live. The platform allows Marketplace Sellers to sponsor their listings to enhance customer search results and gain further reach within the Kogan.com website.

While we did record top-line reduction across Product Divisions, Marketplace and Mighty Ape, we did achieve growth in Kogan FIRST and a number of Verticals.

The Kogan FIRST loyalty program grew to over 401,000 Subscribers as at 30 June 2023, with Revenue increasing to \$26.3 million, an increase of 69.6% year-on-year. The growth in proportion of owned & earned website traffic (figure 2.3) confirms the importance of the Kogan FIRST program to the Business. As we grow our Kogan FIRST Subscribers, there will be a reduction in the need for marketing investment, which frees up capital for alternative investments. The unit economics of Kogan FIRST involve taking what we otherwise would have spent on paid marketing to attract and retain customers, and share most of that saving with the consumer in the form of better prices, and greater loyalty rewards.

Kogan Verticals achieved growth in FY23, and was highlighted with the sustained return to growth of Kogan Mobile Australia, the largest Verticals. Kogan Mobile Australia Revenue grew 3.1% year-on-year, Kogan Mobile New Zealand continued strong growth of 71.5%, while Kogan Money and Kogan Energy grew by 22.0% and 46.9%, respectively.

Gross Profit of \$136.6 million declined 26.0% year-on-year, largely impacted by top-line performance and significantly reduced Gross Margin during the period of inventory right-sizing in 1HFY23. Despite this, Gross Margin did improve 2.2pp year-on-year. The increase was a result of the rapid recovery of Gross Margin in the second half of the year and the proportional increase in Platform-Based Sales which drove a Gross Margin of 34.4% in 2HFY23, up 8.9pp year-on-year.

Following the rebasing of the Business, Variable Costs reduced by 40.7% year-on-year. While the reduction in selling costs reflects soft trading conditions versus the prior year, the reduction in warehousing costs is due to the significant adjustment made to the inventory level in the Business. Importantly, the efficiency of Variable Costs has improved year-on-year. Variable costs reduced to 8.0% of Gross Sales in FY23 from 8.8% in FY22. These efficiencies are expected to improve in FY24, as we roll off more expensive warehousing arrangements to align our warehousing with the current inventory level.

Statutory NPAT was significantly impacted by suppressed margins during 1HFY23 in order to right-size inventory levels, and also included a large non-cash equity-based compensation accrual driven by the legacy options award. This non-cash element has been discussed at length in prior years.

Adjusted EBITDA, Adjusted EBIT and Adjusted NPAT were all also significantly impacted by the right-sizing of inventory and challenging trading conditions, however did recover in 2HFY23.

Operating & Financial Review continued

Table 1.2 FY23 Kogan Group Results

\$m	FY22	FY23	YoY Var (%)
Gross Sales¹⁰	1,180.0	844.8	(28.4%)
Revenue ¹¹	718.5	489.5	(31.9%)
Cost of Sales	(534.1)	(352.9)	(33.9%)
Gross Profit	184.4	136.6	(26.0%)
Gross Margin	25.7%	27.9%	2.2pp/8.7%
Other income	5.1	0.0	(100.0%)
Variable costs	(32.5)	(19.3)	(40.7%)
Marketing costs	(71.2)	(48.5)	(32.0%)
Contribution profit	85.8	68.8	(19.8%)
<i>Contribution margin</i>	<i>11.9%</i>	<i>14.1%</i>	<i>2.1pp/17.7%</i>
People costs	(85.5)	(67.1)	(21.6%)
Other costs	(19.9)	(22.6)	13.6%
Total operating costs	(204.0)	(157.5)	(22.8%)
Unrealised gains/(losses)	(2.2)	0.1	(104.4%)
EBITDA	(21.8)	(20.8)	4.5%
<i>EBITDA margin</i>	<i>(3.0%)</i>	<i>(4.2%)</i>	<i>1.2pp/40.1%</i>
Unrealised gains/(losses)	(2.2)	2.0	
Realised (loss) on Wonderfi shares	0.0	(2.1)	
Equity-based compensation	(26.6)	(31.3)	
Bitbuy.com domain sale	5.1	(0.1)	
Mighty Ape Tranches 3 & 4	(17.0)	3.9	
Adjusted EBITDA¹²	18.9	6.8	(64.0%)
Depreciation & amortisation	(19.2)	(16.6)	(13.6%)
EBIT	(41.0)	(37.4)	8.8%
Adjusted EBIT¹²	(0.3)	(9.8)	(>1,000%)
Interest	(1.7)	(0.7)	(60.6%)
Net Profit Before Tax	(42.7)	(38.1)	10.9%
Income tax benefit	7.3	12.2	
NPAT	(35.5)	(25.9)	27.1%
Adjusted NPAT¹²	(2.9)	(7.7)	(168.9%)
EPS	(0.33)	(0.24)	27.2%
Adjusted EPS¹²	(0.03)	(0.07)	(168.4%)

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

MIGHTY APE

This year marked the exit of Founder, Simon Barton, from the Mighty Ape business. Gracie MacKinlay completed her first full financial year as CEO, and she was joined in May of this year by Daniel Balasoglou, as the new CFO of Mighty Ape. The transition has gone smoothly with no interruptions to operations.

Mighty Ape Gross Sales and Revenue both declined year-on-year, by 5.9% and 5.3%, respectively. The decline can be attributed to continuing cost-of-living pressures and high interest rates in New Zealand, which led to a reduction in the eCommerce market in New Zealand.

Despite this, Mighty Ape achieved relatively consistent and resilient Gross Profit year-on-year. This was driven by an increase in Gross Margin, achieved through increased sales of Kogan.com Exclusive Brands products, and better delivery economics from the growing Jungle Express delivery service.

Adjusted EBITDA reduced by 26.7% year-on-year as we continue to invest in setting up the business for future growth. This includes investment in IT infrastructure, logistics network and the Mighty Ape team. These investments are expected to produce long-term benefits for our customers and the Group.



Table 2.1 Mighty Ape financial highlights

A\$m	FY22	FY23	YoY Mvmt %
Gross Sales	164.2	154.4	(5.9%)
Revenue	163.4	154.8	(5.3%)
Gross Profit	39.1	39.0	(0.1%)
Gross Margin	23.9%	25.2%	1.3pp/5.4%
EBITDA	12.3	8.7	(29.4%)
EBITDA Margin	7.5%	5.6%	(1.9pp)/(25.5%)
Adjusted EBITDA	12.3	9.0	(26.7%)
Adjusted NPAT	7.3	5.0	(32.1%)

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

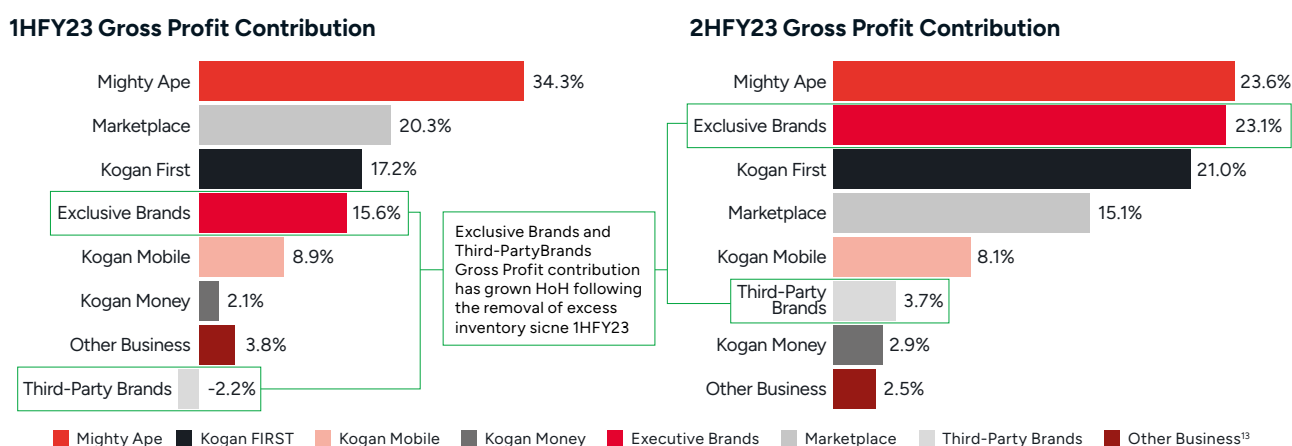
Operating & Financial Review continued

PORTFOLIO BUSINESS MIX

The recovery of Gross Profit and Gross Margin in our Product Divisions in 2HFY23 has been a highlight during the year (see Figure 3.1). Following the right-sizing of inventory within Exclusive Brands and Third-Party Brands, the deep discounting ceased, allowing for Gross Margins and therefore Gross Profit to recover. While significant recovery has occurred in the second half, we expect further improvements to come in FY24.

Mighty Ape, Marketplace, Kogan FIRST and Kogan Mobile have all continued to contribute materially to the Gross Profit of the Group.

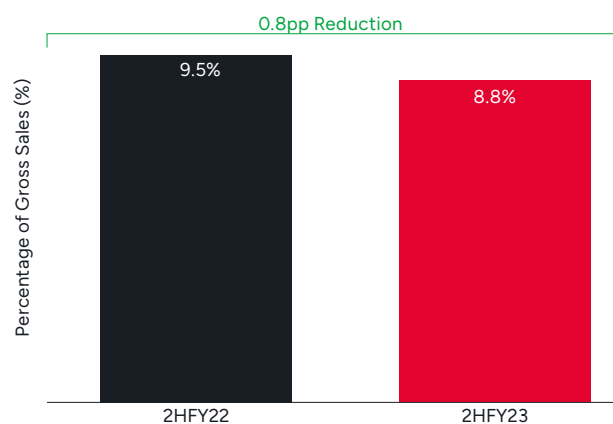
Figure 4.1 Kogan Group Gross Profit Product & Business Mix



KOGAN.COM COST OF DOING BUSINESS

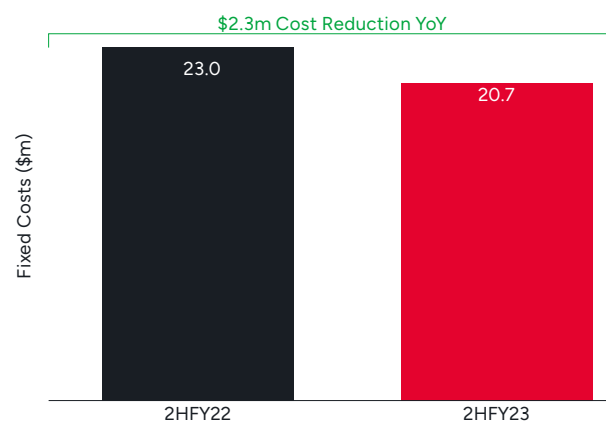
Our initiatives to increase operational efficiency were reflected in our FY23 results. As we drove down inventory in the Business to the desired level, it produced cost savings, most notably in warehousing and marketing. This has driven the reduction in Variable Costs to 8.8% of Gross Sales in 2HFY23 from 9.5% of Gross Sales in 2HFY22. Further, IT costs reduction initiatives and restructuring of our off-shore customer care teams has provided further on-going savings through our fixed costs. We have re-tendered or renegotiated most of our major contracts, with further savings expected to materialise through FY24.

Figure 5.1 Kogan.com Variable Costs 2HFY23¹⁴



Variable Costs

Figure 5.2 Kogan.com Fixed Costs¹⁵



Fixed Costs

13. Other Business includes Kogan Travel, Kogan Insurance, Kogan Internet and Kogan Energy.
 14. Refers to Variable Costs and Marketing Costs for Kogan.com only (excluding Mighty Ape). Variable Costs consist of warehousing and selling costs.
 15. Refers to People costs and Other costs for Kogan.com only (excluding Mighty Ape). People costs excludes non-cash equity-based compensation and the provision for Mighty Ape Tranche payments. Other costs includes IT, accounting, legal and compliance costs.

STATEMENT OF FINANCIAL POSITION

Table 3.1 Summary of Kogan Group Net Assets at 30 June 2022 and 30 June 2023

\$m	30-Jun-22	30-Jun-23
Current assets	235.5	142.9
Non-current assets	124.8	131.2
Total assets	360.3	274.1
Current liabilities	(137.6)	(97.7)
Non-current liabilities	(50.1)	(8.7)
Total liabilities	(187.7)	(106.4)
Net assets	172.6	167.7

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

The Group ended FY23 in a strong capital position, with cash of \$65.4 million and no bank debt. This is compared to a net cash balance (after loans & borrowings) of \$31.2 million as at 30 June 2022. The growth in cash was achieved while paying down all bank debt, making the Tranche 3 payment for the Mighty Ape acquisition of \$14.2 million and completing in excess of \$10.0 million of share buy-backs (on-going).

The business reduced inventory levels by \$91.7 million, to end the year with \$68.2 million in total inventory. This balance comprised of:

- \$60.6 million in-warehouse; and
- \$7.6 million in-transit.

The Group completed the year with inventory aligned to current levels of market demand.

The acquisition of Mighty Ape in December 2020 resulted in the recognition of Goodwill, as well as significant Right-of-Use Assets, Lease Liabilities and intangibles which continue to be reflected in the Group's Net Assets. An assessment of impairment to Goodwill was performed as at 30 June 2023 with no adjustment required. As at the end of the financial year, a total of \$11.0 million was provided for the final acquisition payment of Mighty Ape (Tranche 4).

CASH FLOWS

Table 4.1 Summary of Kogan Group Statutory Cash Flow from Operating Activities.

\$m	FY22	FY23
Receipts from customers	745.0	509.9
Payments to suppliers and employees	(678.5)	(432.3)
Interest received	0.0	0.9
Finance costs paid	(1.7)	(2.0)
Income tax paid	(3.0)	(5.6)
Net cash provided by Operating Activities	61.8	70.9

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

Operating & Financial Review continued

Cash inflows from Operating Activities improved year-on-year to \$70.9 million in FY23. This underpinned the increase in net cash balance (after loans & borrowings) by \$34.2 million, to a total of \$65.4 million as at 30 June 2023. Significant cash outflows for the year included \$14.2 million for the Mighty Ape Tranche 3 acquisition payment, \$36.0 million of loans & borrowings repayments, \$10.8 million of share buy-backs (ongoing) and \$1.5 million for the acquisition of Brosa.

OUTLOOK

Having steadied the Business and ended the year with a strong capital position, our team is excited and optimistic for what we can achieve in FY24.

In FY24, we expect:

- Accelerated growth in Kogan FIRST Subscribers;
- Continued growth in our Verticals;
- Growth in Kogan Marketplace;
- Growth in the recently introduced Advertising Platform;
- Launch of a new Vertical in New Zealand; and
- Continued improvement in our Product Divisions' profitability.

NON-IFRS MEASURES

Throughout this report, Kogan.com has included certain non-IFRS financial information, including Gross Sales, EBITDA, Adjusted EBITDA, EBIT, Adjusted EBIT, Adjusted NPAT and Adjusted EPS. 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 5.1 Non-IFRS Measures

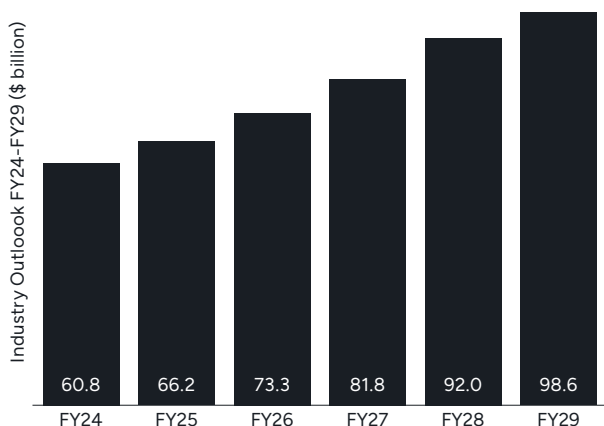
Gross Sales	The gross transaction value, on a cash basis, of products and services sold, of Kogan Retail, Mighty Ape, Kogan Marketplace and the Kogan Verticals.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation, unrealised gain/(loss), equity-based compensation and one-off non-recurring items. Refer to page 26 of this Annual Report for a detailed reconciliation of adjusting items.
EBIT	Earnings before interest and tax.
Adjusted EBIT	Earnings before interest, tax, unrealised gain/(loss), equity-based compensation and one-off non-recurring items. Refer to page 26 of this Annual Report for a details reconciliation of adjusting items.
Adjusted NPAT	Net profit after tax and before unrealised gain/(loss), equity-based compensation and one-off non-recurring items. Refer to page 26 of this Annual Report for a detailed reconciliation of adjusting items.
Adjusted EPS	Earnings per share before unrealised gain/(loss), equity-based compensation and one-off non-recurring items. Refer to page 26 of this Annual Report for a detailed reconciliation of adjusting items.

STRATEGY, RISK AND OPPORTUNITIES

STRATEGY

Online retail in Australia continues to grow at a strong and steady pace. According to IBIS World’s latest industry report, online retail in Australia is set to grow to \$98.6 billion in FY29 at a CAGR² of 10.1%. Having resolved our inventory issues and rebased the business, Kogan.com looks forward to returning to growth in the latter half of FY24 and benefitting from the overall growth in the Online retail market in Australia.

Figure 6.1 Australian Online Retail Market size (Source: IBIS World^a).



a. Source: IBISWorld X0004 Online Shopping in Australia Industry Report Apr 2023.

Kogan.com’s strategy involves a number of initiatives that target long-term growth. These include the continued growth in Kogan FIRST, our loyalty program, which is pivotal in building a strong loyal customer base who start their online shopping experience at one of Kogan.com’s online platforms. Towards the end of FY23 we launched a number of new benefits to the program, and have already seen a strong acceleration in new Subscribers as a result. Our initiatives also include the continued onboarding of Kogan Marketplace Sellers to the platform to further grow the Division, as well as grow the recently launched Advertising Platform. Additionally, we look forward to maintaining growth in our Verticals and the launch of new Verticals in FY24, as well as returning Exclusive Brands to growth.



