

APPENDIX 4E – KOGAN.COM LTD

ABN 96 612 447 293

Kogan.com exceeds \$1 billion in Gross Sales¹ for the first time, whilst navigating the challenges of a COVID-impacted environment

Year ended 30 June 2021

(Previous corresponding period: Year ended 30 June 2020)

	30 June 2021 \$000's	30 June 2020 \$000's	Change increase/ (decrease) \$000's	Change increase/ (decrease) %
Revenues from ordinary activities	780,742	497,904	282,838	56.8
Profit before tax	11,268	38,853	(27,585)	(71.0)
Profit after tax attributable to members	3,537	26,820	(23,283)	(86.8)

Abbreviated explanation of results

Revenue from ordinary activities of \$780.7 million represented an increase of \$282.8 million (56.8%), compared to the prior year. The increase in Revenue was driven by growth in our Product Divisions and Kogan Marketplace.

Profit before tax was down by \$27.6 million compared to the prior year. The year included the following:

- Equity-based compensation expense of \$15.6 million (FY20: \$1.0 million) driven by the recent awards of options after the Company's AGM in November 2020.
- Provisions for the likely payment of Tranches 3 and 4 of the Mighty Ape purchase price. As part of the Sale Agreement, Tranche 3 and 4 are contingent on the Mighty Ape Founder & CEO remaining with the business until the delivery of the financial year 2023 results. In line with accounting standards, Tranches 3 and 4 payments will be considered as compensation for post-combination services for accounting purposes, and as such, treated as employee remuneration. The Group will proportionately account for these expenses until the respective payment dates.
- Donations worth \$2.5 million of Personal Protective Equipment to Australian charities to assist with COVID relief efforts.
- Logistics demurrage charges of \$7.7 million as a result of COVID related warehousing and supply chain interruptions from late 2020 to April 2021 (almost never previously incurred, and resolved prior to financial year end).

These items are not considered by the Company to be representative of the underlying performance of the business, and as such Adjusted Profit Before Tax² of \$50.6 million, representing year-on-year growth of 20.5%, is a useful metric to gauge true growth.

Refer to the accompanying market release and the Kogan.com FY21 Results Presentation dated 24 August 2021 for further commentary.

Preliminary final financial statements³

Please refer to pages 5 through 22 of this report wherein the following are provided:

- Consolidated income statement and consolidated statement of other comprehensive income for the year ended 30 June 2021
- Consolidated statement of financial position as at 30 June 2021
- Consolidated statement of changes in equity for the year ended 30 June 2021
- Consolidated statement of cash flows for the year ended 30 June 2021
- Notes to the consolidated financial statements

Control gained of entities in the period

Kogan.com acquired Mighty Ape Limited on 1 December 2020 for a headline purchase price of A\$122.4 million⁴, payable over four tranches and subject to variation under earn out provisions through to delivery of the FY23 financial results, and completion adjustments⁵.

Kogan.com Ltd did not establish any new subsidiaries during FY21 other than those acquired under the Mighty Ape acquisition: Mighty Ape Limited and Mighty Ape Australia Pty Ltd (Mighty Ape).

1. Gross Sales is the gross transaction value, on a cash basis, of products and services sold, of Kogan Retail, Kogan Marketplace and the New Verticals. The Company believes Gross Sales is a key metric of the Business, given that gross transaction values of Kogan Marketplace, Kogan Mobile and other New Verticals are not reflected in Revenue.
2. Kogan.com believes that non-IFRS measures referred to in this document provide useful information to recipients for measuring the underlying operating performance of the Business. Non-IFRS measures are not subject to audit.
3. All reports are based on preliminary unaudited results.
4. Note headline Enterprise Value (EV) was NZD\$128.8m (value stated in AUD using spot rate of 0.95 on 23 November 2020).
5. Refer to Annexure A of 'Kogan.com Acquires Mighty Ape - Presentation' released on 3 December 2020 for details.

Net tangible assets per share

	30 June 2021	30 June 2020
Net tangible assets backing per Ordinary Shares	\$0.80	\$1.50

Dividends

	Amount per share (cents)	Franked Amount per share at 30% of Tax (cents)
Ordinary Shares		
2020 interim Dividend paid 10 March 2020	7.5	7.5
2020 final Dividend paid 19 October 2020	13.5	13.5
2021 interim Dividend paid 31 May 2021	16.0	16.0
2021 final Dividend declared	-	-

Current period

To support the Company with its growth plans, the Board has decided to conserve cash for business investment and has paused dividends - having not declared a FY21 final Dividend.

