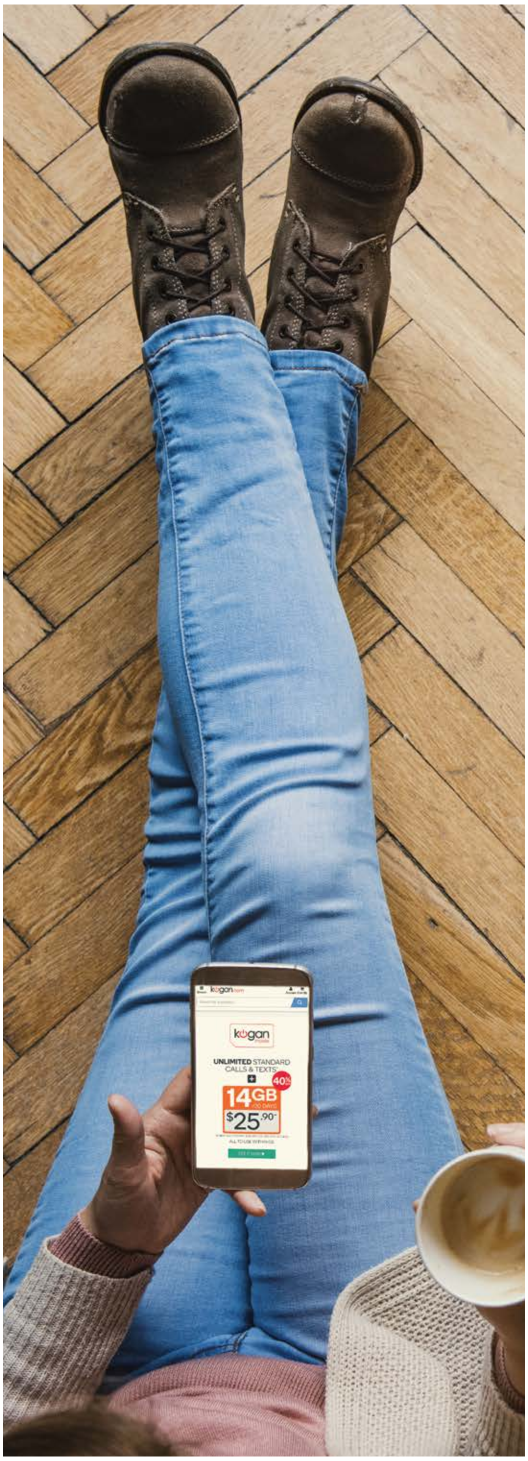
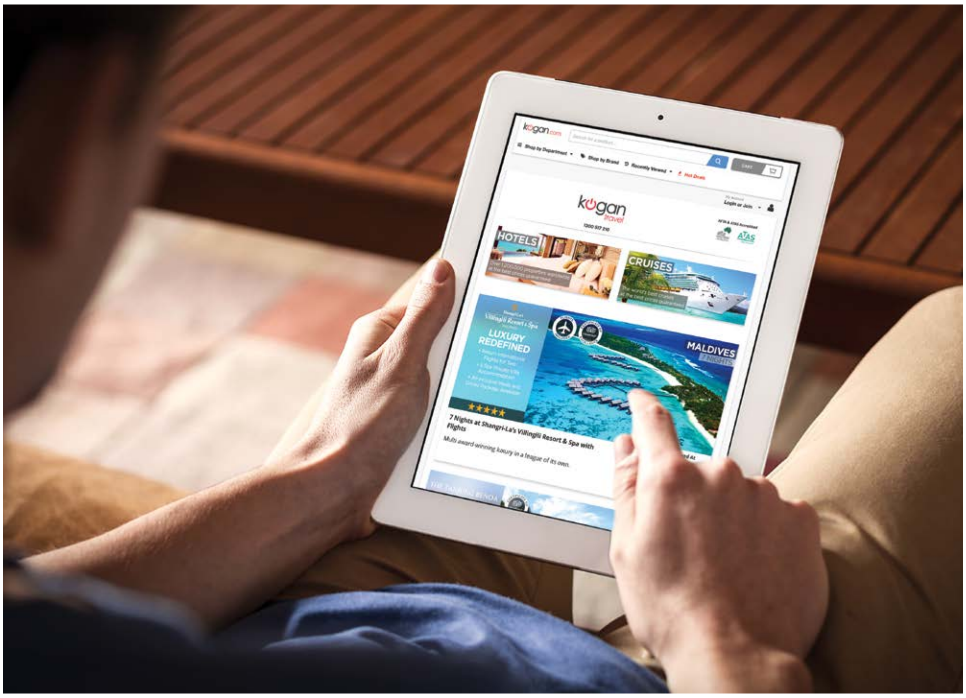


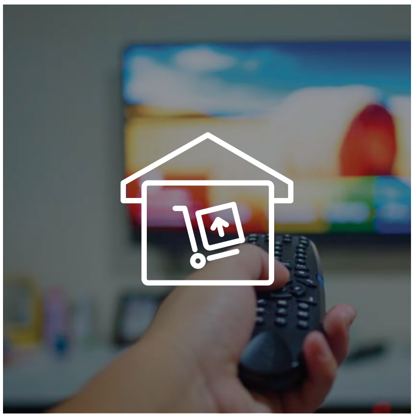


kogan.com

Annual Report 2017

$13.2m
Pro Forma EBITDA

$78.3m
YoY revenue growth



230.0%
YoY Pro Forma EBITDA growth

36.0%
Growth in active customers

Contents

CHAIRMAN'S LETTER

Dear Shareholder,

I am delighted to present Kogan.com Ltd's (Kogan.com) annual report for the financial year ended 30 June 2017 (FY17). Your company has significantly outperformed its Prospectus forecasts on all key metrics demonstrating strong growth in Kogan.com's portfolio of products and services as the team continued to build a diversified platform for future growth.

The highlights of your Company's performance were:

- Revenue of $289.5 million, up 37.1% on prior year (FY16: $211.2 million) and up 20.0% on Prospectus forecasts
- Pro Forma earnings before interest, tax, depreciation and amortisation (Pro Forma EBITDA) of $13.2 million, up 230.0% on prior year (FY16: $4.0 million) and up 91.3% on Prospectus forecasts
- Pro Forma net profit after tax (Pro Forma NPAT) of $7.2 million, up 800.0% on prior year (FY16: $0.8 million) and up 188.0% on Prospectus forecasts

Kogan.com's Pro Forma results are adjusted for one-off transaction costs associated with the Company's Initial Public Offering (IPO) in July 2016 and unrealised foreign exchange gains and losses. Statutory NPAT was $3.7 million.

These strong results demonstrate that management's strategy to invest in the Kogan.com brand and its expanding portfolio of products and services is delivering both value for customers and returns for shareholders.

The key drivers of financial performance for Kogan.com in FY17 were:

- Release of cash constraints following the IPO – with shareholder support, management was able to invest in marketing, Private Label and Third Party Domestic inventory to drive growth in FY17 and beyond.
- Brand growth – Kogan.com increased active customers by 36% to 955,000 during the year.
- Channel Growth – the Dick Smith channel launched in May 2016, and was a strong contributor during the year, with strategic marketing efforts channeling customers to both the Kogan and Dick Smith websites.
- Strong growth in Kogan Mobile – annual revenue commissions continue to scale, reaching $3.6 million in FY17 as a result of both new customer acquisitions and repeat customers.
- Gross margin improvement – management's relentless focus on improvements in efficiency and automation; ERP; expansion of the product offering; and the commission-based structure of new vertical channels all contributed to a pleasing margin uplift.

As at 30 June 2017, your company has a strong balance sheet with $32.0 million in cash and an undrawn debt facility of $10.0 million. The business generated operating cash flow before capital expenditure of $10.8 million during the year, representing an operating cash flow conversion of 81.8%.

Inventory levels are at a sustainable level of $39.7 million and management is confident that future inventory investments can be funded by the Company's cash flows.

Due to the strength of Kogan.com's operating result and balance sheet, your Directors declared total dividends for FY17 of 7.70 cents per share, fully franked.

The Board believes that Kogan.com will continue its trajectory of strong revenue through investments in brand, marketing and inventory. The Board also expects further margin expansion due to the rapid growth of Kogan Mobile and the continued expansion of the Kogan Portfolio into new verticals.

On behalf of the Board, I would like to congratulate the entire Kogan.com team on delivering this strong financial result. I would also like to thank my fellow directors Ruslan Kogan, David Shafer and Harry Debney for their contribution and collaboration.

Finally, thank you to our fellow shareholders who have provided the capital that has allowed Kogan to scale over the past year. We look forward to delivering continued growth for shareholders as the company continues to pursue its growth plans into FY18 and beyond.

Yours sincerely,

Greg Ridder
Chairman

FOUNDER & CEO'S REPORT

FY17 has been a landmark year for Kogan.com. Strong operating momentum led to three separate earnings upgrades in FY17 as we continued to stretch ourselves and our expectations during our first year as a publicly listed company.

We have strengthened our brand organically by delivering on our promises to our Kogan Community of customers and subscribers day in and day out. This has cemented our reputation for price leadership through digital efficiency, delivering revenues of $289.5 million, up 37.1% on FY16.

During the year, we capitalised on growth opportunities in Private Label, Kogan Mobile, the Dick Smith online integration and a number of other initiatives – all while improving our margins through precision sourcing, analytics and automation. At the end of FY17, our gross margin was 17.9% (compared to 15.5% this time last year), reflecting our investment in efficiency and our ability to scale.

At the end of the financial year, more than 6.5 million Australians were members of the Kogan Community. And in the past 12 months, 955,000 members of that Community have transacted with us (up 36% on the previous year).

Building the Kogan.com Portfolio

At Kogan.com we are continually redefining who we are. We do not stand still. It is our duty to our customers to continuously improve and deliver better and better value. Our brand has now extended itself to become a portfolio of products and services businesses targeted at our Community of subscribers and loyal customers.

In FY17, we engaged with that Community through Kogan Retail, Kogan Marketplace, Kogan Mobile and Kogan Travel.

We also recently announced that we would extend our partnership with Vodafone to launch Kogan Internet in 2018. The NBN is a major opportunity for Kogan.com – current NBN activations of 2 million premises are not even a third of the projected 7.6 million activations by 2020. We expect Kogan Internet to launch in the second half of FY18 and scale into FY19.

The other exciting new vertical we have recently announced is Kogan Insurance. By partnering with leading insurance provider Hollard, we are targeting the $30.8 billion Australian insurance market with a focus on value for money offerings in Home, Contents, Landlord, Car and Travel insurance.

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

Kogan Mobile is a great example of the potential of our portfolio strategy. Having launched less than two years ago, Kogan Mobile has grown quickly to represent 7% of Kogan.com's gross profit at 30 June 2017.

Kogan Mobile gross sales are 100% gross margin, with Kogan contributing branding and marketing services to drive customer retention and growth. We have high expectations for this business and we fully expect the current growth trajectory to continue for years to come.

Precision sourcing and market leadership in Private Label

Kogan.com has over 11 years' experience in Private Label manufacturing and supply chain optimisation. Our exclusive brands are a pillar of the business and are a focus area for us. They enable us to provide our customers with market leading prices on the most in-demand products.

The Kogan.com team makes daily data-driven decisions backed by existing demand metrics to determine how we deploy capital on inventory. Our goal is not to create demand, but to service demand on the most popular products.

In FY17, we invested IPO proceeds primarily to replenish inventory of our best-selling products. This resulted in total Private Label gross sales of $97.5 million, an increase of 21% from the previous year. Private Label growth in 2H17 versus 2H16 was 43.9%. Private Label accounted for 52.2% of gross profit in FY17.

As we move into FY18, we are focused on bringing new in-demand products to market.

Kogan Marketplace – a platform for brand partnerships

Kogan Marketplace is a platform for us to partner with select international and domestic brands and distributors. It provides an opportunity for brands and distributors to reach a wider audience and generate additional sales, supported by our marketing capability. It provides our loyal customers with more choice and very competitive pricing.

We have over 50,000 products currently listed. We have sold over 2.5 million products across Kogan Retail and Kogan Marketplace in the last 12 months alone.

Awards and accolades

In 2017, the Kogan.com team was recognised through a number of prestigious industry awards that variously reflect: our brand's standing in the community; the quality of our products; the user friendliness of our online experience; and the calibre of our team.

The Australian public voted Kogan.com as their favourite online shopping destination at the Startrack Online Retail Industry Awards. We are extremely humbled by this vote of confidence from the Australian public. There is no more important vote than that of our customers.

Also this year, our Kogan TVs were the only TVs in Australia to be rated 5 star value-for-money by Canstar, demonstrating once again, Kogan's price leadership and quality.

Proudly, Kogan.com's Chief Technology Officer, Goran Stefkovski, won "Consumer CIO of the Year" for the fantastic work that he and his team did to integrate the online operations of Dick Smith so quickly. Additionally, our proprietary ecommerce platform earned us the ranking of Number 1 most mobile-ready Australian brand.

