

The Koala Company Limited and its controlled entities

(Formerly known as K Sleep Holdings Pty Ltd)

ABN 48 619 538 671

Annual Report - 30 June 2025

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of The Koala Company Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2025.

Directors

The following persons were directors of The Koala Company Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Daniel William Milham	Appointed 5 June 2017
Mitchell James Taylor	Appointed 5 June 2017
Michael Jonathan Gordon	Appointed 13 February 2023
Laura Mineo	Appointed 2 September 2025 (after the end of the financial year)

Principal activities

The principal activities of the Group during the course of the financial year were the sale of home furnishings.

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

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The Group delivered a robust year of trade, with revenue increasing 42% to \$276,317,000. Growth in Australia and Japan exceeded 20%, while the USA—our newest market—expanded by 682%. These results highlight the scalability of the Group's direct-to-consumer model and its ability to achieve capital-efficient growth across both established and new markets.

Contribution Margin rose 53% to \$66,687,000, outpacing revenue growth. This was underpinned by improved marketing efficiency across all markets, with the group marketing ratio reduced to 20% (FY24: 21%) while sustaining strong top-line growth. The Group's expertise in data-driven marketing continues to drive both disciplined spend and profitable growth.

The Group's focused portfolio of innovative, high-quality products continued to deliver growth in average order value and margin improvement during the year. Mattress revenue represented only 43% of FY25 revenue as the Group further diversified into its core Sitting Furniture category.

	2025	2024	Change
	\$	\$	%
<u>Revenue</u>			
Australia	150,290,480	123,301,521	22%
Asia	78,973,925	65,272,505	21%
USA	47,051,853	6,020,506	682%
Total Revenue	276,316,258	194,594,532	42%
<u>Contribution Margin</u>			
Australia	40,059,150	30,775,626	30%
Asia	18,543,281	12,065,001	54%
USA	8,084,158	787,860	926%
Total Group Contribution Margin¹	66,686,589	43,628,487	53%
Contribution Margin %	24.10%	22.40%	

¹ Contribution margin is revenue less variable costs including marketing. It indicates the amount of margin available to cover fixed costs and generate profit. This is a non-IFRS measure and may not be comparable to metrics used by other companies.

Revenue growth translated into stronger profitability, with Adjusted EBITDA increasing to \$13,351,000, representing 4.8% of revenue (FY24 1.8%). This improvement was driven by higher gross margins of 62.4% (FY24: 60.9%), continued marketing efficiency gains, and operating leverage as market revenue growth was supported by the Group's global support infrastructure.

The Group maintained its commitment to research and development, with the in-house product team advancing a strong innovation pipeline to support future growth. During FY25, several new ranges were successfully launched, including outdoor furniture, next-generation upgrades to our best-selling sofa-beds, and an expanded modular sofa collection.

	2025 \$	2024 \$	%Change
Operating profit/(loss)	2,902,668	13,643	
add: Depreciation & Amortisation	4,465,501	3,504,538	
add: Transaction Costs	4,511,220	-	
add: Transaction employment Costs - non-cash ESOP	1,472,000	-	
Adjusted EBITDA	13,351,389	3,518,181	280%

- (1) *Transaction Costs are detailed in note 6.*
(2) *Adjusted EBITDA noted above is a financial measure which is not prescribed by Australian Accounting Standards. The directors consider Adjusted EBITDA to best reflect the core earnings of the group.*

During the year, the Group completed all preparatory work necessary to execute an IPO listing in the April/May 2025 window. The sudden imposition of import tariffs on products shipped into the USA in April 2025 created short-term market uncertainty. This development limited the Directors' ability to issue a reliable prospectus forecast for the US market and, in turn, constrained the opportunity to achieve a fair outcome for shareholders at that time, and the process was paused.

Despite the broader market effects of changes in trade policy, the Group's differentiated product range and data-driven marketing strategy enabled the US business to remain both agile and resilient. During the year, the Group introduced new product categories, diversified its sources of supply, and achieved strong revenue growth. Revenue from the USA segment increased by more than sixfold to \$47,052,000, delivering \$8,084,000 in contribution margin and providing a solid platform for further growth in the largest sitting furniture market in the world.

Management has re-focused on operational priorities in the near term; however, the work undertaken during FY25 has materially enhanced the Group's state of readiness. As market conditions become more favourable and other relevant factors align, the Board remains well-positioned to revisit an IPO process.

The Group continued its commitment to environmental and social impact during the year, achieving progress across key initiatives. Contributions included \$1.38 million donated to environmental causes and a milestone of \$4 million in total lifetime support for WWF. The Group's B Corp score increased from 91.9 to 120.5, highlighting continued improvement in responsible business practices. In addition, 5,300 returned products were donated in the year to people in need and charity partners, reducing landfill waste through circular design principles.

Significant changes in the state of affairs

On 01 January 2025, convertible notes with a subscription value of \$2,300,000 were converted to equity by the holder of the notes.

On 04 April 2025, Koala Furniture Ltd changed name to Koala UK Operations Ltd.

On 09 April 2025, Koala Sleep Pty Ltd changed name to Koala AU Operations Pty Ltd.

On 02 May 2025, K Sleep Holdings Pty Ltd converted to a public company and changed name to The Koala Company Limited.

On 25 June 2025, convertible notes with a subscription value of \$10,000,000 were converted to equity by the holder of the notes.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Subsequent to the end of the financial year, 272,000 warrants were converted to ordinary share capital in the Company.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

The Group expects further growth in sales and profits over the next few years, driven by continued range expansion and repeat custom in Australia, Japan and USA. Geographical growth will arise from expansion to new regions, in addition to continued growth in existing markets. We will continue to invest behind a robust product pipeline, in addition, the Group will explore opportunities for expansion of its physical retail footprint.

Detailed information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law. However, the Board believes that the Group has adequate systems in place for the management of any of its environmental requirements and is not aware of any breach of those environmental requirements as they may apply to the Group.

Information on directors

Name:	Daniel Milham
Title:	Director and Chief Executive Officer
Qualifications:	B. Information Technology (Griffith) Dany has been a Co-Founder and Director of Koala since November 2015. Dany is also a Partner at DROPBEAR, an early-stage investment firm focusing on emerging consumer brands. He was previously the Founder and CEO of MILKRUN from April 2021 to April 2023. Dany has also served as a Non-Executive Director at Fishburners, Australia's largest startup community, from May 2019 to December 2021. Before co-founding Koala, Dany founded multiple startups across a range of industries, gaining broad experience in growing and scaling consumer businesses.
Experience and expertise:	
Other current directorships:	None
Former directorships (last 3 years):	None
Interest in shares:	18,988,300 ordinary shares
Interest in options:	1,500,000 options (unvested)
Interest in rights:	Nil
Name:	Mitchell Taylor
Title:	Non-Executive Director
Qualifications:	B. Sustainability (Murdoch) Mitchell Taylor was the Co-Founder of Koala in November 2015 and retired as CEO in November 2024. Mitchell is also a Partner at DROPBEAR, an early-stage investment firm focusing on emerging consumer brands, he advises many companies in the portfolio and mentors up and coming leaders in a range of business areas. Before Koala, Mitchell has previously founded and sold multiple companies in the ecommerce space. Mitchell has a bachelor of Sustainability from Murdoch University and was awarded the Distinguished Alumni Award for his achievements in entrepreneurship and sustainability.
Experience and expertise:	
Other current directorships:	None
Former directorships (last 3 years):	None
Interest in shares:	18,988,300 ordinary shares
Interest in options:	1,299,400 options
Interest in rights:	Nil

Name: Michael Gordon
Title: Non-Executive Director and Chairperson
Qualifications: Chartered Accountant (Institute of Chartered Accountants ANZ) B. Commerce; B. Accounting (Univ. of the Witwatersrand, South Africa)
 Michael has been a Non-Executive Director of Koala since February 2023 and Chair since November 2024.
 Michael is a Non-Executive Director of ASX listed Somnosed Ltd (ASX:SOM) and Florabelle Imports Pty Ltd, was previously the CFO of Different Technologies and before that, the CFO of Rokt. Prior to Rokt, Michael was the Group CFO and Managing Director of Group Services for Greenlit Brands Pty Limited. Michael has more than 20 years of experience as a senior executive in leading household goods brands Freedom, Fantastic Furniture, Snooze, Plush and OMF.
 Prior to Greenlit Brands, Michael spent ten years with PricewaterhouseCoopers in South Africa, the United Kingdom, and Australia, specialising in the retail industry with experience in Audit, Taxation, M&A and IPOs.
Experience and expertise:
Other current directorships: Somnosed Ltd
Former directorships (last 3 years): None
Interest in shares: 105,677 ordinary shares
Interest in options: 425,000 options
Interest in rights: 385,000 performance rights (unvested)

Name: Laura Mineo
Title: Non-Executive Director
Qualifications: B. Commerce (Liberal Studies), Finance & Econometrics (Univ. of Sydney)
 Laura was appointed as a Non-Executive Director of Koala in September 2025. Laura is an experienced finance and strategy executive with a strong background in the technology sector. Laura was most recently the Chief Financial Officer of Zepto, a venture capital backed financial infrastructure company. Prior to that, she was the CFO of Rokt in New York and held senior roles at Goldman Sachs, including Executive Director, Firmwide Strategy, where she oversaw strategic initiatives across global businesses and regions.
Experience and expertise:
Other current directorships: None
Former directorships (last 3 years): None
Interest in shares: Nil
Interest in options: Nil
Interest in rights: Nil

'Other current directorships' quoted above are current directorships for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

'Interest in shares/options/rights' are shown as at the reporting date.