Operating & Financial Review continued

KOGAN FIRST

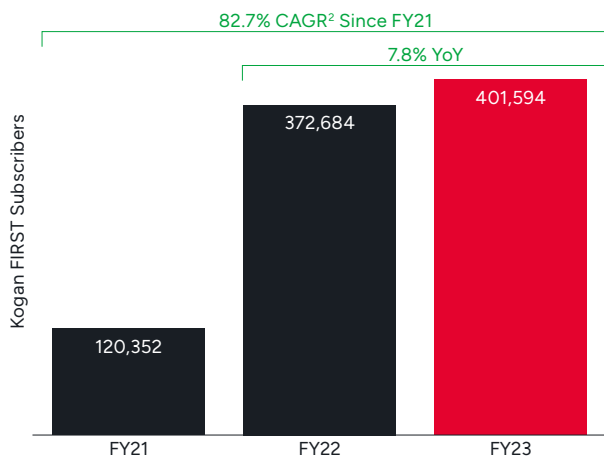
Kogan FIRST Revenues grew by 69.6% year-on-year, achieving Revenues of \$26.3 million in FY23 and ending the year with over 401,000 Subscribers.

Kogan FIRST Subscribers receive millions of dollars worth of benefits in the form of Kogan reward credits, exclusive member deals, every day discounts, free shipping, priority Customer Service and entries into our giveaway competitions.

Our program helps to build a loyal and growing customer base, with an associated benefit in the form of a growing proportion of repeat customers. This, in turn, increases our marketing efficiency and return on investment.

Having recently introduced a number of new features, and expanded the program to New Zealand, we look forward to strong growth of the program in FY24.

Figure 7.1 Kogan FIRST Subscribers¹⁶

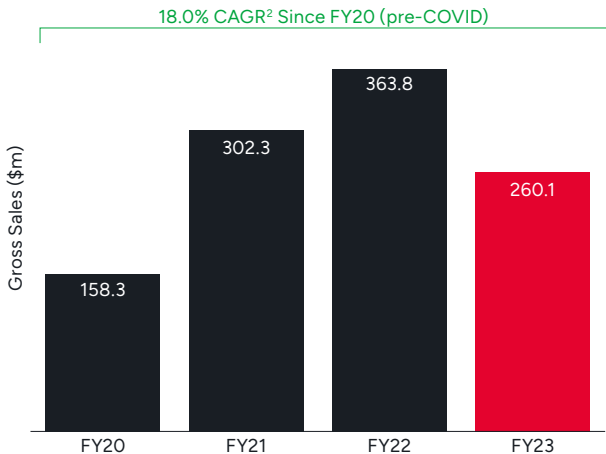


16. Kogan FIRST Subscribers excludes Kogan FIRST customers who are in a trial period, and includes only non-trial members.

KOGAN MARKETPLACE

Top-line performance of the Kogan Marketplace declined from COVID-period highs in the prior years. However the platform has grown at a CAGR² of 18.0% from FY20, demonstrating the strong long-term growth. We are continuing to onboard new Sellers, resulting in an ever expanding range of products for our customers.

Figure 8.1 Kogan Marketplace Gross Sales growth



It was with great excitement that Kogan Marketplace launched a new Advertising Platform at the end of FY23, which allows the opportunity for our Marketplace Sellers to increase prominence on our platform and improve customer search results. We anticipate this platform to scale quickly in FY24 following promising initial adoption in the first weeks of FY24.

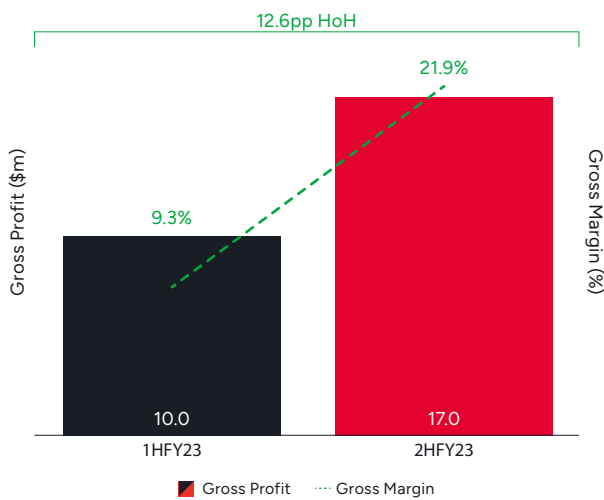
Operating & Financial Review continued

EXCLUSIVE BRANDS STRATEGY

Our Exclusive Brands represent the majority of our in-warehouse inventory. The Division is essential to our Business, offering a highly efficient method for delivering unique products from manufacturers to customers. This leads to exceptional value and unique offers that are not available anywhere else in the market, and therefore creates a unique proposition for consumers to choose Kogan.com.

Following the right-sizing of inventory, Gross Margins in the Division have rapidly recovered, and so we look forward to Exclusive Brands contributing strongly to the Group’s results in FY24.

Figure 9.1 Kogan.com Exclusive Brands Gross Margin



Our Exclusive Brands business benefits from:

- Full control of the end-to-end supply chain;
- Strong competitive advantage;
- Building trusted brands renowned for value;
- Compelling consumer offering; and
- 17+ years’ experience.



RISKS

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

Australian retail environment and general economic conditions may worsen	Many of Kogan.com's products are discretionary goods and, as a result, sales levels are sensitive to consumer sentiment. Kogan.com's offering of products, and its financial and operational performance, may be affected by changes in consumers' disposable incomes, or their preferences as to the utilisation of their disposable incomes. Any reduction in the disposable incomes of Kogan.com's customers as a result of changes to factors such as economic outlook, interest rates, unemployment levels and taxation may decrease consumer confidence and consumer demand, which may subsequently result in lower levels of revenue and profitability.
Competition may increase and change	Kogan.com could be adversely affected by increased competition in the various segments in which it operates. The Australian online retail market is highly competitive and is subject to changing customer preferences.
Inventory management	In order to operate its business successfully, Kogan.com must maintain sufficient inventory and also avoid the accumulation of excess inventory.
Key supplier, service provider and counterparty factors	Kogan.com has a large number of international suppliers and service providers, from which it sources a broad range of products and services. There is a risk that Kogan.com may be unable to continue to source products or services from existing suppliers or service providers, and in the future, to source products from new suppliers or services from new service providers, at favourable prices, on favourable terms, in a timely manner or in sufficient volume.
Manufacturing and product quality	Kogan.com currently uses a wide range of third-party suppliers to produce its Exclusive Brands products. While Kogan.com employs dedicated 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.
Marketplace operations	As the Kogan Marketplace continues to grow, Kogan.com must maintain the integrity of the platform by ensuring the quality of sellers and products being offered. Additionally, processes are in place to ensure fair competition on the website amongst all sellers.
Performance and reliability of Kogan.com's websites, databases and operating systems	Kogan.com's websites, Apps, databases, IT and management systems, including its ERP and security systems, are critically important to its success. The satisfactory performance, reliability and availability of Kogan.com's websites, Apps, databases, IT and management systems are integral to the operation of the Business.
Reputational product sourcing factors	The Kogan.com portfolio of Exclusive Brands 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.
Exposure to litigation	Kogan.com may be subject to litigation, claims, disputes and regulatory investigations, including by customers, suppliers, government agencies, regulators or other third parties. These disputes may be related to warranties, product descriptions, personal injury, health, environmental, safety or operational concerns, nuisance, negligence or failure to comply with applicable laws and regulations.

Operating & Financial Review continued

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.
Retention of key team members	Kogan.com relies on the expertise, experience and strategic direction provided by its Executive Directors and key team members. These individuals have extensive experience in, and knowledge of, Kogan.com's business and the Australian online retail market. Additionally, successful operation of Kogan.com's business depends on its ability to attract and retain quality team members.
Reliance on third-party payment providers	Kogan.com is exposed to risks in relation to the methods of payment that it currently accepts, including credit card, PayPal and vouchers. Kogan.com may incur loss from fraud or erroneous transactions.

RECONCILIATION TO ADJUSTED EBITDA, ADJUSTED EBIT AND ADJUSTED NPAT

Table 6.1 Reconciliation to Adjusted EBIT, Adjusted EBITDA and Adjusted NPAT

	Unadjusted	Unrealised (gain)/loss	Realised loss on Wonderfi shares	Equity-based compensation	Mighty Ape purchase – Tranche 4	Bitbuy.com domain sale	Adjusted
Revenue	489.5						489.5
Cost of sales	(352.9)						(352.9)
Gross Profit	136.6						136.6
Gross margin	27.9%						27.9%
Variable costs	(19.3)						(19.3)
Marketing costs	(48.5)						(48.5)
People costs	(67.1)			31.3	(3.9)		(39.7)
Other costs	(22.6)	(1.9)	2.1			0.1	(22.3)
Total operating costs	(157.5)						(129.7)
Unrealised gain/(loss)	0.1	(0.1)					0.0
EBITDA	(20.8)						6.8
EBITDA margin	(4.2%)						1.4%
Depreciation & amortisation	(16.6)						(16.6)
EBIT	(37.4)						(9.8)
Interest	(0.7)						(0.7)
Loss before tax	(38.1)						(10.4)
Income tax benefit/(expense)	12.2	0.6	(0.6)	(9.4)		(0.0)	2.8
NPAT	(25.9)						(7.7)
EPS	(0.24)						(0.07)

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

Adjusted EBITDA, Adjusted EBIT, Adjusted NPAT and Adjusted EPS: are measures of the underlying performance of the Business, they remove non-cash items including the unrealised FX gain/ (loss), equity-based compensation and one-off non-recurring items. In respect of FY23 the below items have been adjusted:

- **Unrealised gain/(loss):** unrealised loss at year end related to shares still held and open forward foreign exchange contracts.
- **Equity-based compensation:** significant equity-based compensation expenses driven largely by the award of options after the Company's AGM in November 2020. These options were granted to Ruslan Kogan, CEO, and David Shafer, CFO & COO, with a strike price of \$5.29.
- **Mighty Ape purchase – Tranche 4:** refers to the provision for the payment of Mighty Ape Tranche 4 purchase price instalment as part of the Sale Agreement, which was contingent on the Mighty Ape Founder & former CFO remaining with the Business until the delivery of the financial year 2023 result. In line with accounting standards, Tranches 4 payment will be considered as compensation for post-combination services, and as such, treated as employee remuneration for accounting purposes. The Group will proportionately account for these expenses up until the respective payment dates.
 - For Australian income tax purposes, amounts paid for the acquisition of Mighty Ape shares are considered as capital in nature and are therefore non-deductible, rather increasing the tax cost base of the shares. No deferred tax asset is recognised due to it being probable that the temporary difference will not reverse in the foreseeable future.
- **Bitbuy.com domain sale:** relates to an adjustment on the sale of the domain name bitbuy.com. For full details of the transaction, refer to the ASX release 'Domain sale re Bitbuy' on 14 December 2021.

Directors' Report

The Directors of Kogan.com Limited and its controlled entities ("The Group") present their report together with the consolidated financial report of the Group for the financial year ended 30 June 2023 and the Audit Report thereon.

DIRECTORS

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

Greg Ridder – Independent, Non-Executive Chairman

Janine Allis – Independent, Non-Executive Director

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

Harry Debney – Independent, Non-Executive Director

James Spenceley – Independent, Non-Executive Director

Ruslan Kogan – Founder, Chief Executive Officer and Executive Director

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

COMPANY SECRETARY

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

PRINCIPAL ACTIVITIES

Kogan.com is a portfolio of retail and services businesses that included Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Travel, Kogan Money, Kogan Cars, Kogan Energy, Dick Smith, Matt Blatt, Brosa and Mighty Ape during the year ended 30 June 2023.

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

In addition to product offerings, Kogan.com earned seller-fee based Revenue from Kogan Marketplace and commission-based Revenue from the Verticals including Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Money, Kogan Cars, Kogan Energy and Kogan Travel ("Kogan Verticals").

In December 2022, Kogan.com acquired Brosa (excluding any leases or liabilities), one of Australia's largest online luxury furniture retailers, out of administration. The deal saw the popular furniture brand remain in operation and relaunched stronger than ever with the backing of the Kogan Group.

The results of Kogan HK Limited, a Hong Kong registered entity, Kogan US Trading Inc, a US incorporated entity, and Mighty Ape Limited, a New Zealand registered entity, have been compiled using International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

An operating and financial review of the Group during the financial year and the results of these operations are contained on pages 7 to 27 of this report.

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

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There are no subsequent events post reporting date 30 June 2023.

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 related to 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.

DIVIDENDS

With consideration to the on-going share buy-back, which is scheduled to complete on 10 May 2024, the Board has decided not to declare a FY23 Dividend.

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's independence requirements of the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

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

Directors' Report continued

The following fees were paid or payable to KPMG for non-audit services provided during the year ended 30 June 2023:

	\$
Tax advisory and compliance	119,774

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the financial year ended 30 June 2023 can be found on page 57 of the financial report and forms part of the Directors Report.

THE BOARD OF DIRECTORS AND COMPANY SECRETARY



Greg Ridder

(BBus (Acc), Grad Dip (Mktg), GAICD, CPA)

Independent, 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, he is experienced in leading businesses in multiple countries, cultures, economic circumstances and market conditions. Mr Ridder also serves as Non-Executive Director at Spirit Technology Solutions Limited and a number of not-for-profit entities.

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

Directorship of listed entities within the past three years

- Director of Spirit Technology Solutions Ltd (appointed in November 2019)

Board Committee membership

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



Janine Allis

Independent Non-Executive Director

Ms Allis was appointed to the Board of Kogan.com in April 2021, as an Independent, Non-Executive Director and also serves as a member of the Remuneration and Nomination Committee and Audit and Risk Management Committee.

Ms Allis is the Founder of Boost Juice and Founder and Non-Executive Chairman of Retail Zoo group of food retail brands. Ms Allis has been Telstra Businesswoman of the Year, Excellence in Women's Leadership, Amex Franchisor of the Year, ARA Retailer of the Year and was inducted into the Australian Franchise Hall of Fame.

Ms Allis was listed as one of BRW's top 15 people who have changed the way we do business in the last 20 years and is an ambassador for UNHCR.

Directorship of listed entities within the past three years

- Director of Australian Pharmaceuticals Industries (API) (ceased March 2022)

Board Committee membership

- Member of the Audit and Risk Management Committee
- 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 Financial Officer, Chief Operating Officer and Executive Director in November 2010.

Prior to joining Kogan.com, Mr Shafer was 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.

Directors' Report continued



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 currently serves as the Interim Chief Executive Officer of Costa Group, having previously served as Chief Executive Officer of Costa Group from September 2010 to March 2021. During his time at Costa Group he oversaw the business' transition from a privately-owned Company to a member of the S&P/ASX 200 Index.

Prior to joining the Costa Group, Mr Debney spent 24 years at Visy Industries, including eight years as Chief Executive Officer. During this time, he substantially grew the Visy business, both organically and through acquisitions and oversaw a progressive renewal of core manufacturing assets to ensure that Visy had the most advanced technology, and lowest cost manufacturing base in the industry.

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

Directorship of listed entities within the past three years

- Non-Executive Director of Costa Group Holdings Ltd (appointed on 1 July 2021)

Board Committee membership

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



James Spenceley

Independent Non-Executive Director

Mr Spenceley was appointed to the Board of Kogan.com in March 2021, as an Independent, Non-Executive Director and also serves as a member of the Remuneration and Nomination Committee and Audit and Risk Management Committee.

Mr Spenceley founded Vocus Communications (now Vocus Group, ASX:VOC) in 2007 and built it into an ASX100 company through organic growth and acquisitions. Mr Spenceley is Chairman at Swoop Telecom and up until May 2023, was Chairman of Airtasker.

Mr Spenceley was the former owner of Illawarra Hawks NBL team and has twice won Ernst & Young Australian Entrepreneur of the Year recognition. In 2018, he was inducted into the Telecommunications Hall of Fame.

Directorship of listed entities within the past three years

- Chairperson of Swoop Telecom (appointed in February 2019)
- Chairperson of Airtasker Limited (ceased in May 2023)
- Non-Executive Director at Think Childcare (ceased October 2021)

Board Committee membership

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


Ruslan Kogan

(BBS)

Founder, Chief Executive Officer and Executive Director

Mr Kogan founded Kogan.com in 2006, and has been its CEO since inception, growing the Business into Australia's leading Pure Play Online Retailer in under a decade.

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

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

Mark Licciardo (Acclime Australia Pty Ltd)

(B Bus (Acc), GradDip CSP, FGIA, GAICD)

Company Secretary

Mark is the founder of Mertons Corporate Services, now part of Acclime Australia, and is responsible for Acclime Australia's Listed Services Division.

He is also an ASX-experienced director and chair of public and private companies, with expertise in the listed investment, infrastructure, bio-technology and digital sectors. He currently serves as a director on a number of Australian company boards as well as foreign-controlled entities and private companies.

During his executive career, Mark held roles in banking and finance, funds management, investment and infrastructure development businesses, including being the Company Secretary for ASX:100 companies Transurban Group and Australian Foundation Investment Company Limited.

Mark holds a Bachelor of Business degree in accounting, a Graduate Diploma in Governance and is a Fellow of the Chartered Governance Institute, the Governance Institute of Australia and the Australian Institute of Company Directors.

MEETINGS OF DIRECTORS

Directors' meetings held between 1 July 2022 and 30 June 2023:

	BOARD		AUDIT AND RISK		REMUNERATION AND NOMINATION	
	A	B	A	B	A	B
Greg Ridder	11	11	3	3	3	3
Janine Allis	11	10	3	2	3	3
David Shafer	11	11	3	3 ¹	3	1 ¹
Harry Debney	11	11	3	3	3	3
James Spenceley	11	10	3	3	3	3
Ruslan Kogan	11	11	3	1 ¹	3	1 ¹

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

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

B Number of meetings attended.

Directors' Report continued

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 interest of Shareholders.