Growth into FY18 and beyond

The Kogan.com team has strong momentum as we commence FY18 and will be relentlessly focused on the following initiatives to deliver returns for shareholders:

- Continued focus on delighting our customers and exceeding their expectations;
- Continued investment in expanding the Private Label range, where pre-existing online demand is established and where Kogan.com can be a price leader with a strong competitive advantage;
- Continued investment in brand-building to drive revenue per customer and conversion rates across the portfolio;
- Continued partnerships with select brands and distributors via Kogan Marketplace, giving those brands an effective channel to market via a direct voice with the Kogan Community;
- Continued promotion and marketing support for Kogan Mobile, which continues to grow strongly with a win-win-win proposition for the Kogan Community, our partner Vodafone, and Kogan.com;
- Ramp up of Kogan Insurance – which launched in early 1H18 in partnership with Hollard Insurance Company – with the objective of delivering value for money in home, contents, landlord, car and travel insurance;
- Launch of Kogan Internet in 2H18, also in partnership with Vodafone, offering competitively priced fixed-line NBN services;
- Continued assessment of opportunities to grow Kogan Retail via opportunistic M&A; and
- Continued assessment of opportunities to expand the Kogan portfolio of products and services in ways that serve the Kogan Community and continue to build goodwill.

We remain focused and excited about the opportunities to grow Kogan.com and we look forward to serving our customers in the year ahead.

Ruslan Kogan
Founder & CEO

OPERATING AND FINANCIAL REVIEW

ORGANISATIONAL OVERVIEW & BUSINESS MODEL

OUR BUSINESS MODEL

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

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

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

WHO WE ARE

Our community and our portfolio continues to grow at pace.

At 30 June 2017, we had 955,000 Active Customers and 6.5 million Active Subscribers.

Kogan Retail & Kogan Marketplace

Kogan.com is part of a 'Next Generation' of online retailers. Kogan.com's technology and sourcing-driven business model is more than just a disruptive, low-cost distribution platform. In combining the 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 Private Label capability. This is complemented by a compelling range of in-demand third party brands, supporting website traffic and cash generation. This combination is unique among Australian online retailers.

Kogan Marketplace partners with select brands and distributors, giving them access to our 955,000 Active Customers, in addition to our marketing and online distribution capability. We have over 50,000 products from over 50 brands and distributors already listed. Our curated marketplace works with brands and distributors who generate incremental sales with exposure on the Kogan.com platform and marketing initiatives to the Kogan Community.

We have sold over 2.5 million products to customers across Kogan Retail and Kogan Marketplace in the last 12 months alone.

In addition to Kogan.com, key channels for Kogan Retail and Kogan Marketplace include: Dick Smith, eBay and TradeMe.

Kogan Mobile

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

Kogan Travel

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

NEW VERTICALS IN FY18

Kogan Insurance

Kogan Insurance launched in August 2017 in partnership with Hollard Insurance Company. The agreement, which is for an initial period of three years, allows Kogan Insurance to offer home, contents, landlord, car and travel insurance, with a focus on value for money. The underwriting of the insurance policies is provided by Hollard, with Kogan earning commission on the sale of all insurance policies.

Similar to Kogan Mobile and Kogan Internet, Kogan will provide branding, marketing and customer acquisition.

Kogan Internet

The expanded partnership with Vodafone Hutchison Australia was announced in June 2017 to provide fixed-line NBN plans from 2018 and mobile broadband plans from 2017. NBN is an exciting opportunity for Kogan.com; current NBN activations of 2 million premises are less than a third of the projected 7.6 million activations by 2020.

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 11 years' experience in Private Label, extensive Third Party brand offering, and using the strength of the Kogan brand to partner with industry leaders for Kogan Mobile, Kogan Insurance and Kogan Internet.

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

Recognition

Kogan TVs won the Canstar Value for Money Award in 2017.

Customer-centric approach:

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

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

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

Recognition

Kogan won the People's Choice Award at the Startrack Online Retail Industry Awards (ORIAS) in July 2017.

Industry leading IT platform & data driven culture:

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

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

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

Recognition

Our Chief Technology Officer, Goran Stefkovski, won Consumer CIO of the year at the itnews Benchmark Awards 2017.

Kogan.com was awarded the #1 Most Mobile Ready Australian brand by Ansible in February 2017.

BUILDING THE KOGAN BRAND

In the twelve months to June 2017, the business achieved 36.0% growth in Active Customers. Our consistent month on month growth of Active Customers illustrates that we continue to outpace the growth of the online retail industry in Australia.

Most importantly, we are keeping and growing our customer base. Kogan.com's net promoter score has been stable with an average 60.5 (Figure 1.2).

In addition to continuing to build our customer base, we have also increased our annual revenue per customer (refer to Figure 1.3). This is a direct result of our data-driven approach to customer insights and analytics. We are able to continuously improve our offering to ensure that the right product is shown to our customers at the right time, through the right medium.

Table 1.1 Active Customers

	Jun-16	Dec-16	Jun-17	Jun-16 vs Jun-17 variance
Active Customers	702,000	830,000	955,000	36.0%

Figure 1.1 LTM Active customers

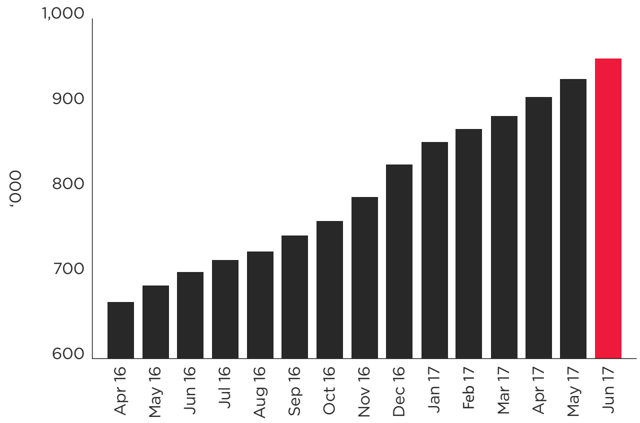
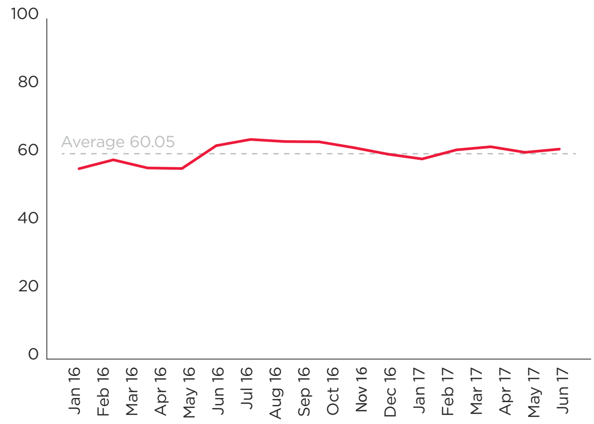


Figure 1.2 Net Promoter Score[1]



1 The net promoter score is calculated based on answers to the question, "How likely is it that you would recommend Kogan.com to a friend or colleague?" Kogan.com measures its NPS as the percentage of customers who are 'promoters' rating its product and service 9 or 10 out of a possible 10, less the percentage of 'detractors', rating Kogan.com's products and services 0 to 6 out of a possible 10. The maximum possible NPS score is 100 and the minimum possible is –100.

Figure 1.3 Annual revenue per customer

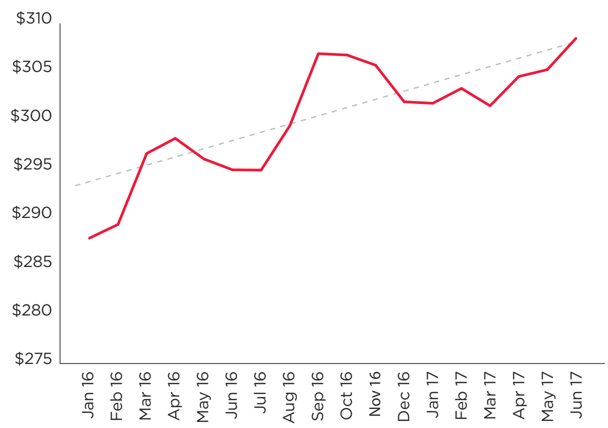
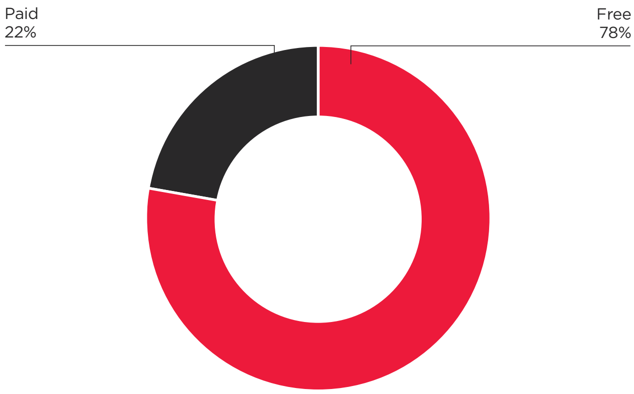


Figure 1.4 Traffic – Free vs paid marketing



PERFORMANCE REVIEW & OUTLOOK

RESULTS SUMMARY

PRO FORMA RESULTS

Pro Forma results are consistent with the basis of the Prospectus Pro Forma financials. A reconciliation of the Pro Forma results to the statutory results is provided in Table 1.3. Refer to Table 1.8 for an explanation of non IFRS measures used throughout this report.

Figure 1.5 Pro Forma results

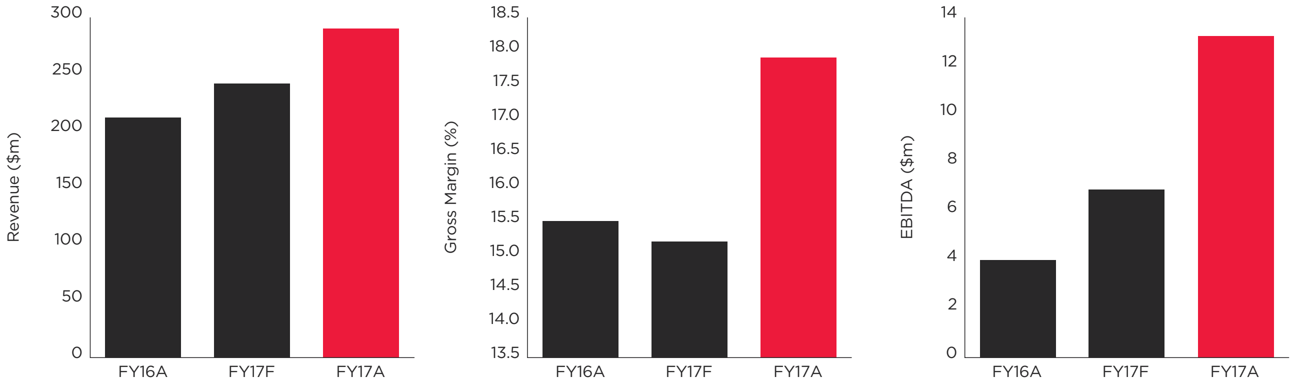


Table 1.2 Pro Forma results versus forecast – FY17

$m	Pro Forma forecast FY17	Pro Forma actual FY17	Variance
Revenue	**241.2**	**289.5**	**20.0%**
Cost of sales	(204.5)	(237.8)	
Gross profit	**36.7**	**51.7**	**40.9%**
Gross margin	*15.2%*	*17.9%*	*17.8%*
Operating costs	(29.8)	(38.5)	
EBITDA	6.9	13.2	91.3%
EBITDA margin	*2.9%*	*4.6%*	*59.2%*
EBIT	**3.6**	**9.4**	**161.1%**
Profit before tax	**3.6**	**9.8**	**172.2%**
NPAT	**2.5**	**7.2**	**188.0%**
NPATA	3.8	8.6	126.3%

FY17 PRO FORMA RESULTS VERSUS PROSPECTUS FORECAST

REVENUE

Revenue exceeded FY17 Prospectus forecast by $48.3 million, driven by growth in Active Customers, Kogan Mobile and channel growth with the launch of Dick Smith. Kogan Mobile achieved revenue of $3.6 million, representing an out-performance against forecast of 140.0% and 620.0% versus the prior year.

GROSS MARGIN

Gross margin was 2.7pp (17.8%) above the Prospectus forecast. The out-performance was driven by precision sourcing, improved efficiencies/automation in processes and Kogan Mobile.

EBITDA

Higher than forecast revenue and gross margin drove an out-performance against FY17 Prospectus forecast EBITDA of 91.3%. EBITDA of $13.2 million exceeded Prospectus forecast by $6.3 million.

Following the IPO on 7 July 2016, cash constraints were released and the business was able to implement growth strategies, one of which was marketing. As such, better than expected ROI on marketing led us to increase marketing spend as a % of revenue versus the Prospectus forecast, which in turn helped grow our Active Customer base.