Company secretary

Each of Melissa Norris and Stuart Crichton is a Company Secretary of the Company. The Company has also entered into an agreement with Automic, whereby share registry, company secretarial services and registered agent services will be provided.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2025, and the number of meetings attended by each director were:

	Full Board Attended	Held
Daniel William Milham	6	6
Mitchell James Taylor	6	6
Michael Jonathan Gordon	6	6

Held: represents the number of meetings held during the time the director held office.

Shares under option

Unissued ordinary shares of The Koala Company Limited under option at the date of this report are as follows:

Expiry date	Exercise price	Number under option
31 October 2025	\$2.4376	108,250
22 November 2025	\$6.1600	21,250
22 November 2025	\$6.1500	5,937
15 December 2025	\$6.1600	12,514
20 December 2025	\$0.1500	54,100
20 December 2025	\$6.1600	9,902
30 December 2025	\$0.0002	300
30 December 2025	\$0.7354	184,600
30 December 2025	\$2.7468	750
30 December 2025	\$6.1550	1,200
14 March 2027	\$0.0000	525
31 March 2027	\$0.0000	1,250
13 December 2027	\$2.5900	325,112
15 May 2028	\$0.1500	108,250
30 June 2028	\$0.7354	184,600
30 June 2028	\$2.7500	65,800
8 January 2029	\$0.7352	54,100
5 June 2030	\$0.0000	39,205
1 July 2030	\$2.7500	25,000
7 October 2030	\$2.7500	50,000
22 October 2030	\$6.1700	60,000
30 July 2031	\$6.1600	42,500
11 August 2031	\$6.1600	17,500
17 August 2031	\$2.5900	57,500
1 October 2031	\$6.1600	30,000
2 November 2031	\$6.1600	7,500
23 December 2031	\$6.1600	25,000
5 January 2032	\$6.1600	32,000
10 January 2032	\$6.1600	50,000

29 March 2032	\$6.1500	36,458
31 March 2033	\$0.0002	15,350
30 June 2033	\$0.0002	15,356
30 September 2033	\$0.0200	24,131
20 December 2033	\$0.0000	854,584
20 December 2033	\$2.5900	2,111,272
31 December 2033	\$0.0200	24,131
31 March 2024	\$0.0000	24,131
29 July 2034	\$0.0000	18,939
5 August 2034	\$0.0000	11,364
31 October 2034	\$2.5900	1,299,400
4 February 2035	\$0.0000	45,454
26 February 2035	\$0.0000	385,000
26 February 2035	\$2.5900	425,000
26 March 2035	\$3.3000	1,500,000
1 April 2035	\$0.0000	2,043
13 May 2035	\$0.0000	801,000
		9,168,258

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were 66,540 ordinary shares of The Koala Company Limited issued on the exercise of options during the year ended 30 June 2025 and up to the date of this report.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Daniel Milham
Director

3 October 2025
Sydney



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

To the Directors of The Koala Company Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of The Koala Company Limited for the financial year ended 30 June 2025 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A stylized, handwritten-style 'KPMG' logo in grey.

KPMG

A handwritten signature in black ink, appearing to read 'M Jobson'.

Michelle Jobson
Partner
Sydney
3 October 2025

The Koala Company Limited and its controlled entities
(Formerly known as K Sleep Holdings Pty Ltd)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2025



	Note	Consolidated 2025 \$'000	2024 \$'000
Revenue	5	276,317	194,614
Other income		390	455
Expenses			
Raw materials and consumables used		(104,347)	(76,222)
Employee benefits expense	6	(43,163)	(31,170)
Depreciation and amortisation expense	6	(4,466)	(3,505)
Advertising and marketing expense		(54,109)	(39,514)
Merchant fees		(9,640)	(6,315)
Transportation expense		(23,940)	(18,470)
Other expenses	6	(29,520)	(19,859)
Capital market transaction costs	6	(4,511)	-
Impairment of assets		(108)	-
Operating profit		2,903	14
Finance income		1,654	21,163
Finance costs	6	(7,183)	(22,564)
		(5,529)	(1,401)
Loss before income tax expense		(2,626)	(1,387)
Income tax expense	7	(1,974)	-
Loss after income tax expense for the year		(4,600)	(1,387)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	25	(1,863)	1,945
Other comprehensive (loss)/income for the year, net of tax		(1,863)	1,945
Total comprehensive (loss)/income for the year		(6,463)	558
		Cents	Cents
Basic earnings per share	8	(7.06)	(2.91)
Diluted earnings per share	8	(7.06)	(2.91)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

The Koala Company Limited and its controlled entities
(Formerly known as K Sleep Holdings Pty Ltd)
Consolidated statement of financial position
As at 30 June 2025



	Note	Consolidated 2025 \$'000	2024 (Restated) \$'000
Assets			
Current assets			
Cash and cash equivalents	9	42,316	24,124
Trade and other receivables	10	867	1,525
Inventories	11	25,524	25,615
Derivative financial instruments	12	-	607
Other	13	4,257	2,981
Total current assets		<u>72,964</u>	<u>54,852</u>
Non-current assets			
Property, plant and equipment	14	1,141	415
Right-of-use assets	15	5,589	7,427
Intangibles	16	5,021	4,703
Total non-current assets		<u>11,751</u>	<u>12,545</u>
Total assets		<u>84,715</u>	<u>67,397</u>
Liabilities			
Current liabilities			
Trade and other payables	17	41,703	31,604
Contract liabilities	18	18,967	15,295
Borrowings	19	13,550	17,845
Lease liabilities	20	2,406	2,468
Derivative financial instruments	12	6,660	7,302
Income tax	7	1,974	-
Employee benefits	21	1,960	1,672
Provisions	22	2,515	2,995
Total current liabilities		<u>89,735</u>	<u>79,181</u>
Non-current liabilities			
Borrowings	19	9,706	24,645
Lease liabilities	20	4,233	5,919
Derivative financial instruments	12	-	1,488
Employee benefits	21	482	408
Provisions	22	4,057	1,292
Total non-current liabilities		<u>18,478</u>	<u>33,752</u>
Total liabilities		<u>108,213</u>	<u>112,933</u>
Net liabilities		<u>(23,498)</u>	<u>(45,536)</u>
Equity			
Share capital	23	32,418	32,295
Other capital contributions	24	23,022	2
Reserves	25	11,132	7,637
Accumulated losses		<u>(90,070)</u>	<u>(85,470)</u>
Total deficiency in equity		<u>(23,498)</u>	<u>(45,536)</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

The Koala Company Limited and its controlled entities
(Formerly known as K Sleep Holdings Pty Ltd)
Consolidated statement of changes in equity
For the year ended 30 June 2025



Consolidated	Share capital \$'000	Other capital contributions \$'000	Treasury shares \$'000	Translation reserve \$'000	Options reserve \$'000	Accumulated losses \$'000	Total deficiency in equity \$'000
Balance at 1 July 2024	32,295	2	-	2,142	5,495	(85,470)	(45,536)
Loss after income tax expense for the year	-	-	-	-	-	(4,600)	(4,600)
Other comprehensive loss for the year, net of tax	-	-	-	(1,863)	-	-	(1,863)
Total comprehensive loss for the year	-	-	-	(1,863)	-	(4,600)	(6,463)
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments (note 37)	-	-	-	-	5,358	-	5,358
Issue of ordinary shares upon exercise of options	38	-	-	-	-	-	38
Issue of ordinary shares upon conversion of convertible notes	120	19,417	-	-	-	-	19,537
Treasury shares	-	-	(35)	-	-	-	(35)
Share issue on conversion of warrants	-	3,603	-	-	-	-	3,603
Balance at 30 June 2025	32,453	23,022	(35)	279	10,853	(90,070)	(23,498)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