Dividend Reinvestment Plans

A Dividend Reinvestment Plan was available for the 2021 interim Dividend.

Commentary on the results for the period

The Consolidated Income Statement and Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity and Notes to the Unaudited Preliminary Financial Report ("financial report") are included on pages 5 to 22. Further commentary and analysis of the results has been provided in the FY21 Results Presentation dated 24 August 2021.

Principal activities

Kogan.com is a portfolio of retail and services businesses that includes Kogan Retail, Kogan Marketplace, Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Pet, Kogan Life, Kogan Travel, Kogan Money, Kogan Cars, Kogan Energy, Dick Smith, Matt Blatt and Mighty Ape.

Kogan.com earns the majority of its Revenue and profit through the sale of goods and services to Australian and New Zealand consumers. Its offering comprises products released under Kogan.com's Exclusive Brands, such as Kogan, Ovela, Fortis, Vostok and Komodo ("Exclusive Brands Products"), and products sourced from imported and domestic Third-Party Brands such as Apple, Canon, Swann and Samsung ("Third-Party Brands Products"). In addition to product offerings, Kogan.com earns Revenue from seller fees from Kogan Marketplace and commission-based Revenue from the new verticals including Kogan Mobile, Kogan Internet, Kogan Insurance, Kogan Money, Kogan Cars, Kogan Energy and Kogan Travel ("New Verticals").

In December 2020, Kogan.com acquired Mighty Ape, one of New Zealand's leading online retailers, with a focus on gaming, toys and other entertainment categories. Kogan.com acquired Mighty Ape for a headline purchase price of A\$122.4 million. Mighty Ape earns the majority of its Revenue and profit through the sale of goods to New Zealand consumers.

There were no other significant changes in the nature of the activities of the Group during the year.

Highlights of the full year result:

- Active Customers grew by 46.9% year-on-year for Kogan.com to 3,207,000 as at 30 June 2021. Additionally, Mighty Ape Active Customers grew to 764,000 at balance date.
- Revenue of \$780.7 million represented a year-on-year increase of \$282.8 million driven by 62.5% growth in Exclusive Brands, 79.0% growth of Kogan Marketplace, where only seller fees are recorded as Revenue, and Third-Party Brands growth of 18.9%.
- Statutory Net Profit After Tax (NPAT) reduced by \$23.3 million from \$26.8 million to \$3.5 million in FY21. NPAT in the current year was impacted by the following:
 - Complexities in forecasting consumer demand during COVID, resulting in excess inventory. This significantly increased storage costs in the second half of the year. Further, the business undertook increased marketing to rebalance inventory levels relevant to the size of the business.
 - Logistics detention charges of \$7.7 million as a result of COVID related warehousing and supply chain interruptions from late 2020 to April 2021 (almost never previously incurred, and resolved prior to financial year end).

- The business recognised provisions of \$12.0 million for the likely future payment of Mighty Ape Tranches 3 & 4 instalments. For income tax purposes, this is considered capital in nature, and therefore no tax deduction is available. Additionally, there is no deferred tax asset recognised as Kogan.com is able to control the timing of the reversal of the temporary difference and it is considered probable that the temporary difference will not reverse in the foreseeable future.
- The integration of the newly acquired Mighty Ape is progressing well with the business recording Revenue of \$80.2¹ million for the seven months to 30 June 2021.
- Adjusted NPAT² of \$42.9 million was up \$12.9 million on FY20.

Foreign entities

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

Status of the audit

This report should be read in conjunction with the preliminary financial report. The financial statements in the preliminary financial report are in the process of being audited.

Annual General Meeting

Kogan.com Ltd advises that its Annual General Meeting will be held on Thursday, 25 November 2021. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after dispatch.

In accordance with the ASX Listing Rules and the Company's constitution, valid nominations for the position of Director are required to be lodged at the registered office of the Company by 5:00pm (AEST) 7 October 2021.