In addition, the business invested heavily in people. Short and long-term incentives are in place to retain key talent in the business and align the interests of key staff with shareholders. As a result of the significant out-performance, bonuses paid in FY17, including superannuation and LTIs, were $0.9 million. Excluding these bonuses, People costs were higher than forecast largely due to an increased focus on retention of key staff. Retaining and motivating our key talent is an important part of our culture and strategy for growth.

Table 1.3 Reconciliation of Statutory to Pro Forma results – FY17

$m	Statutory	Transaction costs [1]	Unrealised FX gain or loss [2]	Pro Forma
Revenue	**289.5**	**–**	**–**	**289.5**
Cost of sales	(237.8)	–	–	(237.8)
Gross profit	**51.7**	**–**	**–**	**51.7**
Gross margin	*17.9%*	–	–	*17.9%*
Operating costs	(41.5)	3.0	–	(38.5)
Unrealised FX gain or loss	(0.7)	–	0.7	–
EBITDA	**9.5**	**3.0**	**0.7**	**13.2**
EBITDA margin	*3.3%*	–	–	*4.6%*
EBIT	**5.7**	**3.0**	**0.7**	**9.4**
Profit before tax	**6.1**	**3.0**	**0.7**	**9.8**

Notes:

1 Transaction costs: adjustments to remove balances included in Statutory figures which relate to the IPO.

2 Unrealised FX gain or loss: adjustment to remove the impact of the unrealised FX loss on forward exchange contracts at 30 June 2017.

STATUTORY RESULTS

Table 1.4 Statutory results FY17 versus FY16

$m	Statutory FY17	Statutory FY16	Variance
Revenue	**289.5**	**211.2**	**37.1%**
Cost of sales	(237.8)	(178.5)	
Gross profit	**51.7**	**32.7**	**58.1%**
Gross margin	*17.9%*	*15.5%*	*2.4pp/15.5%*
Operating costs	(45.2)	(31.1)	
Results from operating activities	**6.5**	**1.6**	**306.3%**
Unrealised FX gain or loss	(0.7)	–	
Net finance costs	0.3	(0.2)	
Profit before tax	**6.1**	**1.4**	**335.7%**
NPAT	**3.7**	**0.8**	**362.5%**
EBITDA	**9.5**	**3.9**	**143.6%**

STATUTORY PERFORMANCE VERSUS PRIOR YEAR

Revenue increased by $78.3 million year on year, driven by growth in Active Customers, Kogan Mobile and channel growth with the launch of Dick Smith. Dick Smith launched on 4 May 2016, therefore FY17 is the first full year of this channel.

Gross margin increased from 15.5% to 17.9% as a result of Kogan Mobile, improvements in efficiency, automation initiatives and expansion in the product offering. Kogan Mobile revenue is 100% gross margin and represented 7.0% of total gross profit in FY17.

Statutory operating costs include $3.0 million of transaction costs related to the IPO of Kogan.com on 7 July 2016. The transactions costs comprise $1.2 million of bonus shares issued to certain senior management on IPO and $1.8 million of adviser, legal and similar transaction costs.

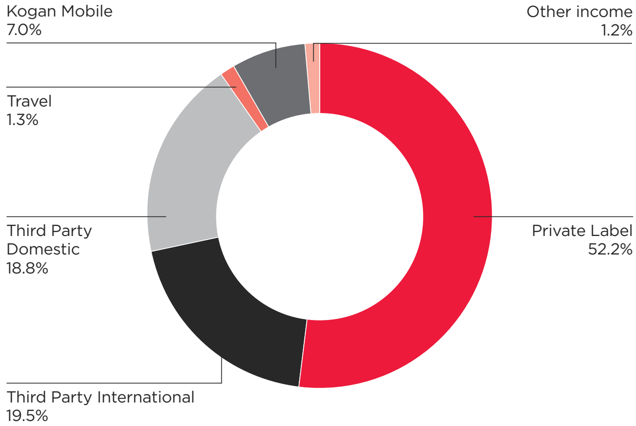
Excluding the transaction costs, operating costs increased primarily as a result of marketing and people costs. Marketing costs in FY16 were low due to cash constraints. Following the release of cash constraints post IPO, and better than expected ROI on marketing expenditure, the business invested in marketing to drive growth. In addition, the business invested in people in FY17. Motivating and retaining key talent are key to our culture and growth strategies. With this in mind, short and long-term incentives are in place to retain key talent and align their interests with those of shareholders.

EBITDA of $9.5 million represents a year on year increase of $5.6 million. FY17 EBITDA includes the $3.0 million of transaction costs and $0.7 million of unrealised foreign exchange losses on forward contracts at 30 June 2017.

PRODUCT & BUSINESS MIX

Private Label exclusive brands accounted for 52.2% of FY17 gross profit and Kogan Mobile increased from 4.2% of gross profit in FY16 to 7.0% in FY17.

Figure 1.6 FY17 Gross profit mix



The deployment of IPO proceeds into Private Label inventory in FY17 was focused on replenishing ranges, whereas we are now focused on new products and new ranges. As such, management expects Private Label to show further growth in FY18 and beyond.

Table 1.5 New Verticals Gross Sales

$m	FY16 Actual	FY17 Forecast	FY17 Actual	Variance to forecast	Variance YoY
Kogan Travel	4.8	5.4	6.9	27.8%	43.8%
Kogan Mobile	0.5	1.5	3.6	140.0%	620.0%
Gross Sales	**5.3**	**6.9**	**10.5**	**52.2%**	**98.1%**

Kogan Travel and Kogan Mobile exceeded Prospectus forecast Gross Sales by 27.8% and 140.0%, respectively.

Kogan Mobile commission of $3.6 million represents a year on year increase of 620.0% (FY16: $0.5 million). Management expects further growth in Kogan Mobile in FY18 and enhanced economics for Kogan Mobile are set to commence in October 2017. Kogan Mobile Gross Sales represent the commission received and are 100% gross margin.

Figure 1.7 Kogan Mobile Active Customers

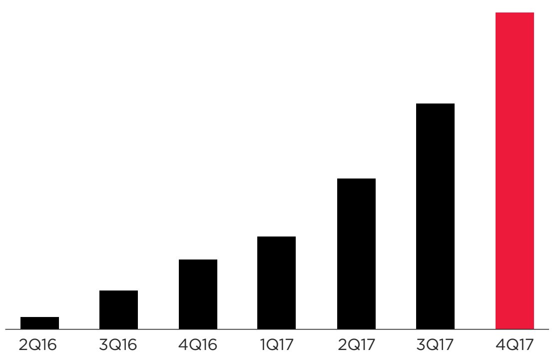
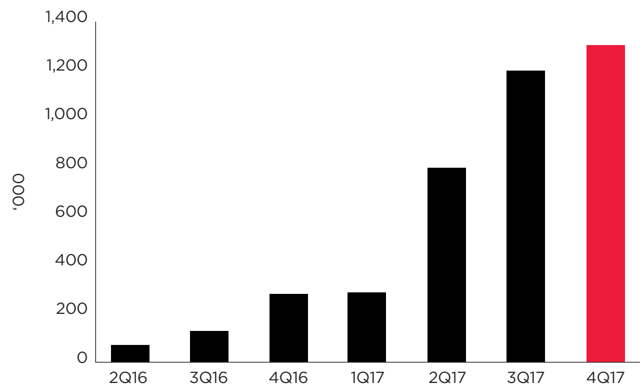
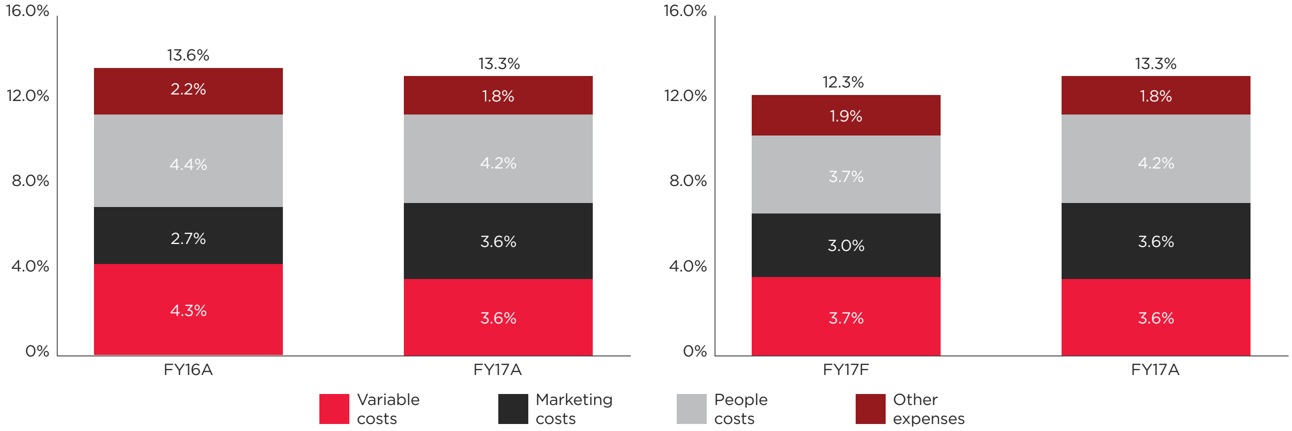


Figure 1.8 Kogan Mobile Quarterly Commissions



OPERATING COSTS

Figure 1.9 Pro Forma Operating costs as a % of revenue – FY17 versus Prospectus forecast and FY16



Operating costs as a % of revenue were 1pp higher than Prospectus forecast, primarily driven by marketing and people costs. Following the release of cash constraints in FY17, the business invested in marketing to assist in driving growth and building the Kogan brand. FY16 marketing costs were at a historical low of just 2.7% of revenue due to cash constraints limiting investment at the time. Management believes targeted marketing with strict ROI metrics was a key driver of growth in FY17, and will continue to be a driver in FY18 and beyond.

As mentioned earlier in this report, in addition to marketing, the business also invested in people in FY17.

STATEMENT OF FINANCIAL POSITION

Table 1.6 Summary net assets at 30 June 2017 and 30 June 2016

$m	30-Jun-17	30-Jun-16
Current assets	74.4	26.9
Non-current assets	5.9	5.5
Total assets	**80.3**	**32.4**
Current liabilities	(37.6)	(25.3)
Non-current liabilities	(0.1)	(0.0)
Total liabilities	**(37.6)**	**(25.4)**
Net assets	**42.7**	**7.1**

Net assets increased by $35.6 million year on year, as a result of the proceeds received upon IPO of Kogan.com on 7 July 2016. The cash retained in the business, prior to issue costs, was $35 million. At 30 June 2017, Kogan.com had cash of $32.0 million and a Pro Forma operating cash flow conversion of 81.8% in FY17.

In line with growth strategies, Kogan.com deployed IPO proceeds into Private Label and Third Party inventory. As at 30 June 2017, Kogan.com had inventory of $39.7 million, comprising $30.7 million of inventory on hand and $9.0 million of inventory in transit. The year on year increase in payables is largely driven by the increase in inventory. In addition to investing in inventory, IPO proceeds were used to repay bank debt of $4.9 million.

CASH FLOWS

Table 1.7 Statutory cash flow FY17 and FY16

$m	FY17 Statutory	FY16 Statutory
Statutory EBITDA	9.5	3.9
Non-cash in EBITDA	0.7	–
Transaction costs of share issue in EBITDA	3.0	–
EBITDA excluding non-cash and financing costs	**13.2**	**3.9**
Change in net working capital	(2.4)	8.1
Operating cash flow before capital expenditure	**10.8**	**12.0**
Purchase of PP&E	(0.1)	(0.0)
Investment in intangibles	(3.5)	(1.7)
Purchase of the Dick Smith Assets	–	(2.7)
Cash flow before financing and taxation	7.2	7.6
Operating cash flow conversion	*81.8%*	*307.7%*

The business generated operating cash flow before capital expenditure of $10.8 million in FY17, resulting in an operating cash flow conversion ratio of 81.8%.

Net working capital increased by $2.4 million, driven predominantly by an increase in inventories, which was partially offset by an increase in payables.

FY16 operating cash flow conversion of 307.7% was driven by a reduction in working capital of $8.1 million. The FY16 decrease in working capital was the result of an increase in trade payables driven by improved payment terms with some Private Label suppliers, and a decrease in inventory due to cash constraints experienced during the year, which were subsequently relieved by the receipt of IPO proceeds in July 2016.

OUTLOOK

At Kogan.com we are relentless in our mission to both continue to grow our existing businesses and to expand our portfolio to bring more in-demand products and services to Aussies at market-leading prices. With that in mind, the pace continues into the new financial year.

We are excited for the year ahead with the launch of two New Verticals in FY18 – Kogan Insurance launched in August 2017 and Kogan Internet is set to launch in 2H18. In addition, our planning for the peak Christmas trading season is well underway with funds being invested in new Private Label ranges and products; Third Party products; and marketing. Following strong performance in FY17, Kogan Mobile's momentum is expected to continue in FY18.