The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations 4th Edition ('the ASX Principles'). Kogan.com's Corporate Governance Statement, which summarises the Company's Corporate Governance practices and incorporates the disclosures required by the ASX Principles, can be viewed at www.kogancorporate.com.

ENVIRONMENTAL REGULATIONS

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

DIRECTORS INTERESTS

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

	Ordinary Shares
Ruslan Kogan	15,853,321
David Shafer	5,225,642
Greg Ridder	158,000
Harry Debney	98,099
Janine Allis	14,761
James Spenceley	10,000

SHARE RIGHTS

Unissued Shares under Rights

At 30 June 2023 the Group had 1,199,662 unissued shares under Rights which are expected to vest up until 27 February 2027, all unissued shares under Rights are Ordinary Shares of the Company.

Shares Issued on Exercise of Rights

During the financial year, the Group issued 148,936 Ordinary Shares as a result of the Rights vesting.

RETENTION OPTIONS

Unissued Shares under Options

At 30 June 2023 the Group had 6,653,997 unissued shares under Options which are expected to vest up until 31 December 2027, all unissued shares under Options are Ordinary Shares of the Company.

As at 28 September 2023 the number of vested Options totalled 6,000,000, none of which have been exercised.

Remuneration Report

INTRODUCTION

The Directors are pleased to present the FY23 Remuneration Report, outlining the Board's approach to the remuneration for Key Management Personnel (KMP).

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

The Report covers the following matters:

1. 2023 outcomes at a glance;
2. Details of Key Management Personnel;
3. Remuneration governance;
4. Remuneration policy;
5. Company's performance;
6. Details of remuneration;
7. Equity instruments;
8. Executive Directors and Other KMP Service Agreements;
9. Key Management Personnel transactions; and
10. Remuneration framework review.

Remuneration Report continued

2023 OUTCOMES AT A GLANCE

Chief Executive Officer (CEO) remuneration	Chief Financial Officer (CFO) remuneration
For FY23, our CEO:	For FY23, our CFO:
<ul style="list-style-type: none"> Had no increase to fixed remuneration; Was not awarded any additional variable remuneration; Received total realised remuneration of \$448,792; Had total statutory remuneration of \$17,179,675; and Has outstanding Options with a value of \$6,189,138¹⁷. The associated strike price is \$5.29 and has vested as at the date of this report. 	<ul style="list-style-type: none"> Had no increase to fixed remuneration; Was not awarded any additional variable remuneration; Received total realised remuneration of \$388,292; Had total statutory remuneration of \$11,549,765; and Has outstanding Options with a value of \$4,126,092¹⁷. The associated strike price is \$5.29 and has vested as at the date of this report.
Non Executive Directors (NED) fees	
No increases to NED fees (the Chairman and other NED base fees remained unchanged).	

DETAILS OF KEY MANAGEMENT PERSONNEL

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

KMP	POSITION HELD	TERM AS KMP
Independent Non-Executive Directors		
Greg Ridder	Chairman, Independent Non-Executive Director	Full year
Janine Allis	Independent Non-Executive Director	Full year
Harry Debney	Independent Non-Executive Director	Full year
James Spenceley	Independent Non-Executive Director	Full year
Executive Directors		
David Shafer	Chief Financial Officer, Chief Operating Officer & Executive Director	Full year
Ruslan Kogan	Chief Executive Officer and Executive Director	Full year
Other KMP		
Gracie MacKinlay	Mighty Ape, Chief Executive Officer	Full year
Simon Barton	Mighty Ape, Chief Financial Officer (until 31 March 2023)	Part year

17. Based on a valuation performed by SLM Corporate as at 22nd August 2023.

REMUNERATION GOVERNANCE

The Board has appointed the Remuneration and Nomination Committee (“the 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.

Remuneration and Nomination Committee

Kogan.com’s Remuneration and Nomination Committee is composed of Independent Non-Executive Directors.

The responsibilities of the 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 planning 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 the Company’s remuneration framework, remuneration packages and policies applicable to the members of the executive management of the Company (“Senior Management”) and Directors;
- review and make recommendations to the Board on equity-based remuneration plans for senior executives and other employees;
- define levels at which the Chief Executive Officer must make recommendations to the Committee on proposed changes to remuneration and employee benefit policies;
- ensure that remuneration packages and policies attract, retain and motivate high calibre executives; and
- ensure that remuneration policies demonstrate a clear relationship between key executive performance and remuneration.

All Directors who are not members of the Committee are entitled to attend any meeting of the Committee. The Committee may invite any Director, including members of Senior Management.

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

Remuneration Report continued

REMUNERATION POLICY

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

- Fixed remuneration (inclusive of superannuation);
- Short term cash-based incentives; and
- Long term equity-based incentives.

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

Fixed remuneration

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

Executive KMP's did not receive an adjustment to fixed remuneration, with the exception of the compulsory superannuation increase, in the 2023 financial year.

	Year	Cash Salary \$	Super-annuation \$	AL & LSL \$
Executive KMPs				
R. Kogan	2023	423,500	25,292	39,645
D. Shafer	2023	363,000	25,292	33,982
Other KMPs				
G. MacKinlay	2023	228,879	6,866	30,040
S. Barton	2023	170,399	–	5,060
Total		1,185,778	57,451	108,726
Executive KMPs				
R. Kogan	2022	423,500	23,568	39,645
D. Shafer	2022	363,000	23,568	33,982
Other KMPs				
G. MacKinlay	2022	15,481	464	1,060
S. Barton	2022	279,104	–	19,001
Total		1,081,085	47,600	93,688

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

Short term incentives (STI) – Cash based

The following table outlines the significant aspects of the STI.

Purpose of STI plan	<p>Provide a link between remuneration and both short-term Company and individual performance.</p> <p>Create sustainable Shareholder value.</p> <p>Reward individuals for their contribution to the success of the Group.</p> <p>Actively encourage team members to take more ownership over the EBITDA¹⁸.</p>
Eligibility	<p>Offers of cash incentive may be made to any team member of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of cash incentive under the STI.</p>
Calculation & Target	<p>The Adjusted EBITDA¹⁸ of Kogan.com shall exceed the management forecast for the full financial year (after payment of the STI).</p> <p>25% of the outperformance will be allocated to a 'bonus pool'.</p> <p>The 'bonus pool' will then be shared in cash bonuses among a number of team members in fixed proportions.</p>
Maximum opportunity	<p>The maximum payable is 25% of the outperformance and 35% of the team member's annual salary.</p>
Performance conditions	<p>Outperformance of the budgeted Adjusted EBITDA.¹⁸</p> <p>Continuation of employment.</p>
Why were the performance conditions chosen	<p>To achieve successful and sustainable financial business outcomes as well as any annual objectives that drive short-term and long-term business success and sustainability.</p>
Performance period	<p>1 July 2022 to 30 June 2023.</p>
Timing of assessment	<p>August 2023, following the completion of the 30 June 2023 accounts.</p>
Form of payment	<p>Paid in cash.</p>
Board discretion	<p>Targets are reviewed annually and the Board has discretion to adapt appropriately to take into account exceptional items.</p>

KMP's did not receive a payment under the STI plan in the 2023 financial year (FY22:\$0).

18. Non-IFRS measure.

Remuneration Report continued

Long Term Incentives (LTI) – Equity Incentive Plan (EIP)

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

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

Purpose of LTI plan	<p>Support the strategy and business plan of the Group.</p> <p>Align the interests of team members more closely with the interests of Shareholders.</p> <p>Reward individuals for their contribution to the success of the Group over the long-term.</p>
Eligibility	Offers of Incentive Securities may be made to any team member of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of incentive Securities under the EIP.
Service condition on vesting	Individuals must be employed by the Group at time of vesting and not be in their notice period.
Form of award and payment	Performance Rights or Options.
Board discretion	The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the EIP.
Consideration	Nil.
Rights	Each Right confers on its holder an entitlement to a Share, subject to the satisfaction of applicable conditions.
Restrictions on dealing	<p>Shares allocated upon exercise of Performance Rights will rank equally with all existing Ordinary Shares from the date of issue (subject only to the requirements of Kogan.com's Securities Trading Policy).</p> <p>Upon vesting, there will be no disposal restrictions placed on the Ordinary Shares issued to participants (subject only to the requirements of Kogan.com's Securities Trading Policy).</p>
Lapse of Rights	<p>A Right will lapse upon the earliest to occur of:</p> <ul style="list-style-type: none"> • expiry date; • failure to meet vesting conditions; • employment termination; • the participant electing to surrender the Right; and • where, in the opinion of the Board, a participant deals with a Right in contravention of any dealing restrictions under the EIP.

Performance Rights awarded to KMPs

The statutory values below represent the expenses incurred through the Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income Statement in accordance with AASB 2 *Share-Based Payments*.

	STATUTORY VALUE			
	Year	Value	Year	Value
Executive KMPs				
R. Kogan	2023	–	2022	–
D. Shafer	2023	–	2022	–
Other KMPs				
G. MacKinlay	2023	75,155	2022	393
S. Barton	2023	–	2022	–
Total		75,155		393

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

Options awarded to KMPs

The statutory values below represent the expenses incurred through the Consolidated Income Statement and Consolidated statement of Other Comprehensive Income Statement in accordance with AASB 2 *Share-Based Payments*.

	STATUTORY VALUE			
	Year	Value	Year	Value
Executive KMPs				
R. Kogan	2023	16,691,237	2022	14,735,415
D. Shafer	2023	11,127,491	2022	9,823,610
Other KMPs				
G. MacKinlay	2023	–	2022	–
S. Barton	2023	34,137	2022	31,439
Total		27,852,866		24,590,464

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

To better understand the underlying remuneration potentially being delivered to the Executive KMPs, the Committee engaged SLM Corporate to perform an updated valuation as of 22nd August 2023, being the day of the FY23 Appendix 4E and Preliminary Financial Statements release. The results are as follows:

Options	Date	Value	Date	Value
Executive KMPs				
R. Kogan	22/08/2023	6,189,138	23/08/2022	3,548,101
D. Shafer	22/08/2023	4,126,092	23/08/2022	2,365,401
Other KMPs				
S. Barton	22/08/2023	1,603	23/08/2022	4,418
Total		10,316,833		5,917,920

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

Remuneration Report continued

Mr. Barton did not receive any Options during FY23. As at 30 June 2023, 17,443 Options remained outstanding.

At the date of grant for Mr. Kogan and Mr. Shafer, being 30 November 2020, the value of their Options were worth \$41,325,935 and \$27,550,623, respectively. At the date of grant for Mr. Barton, being 3 December 2020, his Options were worth \$161,871.

As part of Mrs. MacKinlay's appointment to CEO, she was granted 112,360 Performance Rights which have both a service condition and performance hurdle attached. As at 30 June 2023, Mrs. MacKinlay has 84,270 Performance Rights remaining following the expiry of 28,090 Performance Rights in FY23 due to a performance hurdle not being met.

Performance Rights	Date	Value	Date	Value
Other KMP				
G. MacKinlay	22/08/2023	427,249	23/08/2022	398,878
Total		427,249		398,878

At the time of grant, these performance rights were worth \$400,000.

The below relates to the Options awarded to Mr. Kogan and Mr. Shafer following the FY20 Annual General Meeting. During FY23, no new Retention Options were granted. As at 30 June 2023, all Retention Options remained unvested. As at 27 September 2023, all Retention Options were vested and not yet exercised.

The number and class of securities issued to the Directors	3,600,000 options granted to Mr Kogan and 2,400,000 granted to Mr Shafer under the EIP.
Details of the Retention Options	<p>The Board (excluding Mr. Kogan and Mr. Shafer) decided to grant the Retention Options to Mr. Kogan and Mr. Shafer because the Board believed it was in the best interests of the Company and Shareholders to incentivise Mr. Kogan and Mr. Shafer to remain in their positions for the next 3 years given their proven track records, in order to maximise the prospect of Mr Kogan and Mr. Shafer contributing to the creation of significant future returns for Shareholders.</p> <p>The Retention Options are being accounted for in the same way the Company's current equity-settled awards are treated (refer section 5.2 of the FY22 Annual Report), with their accounting value determined at their date of grant (within 10 Business Days of the Meeting). Equity-settled awards are measured at fair value at the date of grant. The cost of these transactions is recognised in the Company's Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income and credited to equity on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest. The level of vesting is reviewed annually and the charge adjusted to reflect actual and estimated levels of vesting. Accordingly, any deductions allowable for tax purposes will also be in line with current equity-settled awards.</p>

Details of the Retention Options (continued)

The Company obtained an independent valuation of the Retention Options from SLM Corporate dated 7 May 2020 to provide advice in relation to whether the proposed grant of the Retention Options were reasonable in the circumstances and by reference to industry standards. The valuation applied a number of assumptions and variables, including the following:

- the closing price of the Company's Shares on ASX on 30 April 2020 (a reference date under the report), being \$7.99 per Share;
- a risk-free rate of 0.33%;
- a volatility factor of 62.5%;
- dividend yield of 1.96%; and
- a time to maturity of the underlying Options of 4 years.

The estimated value of each Retention Option pursuant to the valuation was \$4.13 as at the reference date of the report of 7 May 2020. On this basis, the estimated value as at the reference date of the report of 7 May 2020 of:

- the Retention Options to be granted to Mr Kogan under Item 5.1 was \$14,872,133; and
- the Retention Options to be granted to Mr Shafer under Item 5.2 was \$9,914,756.

The report from SLM Corporate dated 7 May 2020 reflects the value of the Retention Options on or about the date that the Company agreed to grant the Retention Options to Mr Kogan and Mr Shafer. For completeness, given the time that has elapsed between the AGM (at which the Retention Options were approved by Shareholders) and both the date of the independent valuation of the Retention Options from SLM Corporate and the date that the Company agreed to grant the Retention Options, the Company obtained an updated independent valuation of the Retention Options from SLM Corporate dated 8 December 2020. This valuation applied the same assumptions and variables as noted above, except that:

- the closing price of the Company's Shares on ASX on 30 November 2020 (date of issue of the Retention Options as per the updated independent valuation), being \$16.40 per Share;
- a risk-free rate of 0.25%;
- a volatility factor of 62.5%; and
- dividend yield of 1.28%.

The value of each Retention Option pursuant to the valuation was \$11.48 as at the issue date of the updated independent valuation of 8 December 2020. On this basis, the value as at the issue date of the updated independent valuation of 8 December 2020 of:

- the Retention Options granted to Mr. Kogan was \$41,325,935; and
- the Retention Options granted to Mr. Shafer was \$27,550,623.

The increase in the value of the Retention Options reflected the increase in the Company's share price since the Company announced the terms of the Retention Options to the ASX on 12 May 2020 and the grant of the Retention Options following the Company's AGM on 20 November 2020.

Strike price	\$5.29
Share price at grant date	\$16.40
Share price at 27 September 2023	\$5.08

Remuneration Report continued

Independent Non-Executive Directors' remuneration

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

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

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

This amount has been fixed by Kogan.com at \$800,000 per annum (FY22: \$800,000 per annum). Any change to that aggregate annual sum needs to be approved by Shareholders.

The annual Independent Non-Executive Directors' fees paid or payable to Greg Ridder (as Chairman of the Board and Remuneration & Nomination Committee), Harry Debney (as Chairman of the Audit & Risk Management Committee), Janine Allis and James Spenceley for FY23 are \$185,000, \$110,000, \$95,000 and \$95,000, respectively.

Included within Harry Debney's fees is \$15,000 per annum to acknowledge the additional duties linked to leading the Audit and Risk Management Committee as Chairman.

As of 22 August 2023, James Spenceley has been appointed Chairman of the Remuneration and Nomination Committee. To acknowledge the additional duties linked with this position, an additional \$15,000 per annum will be paid to James. Greg Ridder's fees will remain unchanged, as he chose not to accept additional compensation during his tenure as Chairman of the Remuneration and Nomination Committee until 22 August 2023.

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

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

Independent Non-Executive Directors did not receive an adjustment to Directors' fees in the 2023 financial year.

COMPANY PERFORMANCE

Relationship to remuneration policy

In considering the consolidated entity's performance and the benefits of Shareholder wealth, the Committee considered a range of indicators in respect of senior executive remuneration and linked these to the previously described short and long term incentives.

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

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

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

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

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

Shareholder wealth

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

	FY19	FY20	FY21	FY22	FY23
Revenue (in \$'m)	438.7	497.9	780.7	718.5	489.5
Net profit/(loss) after income tax (NPAT)	17.2	26.8	3.5	(35.5)	(25.9)
Adjusted NPAT	18.6	30.0	42.9	(2.9)	(7.7)
Earnings per share (EPS)	0.18	0.29	0.03	(0.33)	(0.24)
Adjusted EPS	0.20	0.32	0.41	(0.03)	(0.07)
EBITDA (in \$'m)	30.1	46.5	22.5	(21.8)	(20.8)
Adjusted EBITDA (in \$'m)	31.5	49.7	61.8	18.9	6.8
Dividends paid (in \$'m)	11.4	14.8	31.3	–	–
Share Price at 30 June	4.75	14.72	11.58	2.78	4.85

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

Profit amounts have been calculated in accordance with Australian Accounting Standards (AASB). EBITDA² is calculated based on the operating profit before interest, tax, depreciation and amortisation.

1. *Adjusted EBITDA, Adjusted NPAT and Adjusted EPS are measures of the underlying performance of the Business, they remove non-cash items including the unrealised FX gain/(loss), equity-based compensation and one-off non-recurring items. Refer to page 26 of this Annual Report for a detailed reconciliation of adjusting items.*
2. *Non-IFRS measure.*
3. *Earnings Before Interest, Tax, Depreciation & Amortisation.*

Remuneration Report continued

DETAILS OF REMUNERATION

KMP realised remuneration

The table below is a voluntary non-statutory disclosure that displays actual cash remuneration (“realised remuneration”) that the KMPs received in FY23 and FY22. It includes cash salary, superannuation contributions, STI earned and LTI that vested during the period, including Mighty Ape – acquisition related remuneration that vested during the period. This information differs from the statutory remuneration table found on the following page, which also includes the expense for vested & unvested awards, along with other long term benefits, in accordance with Australian Accounting Standards.