Signed on behalf of Kogan.com Ltd, on 24 August 2021



Greg Ridder
Chairman

1. Values stated in AUD using 1 December 2020 to 30 June 2021 average rate of 0.9315.
2. Kogan believes that non-IFRS measures referred to in this document provide useful information to recipients for measuring the underlying operating performance of the Business. Non-IFRS measures are not subject to audit. Please refer to the 'Kogan.com FY21 Results Presentation', Annexure 2, released on 24 August 2021.



ABN 96 612 447 293

**PRELIMINARY FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

**CONSOLIDATED INCOME STATEMENT AND CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021 \$000's	2020 \$000's
Revenue	4	780,742	497,904
Cost of sales	5	(577,037)	(371,374)
Gross profit		203,705	126,530
Selling and distribution expenses		(68,865)	(34,196)
Warehouse expenses		(34,735)	(13,574)
Administrative expenses		(86,403)	(35,687)
Other expenses		(2,967)	(2,033)
Results from operating activities		10,735	41,040
Finance income		25	52
Finance costs		(938)	(796)
Unrealised foreign exchange gain/(loss)		1,446	(1,443)
Net finance costs		533	(2,187)
Profit before income tax		11,268	38,853
Tax expense	6	(7,731)	(12,033)
Profit after income tax		3,537	26,820
Other comprehensive income			
Exchange gain on translation of foreign operations		272	-
Other comprehensive income for the year		272	-
Total comprehensive income for the year		3,809	26,820

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

ASSETS	Note	2021 \$000's	2020 \$000's
CURRENT ASSETS			
Cash and cash equivalents	14	91,691	146,726
Trade and other receivables	8	5,810	5,390
Inventories	7	227,873	112,882
Other financial assets		205	-
Prepayments and other assets	9	1,981	1,400
Current tax asset		1,689	-
TOTAL CURRENT ASSETS		329,249	266,398
NON-CURRENT ASSETS			
Property, plant and equipment	12	15,495	2,603
Intangible assets	11	49,178	8,279
Goodwill	3(iv)	45,920	-
Deferred tax assets		-	2,387
TOTAL NON-CURRENT ASSETS		110,593	13,269
TOTAL ASSETS		439,842	279,667
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	104,317	82,495
Acquisition payables ¹		36,290	-
Lease liabilities		4,237	1,987
Other financial liabilities		-	1,060
Current tax liabilities		-	5,451
Employee benefits		1,638	1,134
Provisions		3,480	3,159
Deferred income		11,777	19,334
TOTAL CURRENT LIABILITIES		161,739	114,620
NON-CURRENT LIABILITIES			
Acquisition payables ¹		5,247	-
Loans & borrowings	13	78,699	-
Lease liabilities		9,423	453
Employee benefits		173	197
Deferred income		86	372
Deferred tax liabilities		3,746	-
TOTAL NON-CURRENT LIABILITIES		97,374	1,022
TOTAL LIABILITIES		259,113	115,642
NET ASSETS		180,729	164,025
EQUITY			
Issued capital	15	299,186	269,033
Merger reserve	15	(131,816)	(131,816)
Other reserves		15,648	1,352
(Accumulated losses)/Retained earnings		(2,289)	25,456
TOTAL EQUITY		180,729	164,025

The accompanying notes form part of these financial statements

1. Consists of amounts payable for the Mighty Ape acquisition, specifically Tranches 2, 3 and 4.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

Consolidated Group			(Accumulated losses)/ Retained earnings	Merger reserve	Translation reserve	Share-based payments reserve	Total Equity
(\$000's)	Note	Share capital					
Balance as at 1 July 2019		167,823	13,436	(131,816)	(291)	1,828	50,980
Comprehensive income							
Profit for the year		-	26,820	-	-	-	26,820
Total comprehensive income for the year		-	26,820	-	-	-	26,820
Transactions with owners, in their capacity as owners, and other transfers							
Issue of Ordinary Shares under performance plans		1,217	-	-	-	(1,217)	-
Tax deduction for difference between accounting expense and funds paid to issue incentive plans		1,042	-	-	-	-	1,042
Equity-settled share-based payments		-	-	-	-	1,032	1,032
Dividends paid	17	-	(13,996)	-	-	-	(13,996)
Dividend reinvestment plan		804	(804)	-	-	-	-
Institutional placement net of tax impact		98,147	-	-	-	-	98,147
Total transactions with owners and other transfers		101,210	(14,800)	-	-	(185)	86,225
Balance at 30 June 2020		269,033	25,456	(131,816)	(291)	1,643	164,025
Balance at 1 July 2020		269,033	25,456	(131,816)	(291)	1,643	164,025
Comprehensive income							
Profit for the year		-	3,537	-	-	-	3,537
Other comprehensive income		-	-	-	272	-	272
Total comprehensive income for the year		-	3,537	-	272	-	3,809
Transactions with owners, in their capacity as owners, and other transfers							
Issue of Ordinary Shares under performance plans		1,537	-	-	-	(1,537)	-
Tax deduction for difference between accounting expense and funds paid to issue incentive plans		4,812	-	-	-	-	4,812
Equity-settled share-based payments		-	-	-	-	15,561	15,561
Dividends paid	17	-	(27,229)	-	-	-	(27,229)
Dividend reinvestment plan		4,053	(4,053)	-	-	-	-
Institutional placement net of tax impact		19,751	-	-	-	-	19,751
Total transactions with owners and other transfers		30,153	(31,282)	-	-	14,024	12,895
Balance at 30 June 2021		299,186	(2,289)	(131,816)	(19)	15,667	180,729