We expect FY18 to show:

- Further growth of the Active Customer base;
- Increased value from the investment in our ERP and automation;
- Private Label growth;
- Continued growth of Third Party Domestic;
- Further growth in Kogan Mobile; and
- Growth coming from the launch of Kogan Insurance and Kogan Internet.

NON-IFRS MEASURES

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

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

Table 1.8 Non-IFRS measures

EBITDA	Earnings before interest, tax, depreciation and amortisation
Pro Forma EBITDA	EBITDA excluding the impact of costs associated with the IPO and unrealised foreign exchange gains or losses.
NPATA	Net profit after tax (NPAT) plus the non-cash amortisation of the Dick Smith Assets.
Gross Sales	Gross Sales represents sales on a cash basis and prior to cancellations and refunds. Gross Sales is a key measure which management uses to track financial performance and to make management decisions at a product group level.

STRATEGY, RISKS AND OPPORTUNITIES

STRATEGY

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

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

PRIVATE LABEL STRATEGY

Private Label is a pillar of the business and remains a focus area for FY18 and beyond. In FY17, Kogan.com focused on replenishing best-sellers following receipt of the IPO proceeds, which released cash constraints. This investment resulted in year on year growth in Private Label revenue of 20.8%.

In FY18, the business is focused on new products and new ranges, where there is proven demand. Our Private Label business benefits from:

- Full control of the end-to-end supply chain;
- Strong competitive advantage;
- Compelling consumer offering; and
- 11 years' experience.

Private Label offering

RISKS

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

Australian retail environment and general economic conditions may worsen	Many of Kogan.com's products are discretionary goods and, as a result, sales levels are sensitive to consumer sentiment. Kogan.com's offering of products, and its financial and operational performance, may be affected by changes in consumers' disposable incomes, or their preferences as to the utilisation of their disposable incomes.
Competition may increase and change	Kogan.com could be adversely affected by increased competition in the various segments in which it operates. The Australian online retail market is highly competitive and is subject to changing customer preferences.
Inventory management	In order to operate its business successfully, Kogan.com must maintain sufficient inventory and also avoid the accumulation of excess inventory.
Key supplier, service provider and counterparty factors	Kogan.com has a large number of international suppliers and service providers, from which it sources a broad range of products and services. There is a risk that Kogan.com may be unable to continue to source products or services from existing suppliers or service providers, and in the future, to source products from new suppliers or services from new service providers, at favourable prices, on favourable terms, in a timely manner or in sufficient volume.
Performance and reliability of Kogan.com's websites, databases and operating systems	Kogan.com's websites, Apps, databases, IT and management systems, including its ERP and security systems, are critically important to its success. The satisfactory performance, reliability and availability of Kogan.com's websites, Apps, databases, IT and management systems are integral to the operation of the business.
Manufacturing and product quality	Kogan.com currently uses a wide range of third party suppliers to produce its Private Label Products. While Kogan.com employs dedicated engineers to assess product samples, and uses third party inspection agencies for quality control and inspections, there is no guarantee that every supplier will meet Kogan.com's cost, quality and volume requirements.
Reputational product sourcing factors	The Kogan.com portfolio of Private Label brand names and related intellectual property are key assets of the business. In addition, Kogan.com sells a range of Third Party Branded Products, where the intellectual property is owned by third parties.
Changes in 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 staff	Kogan.com relies on the expertise, experience and strategic direction provided by its Executive Directors and key staff. These individuals have extensive experience in, and knowledge of, Kogan.com's business and the Australian online retail market. Additionally, successful operation of Kogan.com's business depends on its ability to attract and retain quality employees.
Reliance on third party payment providers	Kogan.com is exposed to risks in relation to the methods of payment that it currently accepts, including credit card, PayPal and vouchers. Kogan.com may incur loss from fraud or erroneous transactions.

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 2017 and the audit report thereon.

DIRECTORS

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

Greg Ridder – Independent, Non-Executive Chairman

Ruslan Kogan – Chief Executive Officer and Executive Director

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

Harry Debney – Independent, Non-Executive Director

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

COMPANY SECRETARY

Kogan.com engages Mertons Corporate Services Pty Ltd to provide company secretarial services, with Mark Licciardo and Chris Lobb acting jointly 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 and Kogan Travel during the year ended 30 June 2017.

Kogan.com earns the majority of its revenue and profit through the sale of goods and services to Australian consumers. Its offering comprises products released under Kogan.com's in-house brands, such as Kogan, Ovela, Fortis and Komodo ("Private Label Products"), and products sourced from imported and domestic third party brands such as Apple, Canon, Swann and Samsung ("Third Party Branded Products"). In addition to product offerings, Kogan.com earns revenue and profit from Kogan Travel and Kogan Mobile, which offer travel packages and prepaid mobile phone plans online, respectively.

Kogan.com has signed agreements with Vodafone that will see Kogan.com offering fixed-line NBN services in 2018 as well as mobile broadband plans in 2017. These agreements broaden and deepen the successful partnership between Kogan.com and Vodafone, who have been collaborating on Kogan Mobile since 2015.

Kogan.com has also entered into an agreement with the Hollard Insurance Company Pty Ltd allowing Kogan.com to market a range of insurance offerings under a new brand: Kogan Insurance. Kogan insurance was launched in August 2017 and will initially offer home, contents, landlord, car and travel insurance with a focus on value for money.

An operating and financial review of the Group during the financial year and the results of these operations are contained on pages 4 to 16 of this report.

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

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The Directors have declared a final dividend of 3.8 cents per ordinary share, fully franked. The record date of the dividend is 25 August 2017 and the dividend was paid on 4 September 2017. The dividend was not determined until 18 August 2017 and accordingly no provision has been recognised as at 30 June 2017.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

INDEMNIFICATION AND INSURANCE OF AUDITORS

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

DIVIDENDS

In respect of the financial year ended 30 June 2017, the Directors:

- declared a fully franked interim dividend of 3.9 cents per ordinary share. The record date of the dividend is 9 March 2017 and the dividend of $3,640,127 was paid on 17 March 2017.
- declared a fully franked final dividend of 3.8 cents per ordinary share. The record date of the dividend is 25 August 2017 and was paid on 4 September 2017.

The 2016 dividends were paid to the previous owners of the business prior to the company's IPO.

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

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

NON-AUDIT SERVICES

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

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

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

The following fees were paid or payable to KPMG for non-audit services provided during the year ended 30 June 2017:

	$
Advisory services	295,048
Taxation services	42,204
	337,252

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the financial year ended 30 June 2017 can be found on page 32 of the financial report and forms part of the Directors Report.

THE BOARD OF DIRECTORS AND COMPANY SECRETARY

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

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

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

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

Board Committee membership

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

Ruslan Kogan
(BBS)
Chief Executive Officer and Executive Director

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

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

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

Board Committee membership

- Member of the Remuneration and Nomination Committee

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

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

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

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

Board Committee membership

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

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

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

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

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

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

Directorships of listed entities within the past three years:

- Director of Costa Group Holdings Ltd

Board Committee membership

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

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

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

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

Chris Lobb (Mertons Corporate Services Pty Ltd)
(B Bus (Acc), FGIA, FCIS, CPA, MAICD)
Joint Company Secretary

Mr Lobb was appointed Joint Company Secretary on 17 October 2016 and is the Manager, Corporate Governance at Mertons Corporate Services Pty Ltd. Mr Lobb has over 20 years' experience as a company secretary having held the role for both for listed and unlisted entities, including CSG Limited, MSF Sugar Limited, Colonial First State Property Management and The Gandel Group. Mr Lobb is a former State Chairman of the Governance Institute of Australia (GIA) in Victoria and non-executive director of Box Hill Institute of TAFE.

MEETINGS OF DIRECTORS

Directors' meetings held between 1 July 2016 and 30 June 2017:

	BOARD		AUDIT AND RISK		REMUNERATION AND NOMINATION	
	A	**B**	**A**	**B**	**A**	**B**
Greg Ridder	13	13	3	3	2	2
Harry Debney	13	13	3	3	2	2
Ruslan Kogan	13	13	3 (1)	3 (1)	2	2
David Shafer	13	13	3	3	2	2

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

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

B Number of meetings attended.

CORPORATE GOVERNANCE STATEMENT

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

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

ENVIRONMENTAL REGULATION

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

DIRECTORS INTERESTS

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

	Ordinary Shares
Ruslan Kogan	42,555,205
David Shafer	15,177,705
Greg Ridder	145,000
Harry Debney	222,221

SHARE OPTIONS

UNISSUED SHARES UNDER OPTIONS

All options were granted during the current financial year.

At the date of this report unissued shares of the Group under option are:

Expiry Date	Exercise Price	Number of Shares
30 June 2020	1.65	18,182
30 June 2021	1.80	396,110
30 June 2021	1.54	142,858
30 June 2021	1.65	12,121
30 June 2020 & 30 June 2021	1.65	212,121
30 June 2022	1.65	436,365
31 December 2019 & 2020	1.35	1,451,856
31 December 2021	1.35	37,037
		2,841,395

All unissued shares are ordinary shares of the Company.

SHARES ISSUED ON EXERCISE OF OPTIONS

During the financial year, the Group did not issue any ordinary shares as a result of the exercise of options.

REMUNERATION REPORT (AUDITED)

INTRODUCTION

The directors are pleased to present the FY17 Remuneration Report, outlining the Board's approach to the remuneration for key management personnel (KMP).

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

The Report covers the following matters:

1. Details of key management personnel;
2. Remuneration governance;
3. Remuneration policy;
4. Company performance;
5. Details of remuneration;
6. Equity instruments;
7. Executive directors service agreements; and
8. Key management personnel transactions.

DETAILS OF KEY MANAGEMENT PERSONNEL

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

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

REMUNERATION GOVERNANCE

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

REMUNERATION AND NOMINATION COMMITTEE

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

The responsibilities of the Remuneration and Nomination Committee include to:

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

All Directors who are not members of the committee are entitled to attend any meeting of the committee. The committee may invite any Director and/or member of senior management.

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

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

KPMG were engaged by the Remuneration and Nomination committee to provide remuneration advice in relation to the incentive plans.

The Committee sought input from independent remuneration consultants in 2017 to assist in the review of a number of remuneration matters.

REMUNERATION POLICY

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

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

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

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

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

FIXED REMUNERATION

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

The salaries are normally paid monthly and are based on:

- responsibilities, abilities, experience and performance;
- employee's performance in the period since the last review; and
- the Group's pay structure.

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

No KMP received an adjustment to fixed remuneration in the 2017 financial year.

SHORT TERM INCENTIVES – CASH BASED

The following table outlines the significant aspects of the STI.

Purpose of STI plan	Provide a link between remuneration and both short term Company and individual performance. Create sustainable shareholder value. Reward individual for their contribution to the success of the Group. Actively encourage employees to take more ownership over the EBITDA.
Eligibility	Offers of cash incentive may be made to any employee of the Kogan Group (including a director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of cash incentive under the STI.
Calculation & Target	The actual EBITDA of Kogan shall exceed the management forecast for the full financial year (after payment of the STI). 25% of the outperformance will be allocated to a 'bonus pool'. The 'bonus pool' will then be shared in cash bonuses among a number of employees in fixed proportions.
Maximum opportunity	The maximum payable is 25% of the outperformance and 35% of the employee's annual salary.
Performance conditions	Outperformance of the actual EBITDA. Continuation of employment.
Why were the performance conditions chosen	To achieve successful and sustainable financial business outcomes as well as annual objectives that drive short-term and long-term business success and sustainability.
Performance period	7 July 2016 to 30 June 2017.
Timing of assessment	July 2017, following the completion of the 30 June 2017 accounts.
Form of payment	Paid in cash.
Board discretion	Targets are reviewed annually and the Board has discretion to adapt appropriately to take into account exceptional items.

LONG TERM INCENTIVES – EQUITY INCENTIVE PLAN

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

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

Purpose of LTI plan	Support the strategy and business plan of the Group. Align the interests of employees more closely with the interests of Shareholders. Reward individual for their contribution to the success of the Group over the long term.
Eligibility	Offers of Incentive Securities may be made to any employee of the Kogan 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	Individual must be employed by the Kogan Group at time of vesting.
Form of award and payment	Performance Rights
Board discretion	The Board has the absolute discretion to determine the terms and conditions applicable to an offer under the EIP
Consideration	Nil.
Rights	Each Right confers on its holder an entitlement to a Share, subject to satisfaction of applicable conditions
Restrictions on dealing	Shares allocated upon exercise of Performance Rights will rank equally with all existing ordinary shares from the date of issue (subject only to the requirements of Kogan's Securities Trading Policy). Upon vesting, there will be no disposal restrictions placed on the Shares issued to participants (subject only to the requirements of Kogan.com's Securities Trading Policy).
Lapse of Rights	A right will lapse upon the earliest to occur of: – Expiry date; – Failure to meet vesting conditions; – Employment termination; – The participant electing to surrender the Right; – Where, in the opinion of the Board, a participant deals with a Right in contravention of any dealing restrictions under the EIP.