	Year	Fixed Remuneration ¹⁹	STI	Mighty Ape – acquisition related remuneration	Total realised remuneration
Executive KMPs					
R. Kogan	2023	448,792	–	–	448,792
D. Shafer	2023	388,292	–	–	388,292
Other KMPs					
G. MacKinlay	2023	235,745	–	–	235,745
S. Barton	2023	170,399	–	14,242,881	14,413,280
Total		1,243,229	–	14,242,881	15,486,109
Executive KMPs					
R. Kogan	2022	447,068	–	–	447,068
D. Shafer	2022	386,568	–	–	386,568
Other KMPs					
G. MacKinlay ²⁰	2022	15,945	–	–	15,945
S. Barton	2022	279,104	–	–	279,104
Total		1,128,685	–	–	1,128,685

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

19. Includes cash salary and superannuation consistent with statutory remuneration table in the next section, excluding accrued annual leave entitlements.

20. Gracie MacKinlay was deemed a KMP following her appointment to CEO of Mighty Ape on 6 June 2022. This represents the period 6 June 2022 to 30 June 2022.

KMP statutory remuneration

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

	Year	SHORT TERM		POST-EMPLOYMENT	LONG TERM BENEFITS	EQUITY-BASED COMPENSATION	OTHER LONG TERM BENEFITS		Total \$	
		Cash Salary \$	Short-Term Incentives \$	Super-annuation \$	Annual & long service leave \$	Share-Based Payments ²¹ \$	MightyApe– acquisition related remuneration \$	Total \$		
Executive KMPs										
R. Kogan	2023	423,500	–	25,292	39,645	16,691,237	17,179,675	–	17,179,675	
D. Shafer	2023	363,000	–	25,292	33,982	11,127,491	11,549,765	–	11,549,765	
Other KMPs										
G. MacKinlay	2023	228,879	–	6,866	30,040	75,155	340,940	–	340,940	
S. Barton	2023	170,399	–	–	5,060	34,137	209,596	(3,885,469) ²²	(3,675,873)	
Total		1,185,778	–	57,451	108,726	27,928,021	29,279,976	(3,885,469)	25,394,507	
Executive KMPs										
R. Kogan	2022	423,500	–	23,568	39,645	14,735,415	15,222,128	–	15,222,128	
D. Shafer	2022	363,000	–	23,568	33,982	9,823,610	10,244,160	–	10,244,160	
Other KMPs										
G. MacKinlay	2022	15,481	–	464	1,060	393	17,398	–	17,398	
S. Barton	2022	279,104	–	–	19,001	31,439	329,544	17,047,089	17,376,633	
Total		1,081,085	–	47,600	93,688	24,590,857	25,813,230	17,047,089	42,860,319	

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

Mighty Ape – acquisition-related remuneration

Mighty Ape acquisition related remuneration, refers to the payment of Mighty Ape Tranche 3 and Mighty Ape Tranche 4 purchase price instalments as part of the Sale Agreement. Tranches 3 & 4 was contingent on the Mighty Ape Founder, Simon Barton, remaining with the business until the delivery of the financial year 2022 and 2023 results, respectively. In line with accounting standards, Tranches 3 & 4 payments have been considered as compensation for post-combination services, and as such, treated as employee remuneration for accounting purposes. The Group will proportionately account for these expenses up until the respective payment dates.

During FY23, Tranche 3 of the Mighty Ape acquisition was paid to Simon Barton, totalling \$14.3 million.

As at 30 June 2023 a total of \$11.0 million has been provided for in relation to Tranche 4.

21. Share-based payments shown relate to the expense incurred in accordance with accounting standards for unvested Options awarded to the CEO & CFO/COO and other Non-Executive KMP. KMP Share-Based Options at 22nd August 2023, as valued by SLM Corporate, were worth \$6,189,138 for Mr. Kogan, \$4,126,092 for Mr. Shafer and \$1,603 for Mr. Barton, respectively. Gracie MacKinlay held Performance Rights on 22nd August 2023 worth \$427,249.

22. The negative statutory value recorded here relates to a reversal of the over provision for Tranche 4 payment of the Mighty Ape Acquisition in prior years.

Remuneration Report continued

Non-Executive Directors' remuneration

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

	Year	SHORT TERM BENEFITS	POST- EMPLOY- MENT BENEFITS	Total \$
		Total fees \$	Super- annuation \$	
Greg Ridder	2023	185,000	–	185,000
Harry Debney	2023	110,000	–	110,000
Janine Allis	2023	95,000	–	95,000
James Spenceley	2023	95,000	–	95,000
Total		485,000	–	485,000
Greg Ridder	2022	185,000	–	185,000
Harry Debney	2022	110,000	–	110,000
Janine Allis	2022	95,000	–	95,000
James Spenceley	2022	95,000	–	95,000
Total		485,000	–	485,000

EQUITY INSTRUMENTS

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

	No. shares held 2023	% ownership 2023	No. shares held 2022	% ownership 2022
Ruslan Kogan	15,853,321	15.08%	15,853,321	14.83%
David Shafer	5,225,642	4.97%	5,075,642	4.75%
Greg Ridder	158,000	0.15%	158,000	0.15%
Harry Debney	98,099	0.09%	98,099	0.09%
Janine Allis	14,761	0.01%	4,761	0.00%
James Spenceley	10,000	0.01%	–	-%
Gracie MacKinlay	500	0.00%	500	0.00%
Simon Barton	–	-%	–	-%

EXECUTIVE DIRECTORS AND OTHER KMP SERVICE AGREEMENTS

Notice and termination payments

Executives are on contracts with no fixed end date.

The following table captures the notice periods applicable to the termination of the Executive KMP and Other KMP employment:

	Termination notice by Kogan.com	Termination notice by employee	Termination payments provided for under contract
Executive KMP			
CEO	12 months	12 months	12 months
CFO, COO	6 months	6 months	6 months
Other KMP			
CEO – Mighty Ape	6 months	6 months	6 months
CFO – Mighty Ape	6 months	6 months	6 months

Executive and Other KMP Service Agreements

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

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

Simon Barton, Founder of Mighty Ape, had been determined to be a KMP from the acquisition date of Mighty Ape Limited, 1 December 2020, and up until the time of his resignation on 31 March 2023.

Gracie MacKinlay was determined to be a KMP following her promotion to Chief Executive Officer – Mighty Ape on 6 June 2022.

Chief Executive Officer

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

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

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

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

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

Chief Financial Officer and Chief Operating Officer

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

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

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

Remuneration Report continued

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

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

Chief Executive Officer – Mighty Ape

Mrs. MacKinlay is employed in the position of Chief Executive Officer of Mighty Ape.

Kogan.com has entered into an employment contract with Mrs. MacKinlay to govern her employment with Mighty Ape.

Mrs. MacKinlay or Mighty Ape may terminate Mrs. MacKinlay's employment by giving 6 months' notice. Mighty Ape may elect to make payment in lieu of notice. Mighty Ape may terminate Mrs. MacKinlay's employment without notice in circumstances warranting summary dismissal.

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

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

KEY MANAGEMENT PERSONNEL TRANSACTIONS

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

The following transactions occurred with related parties:

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

KMP	Transaction type	CONSOLIDATED GROUP	
		2023 \$000	2022 \$000
Ruslan Kogan	Purchases from eStore warehousing	3,851	7,829

As at 30 June 2023, the total liability to eStore Logistics Pty Ltd was \$253,873 (30 June 2022: \$488,813).

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

REMUNERATION FRAMEWORK REVIEW

With the anticipated expiry of the previously adopted 3-year executive remuneration framework at the end FY23, the Board determined to undertake a review of the executive remuneration framework for implementation in FY24.

The previous executive remuneration framework reflected the expectations and market position of the Business in 2020, and included the following features:

1. the approach involved low amounts of cash in terms of salary and short-term incentives, below market rates, reducing the cash cost to the business,
2. the remuneration packages of top executives were largely based on an up-front grant of service tested options subject to annual vesting, intended to cover remuneration for 3 years (FY21 through to FY23 inclusive),

3. because of the high-risk nature of the equity opportunity compared to cash and short-term incentives, and the low value of options at the time of the grant calculation, the number of options was significant, and
4. the value of the options at the time of the Annual General Meeting (AGM) was criticised by some stakeholders, noting that the share price between the grant calculation date and the date of the AGM increased significantly.

This framework was viewed by the Board as creating a strong link between executive reward, and value creation for shareholders, and a strong incentive to retain the high-performing talent of the founding executives. In practice, the framework produced mixed results, noting:

1. the executives were successfully retained, and
2. despite vesting due to service, there was no material value in the options at vesting due to volatility in the share price; in that sense the link between performance and reward was appropriate in that executives received no benefit from the equity structures while shareholders were not experiencing wealth creation. Executives only received benefits/remuneration in the form of modest fixed remuneration as a result of this outcome, although the Company does recognise the accounting cost of the vested equity (not a cash cost).

In order to ensure that the next iteration of the executive remuneration framework would meet the future needs of the Business, its market position and strategy for FY24, and address feedback on the previous framework, the Board engaged independent remuneration advisors to review:

1. the overall remuneration governance framework,
2. market and stakeholder feedback,
3. current peer practices,
4. variable remuneration design, and
5. market benchmarking for top executives, using a comparator group of 20 ASX listed companies of comparable market value, with 10 larger and 10 smaller (balanced), and limited to a range of half to double the Company's market value.

As a result of the review, the Board has adopted a new remuneration framework for implementation in FY24, which it believes will better align with well-regarded market practices and stakeholder expectations, while still having strong links to the strategy of the business. The outcomes of this framework review include the following notable changes:

1. the Board has adopted a policy for current and future equity grant approaches, to limit the opportunity for major discrepancies between intended equity remuneration value, and the remuneration value shareholders will be asked to approve, as arose in 2020. The policy is based on a 20-day trading volume weighted average price (VWAP) commencing the day after release of the audited financial results. This VWAP is divided into the intended maximum/stretch grant dollar value, to determine the grant number.
2. Fixed remuneration has been reviewed to better align with market peers as at the end of FY23, as indicated by independent benchmarking.
3. a short-term incentive plan and opportunity will be re-introduced to ensure that there are separate components of remuneration creating links between reward and performance over both the short and long term.
4. the combination of the foregoing increases to cash remuneration opportunities, brings down the long-term incentive weighting and value to be approved by shareholders, when setting remuneration relative to market peers i.e., the long-term incentive component will be smaller than in previous years, but still retain a significant and appropriate weighting in the remuneration mix.
5. the Board has developed a new equity plan, which shareholders will be asked to approve, based on a modern equity design, and complies with recently amended regulatory frameworks. The plan will provide the Board with significant flexibility to offer various forms of equity to various employees, however the plan provides no ability to offer options as they are unnecessarily dilutive compared to modern alternatives.
6. the Board has determined that grants of equity will be made annually, which is consistent with typical ASX market practices, rather than "ad-hoc" as was previously the case.

Remuneration Report continued

7. the next grant of equity to top executives will include the following features, which are intended to address the feedback on previous arrangements, the Company current strategy and market position:
 - a. Performance Rights will be used instead of options,
 - b. The Measurement Period over which performance service will be tested will be 3 years,
 - i. for the FY24 introductory/transitional grant there will be a tranche (50%) that is eligible to vest after 2 financial years, to smooth the transition into annual granting processes,
 - ii. grants made in future years are not intended to include a 2-year tranche, noting that long term incentive are generally defined as having a 3-year minimum vesting period i.e. this tranche is intended to be a one-off arrangement.
 - c. Performance Rights will be subject to a ranked total shareholder return (rTSR) vesting condition, which is a form of relative TSR that is intended to align vesting with the experience of shareholders, creating a strong link between reward and performance from the perspective of shareholders. The comparator group will be comprised of the constituents of ASX Consumer Discretionary classified entities at the commencement of the test period, and subject to a typical vesting scale (50% vesting at P50 and 100% vesting at P75).
 - d. while the Board considered additional tranches with non-TSR vesting conditions, the other types of vesting conditions used by peers were not considered appropriate at the time of review (such as earnings per share growth rate or return on equity, due to the Company's recent history not being profitable, making the necessary calculations impossible). The Board may consider additional tranches and performance metrics in future years, as the business' circumstances change.
8. the total remuneration packages of executives in FY24 are to be composed of fixed remuneration, short-term incentives and long-term incentives (the latter being subject to shareholder approval), set relative to market benchmarks and assessments obtained by the Board. Fixed remuneration is intended to be positioned around P50, +20% to recognise the exceptional talent and performance of the incumbents and noting that a +/- 20% range is a common policy adopted by ASX listed company boards to recognise individual differences and calibre of executives. The total remuneration packages, including target short term and long-term incentives, are intended to fall in the high end of the range of observed relevant market practices, to also recognise the high performance and high calibre of the incumbents, and to recognise differences in the roles of the incumbents compared to typical ASX roles:
 - a. the incumbent executives are deeply invested in the business; the success of the business has been driven by this team over many years and the Board and key stakeholders intend to continue to retain and incentivise the incumbents to make exceptional contributions. The business has significantly outperformed peers and typical ASX market returns in most years, due to the contributions of the incumbents,
 - b. both the ED/CEO and CFO/COO roles are larger-than-typical roles, in terms of their scope, accountability, and impact on the business; where in most ASX listed companies these roles would be supported by a large team of highly experienced ASX executive veterans, Kogan runs-lean and seeks to retain its loyal employees in supporting roles. As a result, many of the functions, responsibilities accountabilities and key impacts that would usually be the responsibility of the executive team, are carried by or in large part guided by the founders as the strategic drivers,
 - c. the CFO/COO role is not typical, and cannot be directly compared to peers on the ASX; being a broader operational role, the incumbent is able to bring a level of strategy and engagement with the rest of the business that is exceptional, making the assessed job size larger than a typical CFO and/or COO role, and
 - d. as a result of the foregoing, it is the Board's view that it is appropriate to position the remuneration of the executive team high in the market compared to peers, but with the majority of the package subject to the achievement of challenging performance conditions.

9. it should be noted that the FY23 Remuneration Report will not reflect any of these changes, due to the requirement to report on practices in the reporting period. Instead, the changes to practice resulting from this review and subsequent decisions of the Board will only start to become evident in the FY24 Remuneration Report, and subsequent reports.



James Spenceley

Remuneration & Nomination Committee Chairman

Melbourne, 28 September 2023

Environmental, Social and Governance

Governance

The Kogan.com Board of Directors and senior management team consistently prioritise strong corporate governance practices and maintain transparency with shareholders, team members, and suppliers.

Kogan.com operates with a predominantly independent Board of Directors, supported by a majority independent Audit & Risk Committee and Remuneration & Nomination Committee. The Audit & Risk Committee convenes at least twice annually, while the Remuneration & Nomination Committee meets at least once a year to fulfill their respective roles.

Kogan.com is steadfast in its commitment to fulfilling its disclosure obligations as stipulated by the ASX Listing Rules and the *Corporations Act 2001 (Cth)*. These obligations are overseen by the Company's Continuous Disclosure Policy. The Company communicates crucial information to shareholders by filing all pertinent financial reports, continuous disclosure announcements, and other relevant details with the ASX. Additionally, this information is readily accessible on Kogan.com's Corporate Website.

Modern Slavery and Ethical Sourcing

Kogan.com places a strong emphasis on fulfilling its obligations under the *Australian Modern Slavery Act 2018* (the Modern Slavery Act) and is dedicated to continuously evaluating and enhancing its role in upholding human rights.

In accordance with the *Modern Slavery Act and the Commonwealth Modern Slavery Act 2018* Guidance for Reporting Entities (the Guidance), Kogan.com has carefully developed its Modern Slavery Statement. This statement can be readily accessed on Kogan.com's Corporate Website and discloses the annual measures taken by the company to mitigate the risk of modern slavery within its own operations and supply chain.

Kogan.com boasts a complex global supply chain and is committed to exclusively collaborating with ethical suppliers. The company insists that its suppliers adhere to the non-negotiable requirements outlined in its Ethical & Sustainable Sourcing Policy, with a preference for those who also align with the desirable elements as outlined in the same policy (available on Kogan.com's Corporate Website). Additionally, suppliers are mandated to maintain and provide evidence of internationally recognised accreditation, such as BSCI, for their production facilities.

Kogan.com employs a risk-based approach to pinpoint areas within its business that may be more susceptible to modern slavery. Detailed information regarding the supply chain risk assessment and the proactive measures taken to mitigate these risks can be found in the Kogan.com Modern Slavery Statement, which is available on the company's Corporate Website.

Kogan.com opposes modern slavery in all its forms.

The Kogan.com Team

The Kogan.com team thrives in a dynamic, high-performance culture.

The Company's success is built off technology and digital efficiency and it is our dedicated team that makes it all happen. Kogan.com's team is central to the business, its culture and its ability to outperform the expectations of shareholders and customers.

The team's training sessions (Lunch & Learns) are held across the business to drive engagement, career development and growth opportunities among its team members. The Company's highly skilled Software Engineering team holds "Tech Talks" and Meetups for the industry, sharing knowledge and experiences with like minded professionals in their field.

Kogan.com embraces growing talent from within our team. The business is dedicated to supporting the growth of our team members, with many of the role appointments made coming from internal team promotion within the business.

Kogan.com recognises that a diverse workplace is achieved through merit-based decision-making which is integral to building and sustaining a culture that fosters equal opportunity, diversity and inclusion. Kogan.com operates under an Equal Opportunity, Merit and Diversity Policy, which can be located on Kogan.com's Corporate Website.

Kogan.com continues to recognise the importance of gender and cultural diversity with a commitment to ensuring all representatives have equal opportunity through a merit based approach. The team are provided with a learning and development budget, to further enhance their skill sets in their chosen fields.

Our people and our culture are at the heart of our business operations and a key ingredient in our success.

Our Values

Each team member is encouraged to work according to the Company's core values, which ensure that we individually and collectively maintain focus on putting our customers first, being honest with ourselves and each other and being the pioneers of our industry to deliver on the Company's long term growth strategy.