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated Group	
		2021 \$000's	2020 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		885,495	578,954
Payments to suppliers and employees		(926,357)	(523,813)
Interest received		25	52
Finance costs paid		(596)	(589)
Income tax paid		(21,671)	(8,971)
Net cash (used in)/provided by operating activities	19	(63,104)	45,633
CASH FLOWS from INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(810)	(219)
Purchase of intangible assets		(3,919)	(7,935)
Proceeds from disposal of intangible assets		(50,960)	-
Net cash (used in) investing activities		(55,689)	(8,154)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		20,001	100,000
Transaction costs related to the issue of shares		(250)	(2,646)
Dividends/distributions paid net of DRP		(27,229)	(13,996)
Repayment of loans & borrowings		(20,003)	(38,700)
Draw down on debt facility		94,749	38,700
Transaction costs on draw down facility		(234)	-
Repayment of lease liability		(3,276)	(1,573)
Net cash provided by financing activities		63,758	81,785
Net (decrease)/increase in cash held		(55,035)	119,264
Cash and cash equivalents at beginning of financial year	14	146,726	27,462
Cash and cash equivalents at end of financial year		91,691	146,726

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These preliminary consolidated financial statements relate to Kogan.com Ltd and its controlled entities ("the Group"; "Kogan.com") for the year ended 30 June 2021 and have been prepared based on the requirements of rule 4.3A of the ASX listing rules (Appendix 4E).

The accounting policies applied in these preliminary consolidated financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2020.

In order to conform with the current year's presentation, certain comparatives have been reclassified.

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.

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

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

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

Estimates and judgments that have the most significant effect on the amounts recognised in the interim 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.
- The valuation of net assets acquired via the Mighty Ape purchase, and subsequent determination of Goodwill.

Key estimates and judgements have not changed from those disclosed in the Group financial report for the year ended 30 June 2020, other than estimate/judgement applied around the acquisition of Mighty Ape Limited.

NOTE 2: SEGMENT INFORMATION

(i) Basis of segmentation

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

The Board considers the business primarily from an operating divisions perspective, and receives monthly reports that allow them to make strategic decisions about resource allocation to each. On this basis, management has identified the operating divisions as the Group's two reporting segments. The Board monitors the performance of these two segments separately. The Group does not operate under any other operating division.

Reportable segments Operations

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

(ii) Segment information provided to the Board

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

30 June 2021	Kogan.com \$000's	Mighty Ape ¹ \$000's
External revenue	700,537	80,205
Segment revenue	700,537	80,205
Adjusted EBITDA	54,934	6,899
Interest income	22	3
Interest expense	675	263
Depreciation & amortisation	10,015	925
Segment assets	390,192	49,650
Capital expenditure	3,758 ²	971
Segment liabilities	219,638	39,475

1. Results of Mighty Ape reflect seven months only, being from acquisition in December 2020

2. Excludes the capital purchase of Mighty Ape by Kogan.com

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 3: BUSINESS COMBINATION

(i) Summary of acquisition

On 3 December 2020, Kogan.com signed the agreement to acquire 100% of Mighty Ape Limited for a headline purchase price of A\$122.4m. Included in the identifiable assets and liabilities acquired at the date of acquisition of Mighty Ape Limited are inputs (a head office, warehouse, patented technology, inventories and customer relationships) and an organised workforce. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