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

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

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

The annual Non-Executive Directors' fees paid or payable to Greg Ridder (as Chairman) and to Harry Debney for FY17 are $160,000 and $85,000, respectively. Non-executive Directors did not receive remuneration for any services provided in FY16.

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

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

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

COMPANY PERFORMANCE

RELATIONSHIP TO REMUNERATION POLICY

In considering the consolidated entity's performance and the benefits of shareholder wealth, the Remuneration and Nomination Committee has regard to 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 people; 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 now 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:

	FY17*
Net profit attributable to owners of the company (in $'m)	3.7
Earnings per share	0.04
EBITDA (in $'m)	9.5
Dividends paid (in $'m)	3.6
Operating income growth	37%
Share Price at 30 June 2017	1.67

* As the company was listed on the ASX on 7 July 2016 there are no prior year comparatives. The IPO price at the time of listing was $1.80 per ordinary share.

Profit is one of the financial performance targets considered in setting the Short Term Incentive (STI). Profit amounts have been calculated in accordance with Australian Accounting Standards (AASBs).

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

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

DETAILS OF REMUNERATION

EXECUTIVE KMP REMUNERATION

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

	SHORT-TERM		POST-EMPLOYMENT	LONG TERM	
	Salary and Fees $	Short-Term Incentives $	Superannuation $	Annual & long service leave $	Total $
R. Kogan	350,000	64,498	25,743	30,374	470,615
D. Shafer	300,000	55,308	24,870	25,874	406,052
Total	**650,000**	**119,806**	**50,613**	**56,248**	**876,667**

NON-EXECUTIVE DIRECTORS' REMUNERATION

The table below sets out the remuneration paid to Non-Executive Directors for the 2017 financial year:

	SHORT-TERM	POST-EMPLOYMENT	
	Total fees $	Superannuation $	Total $
G. Ridder	146,118	13,882	160,000
H. Debney	85,000	–	85,000
Total	**231,118**	**13,882**	**245,000**

EQUITY INSTRUMENTS

Kogan.com successfully listed on the ASX on 7 July 2016. The following table presents the interests of each director held directly, indirectly or beneficially, including their related parties as at 30 June 2017:

Ordinary Shares

	No. shares held 2017	% ownership 2017
Ruslan Kogan	47,430,205	50.8%
David Shafer	17,802,705	19.1%
Greg Ridder	111,110	0.2%
Harry Debney	222,221	0.3%

EXECUTIVE DIRECTORS SERVICE AGREEMENTS

Notice and termination payments

Executives are on contracts with no fixed end date.

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

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

Chief Executive Officer & Chief Financial Officer 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. Distributions paid in FY17 and FY16 are disclosed in the notes to the Financial Statements.

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

Chief Executive Officer

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

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

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

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

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

Chief Financial Officer and Chief Operating Officer

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

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

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

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

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

KEY MANAGEMENT PERSONNEL TRANSACTIONS

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

The following transactions occurred with related parties:

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

		CONSOLIDATED GROUP	
KMP	**Transaction type**	**2017 $**	**2016 $**
Ruslan Kogan	Purchases from eStore warehousing	6,335,297	4,625,251

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

Greg Ridder
Non-Executive Chairman

Melbourne, 21 September 2017

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 2017 there have been:

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

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

KPMG

KPMG

BW Szentirmay

Partner

Melbourne

21 September 2017

FINANCIAL REPORT

Contents

CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR[1] ENDED 30 JUNE 2017

		CONSOLIDATED GROUP	
	Note	**2017 $**	**2016 $**
Revenue	1.1	289,517,780	211,158,595
Cost of sales	1.2a	(237,824,300)	(178,462,191)
Gross profit		**51,693,480**	**32,696,404**
Selling and distribution expenses		(15,275,422)	(10,182,023)
Warehouse expenses		(5,810,443)	(4,672,696)
Administrative expenses		(23,108,076)	(15,798,804)
Other expenses		(993,060)	(406,279)
Results from operating activities		**6,506,479**	**1,636,602**
Finance income		469,845	6,207
Finance costs	1.2b	(124,694)	(211,588)
Unrealised foreign exchange (loss)		(727,265)	–
Net finance costs		**(382,114)**	**(205,381)**
Profit before income tax		**6,124,365**	**1,431,221**
Tax expense	1.3	(2,384,500)	(622,072)
Net profit for the period attributable to the members of company		**3,739,865**	**809,149**

Basic earnings per share	3.4	0.04	2,359
Diluted earnings per share	3.4	0.04	2,359

The accompanying notes form part of these financial statements

1 Pursuant to ASIC relief granted on 26 September 2016, the reporting period represents the period from 19 May 2016 (Kogan.com Ltd date of incorporation) to 30 June 2017. As Kogan.com Ltd acquired the Kogan group of companies just prior to the date of listing on the Australian Stock Exchange on 7 July 2016, and was previously non-operational, the reporting period represents the trading results of the Kogan group of companies for the twelve months ended 30 June 2017.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 $	2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		32,027,680	1,808,301
Trade and other receivables	2.1.2a	2,045,324	2,981,881
Inventories	2.1.1	39,741,987	20,532,375
Prepayments and other current assets	2.1.2b	625,517	1,444,206
Current tax receivable	1.3	–	132,217
TOTAL CURRENT ASSETS		74,440,508	26,898,980
NON-CURRENT ASSETS			
Plant and equipment	2.3	489,372	571,302
Intangible assets	2.2	4,480,040	4,633,473
Deferred tax assets	1.3	913,936	339,536
TOTAL NON-CURRENT ASSETS		5,883,348	5,544,311
TOTAL ASSETS		**80,323,856**	**32,443,291**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	2.1.3	28,504,597	15,469,375
Borrowings	3.1	–	4,900,000
Financial liabilities		727,265	–
Current tax liabilities		2,163,197	–
Employee benefits		508,188	341,233
Provisions		488,337	235,812
Deferred income		5,165,416	4,382,767
TOTAL CURRENT LIABILITIES		37,557,000	25,329,187
NON-CURRENT LIABILITIES			
Employee benefits		65,614	43,364
Provisions		29,557	–
TOTAL NON-CURRENT LIABILITIES		95,171	43,364
TOTAL LIABILITIES		37,652,171	25,372,551
NET ASSETS		**42,671,685**	**7,070,740**
EQUITY			
Issued capital	3.3.1	167,100,702	343
Merger reserve	3.3.1	(131,816,250)	–
Other reserves		(73,547)	(290,645)
Retained earnings		7,460,780	7,361,042
TOTAL EQUITY		**42,671,685**	**7,070,740**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED GROUP					
	Note	**Share Capital $**	**Retained Earnings $**	**Merger Reserve $**	**Translation Reserve $**	**Share based payments Reserve $**	**Total Equity $**
Balance at 1 July 2015		343	9,011,995	–	(290,645)	–	8,721,693
Comprehensive income							
Profit for the year		–	809,149	–	–	–	809,149
Total comprehensive income for the year		–	809,149	–	–	–	809,149
Transactions with owners, in their capacity as owners, and other transfers							
Issue of ordinary shares		–	–	–	–	–	–
Distributions paid	3.3.2	–	(2,460,102)	–	–	–	(2,460,102)
Total transactions with owners, in their capacity as owners		–	(2,460,102)	–	–	–	(2,460,102)
Balance at 30 June 2016		**343**	**7,361,042**	**–**	**(290,645)**	**–**	**7,070,740**
Balance at 1 July 2016		343	7,361,042	–	(290,645)	–	7,070,740
Comprehensive income							
Profit for the year		–	3,739,865	–	–	–	3,739,865
Total comprehensive income for the year		–	3,739,865	–	–	–	3,739,865
Transactions with owners, in their capacity as owners, and other transfers							
Issue of ordinary shares, net of issue costs		167,100,359	–	–	–	–	167,100,359
Kogan Group restructure	3.3.1	–		(131,816,250)			(131,816,250)
Equity-settled share-based payments	5.2	–	–	–	–	217,098	217,098
Dividends paid	3.3.2	–	(3,640,127)	–	–	–	(3,640,127)
Total transactions with owners and other transfers		167,100,359	(3,640,127)	(131,816,250)	–	217,098	31,861,080
Balance at 30 June 2017		**167,100,702**	**7,460,780**	**(131,816,250)**	**(290,645)**	**217,098**	**42,671,685**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

		CONSOLIDATED GROUP	
	Note	2017 $	2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		291,236,987	208,751,567
Payments to suppliers and employees		(280,322,571)	(196,594,316)
Interest received		469,845	6,224
Finance costs paid		(159,806)	(211,589)
(Income tax paid)		(287,785)	(473,587)
Net cash provided by operating activities	1.4	10,936,670	11,478,299
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(87,311)	(34,371)
Purchase of intangible assets		(3,465,506)	(4,373,306)
Net cash (used in) investing activities		(3,552,817)	(4,407,677)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		34,999,999	–
Transaction costs related to the issue of shares		(3,624,346)	–
Proceeds from borrowings		–	4,900,000
Repayment of borrowings		(4,900,000)	(8,100,000)
Dividends/distributions paid		(3,640,127)	(2,460,102)
Net cash provided by/(used in) financing activities		22,835,526	(5,660,102)
Net increase in cash held		30,219,379	1,410,520
Cash and cash equivalents at beginning of financial year		1,808,301	397,781
Cash and cash equivalents at end of financial year	3.2	32,027,680	1,808,301

The accompanying notes form part of these financial statements.

BASIS OF PREPARATION

The financial report of Kogan.com Ltd and its controlled entities (“the Group”) for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 21 September 2017.

Pursuant to ASIC relief granted on 26 September 2016, the reporting period represents the period from 19 May 2016 (Kogan.com Ltd date of incorporation) to 30 June 2017. As Kogan.com Ltd acquired the Kogan group of companies just prior to the date of listing on the Australian Stock Exchange on 7 July 2016, and was previously non-operational, the reporting period represents the trading results of the Kogan group of companies for the twelve months ended 30 June 2017.

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

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

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 2016.

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

A. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Kogan.com Ltd) and all of the subsidiaries (including any structured entities), in line with AASB 10 *Consolidated Financial Statements*. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 4.1.

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

B. COMPARATIVE FIGURES

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

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

C. SEGMENT INFORMATION

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

D. USES OF JUDGEMENTS AND ESTIMATES

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

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

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

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

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

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

E. 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 of $131,816,250 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.

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

F. FUNCTIONAL AND PRESENTATION CURRENCY

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

SECTION 1: BUSINESS PERFORMANCE

1.1 REVENUE

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Prior to these conditions being met, receipts from the sale of goods are recorded in deferred income. Revenue is measured net of returns, trade discounts and volume rebates.

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

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

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

Rendering of services

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

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

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

	CONSOLIDATED GROUP	
	2017 $	**2016 $**
Revenue		
Sales revenue:		
– sale of goods	276,496,962	204,213,344
– rendering of services	9,971,911	4,625,461
	286,468,873	208,838,805
Other revenue:		
– marketing subsidies	893,198	1,184,759
– ispONE settlement	399,094	-
– other revenue	1,756,615	1,135,031
	3,048,907	2,319,790
Total revenue	**289,517,780**	**211,158,595**

1.2A PROFIT FOR THE YEAR

Expenses

	2017 $	2016 $
Cost of sales	232,281,905	175,104,134
Cost of services	5,542,395	3,358,057
Total Cost of sales	**237,824,300**	**178,462,191**
Employee benefit expense	13,369,326 [1]	8,461,766
Depreciation and amortisation expense	3,823,701	2,411,394
Costs associated with the group's Initial Public Offering not eligible to be offset against issued share capital	1,799,602	1,090,236

1 Includes $1,183,748 of bonus shares issued to certain senior management (excluding Ruslan Kogan and David Shafer) upon the company's IPO.

1.2B FINANCE COSTS

	2017 $	2016 $
Realised foreign exchange gains/(losses)	35,112	27,719
Finance costs on debt facilities	(159,806)	(239,307)
Total Finance costs	**(124,694)**	**(211,588)**

1.3 TAX BALANCES

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

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

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

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

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

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

	Note	CONSOLIDATED GROUP 2017 $	CONSOLIDATED GROUP 2016 $
a. The components of tax comprise:			
Current tax		3,310,357	831,918
Deferred tax		(574,400)	300,540
Over provision in respect of prior years		(351,456)	(510,386)
		2,384,500	622,072
b. The prima facie tax on profit from ordinary activities before income tax is reconciled to income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2016: 30%):			
– consolidated group		1,837,309	429,372
Add:			
Tax effect of:			
– amortisation of intangibles		444,985	431,108
– non-deductible IPO related costs		436,424	–
– entertainment (non-deductible)		51,567	13,528
– other items		4,290	19,558
Less:			
Tax effect of:			
– prior year losses now recognised		(111,604)	(11,783)
– rebateable fully franked dividends		70,560	(12,078)
– over provision for current year income tax			–
– current year revenue losses not recognised		2,425	9,253
– over provision of prior year income tax		(351,456)	(510,386)
– trust related tax adjustments		–	253,500
Income tax attributable to the Group		2,384,500	622,072
The applicable weighted average effective tax rates are as follows:		39%	43%

The effective tax rate for FY17 of 39% reflects the impact of non-deductible intangible amortisation and other non-deductible costs, offset by an overprovision for income tax in the prior year.