Put our customer first

Deliver on promises and delight customers. Win customers for life. Use your creativity, imagination and energy to deliver value.

Have fun

Don't take yourself too seriously. Be positive and work as a team. Treat others as you'd like to be treated.

Be honest

With yourself, customers & co-workers. Confront the facts, even the hard ones. Think from first principles.

Pioneer

Experiment, fail fast, learn quickly, fix things quickly, and repeat. Embrace technology and change. Have an open mind and don't be afraid of a challenge. We're changing the way people shop. There is always a better way – challenge the status quo.

Do more with less

Do things in the most efficient way possible. Being frugal allows us to keep prices low for customers.

Keep it real

Focus on doing good, not looking good. Ensure merit-based decisions by placing facts at the heart of your processes. Concentrate on real life results and being objective. Always put health and safety first; nothing is more important.

Have high expectations

Work collaboratively, give your best in your work, and expect the same of the team.

Think long term

We're creating customers for life and a company that's built to last. Take the short term pain for a long term gain.

Step up

Do what it takes. Solve problems that need to be solved. Be a doer.

Environmental, Social and Governance continued

Safety, Health and Wellbeing

The safety, health and wellbeing of the Kogan.com team are the Company's top priorities. The Company takes all measures necessary to ensure that its team is safe.

Since the beginning of the COVID-19 pandemic, Kogan.com has supported a flexible work model for its team members as well as providing all the necessary facilities to offer a productive and safe office environment.

The health and wellbeing, including mental health, of our team members is imperative. There are various health and wellbeing related activities the team are encouraged to participate in including yoga, pilates, meditation, Kogan.com Fitness Squad activities including marathons, fun runs, Corporate Games, team group social activities and team event celebrations (onsite and virtual) to keep the team connected. In addition, all team members have access to the Company's independent and confidential Employee Assistance Program (EAP) if required.

Auditor's Independence Declaration



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

To the Directors of Kogan.com Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Kogan.com Ltd for the financial year ended 30 June 2023 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.

A handwritten version of the KPMG logo in blue ink.

KPMG

A handwritten signature in blue ink, appearing to read 'Simon Dubois'.

Simon Dubois

Partner

Melbourne

28 September 2023

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Financial Report

59	Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income	93	SECTION 4: Group Structure
60	Consolidated Statement of Financial Position	93	4.1 Controlled Entities
61	Consolidated Statement of Changes in Equity	94	4.2 Deed of Cross Guarantee
62	Consolidated Statement of Cash Flows	94	4.3 Parent Entity Disclosures
63	Notes to the Financial Statements	95	4.4 Related Parties
63	Basis Of Preparation	95	SECTION 5: Employee Reward and Recognition
63	a. Principles of Consolidation	95	5.1 Key Management Personnel Compensation
63	b. Uses of Judgements and Estimates	97	5.2 Incentive Plans
64	c. Common Control Transaction	106	SECTION 6: Other
64	d. Functional and Presentation Currency	106	6.1 Subsequent Events
64	e. New Accounting Standards and Interpretations	106	6.2 Remuneration of Auditors
65	Segment Information	106	6.3 Commitments
65	a. Basis of segmentation	106	6.4 Contingent Liabilities
65	b. Segment information provided to the Board	106	6.5 Company Information
66	SECTION 1: Business Performance	107	Directors' Declaration
66	1.1 Revenue	108	Independent Auditor's Report
67	1.2a Operating activities	113	Shareholder Information
67	1.2b Finance costs	116	Corporate Directory
67	1.3 Tax Balances		
71	1.4 Notes to the Cash Flow Statement		
71	SECTION 2: Operating Assets And Liabilities		
71	2.1 Working Capital		
75	2.2 Intangible Assets		
79	2.3 Property, Plant and Equipment		
81	SECTION 3: Capital Structure And Financing		
81	3.1 Loans and Borrowings		
82	3.2 Capital and Financial Risk Management		
90	3.3.1 Issued Capital and Reserves		
92	3.3.2 Dividends		
92	3.4 Earnings per Share		

Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income

For the Year Ended 30 June 2023

		CONSOLIDATED GROUP	
	Note	2023 \$000's	2022 \$000's
Revenue	1.1	489,494	718,504
Cost of sales	1.2a	(352,931)	(534,076)
Gross profit		136,563	184,428
Other Income		–	5,129
Selling and distribution expenses		(54,215)	(79,217)
Warehouse expenses		(13,549)	(24,553)
Administrative expenses		(103,073)	(121,702)
Other expenses		(2,072)	(2,204)
Results from operating activities		(36,346)	(38,119)
Finance income		853	48
Finance costs	1.2b	(2,660)	(2,467)
Unrealised gain/(loss)		96	(2,170)
Net finance (cost)		(1,711)	(4,589)
(Loss) before income tax		(38,057)	(42,708)
Tax benefit	1.3	12,205	7,251
(Loss) after income tax		(25,852)	(35,457)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange gain/(loss) on translation of foreign operations		451	(809)
Other comprehensive income/(loss) for the year		451	(809)
Total comprehensive (loss) for the year		(25,401)	(36,266)
Basic earnings per Share	3.4a	(0.24)	(0.33)
Diluted earnings per Share	3.4b	(0.23)	(0.33)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2023

		CONSOLIDATED GROUP	
	Note	2023 \$000's	2022 \$000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		65,438	66,230
Trade and other receivables	2.1.2a	5,432	5,357
Inventories	2.1.1	68,158	159,898
Other financial assets		146	532
Prepayments and other assets	2.1.2b	2,928	2,785
Current tax assets	1.3	755	716
TOTAL CURRENT ASSETS		142,857	235,518
NON-CURRENT ASSETS			
Property, plant and equipment	2.3	17,214	24,642
Intangible assets	2.2	88,153	92,077
Deferred tax assets	1.3	25,834	8,073
TOTAL NON-CURRENT ASSETS		131,201	124,792
TOTAL ASSETS		274,058	360,310
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	2.1.3a	61,429	83,021
Acquisition payables	2.1.3a	10,957	29,086
Lease liabilities	2.1.3b	7,532	7,670
Employee benefits		1,743	1,929
Provisions		2,862	2,072
Deferred income	2.1.3c	13,155	13,773
TOTAL CURRENT LIABILITIES		97,678	137,551
NON-CURRENT LIABILITIES			
Loans & borrowings	3.1	–	34,869
Lease liabilities	2.1.3b	8,200	14,993
Employee benefits		462	261
TOTAL NON-CURRENT LIABILITIES		8,662	50,123
TOTAL LIABILITIES		106,340	187,674
NET ASSETS		167,718	172,636
EQUITY			
Issued capital	3.3.1a	291,014	301,082
Merger reserve	3.3.1c	(131,816)	(131,816)
Other reserves		71,431	40,429
Accumulated losses		(62,911)	(37,059)
TOTAL EQUITY		167,718	172,636

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2023

CONSOLIDATED GROUP							
	Note	Share Capital \$000	Retained earnings \$000	Merger reserve \$000	Trans- lation reserve \$000	Share- based pay- ments reserve \$000	Total Equity \$000
Balance at 1 July 2021		299,186	(2,289)	(131,816)	(19)	15,667	180,729
Comprehensive income							
Net loss after tax		–	(35,457)	–	–	–	(35,457)
Retained earnings relates to prior financial years		–	687	–	–	–	687
Other comprehensive expense		–	–	–	(809)	–	(809)
Total net loss and other comprehensive expense for the year		–	(34,770)	–	(809)	–	(35,579)
Transactions with owners, in their capacity as owners							
Issue of Ordinary Shares under performance plans	3.3.1b	1,021	–	–	–	(1,021)	–
Tax deduction for difference between accounting expense and funds paid to issue incentive plans		875	–	–	–	–	875
Equity-settled share-based payments	5.2c	–	–	–	–	26,611	26,611
Total transactions with owners and other transfers		1,896	–	–	–	25,590	27,486
Balance at 30 June 2022		301,082	(37,059)	(131,816)	(828)	41,257	172,636
Balance at 1 July 2022		301,082	(37,059)	(131,816)	(828)	41,257	172,636
Comprehensive income							
Net loss after tax		–	(25,852)	–	–	–	(25,852)
Other comprehensive income		–	–	–	451	–	451
Total net loss and other comprehensive expense for the year		–	(25,852)	–	451	–	(25,401)
Transactions with owners, in their capacity as owners							
Issue of Ordinary Shares under performance plans	3.3.1b	716	–	–	–	(716)	–
Tax deduction for difference between accounting expense and funds paid to issue incentive plans		3	–	–	–	–	3
Equity-settled share-based payments	5.2c	–	–	–	–	31,267	31,267
Share buy-back	3.3.1b	(10,787)	–	–	–	–	(10,787)
Total transactions with owners and other transfers		(10,068)	–	–	–	30,551	20,483
Balance at 30 June 2023		291,014	(62,911)	(131,816)	(377)	71,808	167,718

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2023

		CONSOLIDATED GROUP	
	Note	2023 \$000's	2022 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		509,930	744,950
Payments to suppliers and employees		(432,295)	(678,455)
Interest received		853	48
Finance costs paid		(2,040)	(1,733)
Income tax paid		(5,591)	(2,971)
Net cash provided by operating activities	1.4	70,857	61,839
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(404)	(1,505)
Purchase of intangible assets		(3,756)	(4,054)
Disposal of intangible assets		–	2,672
Disposal of financial assets		351	–
Business acquisition net of acquired cash ²³		(14,243)	(29,891)
Net cash (used in) investing activities		(18,052)	(32,778)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loans & borrowings		(36,033)	(48,980)
Draw down on debt facility		1,033	5,000
Transaction costs on draw down facility		–	(9)
Payments for shares bought back		(10,787)	–
Repayment of lease liabilities		(8,004)	(10,252)
Net cash (used in) financing activities		(53,791)	(54,241)
Net (decrease) in cash held		(986)	(25,180)
Cash and cash equivalents at beginning of financial year		66,230	91,691
Effects of exchange rate changes on cash		194	(281)
Cash and cash equivalents at end of financial year	3.2	65,438	66,230

The accompanying notes form part of the financial statements.

23. FY22 relates to the payment of Mighty Ape Tranche 2. FY23 relates to the payment of Mighty Ape Tranche 3.

Notes to the Financial Statements

For the Year Ended 30 June 2023

BASIS OF PREPARATION

The financial report of Kogan.com Ltd and its controlled entities ("the Group"; "Kogan.com") for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 28 September 2023.

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 Director's Report on page 28.

These General Purpose Financial Statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australia Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

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

The accounting policies applied in these financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2022.

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 financial assets and financial liabilities.

Kogan.com is a Company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the Directors' Report and the Financial Report are rounded to the nearest thousand dollars, except where otherwise indicated.

a. Principles of Consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Group, in line with AASB 10 *Consolidated Financial Statements*. Subsidiaries are entities the parent controls. The parent controls an entity when it's exposed to, or has rights to, variable returns from the 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.a.

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 the 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. Uses of Judgements and Estimates

In preparing the financial report, management has made judgements, estimates and assumptions that affect the application of the Group'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 that have the most significant effect on the amounts recognised in the financial statements are:

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

Key estimates and judgements have not changed from those disclosed in the Group financial report for the year ended 30 June 2022.

Notes to the Financial Statements continued

c. Common Control Transaction

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

d. Functional and Presentation Currency

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

e. New Accounting Standards and Interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Their adoption has not had any material impact on the disclosures or on amounts reported in these financial statements.

The following Standards and Interpretations are issued but not yet effective. The effects of adopting these in the following financial years are not expected to be material:

- (i) *AASB 17 Insurance Contracts; AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts and AASB 2022-01 Amendments to Australian Accounting Standards – Initial application of AASB17 and AASB 9 – Comparative Information; AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments (effective 1 January 2023);*
- (ii) *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (effective 1 January 2023);*
- (iii) *AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023);*
- (iv) *AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards (effective 1 January 2023);*
- (v) *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (effective 1 January 2024);*
- (vi) *AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants (effective 1 January 2024); and*
- (vii) *AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements (effective 1 January 2024).*

SEGMENT INFORMATION

a. Basis of segmentation

The Group has the following two operating divisions, Kogan.com and Mighty Ape. These operating divisions offer different products and services and are managed separately because they require different product sourcing and marketing strategies.

The Board considers the business primarily from an operating divisions perspective, and receives monthly reports that allow them to make strategic decisions about resource allocation to each. On this basis, management has identified the operating divisions as the Group's two reporting segments.

The Board monitors the performance of these two segments separately. The Group does not operate under any other operating division.

REPORTABLE SEGMENTS OPERATIONS

Kogan.com	Online retailer and marketplace selling in-house and third-party brand household and consumer electronics products, as well as providing services for telecommunication, internet, insurance, home finances, utilities, vehicles and travel.
Mighty Ape	Online specialist retailer of gaming and entertainment products.

b. Segment information provided to the Board

Information related to each reportable segment, split by primary geographical market, is set out below. Segment Adjusted EBITDA is used to measure performance as management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same sectors.

REPORTABLE SEGMENT	KOGAN.COM		MIGHTY APE		TOTAL
	(Australia) \$000's	(New Zealand) \$000's	(Australia) \$000's	(New Zealand) \$000's	
30 June 2023					\$000's
Segment revenue	300,816	33,882	14,845	139,951	489,494
Adjusted EBITDA	(2,003)	(226)	603	8,439	6,813
Finance income	751	–	–	102	853
Finance costs	(2,232)	–	–	(428)	(2,660)
Depreciation and amortisation	(11,412)	–	–	(5,172)	(16,584)
Total Segment assets	204,178	23,836	1,536	44,508	274,058
Capital expenditure	3,850	–	–	310	4,160
Total Segment liabilities	78,638	2,726	–	24,976	106,340

Notes to the Financial Statements continued

REPORTABLE SEGMENT	KOGAN.COM		MIGHTY APE		TOTAL
	(Australia) \$000's	(New Zealand) \$000's	(Australia) \$000's	(New Zealand) \$000's	
30 June 2022					\$000's
Segment revenue	523,020	32,054	21,875	141,555	718,504
Adjusted EBITDA	6,197	380	1,787	10,544	18,908
Finance income	45	–	–	3	48
Finance costs	(2,038)	–	–	(429)	(2,467)
Depreciation and amortisation	(14,040)	–	–	(5,163)	(19,203)
Total Segment assets	310,005	7,995	3,714	38,596	360,310
Capital expenditure	4,585	–	–	974	5,559
Total Segment liabilities	160,469	2,304	–	24,901	187,674

SECTION 1: Business Performance

1.1 Revenue

Sale of goods

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

The majority of sales undertaken by Kogan.com are through the website, where payment is received upfront.

Kogan.com is an online-only retailer. Each sale represents a separate identified contract with a customer for which generally two performance obligations are expected: sales of goods and delivery revenue.

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

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

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

Rendering of services

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

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

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

	2023 \$000	2022 \$000
Revenue		
Sales revenue:		
sale of goods ²⁴	419,992	651,561
rendering of services	40,474	46,318
Kogan FIRST membership	26,283	15,496
	486,749	713,375
Other revenue:		
marketing subsidies	1,627	4,223
other revenue	1,118	906
	2,745	5,129
Total revenue	489,494	718,504

1.2a Operating activities

Expenses

	2023 \$000	2022 \$000
Cost of sales	352,931	534,076
Employee benefit expense	67,051	85,475
Depreciation and amortisation expense	16,584	19,203

1.2b Finance costs

	2023 \$000	2022 \$000
Realised foreign exchange losses	305	396
Finance costs on debt facilities	921	990
Interest Expense	610	781
Bank Fees	824	300
Total finance costs	2,660	2,467

1.3 Tax Balances

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

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

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

24. Includes associated delivery fee income.

Notes to the Financial Statements continued

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 assets 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 liability are expected to be recovered or settled.

	CONSOLIDATED GROUP	
	2023	2022
	\$000	\$000
The components of tax (benefit)/expense comprise:		
Current Tax	3,702	4,694
Deferred Tax	(17,761)	(11,855)
Under/(Over) provision in respect of prior year	1,854	(90)
Income tax (benefit) attributable to the Group	(12,205)	(7,251)
The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to income tax as follows:		
Prima facie tax on (loss)/profit from ordinary activities before income tax at 30% (2022: 30%):		
• Consolidated Group	(11,417)	(12,812)
• Effect of expenses that are not deductible in determining taxable profit	119	393
• Effect of revaluations that are not deductible in determining taxable profit	(569)	569
• Effect of other deductibles in determining taxable profit	95	(454)
• Effect of other non-allowable items (Mighty Ape Tranche 3 & 4)	(1,166)	5,114
• Effect of capital loss on disposal of Wonderfi shares	623	–
• Effect of prior year losses recognised in current tax	(1,842)	–
• Effect of variations in tax rates of foreign controlled entities	(134)	(193)
• Under/(Over) provision in respect of prior year	1,854	(90)
• Other	232	222
Income tax (benefit) attributable to the Group	(12,205)	(7,251)
The applicable weighted average effective tax rates are as follows:	32%	17%

The Group's consolidated effective tax rate for the 12 months ended 30 June was 32% (for the 12 months ended 30 June 2022: 17%). The effective tax rate is impacted by the difference in accounting versus tax treatment of the Mighty Ape Tranche 4 payment. For Australian income tax purposes, amounts paid for the acquisition of Mighty Ape shares are considered as capital in nature and are therefore non-deductible, rather increasing the tax cost base of the shares. No deferred tax asset is recognised due to it being probable that the temporary difference will not reverse in the foreseeable future.

Effective tax is impacted by the differences between when an amount of revenue or expense is recognised for accounting purposes and when income and deductions are recognised under the tax laws.