The purchase price has been arranged in 4 tranches as follows:

Tranche	Payment timing	Payment split	Payment
1	3 December 2020	70%	A\$56.3m ¹ , subject to completion adjustments.
2	Post 31 March 2021		Up to A\$29.5M based on a multiple of the amount by which full-year FY21 normalised EBITDA (year ending 31 March 2021) exceeds Sep-20A LTM Normalised EBITDA.
3	Post 31 March 2022	15%	Based on a multiple of the FY22 Normalised EBITDA (year ended 31 March 2022).
4	Post 31 March 2023	15%	Based on a multiple of the FY23 Normalised EBITDA (year ended 31 March 2023).

Tranche 1 has been paid on 3 December 2020 and recorded at the applicable Australian dollar, being A\$56.3m. Additionally a payment of A\$3.1m was made relating to completion adjustments on 16 March 2021.

Tranche 2 is payable following audit clearance and is included within current acquisition payables at 30 June 2021.

As part of the Sale Agreement, Tranche 3 and 4 are contingent on the Mighty Ape Founder & CEO remaining with the business until the delivery of the financial year 2023 results. Per IFRS 3.B55(a), Tranches 3 and 4 payments will be considered as compensation for post-combination services, and as such, treated as employee remuneration. The Group will proportionately account for these expenses up until the respective payment dates. As at 30 June 2021 a total of \$12.0m has been accrued for within Administrative Expenses and incorporated within the Adjusted EBITDA result given it does not represent the actual performance of the business.

Mighty Ape is one of New Zealand's leading online retailers, with a focus on gaming, toys and other entertainment categories. The combination of two market leaders enables Mighty Ape to build on its strong customer offering, and provides the infrastructure to further scale. The acquisition of Mighty Ape was funded from the Company's cash reserves.

(ii) Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	AUD \$000's
Purchase consideration	
Tranche 1	56,267
Completion adjustments	3,130
Tranche 2	29,500
Total purchase consideration	88,897

1. This value differs from that stated in 'Kogan.com acquires Mighty Ape - Presentation' released on the 3 December 2020 due movements in FX rates between the date of announcement and actual payment date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(iii) The assets and liabilities recognised at the date of the acquisition were as follows:

	AUD \$000's
Current assets	
Cash & cash equivalents	8,437
Trade & other receivables	2,286
Inventories	25,851
Non-current assets	
Property, plant & equipment	11,581
Intangibles	43,696
Deferred tax assets	130
Current liabilities	
Trade & other payables	17,964
Current tax liabilities	1,088
Loans & borrowings	3,104
Provisions	422
Deferred income	2,759
Lease liabilities	998
Non-current liabilities	
Loans & borrowings	1,254
Lease liabilities	8,862
Deferred tax liabilities	12,553
Net identifiable assets acquired	42,977

(iv) The goodwill arising on the acquisition:

Accounting standards permit a measurement period of up to one year during which acquisition accounting can be finalised following the acquisition date. The Group have finalised acquisition accounting on the Mighty Ape acquisition which occurred in December 2020, resulting in an adjustment to the fair values below and a corresponding increase in goodwill.

	AUD \$000's
Goodwill as at 31 December 2020	74,959
Adjustments to fair value of net assets:	
Intangible assets	(43,279)
Property, plant & equipment	(1,551)
Lease liabilities	464
Provision for deferred taxes	12,423
Consideration adjustments post completion accounts	3,130
Correction to trade & other receivables at time of acquisition ²	(226)
Goodwill arising on acquisition	45,920

The goodwill is attributable to various factors, including the high profitability potential of the acquired business, the ability to provide an expanded range of products and services to customers, the value of growth opportunities and inseparable intangible assets such as customers data and synergies with the existing Kogan.com business. The goodwill arising on the acquisition will not be deductible for tax purposes.

- This value differs from that stated in 'Kogan.com acquires Mighty Ape - Presentation' released on the 3 December 2020 due movements in FX between the date of announcement and actual payment date.
- The correction to trade & other receivables pertains to an over remittance of GST to the New Zealand Internal Revenue Department prior to acquisition by Kogan.com. The correction has been recorded against retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

(v) Revenue and Profit contribution

The acquired business contributed revenues of A\$80.2 million and net profit after tax of A\$3.9 million to the Group for the period 1 December 2020 to 30 June 2021. Had the Group acquired Mighty Ape at the start of the financial year, it would have contributed an additional A\$61.7 million of revenue and A\$2.9 million of net profit after tax for the period 1 July 2020 to 30 November 2020.