	CONSOLIDATED GROUP	
	2017 $	**2016 $**
Current and deferred tax balances:		
Assets		
CURRENT/NON-CURRENT		
Current tax receivable	–	132,217
Deferred tax asset	913,936	339,536
Total	913,936	471,753
Liabilities		
CURRENT		
Current tax liabilities	2,163,197	–
Total	2,163,197	–

1.4 NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED GROUP	
	2017 $	**2016 $**
a. Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
Profit after income tax	3,739,865	809,149
Non-cash flows in profit:		
– depreciation & amortisation	3,823,701	2,411,394
– transaction cost related to the issue of shares	1,799,602	-
– issue of performance rights and shares	1,743,603	-
– write off of intangibles	3,762	-
– unrealised foreign exchange movement	727,265	-
Changes in assets and liabilities:		
– (increase)/decrease in trade and term receivables	936,557	(780,772)
– (increase)/decrease in prepayments and other assets	779,406	(1,305,453)
– (increase)/decrease in inventories	(19,209,612)	4,540,134
– increase in trade payables and accruals	13,617,571	7,524,719
– increase/(decrease) in deferred income	782,649	(1,850,291)
– increase/(decrease) in provisions	471,287	(19,066)
– decrease in income taxes receivable	132,217	625,856
– increase in income taxes payable	2,163,197	-
– (decrease) in deferred taxes payable	-	(137,835)
– (increase) in deferred taxes receivable	(574,400)	(339,536)
Cash flows from operating activities	10,936,670	11,478,299

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	
	2017 $	2016 $
CURRENT		
Inventory in transit	9,013,522	4,772,392
Inventory on hand	30,728,465	15,759,983
	39,741,987	20,532,375

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	
	2017 $	2016 $
CURRENT		
Trade receivables	1,785,268	627,436
	1,785,268	627,436
Other receivables	260,056	2,354,445
Total current trade and other receivables	**2,045,324**	**2,981,881**

Credit risk

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

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

	CONSOLIDATED GROUP	
AUD	2017 $	2016 $
Australia	2,045,324	2,981,881
	2,045,324	2,981,881

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

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

The Group had one customer that owed more than $204,532 as at 30 June 2017 (2016: none).

			PAST DUE BUT NOT IMPAIRED (DAYS OVERDUE)			
	Gross Amount $	Past Due and Impaired $	< 30 $	31-60 $	61-90 $	> 90 $
2017						
Trade and term receivables	1,785,268	–	1,776,142	1,647	1,882	5,597
Other receivables	260,056	–	–	–	–	–
Total	**2,045,324**	**–**	**1,776,142**	**1,647**	**1,882**	**5,597**
2016						
Trade and term receivables	627,436	–	562,447	56,942	–	8,047
Other receivables	2,354,445	–	–	–	–	–
Total	**2,981,881**	**–**	**562,447**	**56,942**	**–**	**8,047**

2.1.2b OTHER CURRENT ASSETS

	CONSOLIDATED GROUP	
	2017 $	**2016 $**
Prepayments	445,287	1,034,115
Rental bond	29,197	218,397
Other	151,033	191,694
	625,517	**1,444,206**

2.1.3 Trade and Other Payables

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

	CONSOLIDATED GROUP	
	2017 $	**2016 $**
CURRENT		
Trade payables	21,176,695	10,105,669
Other payables	5,936,089	3,259,089
Accrued expenses	1,391,813	2,104,617
	28,504,597	**15,469,375**

2.2 INTANGIBLE ASSETS

(i) Website development and software costs

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

(ii) Intellectual property

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

(iii) Subsequent expenditure

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

(iv) Amortisation

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

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

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

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

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

(v) Impairment of Assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (cash generating unit).

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

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

	CONSOLIDATED GROUP	
	2017 $	2016 $
Patents and Trademarks:		
Cost	358,425	260,439
Accumulated amortisation and impairment losses	(227,715)	(152,011)
Net carrying amount	130,710	108,428
Website development costs:		
Cost	2,893,581	2,146,396
Accumulated amortisation and impairment losses	(2,049,982)	(1,502,986)
Net carrying amount	843,599	643,410
Software costs:		
Cost	784,946	765,377
Accumulated amortisation and impairment losses	(697,809)	(416,074)
Net carrying amount	87,137	349,303
Intellectual Property:		
Cost	8,012,425	5,528,211
Accumulated amortisation and impairment losses	(4,593,831)	(1,995,879)
Net carrying amount	3,418,594	3,532,332
Total intangibles	**4,480,040**	**4,633,473**

	Patents and Trademarks $	Website Development costs $	Software costs $	Intellectual Property $	Total $
Consolidated Group:					
Year ended 30 June 2016					
Balance at the beginning of the year	127,788	609,813	518,038	1,242,170	2,497,809
Additions	69,505	466,213	122,400	3,715,189	4,373,306
Effect of movements in exchange rates	-	-	-	-	-
Amortisation charge	(88,865)	(432,616)	(291,135)	(1,425,027)	(2,237,643)
Closing value at 30 June 2016	108,428	643,410	349,303	3,532,332	4,633,473
Year ended 30 June 2017					
Balance at the beginning of the year	108,428	643,410	349,303	3,532,332	4,633,473
Additions	113,748	747,184	17,244	2,555,154	3,433,330
Write offs	(3,762)	-	-	-	(3,762)
Effect of movements in exchange rates	-	-	-	-	-
Amortisation charge	(87,704)	(546,995)	(279,410)	(2,668,892)	(3,583,001)
Closing value at 30 June 2017	130,710	843,599	87,137	3,418,594	4,480,040

2.3 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment

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

Plant and equipment

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

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

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

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

Class of Fixed Asset	Depreciation Rate
Computer equipment (reducing balance basis)	67%
Office equipment and furniture (reducing balance basis)	10-25%
Leasehold improvements	20%

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

	CONSOLIDATED GROUP	
	2017 $	2016 $
Plant and Equipment		
Computer Equipment:		
At cost	234,996	167,033
Accumulated depreciation	(183,776)	(133,179)
	51,220	33,854
Office Equipment:		
At cost	878,010	859,367
Accumulated depreciation	(455,037)	(339,693)
	422,973	519,674
Leasehold improvements:		
At cost	23,055	22,350
Accumulated amortisation	(7,876)	(4,576)
	15,179	17,774
Total plant and equipment	**489,372**	**571,302**

a. **Movements in Carrying Amounts**

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

	Computer Equipment $	Office Equipment $	Leasehold improvements $	Total $
Consolidated Group:				
Balance at 1 July 2015	52,855	646,014	11,813	710,682
Additions	21,505	3,056	9,810	34,371
Depreciation expense	(40,506)	(129,396)	(3,849)	(173,751)
Balance at 30 June 2016	33,854	519,674	17,774	571,302
Additions	67,963	18,643	705	87,311
Depreciation expense	(50,597)	(115,344)	(3,300)	(169,241)
Balance at 30 June 2017	**51,220**	**422,973**	**15,179**	**489,372**

SECTION 3: CAPITAL STRUCTURE AND FINANCING

3.1 LOAN AND BORROWINGS

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

		CONSOLIDATED GROUP	
	Note	2017 $	2016 $
CURRENT			
Working capital facility – secured		–	4,900,000
		–	4,900,000

On 31 May 2016, the Group signed a new multi-option facility agreement with Westpac Banking Corporation, maturing on 31 May 2019. The Facility includes a Cash Advance Facility, Trade Finance Facility and LC Facility with a total limit of $10.0 million.

There were no amounts drawn down under the facility at year end, and the amount drawn down under the previous working capital facility was repaid out of the proceeds of the Initial Public Offering.

3.2 CAPITAL AND FINANCIAL RISK MANAGEMENT

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

Financial Risk Management Policies

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

Specific Financial Risk Exposures and Management

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

Credit risk

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

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

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

Credit risk exposures

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

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

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

Credit risk related to balances with banks and other financial institutions is managed by the Board. The following table provides information regarding the credit risk relating to cash and money market securities.

	CONSOLIDATED GROUP	
	2017 $	**2016 $**
Cash and cash equivalents	32,027,680	1,808,301
	32,027,680	1,808,301

Liquidity risk

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

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

The table on the following page reflects an undiscounted contractual maturity analysis for financial liabilities.

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

Financial liability and financial asset maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
Consolidated Group	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**	**2017 $**	**2016 $**
Financial liabilities due for payment								
Borrowings	–	(4,900,000)	–	–	–	–	–	(4,900,000)
Trade and other payables	(28,504,597)	(15,469,375)	–	–	–	–	(28,504,597)	(15,469,375)
Total expected outflows	(28,504,597)	(20,369,375)	–	–	–	–	(28,504,597)	(20,369,375)
Financial assets – cash flows realisable								
Cash and cash equivalents	32,027,680	1,808,301	–	–	–	–	32,027,680	1,808,301
Trade, term and loan receivables	2,045,324	2,981,881	–	–	–	–	2,045,324	2,981,881
Total anticipated inflows	34,073,004	4,790,182	–	–	–	–	34,073,004	4,790,182
Net (outflow)/ inflow on financial instruments	5,568,407	(15,579,193)	–	–	–	–	5,568,407	(15,579,193)

Market risk

(i) Interest rate risk

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

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

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

		CONSOLIDATED GROUP	
	Note	**2017 $**	**2016 $**
Borrowings		–	4,900,000
		–	4,900,000

Subsequent to 30 June 2016, the balance of borrowings was fully repaid out of IPO proceeds.

(ii) Foreign exchange risk

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

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

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

Foreign Currency Transactions

Functional and presentation currency

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

Foreign exchange forward contracts

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

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

		NOTIONAL AMOUNTS		AVERAGE EXCHANGE RATE	
Consolidated Group		**2017 $**	**2016 $**	**2017 $**	**2016 $**
Buy USD/sell AUD:					
Settlement	– less than 6 months	28,508,771	14,603,983	0.75	0.74
	– 6 months to 1 year	–	–	–	–

The fair value of foreign exchange contracts at 30 June 2017 totalled $(727,265) (2016:$33,000).

Sensitivity analysis

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

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

	CONSOLIDATED GROUP	
	Profit $	**Equity $**
Year ended 30 June 2017		
+/–10bps in foreign exchange rates	2,850,877	2,850,877
Year ended 30 June 2016		
+/–10bps in foreign exchange rates	1,460,398	1,460,398

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

Fair values

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

Fair value estimation

The carrying value of Financial Assets and Financial Liabilities are not materially different to their Fair values.

Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

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

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

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

I. Loans and receivables

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

II. Financial liabilities

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

Derivative instruments

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

Impairment

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

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

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

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

Derecognition

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

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

		CONSOLIDATED GROUP	
	Note	2017 $	2016 $
Financial assets			
Cash and cash equivalents		32,027,680	1,808,301
Loans and receivables	2.1.2a	2,045,324	2,981,881
Total financial assets		**34,073,004**	**4,790,182**
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	2.1.3	28,504,597	15,469,375
– borrowings		–	4,900,000
Total financial liabilities		**28,504,597**	**20,369,375**

Fair Value Measurements

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

- Cash and cash equivalents; and
- Foreign exchange forward contracts.

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

a. Fair Value Hierarchy

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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

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

Cash and cash equivalents are level 1 measurements, whilst foreign exchange contracts are level 2. The fair value of foreign exchange contracts at 30 June 2017 totalled $727,265 (2016: $33,000). This represented the amount 'in the money' on outstanding forward foreign exchange contracts as at 30 June 2017.

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 when material.