	CONSOLIDATED GROUP	
	2023	2022
	\$000	\$000
Current and deferred tax balances		
Assets		
CURRENT		
Current tax asset	755	716
Deferred tax asset	25,834	8,073
Total	26,589	8,789

Movements in deferred tax balances

	2023										BALANCE AT 30 JUNE		
\$000	Net balance at 1 July	Under/Over	Recognised in profit or loss	Recognised in OCI	Recognised directly to equity	Acquisitions	Other	Net	Deferred tax assets	Deferred tax liabilities			
Property, plant & equipment	(5,256)	–	1,765	–	–	–	–	(3,491)	55	(3,546)			
Intangible assets	(10,832)	–	1,207	–	–	–	–	(9,625)	256	(9,880)			
Financial assets	–	–	(29)	–	–	–	–	(29)	–	(29)			
Employee benefits	828	–	(17)	–	–	–	–	811	811	–			
Provisions	3,001	–	(935)	–	–	–	–	2,066	2,066	–			
Deferred Income	86	–	(86)	–	–	–	–	(0)	–	–			
Lease Liability	4,419	–	(1,901)	–	–	–	–	2,518	2,518	–			
Other items	825	–	(332)	–	–	–	–	493	493	–			
Share-based payments reserve	12,377	–	9,165	–	–	–	–	21,542	21,542	–			
Tax losses carried forward	2,625	–	8,924	–	–	–	–	11,549	11,549	–			
Tax assets (liabilities) before set-off	8,073	–	17,761	–	–	–	–	25,834	39,290	(13,456)			
Set-off of tax								–	(13,456)	13,456			
Net tax assets (liabilities)								25,834	25,834	–			

Notes to the Financial Statements continued

2022	BALANCE AT 30 JUNE									
\$000	Net balance at 1 July	Under/ Over	Recog- nised in profit or loss	Recog- nised in OCI	Recog- nised directly to equity	Acqui- sitions	Other	Net	Deferred tax assets	Deferred tax liabilities
Property, plant & equipment	(1,855)	–	(3,401)	–	–	–	–	(5,256)	–	(5,256)
Intangible assets	(13,696)	–	2,864	–	–	–	–	(10,832)	–	(10,832)
Financial assets	(76)	–	76	–	–	–	–	–	–	–
Employee benefits	619	–	209	–	–	–	–	828	828	–
Provisions	2,182	–	819	–	–	–	–	3,001	3,001	–
Deferred Income	172	–	(86)	–	–	–	–	86	198	(112)
Lease Liability	2,963	–	1,456	–	–	–	–	4,419	4,419	–
Other items	1,079	–	(254)	–	–	–	–	825	825	–
Share-based payments reserve	4,700	–	7,677	–	–	–	–	12,377	12,377	–
Tax losses carried forward	166	–	2,754	–	(295)	–	–	2,625	2,625	–
Tax assets (liabilities) before set-off	(3,746)	–	12,114	–	(295)	–	–	8,073	24,273	(16,200)
Set-off of tax								–	(16,200)	16,200
Net tax assets (liabilities)								8,073	8,073	–

1.4 Notes to the Cash Flow Statement

	CONSOLIDATED GROUP	
	2023 \$000's	2022 \$000's
Reconciliation of Cash Flows from Operating Activities with Loss after Income Tax		
(Loss) after income tax	(25,852)	(35,457)
Non-cash flows in profit:		
• depreciation & amortisation	16,584	19,203
• provision for aged and slow-moving stock	(3,632)	4,934
• Mighty Ape Tranche 3 & 4 Accrual	(3,885)	17,047
• issue of Performance Rights and Shares	31,267	26,611
• unrealised (gain)/loss on financial instruments	(96)	2,170
• income tax (benefit)/expense	(12,205)	(7,251)
• other	101	(71)
Changes in assets and liabilities:		
• (increase) in trade and term receivables	(1,063)	(5,138)
• (increase) in prepayments and other assets	(139)	(483)
• decrease in inventories	95,919	62,108
• (decrease) in trade payables and accruals	(20,709)	(19,783)
• (decrease)/increase in deferred income	(647)	1,925
• increase/(decrease) in provisions	805	(1,005)
• tax paid	(5,591)	(2,971)
Cash flows from operating activities	70,857	61,839

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	
	2023 \$000	2022 \$000
CURRENT		
Inventory in transit	7,553	21,982
Inventory on hand	60,605	137,916
Total inventories	68,158	159,898

Notes to the Financial Statements continued

In 2023, inventories of \$353 million (2022: \$534 million) were recognised as an expense during the year and included in 'cost of sales'.

In addition, inventories have been reduced by \$3.9 million (2022: \$7.5 million) as a result of the write-down to net realisable value. This write-down was recognised as an expense during the year.

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	
	2023 \$000	2022 \$000
CURRENT		
Trade receivables	4,422	4,434
Other receivables	1,010	923
Total trade and other receivables	5,432	5,357

Credit risk

The Group has no significant concentration of credit risk with respect of 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:

AUD	CONSOLIDATED GROUP	
	2023 \$000	2022 \$000
Australia	4,834	4,941
New Zealand	598	416
	5,432	5,357

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 transactions. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

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

	Gross Amount \$000	Past Due and Impaired \$000	PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE)			
			< 30 \$000	31-60 \$000	61-90 \$000	> 90 \$000
2023						
Trade and term receivables	4,422	–	3,962	165	68	227
Other receivables	1,010	–	1,010	–	–	–
Total	5,432	–	4,972	165	68	227
2022						
Trade and term receivables	4,434	–	4,311	53	23	47
Other receivables	923	–	923	–	–	–
Total	5,357	–	5,234	53	23	47

2.1.2b Prepayments and Other Current Assets

	CONSOLIDATED GROUP	
	2023 \$000	2022 \$000
CURRENT		
Prepayments	2,681	2,538
Rental bond	247	247
Total prepayments and other assets	2,928	2,785

2.1.3a Trade and other payables

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

	CONSOLIDATED GROUP	
	2023 \$000	2022 \$000
CURRENT		
Trade payables	40,924	59,643
Other payables	20,505	23,378
Total Trade and other payables	61,429	83,021
CURRENT		
Mighty Ape Tranche 3	–	14,804
Mighty Ape Tranche 4	10,957	14,282
Total Acquisition payables	10,957	29,086

Notes to the Financial Statements continued

Mighty Ape – acquisition-related remuneration

Mighty Ape acquisition related remuneration refers to the provision for the likely payment of Mighty Ape Tranche 4 purchase price instalments as part of the Sale Agreement, which are contingent on the Mighty Ape Founder & former CFO, Simon Barton, remaining with the Business until 31 March 2023. The remaining payable balance as at 30 June 2023 will be paid after the delivery of the audited financial year 2023 results.

In line with accounting standards, the Tranche 4 payment has been considered as compensation for post-combination services, and as such, treated as employee remuneration for accounting purposes. The Group has proportionately accounted for these expenses up until 31 March 2023.

2.1.3b Lease liability

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

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

As a lessee

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

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

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

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

- fixed payments, including in-substance fixed payments;
- amounts expected to be payable under a residual guarantee; and
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities separately in the statement of financial position. As at 30 June 2023, the net carrying amount of the right-of-use asset is \$15.1 million (2022: \$22.1 million), please refer to note 2.3.

The lease liability as of 30 June 2023 is presented below:

Lease liability – Maturity analysis

	2023 \$000	2022 \$000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	8,810	8,795
One to five years	8,642	14,252
More than five years	–	942
Total undiscounted lease liabilities as at 30 June	17,452	23,989
Lease liabilities included in the statement of financial position as at 30 June	15,732	22,663
Current	7,532	7,670
Non-current	8,200	14,993

2.1.3c Deferred Income

Deferred Income relates to receipts from the sale of the goods which have not been dispatched, unfulfilled services to be performed under the Group's Kogan FIRST and Primate loyalty programs and advertising fees received upfront with the obligation to be fulfilled in a future period as per the agreement.

	2023 \$000	2022 \$000
CURRENT		
Deferred Income	13,155	13,773
Total Deferred Income	13,155	13,773

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.

Notes to the Financial Statements continued

(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 the Statement of Comprehensive Income.

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 – general	2.5 years
Patents and trademarks – Matt Blatt	10.0 years
Website development costs	2.5 years
Software costs	2.5 years
Intellectual property	2.0 years
Brand Names	10.0 – 15.0 years

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

(v) Impairment of Assets

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

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

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 marketing 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 the Statement of Comprehensive Income. They are allocated to reduce the carrying amount of assets in the CGU on a pro-rata basis only if Goodwill has been fully impaired. 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.

(vi) Impairment testing for Goodwill

Goodwill arising on the acquisition of Mighty Ape in New Zealand of \$46.3 million, has been allocated to the Mighty Ape Cash Generating Unit ("CGU") based on its expected earnings contribution to the Group arising from the acquisition.

The recoverable amount of the Mighty Ape CGU has been determined based on a value in use calculation using cash flow projections over a 5-year period based on financial budgets approved by the Group's Board for FY24 together with detailed management forecasts for future years. The projected cash flows have been updated to reflect current economic forecasts and business growth opportunities.

The Group performed its annual impairment test applying the following key assumptions:

In percent	FY23	FY22
Discount rate (post tax)	14.8	11.2
Terminal growth rate	2.0	2.0
EBITDA growth rate – 4 year CAGR ²	29.7	14.2

The increase in EBITDA growth rate is a result of the expected growth of the Mighty Ape Primate loyalty program and launch of a new Vertical in New Zealand in FY24, in addition to a number of other initiatives.

The calculation of value in use for the Might Ape CGU is most sensitive to the following assumptions:

- Discount rates – based on Mighty Ape's weighted average costs of capital (WACC). The discount rate was a post-tax measure estimated based on the average rates of return required by providers of debt and equity capital to compensate for the time value of money and the perceived risk or uncertainty of the cashflow, weighted in the proportion to the market value of the debt and equity capital provided.
- EBITDA growth – reflects Mighty Ape's forecasted operating and financial performance based on past experience, improvements from efficiencies and market factors such as forecast growth in the New Zealand online retail industry.

The estimated recoverable amount of the Mighty Ape CGU exceeded its carrying amount by \$19.5 million (2022: \$53.2 million). Management has identified that a reasonably possible change in the key assumptions identified above for financial year 2023 could cause the carrying amount to exceed the recoverable amount.

The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Increase/(Decrease) in percent	FY23
Discount rate (post tax)	2.2
EBITDA growth rate – 4 year CAGR ²	(6.4)

Notes to the Financial Statements continued

	CONSOLIDATED GROUP	
	2023	2022
	\$000	\$000
Patents and trademarks:		
Cost	45,595	45,522
Accumulated amortisation	(9,580)	(6,331)
Net carrying amount	36,015	39,191
Website development costs:		
Cost	16,935	13,792
Accumulated amortisation	(11,861)	(8,791)
Net carrying amount	5,074	5,001
Software costs:		
Cost	1,288	1,284
Accumulated amortisation	(1,236)	(1,096)
Net carrying amount	52	188
Intellectual property:		
Cost	23,770	23,233
Accumulated amortisation	(23,069)	(21,847)
Net carrying amount	701	1,386
Goodwill:		
Cost	46,311	46,311
Accumulated amortisation	–	–
Net carrying amount	46,311	46,311
Total intangibles	88,153	92,077

	Patents and trademarks \$000	Website develop- ment costs \$000	Software costs \$000	Intellectual property \$000	Goodwill \$000	Total \$000
Consolidated Group:						
Year ended 30 June 2022						
Balance at the beginning of the year	42,613	4,477	214	1,874	45,920	95,098
Additions	200	2,691	130	1,305	391	4,717
Disposals	(294)	–	–	–	–	(294)
Amortisation	(3,320)	(2,168)	(156)	(1,793)	–	(7,436)
Foreign Currency exchange differences	(8)	–	–	–	–	(8)
Closing value at 30 June 2022	39,191	5,001	188	1,386	46,311	92,077
Year ended 30 June 2023						
Balance at the beginning of the year	39,191	5,001	188	1,386	46,311	92,077
Additions	73	3,142	4	537	–	3,756
Disposals	–	–	–	–	–	–
Amortisation	(3,247)	(3,069)	(140)	(1,222)	–	(7,678)
Foreign Currency exchange differences	(2)	–	–	–	–	(2)
Closing value at 30 June 2023	36,015	5,074	52	701	46,311	88,153

2.3 Property, Plant and Equipment

Property, Plant and Equipment

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

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

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

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

Notes to the Financial Statements continued

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 the Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation

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

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

Class of Fixed Asset	Depreciation Rates
Computer equipment (straight-line basis)	67%
Office equipment (straight-line basis)	14%-20%
Leasehold improvements	20%

Class of Fixed Asset	Lease Term
Right of use asset	2-10 years

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 the Statement of Comprehensive Income in the period in which they arise.

	CONSOLIDATED GROUP	
	2023 \$000	2022 \$000
Equipment & Vehicles:		
Cost	5,089	4,961
Accumulated depreciation	(3,006)	(2,410)
Net carrying amount	2,083	2,551
Leasehold improvements:		
Cost	40	40
Accumulated depreciation	(39)	(36)
Net carrying amount	1	4
Right-of-use asset:		
Cost	40,778	39,416
Accumulated depreciation	(25,648)	(17,329)
Net carrying amount	15,130	22,087
Total property, plant and equipment	17,214	24,642

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:

	Equipment & Vehicles \$000	Leasehold improve- ments \$000	Right-of-use asset \$000	Total \$000
Consolidated Group:				
Year ended 30 June 2022				
Balance at the beginning of the year	1,942	7	15,719	17,668
Additions	1,350	–	17,594	18,944
Additions through acquisition of entities	(665)	(3)	(11,016)	(11,684)
Depreciation Expense	(76)	–	(210)	(286)
Closing value at 30 June 2022	2,551	4	22,087	24,642
Year ended 30 June 2023				
Balance at the beginning of the year	2,551	4	22,087	24,642
Additions	404	–	1,363	1,767
Disposals	(277)	–	–	(277)
Depreciation Expense	(601)	(3)	(8,220)	(8,824)
Foreign Currency exchange differences	6	–	(100)	(94)
Closing value at 30 June 2023	2,083	1	15,130	17,214

SECTION 3: Capital Structure And Financing

3.1 Loans and Borrowings

	CONSOLIDATED GROUP	
	2023 \$000	2022 \$000
NON-CURRENT		
Trade Advance	–	35,000
Amortised borrowing costs	–	(131)
Net carrying amount	–	34,869

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

Notes to the Financial Statements continued

Debt Facilities

The group has multiple debt facilities, referring to loans and borrowings in the balance sheet. The tables below set out the various structures of the debt facilities for Kogan.com and Mighty Ape as at balance dates.

	KOGAN			MIGHTY APE	
	2023 \$000 AUD	2022 \$000 AUD		2023 \$000 NZD	2022 \$000 NZD
Debt Facility			Debt Facility		
Multi-option facility	35,000	55,000	Overdraft facility	1,500	1,500
Additional debt facility	–	–	Trade finance facility	6,000	6,000
Total Debt Facility	35,000	55,000	Total Debt Facility	7,500	7,500

For details relating to the amounts drawn down against these facilities, please refer to the table below. Mighty Ape drawn down amount is nil for the financial year ended 30 June 2023 (FY22: Nil).

	CONSOLIDATED GROUP	
	2023 \$000 AUD	2022 \$000 AUD
Reconciliation of liabilities arising from financing activities		
Opening loans & borrowings	34,869	78,699
Draw down of loans & borrowings	1,033	5,000
Repayment of loans & borrowings	(36,033)	(48,980)
Amortisation of borrowing costs	131	72
Foreign currency exchange differences	–	78
Balance at 30 June	–	34,869

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 derivatives.

Financial risk management policies

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

Specific financial risk exposures and management

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

Credit risk

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

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

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' security 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 purchase.

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

Cash and cash equivalents

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

The Group held cash and cash equivalents of \$65.4 million as at 30 June 2023 and \$66.2 million as at the end of 30 June 2022. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A to AA-, based on Standard & Poor's ratings.

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

The Group uses a similar approach for assessment of expected credit losses (ECLs) for cash and cash equivalents to those used for debt securities.

No impairment allowance was recognised during FY23 (FY22: Nil).

Notes to the Financial Statements continued

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

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

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation.

Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

Financial liability and financial asset maturity analysis

Consolidated Group	Note	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
		2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000	2023 \$000	2022 \$000
Financial liabilities due for payment									
Trade and other payables	2.1.3a	(61,429)	(83,021)	–	–	–	–	(61,429)	(83,021)
Acquisition payables		(10,957)	(29,086)	–	–	–	–	(10,957)	(29,086)
Lease liabilities	2.1.3b	(7,532)	(7,670)	(7,934)	(13,804)	(266)	(1,189)	(15,732)	(22,663)
Loan & borrowings	3.1	–	–	–	(34,869)	–	–	–	(34,869)
Financial liabilities		–	–	–	–	–	–	–	–
Total Expected outflows		(79,918)	(119,777)	(7,934)	(48,673)	(266)	(1,189)	(88,118)	(169,639)
Financial assets – cash flows realisable									
Cash and cash equivalents		65,438	66,230	–	–	–	–	65,438	66,230
Trade and other receivables	2.1.2a	5,432	5,357	–	–	–	–	5,432	5,357
Other financial assets		146	532	–	–	–	–	146	532
Total anticipated inflows		71,016	72,119	–	–	–	–	71,016	72,119
Net (Outflow)/inflow on financial instruments		(8,902)	(47,658)	(7,934)	(48,673)	(266)	(1,189)	(17,102)	(97,520)

Market risk

a. Interest rate risk

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

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

b. Foreign exchange risk

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

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

Foreign currency transactions

Functional and presentation currency

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

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 exception of ageing and obsolete inventory) according to specified target Gross Margins, rather than to sacrifice Gross Margin to drive sales volumes. In an environment where the Australian dollar may be 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 the contracts.

	NOTIONAL AMOUNTS		AVERAGE EXCHANGE RATE	
	2023 \$000	2022 \$000	2023 \$	2022 \$
Consolidated Group				
Buy USD/sell AUD				
Settlement				
– less than 6 months	16,373	(0)	0.67	0.69
– 6 months to 1 year	–	–	–	–

The fair value of foreign exchange contracts at 30 June 2023 totalled \$96,476 (2022: (\$170))

Notes to the Financial Statements continued

Sensitivity analysis

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

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

	CONSOLIDATED GROUP	
	Profit \$000	Equity \$000
Year ended 30 June 2023		
+/-10bps in foreign exchange rates	16	16
Year ended 30 June 2022		
+/-10bps in foreign exchange rates	–	–

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 Standards.