(vi) Purchase consideration - cash outflow

	AUD \$000's
Net purchase consideration paid in cash at 30 June 2021	59,397
Less: cash & cash equivalent balances acquired	(8,437)
Outflow of cash - investing activities	50,960

(vii) Costs in relation to the acquisition have been recognised as follows:

	AUD \$000's
Acquisition related transaction costs recognised in Other Expenses	802
Total	802

Within the statement of cash flows, acquisition related transaction costs have been recognised in operating cash flows.

1. This value differs from that stated in 'Kogan.com acquires Mighty Ape - Presentation' released on the 3 December 2020 due to movements in FX between the date of announcement and actual payment date.
2. The correction to trade & other receivables pertains to an over remittance of GST to the New Zealand Internal Revenue Department prior to acquisition by Kogan.com. The correction has been recorded against retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

NOTE 4: REVENUE

	Consolidated Group	
	2021 \$000's	2020 \$000's
Revenue		
Sales revenue:		
– sale of goods	729,927	461,251
– rendering of services	45,466	30,809
	775,393	492,060
Other revenue:		
– marketing subsidies	4,000	3,676
– other revenue	1,349 ¹	2,168
	5,349	5,844
Total revenue	780,742	497,904

1. The decrease in revenue year-on-year relates to Extended Warranties sold prior to March 2019 whose revenue is being recognised in line with the requirements of AASB 15. Since FY19, Kogan.com has on-sold all extended warranties to a Syndicate Underwriter at Lloyd's of London.

NOTE 5: EXPENSES

	Consolidated Group	
	2021 \$000's	2020 \$000's
Expenses		
Cost of sales	577,037	371,374
Employee benefit expense ²	59,641	20,154
Depreciation and amortisation expense	10,940	7,419

2. Included within Employee Benefits are the recent awards of Retention Options after the Company's AGM in November 2020. The Retention Options are accounted for in the same way the Company's other equity-settled awards are treated (refer section 5.2 of the FY20 Annual Report), with their fair value determined at their date of grant in line with AASB 2 Share based payments. The cost of these transactions is recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest. The level of vesting is reviewed annually and the charge adjusted to reflect actual and estimated levels of vesting. Accordingly, any deductions allowable for tax purposes will also be in line with current equity-settled awards.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 6: TAXATION

	Consolidated Group	
	2021 \$000's	2020 \$000's
a. The components of tax expense comprise:		
Current tax	13,231	12,146
Deferred tax	(5,508)	(120)
Under-provision in respect of prior years	8	7
	7,731	12,033
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% (2020: 30%):		
– consolidated group	3,380	11,656
Add:		
Tax effect of:		
– Entertainment (non-deductible)	22	11
– Research and development expenditure	319	-
– Other non-allowable items	3,914	277
– Current year revenue losses not recognised	252	75
– Other allowable items	40	-
– Amortisation of intangibles	451	53
Less:		
Tax effect of:		
– Variation in tax rates of foreign controlled entities	(120)	-
– New Zealand COVID relief payments	(13)	-
– Prior year losses now recognised	(2)	(1)
– Research and development tax benefit	(347)	(45)
– Under provision of prior year income tax	8	7
– True up of prior year DTA on intangibles	(173)	-
	7,731	12,033
The applicable weighted average effective tax rates are as follows:	69%	31%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 7: INVENTORIES

	Consolidated Group	
	2021 \$000's	2020 \$000's
CURRENT		
Inventory in transit	36,102	32,467
Inventory on hand	191,771	80,415
	227,873	112,882

NOTE 8: TRADE AND OTHER RECEIVABLES

	2021 \$000's	2020 \$000's
CURRENT		
Trade receivables	5,085	5,197
Other receivables	725	193
Total current trade and other receivables	5,810	5,390

NOTE 9: PREPAYMENTS AND OTHER ASSETS

	2021 \$000's	2020 \$000's
Prepayments	1,954	1,373
Rental bond	27	27
	1,981	1,400

NOTE 10: TRADE AND OTHER PAYABLES

	2021 \$000's	2020 \$000's
CURRENT		
Trade payables	65,351	35,910
Other payables	29,746	42,794
Accrued expenses	9,220	3,791
	104,317	82,495