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			
	2017 $	2016 $	2017 No.	2016 No.
Fully paid ordinary shares	167,100,702	343	93,336,581	343
	167,100,702	343	93,336,581	343

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

b. Movements in ordinary share capital

Details	Date	Shares No.	Issue price	$
Balance	1 July 2016	343	$1.00	343
Shares cancelled as part of the Kogan purchase	7 July 2016	(343)	$–	–
Shares issued at IPO	7 July 2016	27,777,786	$1.80	50,000,015
Shares issued to senior managers under an IPO bonus schemes	7 July 2016	657,638	$1.80	1,183,749
Shares issued to the previous owners for the purchase of Kogan Operations Holdings Pty Ltd	7 July 2016	64,897,910	$1.80	116,816,238
Transaction cost arising on IPO offset against share capital, net of tax	7 July 2016	–	$–	(904,643)
Shares issued to eligible employees under an incentive plan	29 September 2016	3,247	$1.54	5,000
Balance	30 June 2017	93,336,581		167,100,702

c. Merger reserve

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

d. Performance Rights reserve

The reserve is used to recognise the value of equity benefits provided to employees as part of their remuneration. The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the ordinary shares at the date at which they are granted. The fair value is determined using Black Scholes simulation valuation techniques, taking into account the terms and conditions upon which the equity instruments were granted, as discussed in Note 5.2.

e. Capital Management

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

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

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

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

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratios for the years ended 30 June 2017 and 30 June 2016 are as follows:

		CONSOLIDATED GROUP	
	Note	2017 $	2016 $
Total borrowings		–	4,900,000
Less cash and cash equivalents		(32,027,680)	(1,808,301)
Net debt		(32,027,680)	3,091,699
Total equity		42,671,685	7,070,740
Gearing ratio		–%	44%

3.3.2 DISTRIBUTIONS

	CONSOLIDATED GROUP	
	2017 $	2016 $
Dividends/Distributions paid during the year	3,640,127	2,460,102
	3,640,127	2,460,102

Prior year distributions were paid to the previous owners of the business prior to the company's IPO.

a. Ordinary shares

Recognition and measurement

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

The final 2017 dividend has not been declared at the reporting date and therefore is not reflected in the consolidated financial statements for the year ended 30 June 2017 and will be recognised in subsequent financial reports.

Dividends

	2017 Final	2017 Interim	2016 Final	2016 Interim
Dividend per share (in cents)	3.8	3.9	535,015	182,216
Franking percentage	100%	100%	Nil%	Nil%
Payment date	4 September 2017	24 March 2017	30 June 2016	31 December 2015
Dividend record date	25 August 2017	9 March 2017	30 June 2016	31 December 2015

b. Franking credits

The franking account balance as at 30 June 2017 is nil (2016: nil).

3.4 EARNINGS PER SHARE

a. Basic earnings per share

	CONSOLIDATED GROUP	
	2017	**2016**
Net profit for the reporting period	3,739,865	809,149
Adjustments to reflect dividends paid	–	–
Net profit for the reporting period used in calculating EPS	3,739,865	809,149
Weighted average number of ordinary shares of the entity	91,801,537	343
Basic earnings per share	**0.04**	**2,359**

b. Diluted earnings per share

	CONSOLIDATED GROUP	
	2017	**2016**
Net profit for the reporting period	3,739,865	809,149
Weighted average number of ordinary shares of the entity – diluted		
Weighted average number of ordinary shares of the entity on issue	91,801,537	343
Adjustments to reflect potential dilution for performance rights	509,062	–
Diluted weighted average number of ordinary shares of the entity	92,310,599	343
Basic earnings per share	**0.04**	**2,359**

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 Kogan 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.

		OWNERSHIP INTEREST HELD BY THE GROUP	
Name of Subsidiary	**Principal Place of Business**	**2017 %**	**2016 %**
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

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

4.3 PARENT ENTITY DISCLOSURES

	2017 $	2016 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
Statement of Financial Position		
ASSETS		
Current assets	36,620,011	26,018
Non-current assets	–	1,200
TOTAL ASSETS	36,620,011	27,218
LIABILITIES		
Current liabilities	–	–
Non-current liabilities	–	–
TOTAL LIABILITIES	–	–
NET ASSETS	36,620,011	27,218
EQUITY		
Issued capital	35,278,377	1,200
Performance rights reserve	217,098	–
Distribution of profit	(3,640,127)	–
Retained earnings	4,764,663	26,018
TOTAL EQUITY	36,620,011	27,218

Statement of Profit or Loss and Other Comprehensive Income		
Total profit	(2,801,637)	26,018
Total comprehensive income	(2,801,637)	26,018

The parent did not have any material contingent liabilities at period end (2016: $nil).

The parent was incorporated in May 2016. The comparative profit and loss disclosures are for the period of incorporation to 30 June 2016.

4.4 RELATED PARTIES

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

(i) *Entities exercising control over the Group:*

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

(ii) *Key management personnel:*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel (refer to 5.1).

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

An entity that has the power to participate in the financial and operating policy decisions of an entity, but does not have control over those policies, is an entity which holds significant influence. Significant influence may be gained by share ownership, statute or agreement. There are no such entities at year end (2016: 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	
	2017 $	2016 $
Purchases from eStore warehousing	6,335,297	4,625,251

SECTION 5: EMPLOYEE REWARD AND RECOGNITION

5.1 KEY MANAGEMENT PERSONNEL COMPENSATION

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

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:

	Held at 1 July 2016	Received on exercise of options	IPO	Held at 30 June 2017
Ruslan Kogan	240	–	47,095,205 *	47,095,205
David Shafer	103	–	17,802,705 *	17,802,705

* Kogan.com Ltd acquired control of related entities Kogan Operations Holdings Pty Ltd and subsidiaries prior to listing on the ASX on 7 July 2016. Kogan.com entered into a sale agreement with the Existing Owners (Ruslan Kogan and David Shafer), pursuant to which the Existing Owners have agreed to sell all their shares in Kogan Operations Holdings Pty Ltd.

Compensation

	2017 $	2016 $
Short-term employee benefits	769,806	–
Long-term employee benefits	56,248	–
Post-employment benefits	50,613	–
Total	**876,667**	**–**

Following the IPO, Ruslan Kogan and David Shafer are subject to employment contract with base salaries of $350,000 and $300,000, respectively, plus superannuation.

5.2 INCENTIVE PLANS

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

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

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

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

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

Kogan.com Ltd has adopted the EIP in order to assist in the motivation and retention of senior management and other selected employees of Kogan.com. The EIP is designed to align the interests of eligible employees more closely with the interests of Shareholders, by providing an opportunity for eligible employees to receive an equity interest in Kogan.com.

Short term incentives – Cash based

The following table outlines the significant aspects of the STI.

Purpose of STI plan	Provide a link between remuneration and both short term Company and individual performance. Create Sustainable shareholder value. Reward individual for their contribution to the success of the Group. Actively encourage employees to take more ownership over the EBITDA.
Eligibility	Offers of cash incentive may be made to any employee of the Kogan Group (including a director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of cash incentive under the STI.
Calculation & Target	The actual EBITDA of Kogan shall exceeds the management forecast for the full financial year (after payment of the STI). 25% of the outperformance will be allocated to a 'bonus pool'. The 'bonus pool' will then be shared in cash bonuses among a number of employees in fixed proportions.
Maximum opportunity	The maximum payable is 25% of the outperformance and 35% of the employee's annual salary
Performance conditions	Outperformance of the actual EBITDA. Continuation of employment.
Why were the performance condition chosen	To achieve successful and sustainable financial business outcomes as well as and annual objectives that drive short-term and long-term business success and sustainability
Performance period	7 July 2016 to 30 June 2017
Timing of assessment	July 2017, following the completion of the 30 June 2017 accounts
Form of payment	Paid in cash
Board discretion	Targets are reviewed annually and the Board has discretion to adapt appropriately to take into account exceptional items.

Long term incentives – Equity Incentive Plan

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

Consideration	Nil.
Eligibility	Offers of Incentive Securities may be made to any employee of the Kogan 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 Kogan Group at time of vesting.
Restrictions on dealing	Shares allocated upon exercise of Performance Rights will rank equally with all existing ordinary shares from the date of issue (subject only to the requirements of Kogan's Securities Trading Policy). Upon vesting, there will be no disposal restrictions placed on the Shares issued to participants (subject only to the requirements of Kogan.com's Securities Trading Policy).

Recognition and measurement

Equity-settled transactions

The charge related to equity-settled transactions with employees 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. 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 options 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 employees, whereby employees render services in exchange for shares or rights over shares of the parent company.

Equity-settled awards are measured at fair value at the date of grant. The cost of these transactions are recognised in the 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.

Cash-settled transactions

The amount payable to employees in respect of cash-settled share-based payments is recognised as an expense, with a corresponding increase in liabilities, over the period which the employees 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.

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	**29 July 2016**	**29 September 2016**	**20 December 2016**	**20 December 2016**
Number	495,140	178,573	1,451,856	37,037
Fair value at grant date	$282,518	$109,492	$716,488	$20,417
Share price at grant date	$1.49	$1.52	$1.34	$1.34
Offer price	$1.80	$1.54	$1.35	$1.35
Expected volatility (weighted average volatility) (1)	53%	49%	49%	49%
Option life (expected weighted average life)	5 years	5 years	3 & 4 years	5 years
Vesting dates	30 June 2021	30 June 2021	31 Dec 2019 & 2020	31 Dec 2021
Expected dividends	Nil	Nil	Nil	Nil
Risk-free interest rate (based on corporate bonds)	1.59%	1.73%	2.22%	2.35%

	LONG TERM INCENTIVE PLANS			
Grant Dates	**29 June 2017**	**29 June 2017**	**29 June 2017**	**29 June 2017**
Number	436,365	12,121	18,182	212,121
Fair value at grant date	$318,545	$7,879	$10,364	$137,879
Share price at grant date	$1.70	$1.70	$1.70	$1.70
Offer price	$1.65	$1.65	$1.65	$1.65
Expected volatility (weighted average volatility) (1)	45%	45%	45%	45%
Option life (expected weighted average life)	5 years	4 years	3 years	3 & 4 years
Vesting dates	30 June 2022	30 June 2021	30 June 2020	30 June 2020 & 2021
Expected dividends	Nil	Nil	Nil	Nil
Risk-free interest rate (based on corporate bonds)	2.16%	2.03%	1.86%	2.03%

(1) Expected volatility is estimated by taking into account historic average share price volatility of similar entities. The Group is a newly listed entity and therefore has little historical data on the volatility of its share price.

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. 2017	**No. 2016**
Outstanding at beginning of period	–	–
Granted during the period	2,841,395	–
Exercised during the period	–	–
Forfeited during the period	(31,945)	–
Expired during the period	–	
Outstanding at the end of the period	2,809,450	–
Exercisable at the end of the period	134,745	–

Expense recognised in profit or loss

During the period the Group recognised a share-based payment expense of $217,098 (2016: $Nil) which relates to performance rights granted during the year.

The Group also recognised an expenses of $584,705 in relations to cash based short term incentives.

SECTION 6: OTHER

6.1 SUBSEQUENT EVENTS

Dividends

The Directors have declared a final dividend of 3.8 cents per ordinary share, fully franked. The record date of the dividend is 25 August 2017 and the dividend was paid on 4 September 2017. The dividend was not determined until the 18 August 2017 and accordingly no provision has been recognised as at 30 June 2017.

6.2 REMUNERATION OF AUDITORS

	CONSOLIDATED GROUP	
	2017 $	**2016 $**
Remuneration of the auditor for:		
– auditing or reviewing the financial statements	189,625	210,000
– IPO related advisory services including due diligence, taxation and remuneration	295,048	515,816
– Other advisory services (including R&D tax)	42,204	213,216
	526,877	939,032

6.3 CAPITAL AND LEASING COMMITMENTS

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

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

Operating Lease Commitments

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

	2017 $	2016 $
Payable – minimum lease payments:		
– not later than 12 months	575,027	564,675
– between 12 months and 5 years	1,899,703	633,142
– later than 5 years	–	–
	2,474,730	1,197,817

The property lease is a non-cancellable lease with a 4-year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of the change in the consumer price index (CPI) or 3.5% per annum. An option exists to renew the lease at the end of the 4-year term for an additional term of 3 years.

6.4 NEW ACCOUNTING STANDARDS

a. New and amended accounting standards adopted by the Group

In the current year, the Group has applied a number of new and revised accounting standards issued by the Australian Accounting Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2016.