Fair value estimation

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

Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

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

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

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

a. Financial assets at amortised cost

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

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

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

c. Financial liabilities at amortised cost

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

Derivative instruments

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

Impairment

The Group recognises loss allowances for (ECL) on:

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

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

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

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

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

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

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

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

Notes to the Financial Statements continued

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

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

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

	Note	CONSOLIDATED GROUP	
		2023 \$'000	2022 \$'000
Financial assets			
Cash and cash equivalents		65,438	66,230
Trade and other receivables		5,432	5,357
Foreign exchange forward contracts		96	532
Other financial assets		50	–
Total financial assets		71,016	72,119
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables		61,429	83,021
Loans & borrowings		–	34,869
Acquisitions payable – current		10,957	29,086
Lease liability – current		7,532	7,670
Lease liability – non-current		8,200	14,993
Total financial liabilities		88,118	169,639

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;
- foreign exchange forward contracts; and
- shares investment in Bitbuy entity.

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

a. Fair value hierarchy

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

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

Notes to the Financial Statements continued

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

The table below sets out the fair value of foreign exchange contracts and the shares as at 30 June 2023. This represented the amount 'in/(out) of the money' on financial instruments as at the reporting dates.

Fair Value	CONSOLIDATED GROUP	
	2023 \$000	2022 \$000
Foreign exchange contracts	96	–
Shares investment in Bitbuy entity ²⁵	–	532

b. Disclosed fair value measurements

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

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

The fair value of forward exchange contracts is determined based on an external valuation report using forward exchange rates at the balance sheet date.

3.3.1 Issued Capital and Reserves

a. Ordinary Shares

	CONSOLIDATED GROUP			
	2023 \$	2022 \$	2023 No.	2022 No.
Fully paid ordinary shares	291,013,771	301,081,639	104,690,203	106,927,603

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.

25. Refer to the ASX announcement dated 14 December 2021 for details regarding the sale of the Bitbuy domain name.

b. Movement in Ordinary Shares

Details	Date	Shares No.	Issue price	\$
Balance	30 June 2021	106,561,563		299,185,901
Shares issues to eligible employees under an incentive plan	24 August 2021	326,646	\$1.79	585,544
Tax deduction for difference between accounting expense and funds paid to issue incentive plans	31 December 2021	–	–	931,667
Shares issues to eligible employees under an incentive plan	25 February 2022	37,831	\$11.26	425,934
Shares issues to eligible employees under an incentive plan	25 February 2022	678	\$6.04	4,096
Shares issues to eligible employees under an incentive plan	6 April 2022	885	\$5.65	5,000
Tax deduction for difference between accounting expense and funds paid to issue incentive plans	30 June 2022	–	–	(56,503)
Balance	30 June 2022	106,927,603		301,081,639
Shares issues to eligible employees under an incentive plan	23 August 2022	116,495	\$3.99	464,945
Tax deduction for difference between accounting expense and funds paid to issue incentive plans	31 December 2022	–	–	2,757
Shares issues to eligible employees under an incentive plan	27 February 2023	32,445	\$7.74	251,018
On-market share buy-back	30 June 2023	(1,563,000)	\$4.44	(6,944,159)
On-market share buy-back	30 June 2023	(823,340)	\$4.67	(3,842,429)
Balance	30 June 2023	104,690,203		291,013,771

c. Merger reserve

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

d. Share-based payments reserve

The reserve of \$71.8 million (FY22: \$41.3 million) has been used to recognise the value of equity benefits provided to employees as part of their remuneration. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the Ordinary Shares at the date at which they are granted. The fair value is determined using a discounted cash flow valuation model, taking into account the terms and conditions upon which the equity instruments were granted, as discussed in Note 5.2.

Notes to the Financial Statements continued

e. Share buy-back

The Group commenced an on-market share buy-back program in May 2023, anticipated to remain ongoing until May 2024. The Group purchased \$10.8 million of shares by 30 June 2023, resulting in a reduction of Issued Capital.

f 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.

3.3.2 Dividends

No dividends were paid or declared in FY23 (FY22: \$nil).

a. Ordinary Shares

Recognition and measurement

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

There was no final 2023 dividend declared and therefore is not reflected in the consolidated financial statements for the year ended 30 June 2023.

b. Franking credits

The franking account balance as at 30 June 2023 is \$10,528,182 (2022: \$9,591,844).

3.4 Earnings per Share

a. Basic earnings per share

	CONSOLIDATED GROUP	
	2023	2022
Net loss for the reporting period	(25,852,194)	(35,456,513)
Net loss for the reporting period used in calculating EPS	(25,852,194)	(35,456,513)
Weighted average number of ordinary shares of the entity	107,613,697	106,852,382
Basic Earnings per Share	(0.24)	(0.33)

b. Diluted earnings per share

	CONSOLIDATED GROUP	
	2023	2022
Net loss for the reporting period	(25,852,194)	(35,456,513)
Weighted average number of ordinary shares of the entity on issue	107,613,697	106,852,382
Adjustments to reflect potential dilution for Performance Rights	6,174,935	365,155
Diluted weighted average number of Ordinary Shares of the entity	113,788,632	107,217,537
Diluted Earnings per Share	(0.23)	(0.33)

SECTION 4: Group Structure**4.1 Controlled Entities****a. Information about Principal Subsidiaries**

The subsidiaries listed below have share capital consisting solely of Ordinary Shares or, in the case of Kogan Technologies Unit Trust, Ordinary Units, which are held directly by the Group. Kogan.com Holdings Pty Ltd is the Trustee of the Kogan Technologies Unit Trust. The Trustee and the Trust are wholly-owned entities within the Group. The proportion of ownership interests held 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	
		2023 %	2022 %
Kogan Mobile Operations Pty Ltd (formerly Kogan Mobile Australia Pty Ltd)	Australia	100	100
Kogan Mobile Pty Ltd	Australia	100	100
Kogan Australia Pty Ltd	Australia	100	100
Kogan International Holdings Pty Ltd	Australia	100	100
Kogan HK Limited	Hong Kong	100	100
Kogan HR Pty Ltd	Australia	100	100
Kogan Travel Pty Ltd	Australia	100	100
Dick Smith IP Holdings Pty Ltd (formerly Kogan Technologies UK Pty Ltd)	Australia	100	100
Online Business Number 1 Pty Ltd	Australia	100	100
Kogan Technologies Unit Trust	Australia	100	100
Kogan.com Holdings Pty Ltd	Australia	100	100
Kogan Operations Holdings Pty Ltd	Australia	100	100
Kogan Superannuation Pty Ltd	Australia	100	100
Kogan US Trading Inc ²⁶	United States	–	100
Matt Blatt Pty Ltd	Australia	100	100
Mighty Ape Limited	New Zealand	100	100
Mighty Ape Australia Pty Ltd	Australia	100	100

26. Kogan.com discontinued its Kogan US Trading Inc subsidiary in FY23.

Notes to the Financial Statements continued

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.com Ltd and its entities listed above was enacted during FY22 and relief was obtained from preparing individual financial statements for the Group under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. Under the deed, Kogan.com Ltd guarantees to support the liabilities and obligations of its subsidiaries listed above. As its entities are a party to the deed the income statement and balance sheet information of the combined class-ordered group is equivalent to the consolidated information presented in this financial report.

4.3 Parent Entity Disclosures

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

	2023 \$000	2022 \$000
Statement of Financial Position		
ASSETS		
Current assets	23,248	13,550
Non current assets	178,675	189,715
TOTAL ASSETS	201,923	203,264
LIABILITIES		
Current liabilities	392	969
TOTAL LIABILITIES	392	969
NET ASSETS	201,531	202,295
EQUITY		
Issued capital	159,198	169,266
Performance Rights reserve	71,808	41,257
Dividends	–	–
Retained earnings	(29,475)	(8,228)
TOTAL EQUITY	201,531	202,295
Statement of Profit or Loss and Other Comprehensive Income		
Total profit	9,046	(15,567)
Total comprehensive income	9,046	(15,567)

4.4 Related Parties

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

(i) Entities exercising control over the Group:

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

(ii) Key Management Personnel:

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

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

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement. There are no such entities at year end (2022: nil).

(iv) Other related parties:

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

b. Transactions with related parties:

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

The following transactions occurred with related parties:

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

	CONSOLIDATED GROUP	
	2023	2022
	\$	\$
Services provided by eStore warehousing	3,851,485	7,829,196
Amounts payable to eStore as at 30 June	253,873	488,813

SECTION 5: Employee Reward and Recognition

5.1 Key Management Personnel Compensation

As deemed under AASB 124 *Related Parties disclosures*, Key Management Personnel (KMP) include each of the Directors, both Executive and Non-Executive, and those members who have authority and responsibility for planning, directing and controlling activities within the business. A summary of the KMP compensation is set out in the following table. Refer to the Remuneration Report for full details.

A summary of the KMP compensation is set out in the following table. Refer to the Remuneration Report for full details.

Notes to the Financial Statements continued

	CONSOLIDATED GROUP	
	2023	2022
	\$	\$
Cash Salary	1,185,778	1,081,085
Short-term incentives	–	–
Post-employment	57,451	47,600
Long-term benefits	108,726	93,688
Equity-based compensation	27,928,021	24,590,857
Other long-term benefits	(3,885,469) ²²	17,047,089
	25,394,507	42,860,319

Movement in shares

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

Executive KMP

	Held at 1 July 2022	Received on exercise of rights	Shares purchased	Shares Sold	Held at 30 June 2023
Ruslan Kogan	15,853,321	–	–	–	15,853,321
David Shafer	5,075,642	–	150,000	–	5,225,642

Other Non-Executive KMP

	Held at 1 July 2022	Received on exercise of rights	Shares purchased	Shares Sold	Held at 30 June 2023
Gracie MacKinlay	500	–	–	–	500
Simon Barton	–	–	–	–	–

Non-Executive Directors

	Held at 1 July 2022	Received on exercise of rights	Shares purchased	Shares Sold	Held at 30 June 2023
Greg Ridder	158,000	–	–	–	158,000
Harry Debney	98,099	–	–	–	98,099
Janine Allis	4,761	–	10,000	–	14,761
James Spenceley	–	–	10,000	–	10,000

5.2 Incentive Plans

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

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

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

The Group has established the 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 2016. 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.

Short term incentives – Cash based

The following table outlines the significant aspects of the STI.

Purpose of STI plan	<p>Provide a link between remuneration and both short term Company and individual performance.</p> <p>Create sustainable Shareholder value.</p> <p>Reward individual for their contribution to the success of the Group.</p> <p>Actively encourage team members to take more ownership over the EBITDA.</p>
Eligibility	Offers of cash incentive may be made to any team members of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of cash incentive under the STI.
Calculation & Target	<p>The actual Adjusted EBITDA of Kogan.com shall exceed the management forecast for the full financial year (after payment of the STI).</p> <p>25% of the outperformance will be allocated to a 'bonus pool'.</p> <p>The 'bonus pool' will then be shared in cash bonuses among a number of team members in fixed proportions.</p>
Maximum opportunity	The maximum payable is 25% of the outperformance and 35% of the team member's annual salary.
Performance conditions	<p>Outperformance of the actual Adjusted EBITDA.</p> <p>Continuation of employment.</p>
Why were the performance condition chosen	To achieve successful and sustainable financial business outcomes as well as any annual objectives that drive short-term and long-term business success and sustainability.
Performance period	1 July 2022 to 30 June 2023.
Timing of assessment	August 2023, following the completion of the 30 June 2023 accounts.
Form of payment	Paid in cash.
Board discretion	Targets are reviewed annually and the Board has discretion to adapt appropriately to take into account exceptional items.

Notes to the Financial Statements continued

Long term incentives – Equity Incentive Plan

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

Consideration	Nil.
Eligibility	Offers of Incentive Securities may be made to any employee of the Group (including a Director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of incentive Securities under the EIP.
Amount payable & Entitlement	No amount is payable upon the exercise of a Performance Right that has vested, with each Performance Right entitling the holder to one fully paid Ordinary Share on exercise.
Service condition on vesting	Individual must be employed by the Group at time of vesting and not be in their notice period.
Restrictions on dealing	<p>Shares allocated upon exercise of Performance Rights will rank equally with all existing Ordinary shares from the date of issue (subject only the requirements of Kogan.com’s Securities Trading Policy).</p> <p>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).</p>
Lapse of Rights	<p>A Right will lapse upon the earliest to occur of:</p> <ul style="list-style-type: none"> • expiry date; • failure to meet vesting conditions; • employment termination; • the participant electing to surrender the Right; and • where, in the opinion of the Board, a participant deals with a Right in contravention of any dealing restrictions under the EIP.

Executive Retention Options awarded at the 2020 AGM issued under the Groups EIP

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

The number and class of securities issued to the Directors	3,600,000 options granted to Mr Kogan and 2,400,000 granted to Mr Shafer under the EIP.
Details of the Retention Options	<p>The Board (excluding Mr Kogan and Mr Shafer) decided to grant the Retention Options to Mr Kogan and Mr Shafer because the Board believed it was in the best interests of the Company and Shareholders to incentivise Mr Kogan and Mr Shafer to remain in their positions for the next 3 years given their proven track records, in order to maximise the prospects of Mr Kogan and Mr Shafer contributing to the creation of significant future returns for Shareholders.</p> <p>The Retention Options are being accounted for in the same way the Company's current equity-settled awards are treated (refer above), with their accounting value determined at their date of grant (within 10 Business Days of the Meeting). Equity-settled awards are measured at fair value at the date of grant.</p> <p>The cost of these transactions is recognised in the Company's Consolidated Statement of Comprehensive Income and credited to equity on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest. The level of vesting is reviewed annually and the charge adjusted to reflect actual and estimated levels of vesting.</p> <p>The Company obtained an independent valuation of the Retention Options from SLM Corporate dated 7 May 2020 to provide advice in relation to whether the proposed grant of the Retention Options was reasonable in the circumstances and by reference to industry standards. The valuation applied a number of assumptions and variables, including the following:</p> <ul style="list-style-type: none"> • the closing price of the Company's Shares on ASX on 30 April 2020 (a reference date under the report), being \$7.99 per Share; • a risk-free rate of 0.33%; • a volatility factor of 62.5%; • dividend yield of 1.96%; and • a time to maturity of the underlying Options for 4 years. <p>The estimated value of each Retention Option pursuant to the valuation was \$4.13 as at the reference date of the report of 7 May 2020. On this basis, the estimated value as at the reference date of the report of 7 May 2020 of:</p> <ul style="list-style-type: none"> • the Retention Options to be granted to Mr Kogan under Item 5.1 was \$14,872,133; and • the Retention Options to be granted to Mr Shafer under Item 5.2 was \$9,914,756. <p>The report from SLM Corporate dated 7 May 2020 reflects the value of the Retention Options on or about the date that the Company agreed to grant the Retention Options to Mr Kogan and Mr Shafer. For completeness, given the time that has elapsed between the AGM (at which the Retention Options were approved by Shareholders) and both the date of the independent valuation of the Retention Options from SLM Corporate and the date that the Company agreed to grant the Retention Options, the Company obtained an updated independent valuation of the Retention Options from SLM Corporate dated 8 December 2020.</p>

Notes to the Financial Statements continued

Details of the Retention Options (continued)	<p>This valuation applied the same assumptions and variables as noted above, except that:</p> <ul style="list-style-type: none"> • the closing price of the Company's Shares on ASX on 30 November 2020 (date of issue of the Retention Options as per the updated independent valuation), being \$16.40 per Share; • a risk-free rate of 0.25%; • a volatility factor of 62.5%; and • dividend yield of 1.28%. <p>The value of each Retention Option pursuant to the valuation was \$11.48 as at the issue date of the updated independent valuation of 8 December 2020. On this basis, the value as at the issue date of the updated independent valuation of 8 December 2020 of:</p> <ul style="list-style-type: none"> • the Retention Options granted to Mr Kogan was \$41,325,935; and • the Retention Options granted to Mr Shafer was \$27,550,623. <p>The increase in the value of the Retention Options reflects the increase in the Company's share price since the Company announced the terms of the Retention Options to the ASX on 12 May 2020 and the grant of the Retention Options following the Company's AGM on 20 November 2020.</p>
Strike price	\$5.29
Share price at grant date	\$16.40

Recognition and measurement

a. Equity-settled transactions

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

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

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

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

b. Cash-settled transactions

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

c. Expense recognised in profit or loss

During the period the Group recognised a share-based payment expense of \$31.3 million (2022: \$26.6 million) which relates to Performance Rights and Options granted during the year or in previous years.

The Group has recognised no expense in relation to cash based short term incentives in 2023 (2022: nil).