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 11: INTANGIBLE ASSETS

	Consolidated Group	
	2021 \$000's	2020 \$000's
Patents and Trademarks:		
Cost	45,617 ¹	4,881
Accumulated amortisation	(3,004)	(816)
Net carrying amount	42,613	4,065
Website development costs:		
Cost	11,101	6,152
Accumulated amortisation	(6,624)	(4,984)
Net carrying amount	4,477	1,168
Software costs:		
Cost	1,154 ¹	858
Accumulated amortisation	(940)	(845)
Net carrying amount	214	13
Intellectual Property:		
Cost	21,928	20,418
Accumulated amortisation	(20,054)	(17,385)
Net carrying amount	1,874	3,033
TOTAL INTANGIBLES	49,178	8,279

1. The increase year-on-year is associated with the Mighty Ape Limited acquisition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group	
	2021 \$000's	2020 \$000's
Equipment & vehicles:		
Cost	3,611	1,511
Accumulated depreciation	(1,669)	(1,274)
Net carrying amount	1,942	237
Leasehold improvements:		
Cost	39	39
Accumulated depreciation	(32)	(25)
Net carrying amount	7	14
Right of use assets¹		
Cost	19,649	4,541
Accumulated amortisation	(6,103)	(2,189)
Net carrying amount	13,546	2,352
Total property, plant and equipment	15,495	2,603

NOTE 13: LOAN AND BORROWINGS

	2021 \$000's	2020 \$000's
NON-CURRENT		
Trade advance	78,902	-
Amortised borrowing costs	(203)	-
	78,699	-

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

Kogan.com has a \$75.0 million multi-option facility agreement with Westpac Banking Corporation, for a term of three years, maturing on 31 January 2024.

An additional debt facility of \$10.0 million was entered into in May 2021, maturing on 31 July 2022.

There was \$75.2 million drawn down under the facility at year end (2020: nil).

Mighty Ape Limited has an overdraft facility agreement with the Bank of New Zealand, with no set maturity date. The agreed facility limit is NZ\$1.5 million.

Mighty Ape Limited has a Trade Finance Facility agreement with the Bank of New Zealand with no set maturity date. The agreed facility limit is NZ\$6.0 million.

The Trade Facility was drawn down by NZ\$4.0 million as at 30 June 2021. The overdraft facility was undrawn as at 30 June 2021.

1. The increase year-on-year is associated with the Mighty Ape Limited acquisition.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 14: CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2021 \$000's	2020 \$000's
Cash at bank and on hand	91,691	146,726
	91,691	146,726

NOTE 15: EQUITY

	Consolidated Group			
	2021 \$	2020 \$	2021 No.	2020 No.
Fully paid Ordinary Shares	299,185,901	269,033,496	106,561,563	103,531,706

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.

Merger reserve

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

Performance Rights reserve

The reserve has been used to recognise the value of equity-based compensation provided to employees as part of their remuneration. The Group measured the cost of equity-based compensation with employees by reference to the fair value of the Ordinary Shares at the date at which they were granted. The fair value has been determined using a discounted cash flow valuation model, taking into account the terms and conditions upon which the equity instruments were granted.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 16: ISSUED CAPITAL (CONTINUED)

Details	Date	No. of shares	Average 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 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 incentives plan	29 September 2016	3,247	\$1.54	5,000
Balance	30 June 2017	93,336,581		167,100,702
Shares issued to eligible employees under an incentives plan	3 July 2017	128,357	\$1.43	183,562
Shares issued to eligible employees under an incentives plan	8 March 2018	7,407	\$1.27	9,370
Balance	30 June 2018	93,472,345		167,293,634
Shares issued to eligible employees under an incentives plan	6 July 2018	232,181	\$1.66	386,227
Shares issued to eligible employees under an incentives plan	6 July 2018	3,613	\$6.92	25,000
Shares issued to eligible employees under an incentives plan	28 February 2019	21,713	\$5.42	117,729
Balance	30 June 2019	93,729,852		167,822,590
Shares issued to eligible employees under an incentives plan	20 August 2019	229,360	\$1.65	379,369
Shares issued to eligible employees under an incentives plan	18 February 2020	657,677	\$1.27	833,421
Shares issued to eligible employees under an incentives plan	18 February 2020	977	\$5.12	5,002
Dividend reinvestment plan	10 March 2020	180,215	\$4.46	803,657
Shares issued at Institutional Placement	17 June 2020	8,733,625	\$11.45	100,000,006
Transaction costs incurred during Institutional Placement	17 June 2020	-	-	(1,852,134)
Tax deduction for difference between accounting expense and funds paid to issue incentive plans	30 June 2020	-	-	1,041,585
Balance	30 June 2020	103,531,706		269,033,496