The Koala Company Limited and its controlled entities
(Formerly known as K Sleep Holdings Pty Ltd)
Consolidated statement of changes in equity
For the year ended 30 June 2025



Consolidated	Share capital \$'000	Other capital contributions \$'000	Treasury shares \$'000	Translation reserve \$'000	Options reserve \$'000	Accumulated losses \$'000	Total deficiency in equity \$'000
Balance at 1 July 2023	315	2	-	197	4,586	(84,083)	(78,983)
Loss after income tax expense for the year	-	-	-	-	-	(1,387)	(1,387)
Other comprehensive income for the year, net of tax	-	-	-	1,945	-	-	1,945
Total comprehensive income/(loss) for the year	-	-	-	1,945	-	(1,387)	558
<i>Transactions with owners in their capacity as owners:</i>							
Share-based payments (note 37)	-	-	-	-	909	-	909
Issue of ordinary shares upon conversion of convertible notes	31,980	-	-	-	-	-	31,980
Balance at 30 June 2024	32,295	2	-	2,142	5,495	(85,470)	(45,536)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

The Koala Company Limited and its controlled entities
(Formerly known as K Sleep Holdings Pty Ltd)
Consolidated statement of cash flows
For the year ended 30 June 2025



	Note	Consolidated 2025 \$'000	2024 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		309,355	215,055
Payments to suppliers and employees (inclusive of GST)		(280,980)	(206,983)
		28,375	8,072
Interest received		597	878
Interest and other finance costs paid		(862)	(934)
Decrease in operating deposits		255	-
Net cash from operating activities	38	28,365	8,016
Cash flows from investing activities			
Payments for property, plant and equipment	14	(1,006)	(212)
Payments for intangibles	16	(1,691)	(2,342)
Net cash used in investing activities		(2,697)	(2,554)
Cash flows from financing activities			
Repayment of loans		(14,621)	(17,098)
Net proceeds from borrowings	19	10,000	-
Repayment of lease liabilities	20	(2,472)	(2,417)
Proceeds from loans to other related parties		542	-
Net cash used in financing activities		(6,551)	(19,515)
Net increase/(decrease) in cash and cash equivalents		19,117	(14,053)
Cash and cash equivalents at the beginning of the financial year		24,124	37,250
Effects of exchange rate changes on cash and cash equivalents		(925)	927
Cash and cash equivalents at the end of the financial year	9	42,316	24,124

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover The Koala Company Limited as a Group consisting of The Koala Company Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is The Koala Company Limited's functional and presentation currency.

The Koala Company Limited is an unlisted company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 12
37-41 O'Riordan Street
Alexandria
NSW 2015

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 3 October 2025. The directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

AASB 2024-2 Amendments to Australian Accounting Standards - Classification and Measurement of Financial Instruments

- *Derecognition of a financial liability settled through electronic transfer:*

permits an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met;

- *Classification of financial assets:*

provides clarity on contractual terms that are consistent with a basic lending arrangement, assets with non-recourse features and contractually linked instruments;

- *Disclosures:*

disclosures mainly relating to gains or losses recognised in other comprehensive income relating to equity instruments designated at fair value through other comprehensive income; and

- *Derecognition of a financial asset:*

clarifies that an entity derecognises only when the contractual rights to the cash flows from the financial asset expire from a legal perspective. The Group has included \$8.6 million (2024: \$7.8 million) in cash and cash equivalents relating to receivables from credit card merchants and gateways for electronic funds transfers, and credit card and debit card point of sale transactions.

Whilst the Group has not elected to early adopt this amendment, the amount will be reclassified from the annual reporting period commencing 1 January 2026.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group, except for the adoption of AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, as outlined below.

Note 2. Material accounting policy information (continued)

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants

AASB 2020-1 is applicable to annual periods beginning from 1 January 2024 (as extended by AASB 2020-6), with early adoption permitted. AASB 2022-6 is applicable to annual periods beginning from 1 January 2024, with early adoption permitted where AASB 2020-1 is also early adopted. These standards amend AASB 101 'Presentation of Financial Statements' to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The amendments clarify that a liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. If the deferral right is subject to the entity complying with covenants in the loan arrangement based on information up to and including reporting date, the deferral right will exist where the entity is able to comply with the covenant on or before the end of the reporting date even if compliance is assessed after the reporting date. The deferral right will be deemed to exist at reporting date if the entity is required to comply with the covenant only after the reporting date based on post-reporting date information. Additional disclosure is required about loan arrangements classified as non-current liabilities in such circumstances which enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period. Classification of a liability as non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least 12 months after the reporting date or even if the entity settles the liability prior to issue of the financial statements. The meaning of settlement of a liability is also clarified.

Upon application of the amendments relating to the right to defer a liability, the preference shares were retrospectively restated from non-current to current, as the Group does not hold the right to defer settlement. There was no impact to net assets or the net loss for the comparative period as a result of the restatement.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with IFRS Accounting Standards as issued by the International Accounting Standards Board ('IASB').

AASB 1 First-time Adoption of Australian Accounting Standards

The Group has previously prepared Tier 2 general purpose financial statements in accordance with AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities. These financial statements are the first set of Tier 1 general purpose financial statements which requires the Group to adopt AASB 1 in preparing these financial statements.

AASB 1 requires a first-time adopter to retrospectively apply all Australian Accounting Standards effective as at the end of its first reporting period, which is 30 June 2024 for the Group. AASB 1 also provides a first-time adopter certain optional exemptions that must be applied as at the date of transition, which is 1 July 2023 for the Group. As these are the first set of Tier 1 general purpose financial statements, and the Group is not transitioning from another accounting framework, these exceptions and exemptions have limited applicability. There were no reconciling differences either (i) at the date of transition; and (ii) the end of the previous comparative period on the application of the mandatory exceptions.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Going concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

Note 2. Material accounting policy information (continued)

The Group had operating profit of \$2,903,000 (2024: \$14,000), its total liabilities exceeded total assets by \$23,498,000 (2024: \$45,536,000) and had a net current asset deficit of \$16,771,000 (2024: net current asset deficit of \$24,329,000); the Group also generated positive operating cash flows of \$28,365,000 (2024: \$8,016,000) and a loss after tax of \$4,600,000 (2024: \$1,387,000).

The net current asset deficit of \$16,771,000 includes the following liabilities at 30 June 2025 that are not expected to be settled in cash:

- preference shares \$13,550,000 that are to be settled in ordinary share capital of the Company;
- income received in advance of \$14,995,000 to fulfilled through delivery of inventory; and
- warrants \$6,003,000 expected to be settled in ordinary share capital of the Company.

The directors have prepared a risk adjusted cash flow forecast for a period of at least 12 months from the date of this financial report which supports the use of the going concern assumption.

The directors consider that the Group has sufficient resources to meet all of its obligations as and when they fall due and are of the view that there are no indicators, events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 34.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of The Koala Company Limited ('Company' or 'parent entity') as at 30 June 2025 and the results of all subsidiaries for the year then ended. The Koala Company Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency transactions

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 2. Material accounting policy information (continued)

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into the Group's functional currency using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is at the time of delivery.

The Group offers a 120-day customer satisfaction guarantee from the date of purchase. A returns provision is maintained (recorded in "contract liabilities") that has been estimated based on historical returns data associated with similar products over the last 12-month period.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Finance income and finance costs

The Group's finance income and finance costs includes:

- interest income on funds invested;
- interest expense;
- changes in the fair value of warrants and other financial instruments;
- amortisation of borrowing costs; and
- the net foreign exchange gain or loss on financial assets and financial liabilities.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

Note 2. Material accounting policy information (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no right at the end of the reporting period to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Note 2. Material accounting policy information (continued)

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'average costs' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

The derivative financial instruments held by the Group include warrants, embedded derivatives and instruments to hedge its foreign currency exposures.

The Group has recognised the conversion option of the convertible notes as an embedded derivative and is recognised in accordance with the policy below.