Incentive Plans inputs**Long term incentives – Equity**

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

LONG-TERM INCENTIVE PLANS				
Grant Dates	6 April 2018	20 August 2019	20 August 2019	18 February 2020
Number	18,013	30,711	36,550	3,906
Fair value at grant date	\$151,273	\$173,210	\$206,141	\$20,000
Share price at grant date	\$8.60	\$5.64	\$5.64	\$4.98
Strike price	\$0.00	\$0.00	\$0.00	\$0.00
Rights life	1 to 5 years	1 to 4 years	1 to 4 years	1 to 2 years
Vesting dates	31 Dec 2018	31 Dec 2019	30 Jun 2020	30 Jun 2022
	31 Dec 2019	31 Dec 2020	30 Jun 2021	30 Jun 2023
	31 Dec 2020	31 Dec 2021	30 Jun 2022	
	31 Dec 2021	31 Dec 2022	30 Jun 2023	
	31 Dec 2022			
Dividend yield	1.4%	1.3%	1.3%	1.5%

LONG-TERM INCENTIVE PLANS				
Grant Dates	17 August 2020	17 August 2020	19 October 2020	1 December 2020
Number	21,767	11,831	134	6,000,000
Fair value at grant date	\$369,979	\$174,744	\$1,973	\$68,876,559
Share price at grant date	\$17.00	\$14.77	\$14.77	\$16.40
Strike price	\$0.00	\$0.00	\$0.00	\$5.29
Rights life	1 to 4 years	1 to 5 years	1 to 3 years	3 years
Vesting dates	30 Jun 2021	31 Dec 2021	31 Dec 2021	30 Jun 2023
	30 Jun 2022	31 Dec 2022	31 Dec 2022	
	30 Jun 2023	31 Dec 2023	31 Dec 2023	
	30 Jun 2024	31 Dec 2024		
		31 Dec 2025		
Dividend yield	1.4%	1.4%	0.6%	1.4%

Notes to the Financial Statements continued

LONG-TERM INCENTIVE PLANS

Grant Dates	3 December 2020	25 January 2021	25 January 2021	16 April 2021
Number	61,632	6,125	167,607	11,279
Fair value at grant date	\$571,945	\$118,825	\$3,251,576	\$180,013
Share price at grant date	\$19.00	\$19.40	\$19.40	\$15.95
Strike price	\$16.38	\$0.00	\$0.00	\$0.00
Rights life	3 years	1 to 3 years	1 to 4 years	1 to 3 years
Vesting dates	1 Apr 2023	31 Dec 2021 31 Dec 2022 31 Dec 2023	30 Jun 2021 30 Jun 2022 30 Jun 2023 30 Jun 2024	31 Dec 2021 31 Dec 2022 31 Dec 2023
Dividend yield	1.7%	0.9%	0.9%	1.2%

LONG-TERM INCENTIVE PLANS

Grant Dates	16 April 2021	30 June 2021	30 June 2021	25 August 2021
Number	8,773	1,806	149,869	7,208
Fair value at grant date	\$140,017	\$20,000	\$1,652,050	\$81,500
Share price at grant date	\$15.95	\$11.07	\$11.07	\$11.30
Strike price	\$0.00	\$0.00	\$0.00	\$0.00
Rights life	1 to 3 years	1 to 2 years	1 to 3 years	1 to 2 years
Vesting dates	30 Jun 2022 30 Jun 2023 30 Jun 2024	31 Dec 2022 31 Dec 2023	30 Jun 2022 30 Jun 2023 30 Jun 2024	31 Dec 2022 31 Dec 2023
Dividend yield	1.2%	0.0%	0.0%	0.0%

LONG-TERM INCENTIVE PLANS

Grant Dates	25 August 2021	25 August 2021	25 August 2021	25 August 2021
Number	11,766	1,546	8,233	38,780
Fair value at grant date	\$200,022	\$29,992	\$91,139	\$438,214
Share price at grant date	\$17.00	\$19.40	\$11.07	\$11.30
Strike price	\$0.00	\$0.00	\$0.00	\$0.00
Rights life	1 to 2 years	1 to 2 years	3 years	1 to 4 years
Vesting dates	30 Jun 2023 30 Jun 2024	30 Jun 2023 30 Jun 2024	30 Jun 2024	30 Jun 2022 30 Jun 2023 30 Jun 2024 30 Jun 2025
Dividend yield	0.0%	0.0%	0.0%	0.0%

LONG-TERM INCENTIVE PLANS

Grant Dates	7 October 2021	7 October 2021	7 October 2021	31 December 2021
Number	6,193	5,736	430,000	32,048
Fair value at grant date	\$69,981	\$64,071	\$4,248,400	\$299,969
Share price at grant date	\$11.30	\$11.17	\$9.88	\$9.36
Strike price	\$0.00	\$0.00	\$9.88	\$0.00
Rights life	1 to 4 years	1 to 3 years	3 years	1 to 2 years
Vesting dates	30 Jun 2022	30 Jun 2022	25 Feb 2024	31 Dec 2022
	30 Jun 2023	30 Jun 2023		31 Dec 2023
	30 Jun 2024	30 Jun 2024		
	30 Jun 2025			
Dividend yield	0.0%	0.0%	0.0%	0.0%

LONG-TERM INCENTIVE PLANS

Grant Dates	31 December 2021	6 April 2022	6 April 2022	6 April 2022
Number	6,411	8,763	33,997	345,464
Fair value at grant date	\$60,007	\$55,032	\$213,501	\$1,951,872
Share price at grant date	\$9.36	\$6.28	\$6.28	\$5.65
Strike price	\$0.00	\$0.00	\$0.00	\$0.00
Rights life	1 to 2 years	less than 1 year	1 to 2 years	2 to 3 years
Vesting dates	30 Jun 2023	31 Dec 2022	30 Jun 2023	30 Jun 2024
	30 Jun 2024		30 Jun 2024	30 Jun 2025
Dividend yield	0.0%	0.0%	0.0%	0.0%

LONG-TERM INCENTIVE PLANS

Grant Dates	30 June 2022	30 June 2022	30 June 2022	30 June 2022
Number	10,583	39,684	10,204	5,291
Fair value at grant date	\$40,004	\$150,006	\$30,000	\$20,000
Share price at grant date	\$3.78	\$3.78	\$2.94	\$3.78
Strike price	\$0.00	\$0.00	\$0.00	\$0.00
Rights life	less than 1 year	1 to 2 years	1 year	1 year
Vesting dates	31 Dec 2022	30 Jun 2023	30 Jun 2023	30 Jun 2023
		30 Jun 2024		
Dividend yield	0.0%	0.0%	0.0%	0.0%

Notes to the Financial Statements continued

LONG-TERM INCENTIVE PLANS

Grant Dates	30 June 2022	30 June 2022	23 August 2022	23 August 2022
Number	112,360	60,000	5,000	17,200
Fair value at grant date	\$400,002	\$226,800	\$17,750	\$61,060
Share price at grant date	\$3.56	\$3.78	\$3.55	\$3.55
Strike price	\$0.00	\$3.78	\$0.00	\$0.00
Rights life	2 to 4 years	2 to 5 years	1 to 2 years	1 to 3 years
Vesting dates	30 Jun 2024	27 Feb 2024	30 Jun 2023	30 Jun 2023
	30 Jun 2025	27 Feb 2025	30 Jun 2024	30 Jun 2024
	30 Jun 2026	27 Feb 2026		30 Jun 2025
		27 Feb 2027		
Dividend yield	0.0%	0.0%	0.0%	0.0%

LONG-TERM INCENTIVE PLANS

Grant Dates	3 October 2022	3 October 2022	3 October 2022	4 October 2022
Number	18,919	225,721	95,747	176,929
Fair value at grant date	\$55,433	\$661,363	\$280,539	\$541,403
Share price at grant date	\$2.93	\$2.93	\$2.93	\$3.06
Strike price	\$0.00	\$0.00	\$3.68	\$3.68
Rights life	1 to 2 years	1 to 4 years	2 years	2 years
Vesting dates	31 Dec 2022	30 Jun 2023	1 Sep 2024	31 Dec 2024
	31 Dec 2023	30 Jun 2024		
	31 Dec 2024	30 Jun 2025		
		30 Jun 2026		
Dividend yield	0.0%	0.0%	0.0%	0.0%

LONG-TERM INCENTIVE PLANS

Grant Dates	12 January 2023	12 January 2023	13 January 2023	31 January 2023
Number	50,611	10,936	1,359	17,805
Fair value at grant date	\$203,456	\$43,963	\$5,477	\$80,123
Share price at grant date	\$4.02	\$4.02	\$4.03	\$4.50
Strike price	\$0.00	\$0.00	\$3.68	\$0.00
Rights life	1 to 2 years	1 to 2 years	1 to 2 years	1 to 3 years
Vesting dates	31 Dec 2023	30 Jun 2023	30 Jun 2024	30 Jun 2023
	31 Dec 2024	30 Jun 2024		30 Jun 2024
				30 Jun 2025
Dividend yield	0.0%	0.0%	0.0%	0.0%

LONG-TERM INCENTIVE PLANS		
Grant Dates	14 April 2023	14 April 2023
Number	42,439	63,987
Fair value at grant date	\$153,205	\$230,993
Share price at grant date	\$3.61	\$3.61
Strike price	\$0.00	\$0.00
Rights life	2 to 3 years	1 to 4 years
Vesting dates	30 Jun 2024	31 Dec 2023
	30 Jun 2025	31 Dec 2024
	30 Jun 2026	31 Dec 2025
		31 Dec 2026
Dividend yield	0.0%	0.0%

Reconciliation of outstanding Performance Rights

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

	LONG-TERM INCENTIVE PLANS	
	Performance Rights	
	No. 2023	No. 2022
Outstanding at beginning of period	963,331	789,348
Granted during the period	452,618	700,182
Exercised during the period	(148,940)	(364,477)
Forfeited during the period	(67,348)	(161,722)
Expired during the period	–	–
Outstanding at the end of the period	1,199,661	963,331
Exercisable at the end of the period	179,142	116,495

Notes to the Financial Statements continued

SECTION 6: Other

6.1 Subsequent Events

Subsequent to the financial year end, there were no events which would require adjustment or disclosure to the financial statements.

6.2 Remuneration of Auditors

	CONSOLIDATED GROUP	
	2023 \$	2022 \$
Remuneration of the auditors for:		
auditing or reviewing the financial statements	465,938	413,330
Due diligence	–	–
Tax advisory and compliance	119,774	5,121
	585,712	418,451

6.3 Commitments

The Group has an agreement to lease a warehouse in Sydney, with expected availability ready for use in early 2024. This agreement will give rise to an annual expense of \$2.1 million over a 2 year period.

6.4 Contingent Liabilities

As at 30 June 2023 the Group had bank guarantees of A\$1.2 million (30 June 2022: A\$1.2 million) and NZ\$8.6 million (30 June 2022: NZ\$8.6 million) with Westpac Banking Corporation in relation to its ordinary course of business.

6.5 Company Information

The registered office of the Company is:

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

The principal place of business is:

Kogan.com Ltd
139 Gladstone Street
South Melbourne VIC 3205

Directors' Declaration

- 1 In the opinion of the Directors of Kogan.com Ltd ('the Company'):
 - (a) the consolidated financial statements and notes that are set out on pages 59 to 106 and the Remuneration report in pages 35 to 53 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 2023 and of its performance and its cash flows, for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 There are reasonable grounds to believe that the Company and the group entities identified in Note 4.1 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
- 3 The Directors draw attention to the Basis of Preparation note to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.
- 4 This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2023.

Signed in accordance with a resolution of the Directors:



David Shafer
Executive Director

Melbourne, 28 September 2023

Independent Auditor's Report



Independent Auditor's Report

To the shareholders of Kogan.com Ltd

Report on the audit of the Financial Report

Opinion

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

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

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

- Consolidated statement of financial position as at 30 June 2023
- Consolidated income statement and consolidated statement of other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

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Key Audit Matters

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

- Revenue recognition from sale of goods
- Valuation of goodwill

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

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

Revenue recognition from sales of goods (AUD \$489m)

Refer to Note 1.1 to the financial report

The key audit matter	The key audit matter
<p>Revenue recognition from sale of goods is a key audit matter due to the:</p> <ul style="list-style-type: none"> • relative size of sale of goods revenue (being 86% of total revenue) within the Group's consolidated income statement; • significant audit effort to test the high volume of sale of goods transactions recorded as revenue by the Group; • the Group has specific processes and controls they perform at year end to check revenue is recognised in the right period. This increases the risk of bias and our audit effort to perform specific testing of revenue transactions in the last week of the reporting period. 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • evaluating the Group's accounting policies for revenue recognition against the requirements of AASB 15 and our understanding of the business; • Understanding processes and testing key controls relating to the sale of goods; • for a sample of sale of goods revenue recognised by the Group throughout the year, we checked the amount of revenue recorded by the Group to the customer sales invoice and cash receipts obtained from the Group's bank statements. We checked the date revenue was recognised by the Group to the underlying shipping documentation and against the terms of sale of goods; • selecting a sample of revenue transactions before and after the year end due to the increased risk of potential bias. For each sample selected we: <ul style="list-style-type: none"> ○ checked the amount of revenue recorded by the Group to the amount of the sales invoice to the customer and cash receipts from the Group's bank statements; and ○ checked the date the revenue was recognised to shipping documents; and • evaluating the adequacy of the disclosures made in the financials against the requirements of the accounting standards.

Independent Auditor's Report continued



Valuation of goodwill (AUD \$46m)

Refer to Note 2.2 to the financial report

The key audit matter

A key audit matter was the Group's annual testing of the recoverability of goodwill valuation associated with Mighty Ape given the size of the balance (being 17% of total assets) and there is estimation uncertainty associated with current economic and market conditions.

The Group assessed valuation of the Mighty Ape Cash Generating Unit via detailed value in use (VIU) discounted cash flow modelling, which contains a number of assumptions.

The Mighty Ape VIU model is internally developed and uses a range of internal and external data as inputs. Forward looking estimates may be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, over key assumptions including forecast cash flows, forecast growth rates over the forecast period and discount rate.

How the matter was addressed in our audit

Our audit procedures included:

- assessing the Group's value in use (VIU) model for Mighty Ape and key assumptions by:
 - evaluating the appropriateness of the VIU method applied by the Group against accounting standard requirements;
 - assessing the integrity of the model used, including the accuracy of the underlying calculation formulas;
 - comparing significant inputs into the relevant cash flow forecasts to the Group's Board approved budgets;
 - assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models;
 - using our knowledge of the Group, its past performance, published studies on industry trends and our industry knowledge to challenge and assess key assumptions including forecast cash flows, forecast growth rates over the forecast period and terminal growth rate; and
 - working with our valuation specialists, we independently developed a discount rate range using publicly available market data for comparable entities, adjusted by risk factors specific to Mighty Ape;
- considering the sensitivity of the model by varying key assumptions, such as forecast growth rates, discount rate and terminal growth rate within a reasonably possible range; and
- assessing the disclosures in the financial report using our understanding of the recoverability assessment obtained from our testing and against the requirements of the accounting standards.



Other Information

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

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf This description forms part of our Auditor's Report.

Independent Auditor's Report continued



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Kogan.com Ltd for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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

Our responsibilities

We have audited the Remuneration Report included in pages 35 and 53 of the Directors' report for the year ended 30 June 2023.

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

KPMG

Simon Dubois

Partner

Melbourne

28 September 2023

Shareholder Information

The Shareholder information set out below was applicable as at 15 September 2023.

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

A. NUMBER OF HOLDERS OF EQUITY SECURITIES

Ordinary Share Capital

103,363,797 fully paid ordinary shares are held by 39,276 individual shareholders.

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

Performance Rights

976,809 performance rights are held by 77 individuals.

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

B. DISTRIBUTION OF EQUITY SECURITY

	Total holders of Ordinary Shares	Total holders of Performance Rights
1 – 1000	30,052	6
1,001 – 5,000	7,460	33
5,001 – 10,000	1,059	19
10,001 – 100,000	669	19
100,001 and over	36	–
	39,276	77
Holdings less than a marketable parcel	8,205	

Shareholder Information continued

C. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

Name	Units	% units
KOGAN MANAGEMENT PTY LTD <THE RUSLAN TECH A/C>	15,515,701	15.01%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,250,988	8.95%
CITICORP NOMINEES PTY LIMITED	9,017,898	8.72%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	6,094,443	5.90%
SHAFFER CORPORATION PTY LTD <THE SHAFFER FAMILY A/C>	5,075,642	4.91%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,056,267	1.02%
BNP PARIBAS NOMS PTY LTD <GLOBAL MARKETS DRP>	848,146	0.82%
NATIONAL NOMINEES LIMITED	842,079	0.81%
BNP PARIBAS NOMS PTY LTD <DRP>	786,813	0.76%
MATTHEW WONG INVESTMENTS (AUS) PTY LTD <MATTHEW WONG INV (AUS) F A/C>	542,352	0.52%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	466,247	0.45%
NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>	403,889	0.39%
MR JOHN STEVEN LUNDGREN	350,000	0.34%
GARRETT SMYTHE LTD	310,750	0.30%
MR GORAN STEFKOVSKI	288,384	0.28%
ABICHANDANI & ASSOCIATES PTY LTD	275,000	0.27%
SUPERHERO SECURITIES LIMITED <CLIENT A/C>	273,818	0.26%
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	244,490	0.24%
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	234,554	0.23%
BOND STREET CUSTODIANS LIMITED <MATZAN – D78834 A/C>	212,529	0.21%
Total	52,089,990	50.39%
Total Remaining Holders Balance	51,273,807	49.61%

D. SUBSTANTIAL SECURITY HOLDERS

The Company has received no substantial holder notices from shareholders who hold relevant interest in the Company's Ordinary Shares as at 15 September 2023.

E. VOTING RIGHTS

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

Ordinary Shares

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

Performance Rights

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

F. STOCK EXCHANGE LISTING

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

G. UNQUOTED SECURITIES

976,809 performance rights held by 77 holders.

H. SECURITIES SUBJECT TO VOLUNTARY ESCROW

There are no securities subject to voluntary escrow.

I. ON MARKET BUY-BACK

The Group commenced an on-market share buy-back program in May 2023, which is anticipated to remain ongoing until May 2024. The Group purchased \$10.8 million of shares by 30 June 2023, resulting in a reduction in Issued Capital.

Corporate Directory

COMPANY SECRETARY

Mark Licciardo, Acclime Australia

PRINCIPAL REGISTERED OFFICE

KOGAN.COM LTD

C/- Acclime Australia
7/330 Collins Street
Melbourne VIC 3000

+61 3 8689 9997

PRINCIPAL PLACE OF BUSINESS

KOGAN.COM LTD

139 Gladstone Street
South Melbourne VIC 3205

+61 3 6285 8572

LOCATION OF SHARE REGISTRY

AUTOMIC GROUP

Suite 5 Level 12
530 Collins Street
Melbourne VIC 3000

1300 288 664

STOCK EXCHANGE LISTING

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

AUDITORS

KPMG

Tower Two, Collins Square
727 Collins Street
Docklands VIC 3008

kogan
.com