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 16: ISSUED CAPITAL (CONTINUED)

Details	Date	No. of shares	Average Issue price	\$
Share purchase plan	10 July 2020	1,746,733	\$11.45	20,000,854
Transaction cost incurred during Share Purchase Plan net of tax	10 July 2020	-	-	(250,237)
Shares issues to eligible employees under an incentive plan	17 August 2020	343,440	\$1.68	576,746
Dividend reinvestment plan	28 October 2020	86,648	\$21.19	1,835,644
Tax deduction for difference between accounting expense and funds paid to issue incentive plans	31 December 2020	-	-	1,755,158
Shares issues to eligible employees under an incentive plan	26 February 2021	682,454	\$1.41	959,801
Dividend reinvestment plan	31 May 2021	170,582	\$13.00	2,217,387
Tax deduction for difference between accounting expense and funds paid to issue incentive plans	30 June 2021	-	-	3,057,052
Balance	30 June 2021	106,561,563		299,185,901

NOTE 17: DIVIDENDS

	Consolidated Group	
	2021 \$000's	2020 \$000's
Dividends paid during the year	31,282	14,800
Dividend reinvestment plan	(4,053)	(804)
	27,229	13,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)

NOTE 18: INTERESTS IN SUBSIDIARIES

Information about Principal Subsidiaries

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

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Group	
		2021 %	2020 %
Kogan Mobile Operations Pty Ltd (formerly Kogan Mobile Australia Pty Ltd)	Australia	100	100
Kogan Mobile Pty Ltd	Australia	100	100
Kogan Australia Pty Ltd	Australia	100	100
Kogan International Holdings Pty Ltd	Australia	100	100
Kogan HK Limited	Hong Kong	100	100
Kogan HR Pty Ltd	Australia	100	100
Kogan Travel Pty Ltd	Australia	100	100
Dick Smith IP Holdings Pty Ltd (formerly Kogan Technologies UK Pty Ltd)	Australia	100	100
Online Business Number 1 Pty Ltd	Australia	100	100
Kogan Technologies Unit Trust	Australia	100	100
Kogan.com Holdings Pty Ltd	Australia	100	100
Kogan Operations Holdings Pty Ltd	Australia	100	100
Kogan US Trading Inc	United States	100	100
Kogan Superannuation Pty Ltd	Australia	100	100
Matt Blatt Pty Ltd	Australia	100	100
Mighty Ape Limited	New Zealand	100	-
Mighty Ape Australia Pty Ltd	Australia	100	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021 (CONTINUED)**

NOTE 19: CASH FLOW INFORMATION

		Consolidated Group	
		2021 \$000's	2020 \$000's
a.	Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax		
	Profit/(loss) after income tax	3,537	26,820
	Non-cash flows in profit:		
	– depreciation & amortisation	10,940	7,419
	– issue of performance rights and shares	20,373	1,033
	– unrealised foreign exchange movement	(1,509)	1,443
	– income tax expense	7,731	12,033
	Changes in assets and liabilities:		
	– decrease/(increase) in trade and other receivables	670	(25)
	– (increase) in prepayments and other assets	(640)	(918)
	– (increase) in inventories	(87,463)	(37,032)
	– increase in trade payables and accruals	1,525	30,769
	– increase in acquisition payables	12,039	-
	– (decrease)/increase in deferred income	(10,591)	10,759
	– increase in provisions	1,954	2,302
	– tax paid	(21,670)	(8,970)
	Cash flows from operating activities	(63,104)	45,633

NOTE 20: CONTINGENT LIABILITIES

As at 30 June 2021, the Group had bank guarantees amounting to A\$1.2 million and NZ\$8.6 million with Westpac Banking Corporation in relation to its ordinary course of business.

NOTE 21: SUBSEQUENT EVENTS

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