Derivatives are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Derivatives are only used for economic hedging purposes and not as speculative investments. The Company does not apply hedge accounting; instead derivatives are classified as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss (**FVTPL**). They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows. The rates of depreciation are as follows:

Computer equipment	10% - 33%
Office equipment	10% - 50%
Leasehold improvements	3% - 33%
Motor vehicles	33%

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 2. Material accounting policy information (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Website

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit of 15 years.

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life between 5-15 years.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3-5 years.

SaaS arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period, as such the Group does not receive a software intangible asset at the contract commencement date. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term.

Costs incurred for use of application software (licence fee) and customisation costs are recognised as an operating expense over the term of the service contract.

Configuration costs, data conversion and migration costs, testing cost, training costs, and change management costs are recognised as an operating expense as the service is received.

Product development

Significant costs associated with product development are capitalised and amortised on a straight-line basis over the period of their expected benefit, that is between 1-5 years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Material accounting policy information (continued)

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Convertible notes issued by the Group include embedded derivatives that gives the holder the option to convert into a variable number of shares. The derivative liability embedded in the host contract is accounted for separately at fair value through profit or loss. On initial recognition, the difference between the fair value of the embedded derivative and the proceeds is recognised as a financial liability and is subsequently measured at amortised cost. The corresponding interest on convertible notes is expensed to profit or loss.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 2. Material accounting policy information (continued)

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

For cash-settled share-based compensation, changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 2. Material accounting policy information (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Preference shares

The Group's preference shares are classified as financial liabilities and are carried at amortised cost.

Repurchase and reissue of ordinary shares (treasury shares)

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

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 tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 2. Material accounting policy information (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of The Koala Company Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Valuation of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Note 4. Operating segments

Identification of reportable operating segments

Operating segments are identified based on the internal reports regularly reviewed by the Group's Chief Executive Officer (the chief operating decision maker), for assessing performance and allocating resources. These segments align with the Group's geographic structure, central support infrastructure and reflect how products are distributed and customers served, consistent with the "management approach" under IFRS 8 / ASC 280.

The Group has four reportable segments: Australia, Japan, United States and Corporate. Performance for each segment is presented to the level of contribution margin, defined as gross margin less fulfilment and marketing costs. All other operating costs are reported on a consolidated (Group) level. This format aligns with the contribution margin approach widely used for evaluating segment performance, where indirect and centrally managed costs are not allocated to individual segments.

Contribution Margin is the key line at which segments are assessed and is revenue less variable costs including cost of goods sold, marketing and fulfilment expenses. It indicates the amount of margin available to cover fixed costs and generate profit. Fulfilment expenses include Transportation (final mile and interstate) as well as the cost of warehousing products including put away, storage and picking. Gross Marketing expenses include Advertising costs as well as costs associated with conservation, gifting and events.

The information reported to the CODM is on a monthly basis.

Note 4. Operating segments (continued)

Major customers

Koala Group predominantly trades directly to customers, as such, no one customer was a driver of significant revenue during the financial year.

Consolidated - 2025	Australia \$'000	Japan \$'000	USA \$'000	Corporate \$'000	Total \$'000
Revenue from contracts with external customers	150,291	78,974	47,052	-	276,317
Cost of goods sold	(59,651)	(28,507)	(15,998)	-	(104,156)
Gross marketing expense	(25,170)	(16,642)	(14,089)	-	(55,901)
Fulfilment expenses	(25,410)	(15,281)	(8,881)	-	(49,572)
Contribution Margin	40,060	18,544	8,084	-	66,688
<i>Items not included in the segment result:</i>					
Other costs and income				(21,685)	(21,685)
Employee benefit expense				(43,163)	(43,163)
Depreciation and amortisation expense				(4,466)	(4,466)
Income tax expense				(1,974)	(1,974)
Loss after income tax				-	(4,600)

As at 30 June 2025

Total assets	55,828	18,202	10,685	-	84,715
Total liabilities	86,811	13,998	7,404	-	108,213

Consolidated - 2024	Australia \$'000	Japan \$'000	USA \$'000	Corporate \$'000	Total \$'000
Revenue from contracts with external customers	123,302	65,273	6,020	-	194,595
Cost of goods sold	(50,706)	(23,290)	(2,023)	-	(76,019)
Gross marketing expense	(21,036)	(17,862)	(1,833)	-	(40,731)
Fulfilment expenses	(20,784)	(12,056)	(1,377)	-	(34,217)
Management Contribution Margin	30,776	12,065	787	-	43,628
<i>Items not included in the segment result:</i>					
Other costs and income				(10,340)	(10,340)
Employee benefit expense				(31,170)	(31,170)
Depreciation and amortisation expense				(3,505)	(3,505)
Income tax expense				-	-
Loss after income tax				-	(1,387)

As at 30 June 2024

Total assets	45,238	16,577	5,582	-	67,397
Total liabilities	100,813	9,568	2,552	-	112,933

Note 5. Revenue

	Consolidated	
	2025	2024
	\$'000	\$'000
Revenue net of discounts and returns	<u>276,317</u>	<u>194,614</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Geographical regions</i>		
Australia	150,291	123,302
Asia	78,974	65,292
USA	<u>47,052</u>	<u>6,020</u>
	<u>276,317</u>	<u>194,614</u>

Timing of revenue recognition

Goods transferred at a point in time	<u>276,317</u>	<u>194,614</u>
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	Consolidated	
	2025	2024
	\$'000	\$'000
Contract liabilities		
Provision for returns	3,972	2,944
Income received in advance	<u>14,995</u>	<u>12,351</u>
	<u>18,967</u>	<u>15,295</u>

Refer to note 18 for further information on contract liabilities

Note 6. Expenses

Consolidated
2025 **2024**
\$'000 **\$'000**

Loss before income tax includes the following specific expenses:

Depreciation

Leasehold improvements	172	210
Motor vehicles	2	1
Computer equipment	104	254
Office equipment	23	20
Land and buildings right-of-use assets	2,615	2,147
Total depreciation	2,916	2,632

Amortisation

Website	25	25
Patents and trademarks	181	45
Software development	538	408
Product development	806	395
Total amortisation	1,550	873

Total depreciation and amortisation		
	4,466	3,505

*Capital Market Transaction Costs**

Professional services fees	3,103	-
Employee remuneration	1,148	-
Consulting fees	260	-
Total Capital Market Transaction Costs	4,511	-

Other expenses

Storage and handling	15,993	9,451
Software	5,580	4,585
Consulting	1,712	1,515
Research and development	1,424	1,482
Others	4,811	2,826
Total other expenses	29,520	19,859

Finance costs

Interest and finance charges paid/payable on borrowings	543	1,722
Interest and finance charges paid/payable on lease liabilities	364	379
Net foreign exchange loss	-	158
Change in fair value of convertible notes (embedded derivative)	3,529	20,300
Change in fair value of derivative	426	-
Change in fair value of warrants	2,321	-
Amortisation of borrowing costs	-	5
Finance costs expensed	7,183	22,564

Leases

Short-term and low-value lease payments		
	44	84

Note 6. Expenses (continued)

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Employee benefits expense</i>		
Defined contribution superannuation expense	2,301	2,048
Share-based payments expense	5,358	909
Employee benefits expense excluding superannuation and share-based payments	33,594	26,788
Leave entitlements expense	1,910	1,425
Total employee benefits expense	43,163	31,170

*During the year, the Group completed all preparation work necessary to execute an IPO listing in the April/May 2025 window. The sudden imposition of import tariff on products shipped into the USA in April 2025 created short-term market uncertainty. This development limited the Directors' ability to issue a reliable prospectus forecast for the US market, and in turn, constrained the opportunity to achieve a fair outcome for the shareholders at the time, and the process was paused.