The new and revised standard adopted by the Group for its annual reporting period beginning on 1 July 2016 is AASB 2014-3: *Amendments to Australian Accounting Standards – Accounting for Acquisition of Interests in Joint Operations*. The adoption of this standard has not resulted in any impact to the financial reporting of the Group.

b. New accounting standards and interpretations issued but not yet effective

Title of Standard	Summary and impact on Group's financial statements	Application date of Standard	Application date for Group for financial year ending
AASB 16 *Leases*	AASB 16 introduces three main changes: 1. Enhanced guidance on identifying whether a contract contains a lease. 2. A completely new lease accounting model for lessees that requires lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets. 3. Enhanced disclosures. As at the reporting date, the group has non-cancellable operating lease commitments of $2,474,730. The Group has decided not to early adopt AASB 16, this is in line with the requirement to adopt AASB 15 at the same time. Once adopted, the structure of cash flows and the presentation of the balance sheet and income statement will change. Based on the entity's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have a material impact on the transactions and balances recognised in the financial statements, in particular: – lease assets and financial liabilities on the balance sheet will increase (based on the facts at the date of the assessment); – there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities; – EBIT and EBITDA in the consolidated income statement and consolidated statement of comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses. This will impact the cash-based short term incentive payment calculations as payment is based on the actual EBITDA exceeding the management forecast for the full financial year; – Covenants calculation will also be impacted through the fixed charge cover ratio. The entity is not expecting any breaches of covenants following the first-time adoption; – operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities.	1 January 2019	30 June 2020

Title of Standard	Summary and impact on Group's financial statements	Application date of Standard	Application date for Group for financial year ending
AASB 15 *Revenue from contracts with customers*	AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue and related Interpretations*. The core principle of AASB 15 is that revenue is recognised when control of a good or service transfers to a customer at the transaction price. An entity recognises revenue by applying the following steps: Step 1: Identify the contract with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. The Group has decided not to early adopt AASB 15 as a detailed assessment of the impact, additional disclosures and reporting requirements is still in progress. A preliminary analysis of AASB 15 Revenue from Contracts with Customers has been completed. Based on the entity's assessment, it is expected that the first-time adoption will have a material impact on the transactions and balances recognised in the financial statements, in particular: – Principal vs Agent transactions; – Customers' unexercised contractual rights; – Warranties. **Principal vs Agent** AASB 15 clarifies the principal versus agent considerations. When another party is involved in providing goods or services to an entity's customer, the entity must determine whether its performance obligation is to provide the good or service itself (i.e., the entity is a principal) or to arrange for another party to provide the good or service (i.e., the entity is an agent). It requires for the entity to assess whether it controls the specified goods or services before they are transferred to the customer. When the entity is the principal in the contract, the revenue recognised is the gross amount to which the entity expects to be entitled. When the entity is the agent, the revenue recognised is the net amount. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15. The Group currently recognises the revenue for Kogan Travel on a gross basis. Kogan Mobile is recorded on a net basis. Following the clarifications of AASB 15, the Group determined that Kogan.com Ltd is an agent in the contract for both Kogan Travel and Kogan Mobile and will therefore record its revenues as the net amount it retains as a commission. It is expected that the revenues and cost of sale for Kogan Travel will decrease by the same amount.	1 January 2018	30 June 2019

Title of Standard	Summary and impact on Group's financial statements	Application date of Standard	Application date for Group for financial year ending
AASB 15 *Revenue from contracts with customers (cont.)*	**Customers' unexercised contractual rights** When an entity receives a non-refundable prepayment from the customer, the customer has an unexercised right to receive goods/services in the future, which some customers may not use (typically termed as 'breakage'). For example, these would include gift vouchers, Kogan travel vouchers, Mobile vouchers. With the new AASB 15, an entity is required to consider whether or not the customer will eventually exercise their rights which will impact the entity's pattern of revenue recognition. The associated amounts paid are treated as variable and recognised as revenue in proportion to the pattern of rights expected to be exercised by the customer. We undertook a detailed assessment and concluded that there will be no material impact regarding the customers' unexercised contractual rights. We will continue to recognise breakage amount when it is highly probable that a significant revenue reversal will not occur. **Warranties** The new revenue standard identifies two types of warranties: – Warranties that provide a service to the customer in addition to assurance that the delivered product is as specified in the contract (i.e., service-type warranties) – Warranties that promise the customer that the delivered product is as specified in the contract (i.e., assurance-type warranties). Kogan provides two types of warranties, a standard warranty of 12 months and an extended warranty. We consider the extended warranty we provide beyond 12 months to be a distinct service. We will continue to calculate the warranty liability as per previous financial years. However, we will now recognise the extended warranty revenue in deferred income and recognise revenue over the warranty period on a straight-line basis. Based on our assessment, it is expected that the liabilities recognised for the extended warranty as a distinct service will increase for the first year. The balance will start decreasing and be recognised as revenue in year two on a straight-line basis.	1 January 2018	30 June 2019

Title of Standard	Summary and impact on Group's financial statements	Application date of Standard	Application date for Group for financial year ending
AASB 9 *Financial Instruments*	AASB 9 replaces AASB 139 and addresses the classification, measurement and derecognition of financial assets and financial liabilities. It also addresses the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs and risk components that can be hedged. AASB 9 introduces a new expected-loss impairment model that will require entities to account for expected credit losses at the time of recognising the asset. The Group does not expect the adoption of the new Standard to have a material impact on its classification and measurement of the financial assets and liabilities, its hedging arrangements or its results on adoption of the new impairment model. The new Standard will result in extended disclosures in the financial statements. The Group has decided not to early adopt AASB 9.	1 January 2018	30 June 2019

6.5 COMPANY INFORMATION

The registered office of the company is:

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

The principal places of business are:

Kogan.com Limited
139 Gladstone Street
South Melbourne VIC

DIRECTORS' DECLARATION

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

(a) the consolidated financial statements and notes that are set out on pages 34 to 72 and the Remuneration report in sections 23 to 31 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 2017 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 2017.

Signed in accordance with a resolution of the directors:

David Shafer
Director

Melbourne, 21 September 2017

Independent Auditor's Report

To the members of Kogan.com Ltd

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the period ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated income statement and consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the period 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 period end or from time to time during the financial period.

Basis for opinion

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

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

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

KPMG

Key Audit Matters

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

- Valuation of inventory
- Provisions for warranties and sales returns
- Equity raising transaction

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.

Valuation of inventory (AUD 30.7m)

Refer to Note 2.1.1 Inventories

The key audit matter	How the matter was addressed in our audit
Kogan sells high volumes of private label and third party branded products. In valuing inventory at the lower level of cost and net realisable value, there are factors subject to judgment or estimation including: • consideration of market and consumer factors that could impact the Group's ability to sell certain inventory items at appropriate margins, such as seasonality of demand, changing consumer preferences, and obsolescence due to technological or product change (particularly relevant to electronic products) • establishing an appropriate provision for slow moving inventory based on relevant factors such as inventory ageing and inventory turnover The subjective nature of these judgments is why valuation of inventory is a key audit matter.	The key procedures we performed included: • We analysed the level of inventory by ageing categories for each product type, including movements in ageing categories compared to prior periods, in order to highlight products or categories that could be at higher risk of impairment. • We compared product unit cost to most recent sales price information for a sample of products in order to identify inventory that may not be able to be sold above cost and therefore should be impaired. • We compared inventory unit cost information to product sales information in order to identify products sold at negative margins during the year and is therefore at higher risk of impairment. • We attended physical inventory counts at all locations with substantial inventory holdings. We inspected the physical condition of inventory on hand at year end for a sample of products and compared this to listings of obsolete/slow moving inventory contained in the year end provision calculation. • We assessed the Group's inventory provision, based on the ageing of product category and other relevant factors such as those identified above, for consistency with the Group's established policy and Australian Accounting Standards.

Provision for warranties and sales returns (AUD 0.4m)	
The key audit matter	**How the matter was addressed in our audit**
Sales are recorded at the time that goods are shipped to customers based on the price specified in the sales contract. Estimated costs associated with warranties and returns are recorded at the time that the sale is recognised based on historical claim and return experience. At year end, amounts for expected warranty claims and sales returns that have been incurred and not yet paid are estimated by management. This is a key audit matter as there is a risk that the year-end provision is not representative of the underlying warranty and sales return profile and historical experience due to factors such as changes in the product mix, or specific product quality or performance issues. Our procedures focus on these assessments.	The key procedures performed included: • We assessed historical product warranty claim and sales returns profile and trends, and compared historical claims/sales return experience to the Group's year end provision calculation. • We compared the warranty claims and sales returns recorded after year end to the year end provision composition for consistency. • Through discussion with management and inspection of documentation we enquired about specific product quality issues arising during the year which may impact the year end provision calculations. • We assessed the Group's provision calculation for consistency with the Group's established policy and Australian Accounting Standards.

KPMG

Equity raising (AUD 167.1m)	
Refer to Note 3.3.1b Movements in ordinary share capital	
The key audit matter	**How the matter was addressed in our audit**
During the year the group undertook a significant capital raising as part of its Initial Public Offering (IPO) and subsequent admission to the Australian Stock Exchange (ASX) in July 2016. This transaction was a key audit matter given: • the size and effect of the transaction on the Group's financial position and performance • the level of complexity in accounting for the transaction including the impact of the pre IPO internal reorganisation and treatment of IPO related costs for both accounting and income tax purposes, and on financial report disclosures.	The key procedures performed included: • Reading the Prospectus dated 24 June 2016 and other relevant documentation to gain an understanding of the capital raising transaction. • Assessing the accuracy of capital raising related transactions recorded in the Group's financial report by checking relevant amounts to ASX, ASIC, supplier (e.g. legal advisors) and bank account information. • Considering the consistency of the IPO related accounting treatment with Australian Accounting Standard requirements and observed market practice. • Assessing the appropriateness of treatment of IPO costs for income tax purposes based on relevant legislative requirements and Australian Taxation Office public guidance. We involved our taxation specialists in this assessment. • Reading the related disclosures in the Group financial report and assessing it for compliance with Australian Accounting Standard requirements.

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. 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 this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Kogan.com Ltd for the period ended 30 June 2017, 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 page 23 to 30 of the Directors' report for the period ended 30 June 2017.

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

KPMG

KPMG

BW Szentirmay

Partner

Melbourne

21 September 2017

SHAREHOLDER INFORMATION

The Shareholder information set out below was applicable as at 5 September 2017.

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

A. DISTRIBUTION OF EQUITY SECURITIES

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

	CLASS OF EQUITY SECURITY ORDINARY SHARES		
Holding	**No. of shareholders**	**No. of shares**	**% units**
1–1,000	758	402,746	0.43
1,001–5,000	698	1,812,300	1.94
5,001–10,000	229	1,740,062	1.86
10,001–100,000	192	4,903,106	5.25
100,001 over	20	84,606,724	90.52
Total	**1,897**	**93,464,938**	**100.00**

There were 65 security holders with less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

Name	Units	% units
Kogan Management Pty Ltd <The Ruslan Tech A/C>	42,220,205	45.17
Shafer Corporation Pty Ltd <The Shafer Family A/C>	15,177,705	16.24
J P Morgan Nominees Australia Limited	7,646,592	8.18
National Nominees Limited	5,224,804	5.59
Citicorp Nominees Pty Limited	4,853,747	5.19
HSBC Custody Nominees (Australia) Limited	3,666,956	3.92
Sandhurst Trustees Ltd <Endeavor Asset Mgmt Mda A/C>	730,794	0.78
BNP Paribas Nominees Pty Ltd <Agency Lending Drp A/C>	681,475	0.73
HSBC Custody Nominees (Australia) Limited - A/C 2	669,487	0.72
Aust Executor Trustees Ltd <Ds Capital Growth Fund>	665,916	0.71
RBC Investor Services Australia Nominees Pty Ltd <Vfa A/C>	584,375	0.63
Armada Trading Pty Ltd	447,538	0.48
BNP Paribas Noms (Nz) Ltd <Drp>	430,066	0.46
BNP Paribas Noms Pty Ltd <Drp>	375,860	0.40
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	316,971	0.34
Mr Goran Stefkovski	297,854	0.32
Mr Richard Ewan Bromley Mews + Mrs Wee Khoon Mews <Mews Superannuation Fund A/C>	228,609	0.24
Mr Harry George Debney + Mrs Jane Elizabeth Debney	166,660	0.18
Ridder Superannuation Pty Ltd	111,110	0.12
Wal Assets Pty Ltd <The L A Wilson Property A/C>	110,000	0.12
Total	**84,606,724**	**90.52**
Total remaining holders balance	**8,858,214**	**9.48**

C. SUBSTANTIAL SECURITY HOLDERS

The company has received the following substantial holder notices from shareholders who hold relevant interests in the company's ordinary shares as at 5 September 2017:

Disclosed Holder	Number of Shares held at time of notice	% of Issued Capital disclosed at time of notice
Ruslan Kogan and Kogan Management Pty Ltd as Trustee for The Ruslan Tech Trust	51,456,558	55.10%
Kogan.com Limited*	32,448,956	34.70%
David Shafer and Shafer Corporation Pty Ltd as Trustee for the Shafer Family Trust	15,177,705	16.30%
Industry Super Holdings Pty Ltd	5,244,533	5.61%

*By virtue of section 608(1)(c) of the Corporations Act, as the Company has the power to control the disposal of all of the Shares subject to voluntary escrow arrangements.

D. VOTING RIGHTS

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

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

E. STOCK EXCHANGE LISTING

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

F. UNQUOTED SECURITIES

There are no unquoted shares.

G. SECURITIES SUBJECT TO VOLUNTARY ESCROW

There are the following securities subject to voluntary escrow:

Name	Number held
Kogan Management Pty Ltd <The Ruslan Tech A/C>	23,547,603
Shafer Corporation Pty Ltd <The Shafer Family A/C>	8,901,353

I. ON MARKET BUY-BACK

There is currently no on market buy-back.

CORPORATE DIRECTORY

COMPANY SECRETARY

Mark Licciardo and Chris Lobb, Mertons Corporate Services

PRINCIPAL REGISTERED OFFICE

KOGAN.COM LIMITED

7/330 Collins Street

Melbourne VIC 3000

LOCATION OF SHARE REGISTRY

COMPUTERSHARE

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

STOCK EXCHANGE LISTING

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

AUDITORS

KPMG

727 Collins Street
Melbourne Victoria 3008

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kogan.com