Note 7. Income tax

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	1,248	2,240
Origination and reversal of temporary differences	5,000	(2,145)
Recognition of tax losses previously not brought to account	(3,048)	(95)
Recognition of R&D tax offset previously not brought to account	(1,226)	-
Aggregate income tax expense	1,974	-
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(2,626)	(1,387)
Tax at the statutory tax rate of 30%	(788)	(416)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of foreign tax rates	118	-
Tax effect of temporary differences	5,000	(2,145)
Share-based payments	1,527	220
Legal and trademark costs	94	-
Entertainment expenses	31	10
Impairment expenses	33	-
Sundry items	93	-
Tax losses not recognised	-	1,815
Utilisation of prior period tax losses and offset	(3,048)	(95)
Finance costs	-	353
Research and development	-	258
Overseas tax losses not recognised	(31)	-
Recognition of tax losses and offsets not previously brought to account	(1,226)	-
Other	171	-
Income tax expense	1,974	-

Note 7. Income tax (continued)

Consolidated
2025 2024
\$'000 \$'000

Deferred tax assets not recognised

Deferred tax assets not recognised comprises temporary differences attributable to:

Temporary differences (will never expire)	12,595	(2,145)
Tax losses (indefinite expiration)	4,872	3,554

Total deferred tax assets not recognised	<u>17,467</u>	<u>1,409</u>
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The above potential tax benefit, which includes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Consolidated
2025 2024
\$'000 \$'000

Provision for income tax

Provision for income tax	<u>1,974</u>	<u>-</u>
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The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

	Expiry date	2025 \$'000	2024 \$'000
Expire			
<i>Japan losses</i>			
30 June 2025	30 June 2035	-	-
30 June 2024	30 June 2034	2,544	2,238
30 June 2023	30 June 2033	686	603
30 June 2022	30 June 2032	778	3,824
		<u>4,008</u>	<u>6,665</u>
<i>South Korea losses</i>			
30 June 2025	30 June 2035	130	-
30 June 2024	30 June 2034	1,955	1,891
30 June 2023	30 June 2033	3,129	3,027
30 June 2022	30 June 2032	8,292	8,020
30 June 2021	30 June 2031	898	869
		<u>14,404</u>	<u>13,807</u>
Never expire			
<i>Australia losses</i>			
30 June 2025		-	-
30 June 2024		-	3,230
30 June 2023		-	65
30 June 2021		-	2,877
30 June 2020		-	869
		<u>-</u>	<u>7,041</u>
<i>USA losses</i>			
30 June 2025		-	-
30 June 2024		88	264
		<u>88</u>	<u>264</u>

Note 8. Earnings per share

	Consolidated	
	2025	2024
	\$'000	\$'000
Loss after income tax	<u>(4,600)</u>	<u>(1,387)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>65,171,640</u>	<u>47,670,691</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>65,171,640</u>	<u>47,670,691</u>
	Cents	Cents
Basic earnings per share	(7.06)	(2.91)
Diluted earnings per share	(7.06)	(2.91)

* As at 30 June 2025 11,498,300 (2024: 11,498,300) preference shares, 3,480,384 (2024: 1,294,047) share options, nil (2024: 13,386,137) convertible notes and 2,354,700 (2024: 3,694,200) warrants have been excluded from the above calculations as their inclusion would be anti-dilutive.

Note 9. Cash and cash equivalents

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current assets</i>		
Cash at bank	<u>42,316</u>	<u>24,124</u>

The Group, included in cash and cash equivalents, has no deposits for financial institutions as at 30 June 2025 (2024: \$1,258,000).

The Group, included in cash and cash equivalents, had no restricted cash (2024: \$558,000) held as bank guarantees over a property lease and credit card facility.

Note 10. Trade and other receivables

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	1,004	983
Less: Allowance for expected credit losses	<u>(137)</u>	<u>-</u>
	<u>867</u>	<u>983</u>
Other receivables	-	542
	<u>867</u>	<u>1,525</u>

Note 10. Trade and other receivables (continued)

Allowance for expected credit losses

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2025	2024
	\$'000	\$'000
Opening balance	-	-
Additional provisions recognised	137	-
Closing balance	137	-

Note 11. Inventories

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current assets</i>		
Raw materials and stores	4,449	3,659
Finished goods	21,075	21,956
	25,524	25,615

Note 12. Derivative financial instruments

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current assets</i>		
Forward foreign exchange contracts	-	607
<i>Current liabilities</i>		
Forward foreign exchange contracts	(657)	-
Warrants	(6,003)	(7,302)
	(6,660)	(7,302)
<i>Non-current liabilities</i>		
Convertible notes payable	-	(1,488)
Total net derivative liability	(6,660)	(8,183)

Refer to note 27 for further information on financial instruments.

Note 13. Other

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current assets</i>		
Prepayments	2,121	2,046
Other current assets	2,136	935
	4,257	2,981

Note 13. Other (continued)

Other assets include vat tax receivable of \$2,000 (2024: vat tax payable of \$3,000), deferred gift card expense of \$185,000 (2024: \$153,000), rental deposits of \$799,000 (2024: \$785,000) and deposits held with financial institutions \$1,150,000 (2024: \$nil).

Note 14. Property, plant and equipment

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Non-current assets</i>		
Leasehold improvements - at cost	1,992	1,161
Less: Accumulated depreciation	(1,179)	(958)
	<u>813</u>	<u>203</u>
Motor vehicles - at cost	68	68
Less: Accumulated depreciation	(65)	(63)
	<u>3</u>	<u>5</u>
Computer equipment - at cost	1,632	1,448
Less: Accumulated depreciation	(1,383)	(1,272)
	<u>249</u>	<u>176</u>
Office equipment - at cost	225	157
Less: Accumulated depreciation	(149)	(126)
	<u>76</u>	<u>31</u>
	<u><u>1,141</u></u>	<u><u>415</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements \$'000	Motor vehicles \$'000	Computer equipment \$'000	Office equipment \$'000	Total \$'000
Balance at 1 July 2023	428	-	245	41	714
Additions	9	6	185	12	212
Exchange differences	(24)	-	-	(2)	(26)
Depreciation expense	(210)	(1)	(254)	(20)	(485)
Balance at 30 June 2024	203	5	176	31	415
Additions	767	-	173	66	1,006
Disposals	(6)	-	-	-	(6)
Exchange differences	21	-	4	2	27
Depreciation expense	(172)	(2)	(104)	(23)	(301)
Balance at 30 June 2025	<u><u>813</u></u>	<u><u>3</u></u>	<u><u>249</u></u>	<u><u>76</u></u>	<u><u>1,141</u></u>

Note 15. Right-of-use assets

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	11,654	11,260
Less: Accumulated depreciation	(6,065)	(3,833)
	<u>5,589</u>	<u>7,427</u>

Additions to the right-of-use assets during the year were \$469,000 and depreciation charged to profit or loss was \$2,615,000.

The Group leases a number of properties. The lease typically runs for a period of 3 to 5 years, with an option to renew the lease after that date. Lease payments are renegotiated every 5 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sublease arrangements.

The Group leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items and are expensed as incurred.

The Group has the option to renew the leases for a period of five years at the end of the lease agreements. The Group does not plan to exercise these extension options.

For AASB 16 Lease disclosures refer to:

- note 6 for depreciation on right-of-use assets and short term and low value lease payment;
- note 6 for interest on lease liabilities;
- note 20 for lease liabilities at year end and note 27 for the maturity analysis of lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	\$'000
Balance at 1 July 2023	6,669
Additions	2,954
Exchange differences	(49)
Depreciation expense	<u>(2,147)</u>
Balance at 30 June 2024	7,427
Additions	469
Exchange differences	308
Depreciation expense	<u>(2,615)</u>
Balance at 30 June 2025	<u><u>5,589</u></u>

Note 16. Intangibles

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Non-current assets</i>		
Website - at cost	379	379
Less: Accumulated amortisation	(213)	(188)
	<u>166</u>	<u>191</u>
Patents and trademarks - at cost	1,905	214
Less: Accumulated amortisation	(268)	(88)
	<u>1,637</u>	<u>126</u>
Software development - at cost	2,682	2,638
Less: Accumulated amortisation	(1,042)	(504)
	<u>1,640</u>	<u>2,134</u>
Intangible assets - WIP - at cost	<u>236</u>	<u>972</u>
Product development - at cost	2,409	1,850
Less: Accumulated amortisation	(1,067)	(570)
	<u>1,342</u>	<u>1,280</u>
	<u><u>5,021</u></u>	<u><u>4,703</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Website	Patents and	Software	Intangible	Product	Total
	\$'000	trademarks	development	assets - WIP	development	\$'000
		\$'000	\$'000	\$'000	\$'000	
Balance at 1 July 2023	216	126	1,688	923	295	3,248
Additions	-	45	485	1,812	-	2,342
Disposals	-	-	-	(14)	-	(14)
Transfers	-	-	369	(1,749)	1,380	-
Amortisation expense	(25)	(45)	(408)	-	(395)	(873)
Balance at 30 June 2024	191	126	2,134	972	1,280	4,703
Additions	-	1,692	-	428	-	2,120
Disposals	-	-	-	(144)	-	(144)
Impairment of assets	-	-	-	-	(108)	(108)
Transfers	-	-	44	(1,020)	976	-
Amortisation expense	(25)	(181)	(538)	-	(806)	(1,550)
Balance at 30 June 2025	<u>166</u>	<u>1,637</u>	<u>1,640</u>	<u>236</u>	<u>1,342</u>	<u>5,021</u>

Note 17. Trade and other payables

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	21,957	14,561
Accrued expenses	13,938	13,792
Other payables	5,808	3,251
	<u>41,703</u>	<u>31,604</u>

Refer to note 27 for further information on financial instruments.

Note 18. Contract liabilities

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current liabilities</i>		
Contract liabilities	18,967	15,295
<i>Reconciliation</i>		
Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:		
Opening payments received in advance	12,351	11,863
Opening returns provision	2,944	2,978
Transfer to revenue	(12,351)	(11,863)
Payments received in advance during period	14,995	12,351
Movement in provision during period	1,028	(34)
	<u>18,967</u>	<u>15,295</u>

Contract liabilities represent income received in advance for the goods purchased by customers, yet to be delivered and a provision for product returns.

Note 19. Borrowings

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current liabilities</i>		
Loans	-	4,295
Preference shares	13,550	13,550
	<u>13,550</u>	<u>17,845</u>
<i>Non-current liabilities</i>		
Loans	9,706	430
Convertible notes payable	-	24,215
	<u>9,706</u>	<u>24,645</u>
	<u>23,256</u>	<u>42,490</u>

Note 19. Borrowings (continued)

Refer to note 27 for further information on financial instruments.

Note 20. Lease liabilities

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liability	2,406	2,468
<i>Non-current liabilities</i>		
Lease liability	4,233	5,919
	<u>6,639</u>	<u>8,387</u>

Refer to note 27 for the maturity analysis of lease liabilities.

Total cash outflow for leases as disclosed in the cash flow statements is \$2,472,000 (2024: \$2,417,000).

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Undiscounted future lease payments</i>		
Undiscounted future lease payments are due as follows:		
Within one year	2,672	2,823
One to five years	4,338	6,400
	<u>7,010</u>	<u>9,223</u>

The Group has leases for office and retail premises and low value electronic equipment. The leases do not contain an option to renew. The lease expiration dates range up to four years from the end of the current financial year, with no residual payments required on expiration.

Note 21. Employee benefits

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	1,960	1,672
<i>Non-current liabilities</i>		
Long service leave	482	408
	<u>2,442</u>	<u>2,080</u>

Note 22. Provisions

	Consolidated	
	2025	2024
	\$'000	\$'000
<i>Current liabilities</i>		
Warranties	2,515	2,995
<i>Non-current liabilities</i>		
Lease make good	500	155
Warranties	3,557	1,137
	4,057	1,292
	6,572	4,287

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms. These leases range expire over a period ranging from 1 to 4 years from the end of the financial year.

Warranties

The Group offers a 10 year warranty on its mattress products and a 5 or 1 year warranty on other goods. The provision relates to goods sold that continue to have a valid warranty period. The provision has been estimated based on historical warranty data associated with similar products. A warranty claim can occur throughout the warranty period. The Group has estimated the expected timing and likelihood of claims based off historic data and current information.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Warranties	Lease make good
	\$'000	\$'000
Consolidated - 2025		
Carrying amount at the start of the year	4,132	155
Provisions used during the year	(2,952)	-
Provisions added during the year	4,928	345
Impact of discounting	(36)	-
Carrying amount at the end of the year	6,072	500

Note 23. Share capital

	Consolidated			
	2025	2024	2025	2024
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	63,328,869	63,206,382	32,453	32,295
Treasury shares	(10,750)	-	(35)	-
	63,318,119	63,206,382	32,418	32,295

Note 23. Share capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2023	47,498,550		315
Share issue on conversion of notes	26 June 2024	14,465,428	\$1.8900	27,411
Share issue on conversion of notes	26 June 2024	1,242,404	\$3.6800	4,569
Balance	30 June 2024	63,206,382		32,295
Share issue on conversion of notes	5 July 2024	55,947	\$0.0000	120
Share options exercised	5 July 2024	28,300	\$0.0000	-
Share options exercised	15 August 2024	3,030	\$0.0000	3
Share options exercised	13 February 2025	3,030	\$0.0000	-
Share options exercised	25 March 2025	9,500	\$0.0000	31
Share options exercised	1 April 2025	21,430	\$0.0000	-
Share options exercised	9 May 2025	1,250	\$0.0000	4
Balance	30 June 2025	63,328,869		32,453

Movements in treasury share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2023	-		-
Balance	30 June 2024	-		-
Share options exercised	25 March 2025	(9,500)	\$0.0000	(31)
Share options exercised	9 May 2025	(1,250)	\$0.0000	(4)
Balance	30 June 2025	(10,750)		(35)

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote, except where the shares arise from the exercise of ESOP. These shares have no voting rights in the Company.

The Company issued 66,540 (2024: nil) ordinary shares as a result of the exercise of vested share options arising from share option programmes.

During the year, the Company issued 55,947 (2024: 15,707,832) ordinary shares resulting from the conversion of convertible notes.

Share buy-back

There is no current on-market share buy-back.

Treasury shares reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 30 June 2025, the Group held 10,750 of the Company's shares (FY24: nil).

Note 23. Share capital (continued)

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year

Note 24. Other capital contributions

	Consolidated	
	2025	2024
	\$'000	\$'000
Other capital contributions	23,022	2

During the year, the Group issued 1,339,410 shares on the conversion of warrants and 7,410,897 shares on the conversion of convertible notes

Note 25. Reserves

	Consolidated	
	2025	2024
	\$'000	\$'000
Foreign currency reserve	279	2,142
Share-based payments reserve	10,853	5,495
	11,132	7,637

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 25. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$'000	Share-based payments \$'000	Total \$'000
Balance at 1 July 2023	197	4,586	4,783
Foreign currency translation	1,945	-	1,945
Share-based payments	-	909	909
Balance at 30 June 2024	2,142	5,495	7,637
Foreign currency translation	(1,863)	-	(1,863)
Share-based payments	-	5,358	5,358
Balance at 30 June 2025	279	10,853	11,132

Note 26. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 27. Financial risk management

Financial risk management objectives

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units.

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge against anticipated purchases in USD, primarily cost of goods sold, and its net cash flows in JPY over twelve month period. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed.

Market risk

Currency risk

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations, predominantly purchases denominated in USD.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows.

	2025 USD\$'000	2024 USD\$'000
Trade payables	17,158	9,836
Net statement of financial position exposure	17,158	9,836

Note 27. Financial risk management (continued)

The following significant exchange rates have been applied.

AUD	Average rate		Year-end spot rate	
	2025	2024	2025	2024
USD 1	1.54	1.52	1.55	1.52

Sensitivity analysis

A reasonably possible strengthening (weakening) of USD against AUD at 30 June 2025 would have affected equity or profit or loss by the amounts shown below. This assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

In AUD	Profit or loss		Equity, net of tax	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
2025				
USD (5% movement)	(159)	159	794	(794)
2024				
USD (5% movement)	(62)	62	492	(492)

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group is not exposed to any significant interest rate risk. All interest-bearing debt instruments are at fixed interest rates.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

The Group does not hold any collateral.

The Group does not expect any significant credit risk related to receivables, with the vast majority of transactions paid for at point of sale by payment partners and remitted to the Group within a short timeframe.

At the end of the current year, the Group had receivables of \$1,004,000 (2024: \$983,000), predominantly from B2B customers, with a provision for expected credit loss of \$137,000 (2024: \$nil) of these receivables, \$803,000 were current. \$31,000 were 3 months of their due date, \$29,000 were within 3 to 6 months of their due date and \$141,000 exceeding past this period.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financial Instruments

Convertible Notes

During the year, convertible notes with face value of \$19,887,509 were converted into ordinary share capital, other contributed equity or redeemed in cash.

Note 27. Financial risk management (continued)

Warrants

The terms of the 2018 warrant permit the holder (financier) to require the Group to settle the warrant for a variable number of ordinary shares. This warrant is also considered to be a derivative and is measured at FVTPL. Changes in the fair value of the warrant is recorded as finance cost in profit or loss.

The terms of the 2019, 2021 and 2022 warrants permit the holder (financier) to either redeem the warrant for a fixed amount of cash or to convert to a number of ordinary shares. The 2019, 2021 and 2022 warrants contain a put option that is available to the holder on the occurrence of a "put event" which is outside of the control of the Group. A "put event" includes any of the following events: an acquisition, an insolvency event or a public offering or listing of the Group's shares. The consideration received for the warrants does not equate to the value of cash that may have to be paid on redemption. The warrant is considered to be a financial liability which is in the nature of a derivative and measured at FVTPL. The value of the warrants will fluctuate with the price of the Group's ordinary shares.

Issued	Number of Warrants	Expiry	Put Option	Carrying amount (\$)	Comparative (\$)
Jul 2018	272,000	Jul 2025	No	745,182	731,805
Nov 2019	223,800	Nov 2026	Can be exercised on the occurrence of a Put Event	845,257	467,058
Jan 2022	215,700	Jan 2029	Can be exercised on the occurrence of a Put Event	886,192	291,452
Aug 2022	793,750	Aug 2029	Can be exercised on the occurrence of a Put Event	1,738,445	1,170,659
Oct 2022	849,450	Oct 2029	Can be exercised on the occurrence of a Put Event	1,788,341	1,252,808

Preference Shares

The Group has issued 11,498,300 preference shares. The shares are non-interest bearing and entitled to dividends on the same terms as ordinary shares. The holder may convert the shares to ordinary shares at any time. As the number of shares to issue may vary, the preference shares are classified as a financial liability and carried at amortised cost.

Forward exchange contracts

Koala engages with financial institutions for forward exchange contracts with the aim of hedging operational foreign exchange risk. These contracts move between a current asset and current liability from time to time.

Loan

The Group has obtained debt financing from financial institutions with a face value of \$10,000,000 outstanding as at 30 June 2025. This debt financing matures in July 2026, with no principal payments required until maturity. This debt is interest bearing with an interest rate of 9.1% among the tranches.

In addition to this debt financing, the Group has a drawdown facility of \$5,000,000 with an interest rate of 9.1%. No interest is incurred if no drawdown is made.

Assets pledged as security

The loans are secured by a fixed and floating charge over all the assets of the Group.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

Note 27. Financial risk management (continued)

	Consolidated	
	2025 \$'000	2024 \$'000
Total facilities		
Loans	10,000	4,725
Drawdown facility	5,000	-
	-	-
Used at the reporting date		
Loan	9,706	4,725
Drawdown facility	-	-
Unused at the reporting date		
Loan	-	-
Drawdown facility	5,000	-

Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

				2025 Face value \$'000	2025 Carrying amount \$'000	2024 Face value \$'000	2024 Carrying amount \$'000
	Currency	Nominal interest rate	Year of maturity				
Loans	AUD	9.10%	2026	10,000	9,706	-	-
Loans	AUD	8.75% - 10.25%	2025	-	-	4,857	4,725
Preference shares	AUD	N/A	N/A	13,550	13,550	13,550	13,550
Convertible notes	AUD	10%	2025	-	-	19,888	24,215
				<u>23,550</u>	<u>23,256</u>	<u>38,295</u>	<u>42,490</u>

Loan covenants

The bank loans are subject to certain financial covenants and these are assessed at the end of each month. The loans will be repayable immediately if the covenants are breached, should the lender choose so.

The financial covenants relate to a minimum cash balance and a twelve month rolling EBITDA threshold.

The consolidated entity is not aware of any facts or circumstances that indicate that it may have difficulty complying with the covenants within 12 months after the reporting period.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Note 27. Financial risk management (continued)

	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Consolidated - 2025						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	21,957	-	-	-	21,957
Accrued expenses	-	13,938	-	-	-	13,938
Other payables	-	5,808	-	-	-	5,808
Preference shares*	-	-	-	-	-	-
<i>Interest bearing</i>						
Loans	9.10%	-	10,000	-	-	10,000
Convertible notes payable	10.00%	-	-	-	-	-
Lease liability	-	2,510	1,934	2,195	-	6,639
Total non-derivatives		44,213	11,934	2,195	-	58,342
Derivatives						
Foreign exchange contracts						
-inflow	-	(1,283)	-	-	-	(1,283)
-outflow	-	1,941	-	-	-	1,941
Warrants*	-	-	845	4,413	-	5,258
Total derivatives		658	845	4,413	-	5,916
Consolidated - 2024						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade payables	-	14,561	-	-	-	14,561
Accrued expenses	-	13,792	-	-	-	13,792
Other payables	-	3,251	-	-	-	3,251
Preference shares*	-	-	-	-	-	-
<i>Interest bearing</i>						
Loans	9.52%	4,295	430	-	-	4,725
Convertible notes payable	10.00%	-	24,215	-	-	24,215
Lease liability	-	2,425	1,816	4,146	-	8,387
Total non-derivatives		38,324	26,461	4,146	-	68,931
Derivatives						
Foreign exchange contracts						
-inflow	-	(1,837)	-	-	-	(1,837)
-outflow	-	1,230	-	-	-	1,230
Warrants*	-	3,389	-	759	2,423	6,571
Convertible notes payable	-	-	1,488	-	-	1,488
Total derivatives		2,782	1,488	759	2,423	7,452

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

* Preference shares, included in the above table, are only exercisable to ordinary share capital by the holder and are not expected to have a cash flow impact. Warrants with a maturity date within the next 12 months (2024: Between 1 and 2 years) that have a fair value of \$745,000 (2024: \$732,000) are only convertible to share capital in the Group and have no cash flow impact.

Note 28. Fair value measurement

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value with the exception of preference shares which have been valued at amortised cost.

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Consolidated - 2025				
Assets				
Forward foreign exchange contracts	-	1,283	-	1,283
Total assets	-	1,283	-	1,283
Liabilities				
Forward foreign exchange contracts	-	1,941	-	1,941
Warrants	-	-	6,003	6,003
Total liabilities	-	1,941	6,003	7,944
Consolidated - 2024				
Assets				
Forward foreign exchange contracts	-	1,837	-	1,837
Total assets	-	1,837	-	1,837
Liabilities				
Forward foreign exchange contracts	-	1,230	-	1,230
Convertible notes	-	-	1,488	1,488
Warrants	-	-	7,302	7,302
Total liabilities	-	1,230	8,790	10,020

i) Level 2 Instruments

Forward foreign exchange contracts

The Group uses forward foreign exchange contracts (FEC's) and foreign exchange options to hedge the Group's exposure to foreign currency risk. Management has deemed these contracts to be level 2 financial instruments. The FECs have been fair valued with reference to quoted market rates for interest rates and exchange rates, as well as historical price behaviour. The methodology used to value the FECs is based on the income approach. In relation to options, the Black Scholes Option Pricing Framework has also been used.

ii) Level 3 Instruments

Convertible notes

The Group has issued a number of convertible notes for the purpose of funding operational activities. Management has determined the convertible notes to contain an embedded derivative which allows for conversion of the convertible notes into shares in Koala. Subsequently, management has deemed the convertible notes as Level 3 financial instruments on the basis that the underlying value of the conversion options are unobservable.

The methodology used to value the convertible notes' embedded derivative is based on a Monte Carlo simulation with consideration for the potential payoff upon conversion of the convertible notes.

Note 28. Fair value measurement (continued)

Warrants

The Group has issued warrants for the purpose of funding operational activities. The warrants allow holders to either exchange the warrants for ordinary share capital in the Company or exchange the warrants for cash. The cash exchange option is only available on the occurrence of an acquisition, an insolvency event or a public offering or listing of the Company's shares. Management have determined the warrants are classified as derivative liabilities. Subsequently, management have deemed the warrants as Level 3 financial instruments on the basis that the underlying value of the payoffs are unobservable.

The methodology used to value the warrants is based on a Monte Carlo simulation with consideration for the potential payoff upon exercise or exchange of the warrants.

There were no transfers between levels during the financial year.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates, observable data and unobservable data. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Convertible notes \$'000	Warrants \$'000	Total \$'000
Balance at 1 July 2023	18,842	10,233	29,075
Gains recognised in profit or loss	(7,374)	(2,931)	(10,305)
Disposals	(2,435)	-	(2,435)
Conversion to equity	(7,544)	-	(7,544)
Balance at 30 June 2024	1,489	7,302	8,791
Losses recognised in profit or loss	297	2,304	2,601
Disposals	(740)	-	(740)
Conversion to equity	(1,046)	(3,603)	(4,649)
Balance at 30 June 2025	-	6,003	6,003

Financial assets/ financial liabilities	Valuation technique and key input	Significant unobservable input	Relationship and sensitivity of unobservable inputs to fair value
Warrants	Management has adopted a Monte-Carlo simulation comparing the payoffs of the put and call options within the Warrants to determine the expected payoff and fair value of the Warrants. Key inputs include the Share Price of Koala (which has no observable market price at the time of valuation), and the expected volatility of Koala's equity value.	1) Price of Koala shares 2) Expected Volatility of Koala shares	1) If the value of Koala shares 25% per cent higher/lower while all other variables were held constant, the fair value amount would increase/decrease by \$381,038 / (\$235,030) 2) If the expected volatility of Koala shares 10% per cent higher/lower while all other variables were held constant, the fair value amount would increase/decrease by \$100,728 / (\$72,227)

Note 29. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2025	2024
	\$	\$
Short-term employee benefits	2,031,747	1,025,798
Post-employment benefits	65,975	45,568
Termination benefits	450,000	-
Long-term benefits	(60,561)	-
Share-based payments	2,612,483	-
	<u>5,099,644</u>	<u>1,071,366</u>

Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by KPMG, the auditor of the Company:

	Consolidated	
	2025	2024
	\$	\$
<i>Audit services - KPMG</i>		
Audit or review of the financial statements	<u>317,033</u>	<u>158,441</u>
<i>Other services - KPMG</i>		
Tax advisory services	132,426	76,102
Other advisory services	<u>1,137,020</u>	<u>47,610</u>
	<u>1,269,446</u>	<u>123,712</u>
	<u>1,586,479</u>	<u>282,153</u>

Note 31. Contingent liabilities

The Group has deposits for financial institutions for a value of \$150,000 as at 30 June 2025 (2024: \$850,000). The Group holds bank guarantees over a property lease for a value of \$533,508 as at 30 June 2025 (2024: \$408,000).

Note 32. Commitments

The Group had no capital commitments as at 30 June 2025 and 30 June 2024.

Note 33. Related party transactions

Parent entity

The Koala Company Limited (formerly known as K Sleep Holdings Pty Ltd) is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 29.

Transactions with related parties

There were no transactions with related parties during the current and previous financial year.

Note 33. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2025	2024
	\$	\$
Current receivables:		
Loan to shareholders (note 10)	-	541,522

Terms and conditions

Loans with a maturity date of 30 December 2024 were settled in cash during the financial year ended 30 June 2025. These loans were secured against shares held in the Group by the relevant shareholders.

Note 34. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2025	2024
	\$'000	\$'000
Loss after income tax	(8,040)	(1,754)
Total comprehensive loss	(8,040)	(1,754)

Statement of financial position

	Parent	
	2025	2024
	\$'000	\$'000
Total current assets	45,370	46,233
Total assets	49,772	50,635
Total current liabilities	20,222	25,153
Total liabilities	29,927	51,287
Net assets/(liabilities)	19,845	(652)
Equity		
Share capital	32,453	32,295
Other capital contributions	23,023	2
Share-based payments reserve	10,853	5,495
Accumulated losses	(46,484)	(38,444)
Total equity/(deficiency)	19,845	(652)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2025 and 30 June 2024.

Note 34. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2025 and 30 June 2024.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2025 and 30 June 2024.

Material accounting policy information

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2025 %	2024 %
Koala AU Operations Pty Ltd (Formerly known as Koala Sleep Pty Ltd)	Australia	100%	100%
Shanghai Koala Sleep Co., Ltd.	China	100%	100%
Koala Sleep Japan KK	Japan	100%	100%
Koala Inc.	USA	100%	100%
Koala Home SK Co. Ltd	South Korea	100%	100%
Koala UK Operations Ltd (Formerly known as Koala Furniture Ltd)	United Kingdom	100%	-
K Sleep Holdings Pty Limited Employee Share Trust*	Australia	-	-

- * The Group has consolidated the K Sleep Holdings Pty Limited Employee Share Trust as it is controlled by the Group, notwithstanding that it is not an entity in which the Group holds an equity interest.

To facilitate the operation of the Employee Share Options Plan, a third-party trustee is used to administer the trust which holds shares in the Company in order to satisfy the Group's future obligations under the Employee Share Options Plan. The trust is controlled by the Group and therefore its financial statements are included in the consolidated financial statements. Any shares in the Group held by the trust are presented as treasury shares. The Group incurs expenses on behalf of the trust. The expenses are in relation to the administration costs of the trust and are recorded in the statement of profit or loss as incurred.

Note 36. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

The Koala Company Limited (formerly known as K Sleep Holdings Pty Ltd)
Koala AU Operations Pty Ltd (formerly known as Koala Sleep Pty Ltd)

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under *Corporations Instrument 2016/785* issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by The Koala Company Limited, they also represent the 'Extended Closed Group'.

Note 36. Deed of cross guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2025 \$'000	2024 \$'000
Statement of profit or loss and other comprehensive income		
Revenue	191,910	151,233
Other income	380	455
Other expenses	(192,561)	(145,730)
Operating (loss)/profit	(271)	5,958
Finance income	491	857
Finance costs	(5,980)	(2,152)
(Loss)/profit before income tax expense	(5,760)	4,663
Income tax expense	-	-
(Loss)/profit after income tax expense	(5,760)	4,663
Other comprehensive income for the year, net of tax	-	-
Total comprehensive (loss)/income for the year	(5,760)	4,663
Equity - accumulated losses	2025 \$'000	2024 \$'000
Accumulated losses at the beginning of the financial year	(76,131)	(80,794)
(Loss)/profit after income tax expense	(5,760)	4,663
Accumulated losses at the end of the financial year	(81,891)	(76,131)

Note 36. Deed of cross guarantee (continued)

	2025	2024 (Restated)
	\$'000	\$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	30,552	14,040
Trade and other receivables	15,532	17,936
Inventories	13,525	18,131
Derivative financial instruments	-	607
Other	2,559	1,946
	<u>62,168</u>	<u>52,660</u>
Non-current assets		
Property, plant and equipment	3,959	5,006
Intangibles	5,022	4,705
Other	102	102
	<u>9,083</u>	<u>9,813</u>
Total assets	<u>71,251</u>	<u>62,473</u>
Current liabilities		
Trade and other payables	33,056	27,886
Contract liabilities	12,665	10,769
Borrowings	13,550	17,845
Lease liabilities	1,793	1,637
Derivative financial instruments	6,661	7,302
Employee benefits	1,380	1,332
Provisions	4,244	2,409
	<u>73,349</u>	<u>69,180</u>
Non-current liabilities		
Borrowings	9,706	24,645
Lease liabilities	2,777	4,015
Derivative financial instruments	-	1,488
Employee benefits	482	408
Provisions	500	1,076
	<u>13,465</u>	<u>31,632</u>
Total liabilities	<u>86,814</u>	<u>100,812</u>
Net liabilities	<u>(15,563)</u>	<u>(38,339)</u>
Equity		
Share capital	32,453	32,295
Other capital contributions	23,022	2
Reserves	10,853	5,495
Accumulated losses	(81,891)	(76,131)
Total deficiency in equity	<u>(15,563)</u>	<u>(38,339)</u>

Note 37. Share-based payments

At 30 June 2025 the Group had the following share-based payment arrangements:

Note 37. Share-based payments (continued)

Share option programmes (equity-settled)

The Group has in place several equity-based, long-term incentive plans (Legacy LTI Plans) under which eligible participants have been granted Options and Performance Rights that are subject to time-based vesting and continued service conditions. The Legacy LTI Plans were established by the Group with the purpose of aligning the interests of eligible participants more closely with the interests of shareholders by providing an opportunity for eligible participants to receive an equity interest in the Group. All options are to be settled by physical delivery of physical shares and are therefore accounted for as equity settled share based payments.

Although the Group has a number of legacy plans in place, their terms are materially similar. The key terms of the Group's two main legacy LTI Plans are set out below.

Term	2019 Plan	2023 Plan
Eligibility	Employees, directors, contractors, and consultants selected by the Board	Full-time, part-time, casual employees, non-executive directors, contractors, consultants, and service providers to any Group Company
Vesting	Board discretion, default vesting is service only over 4 years (25% after 1 year, then monthly over 3 years)	Board discretion, default vesting over 4 years, in addition to 50% annual revenue and 50% annual EBITDA hurdles.
Types of securities	Options	Options or Performance Rights or RSUs
Issue Price	Nil	Nil
Exercise Price	Determined by the Board	Determined by the Board
Exercise	No conditions	No conditions
Cessation of employment	The Options will expire either one or 6 months (subject to the offer letter) from the date the Optionholder becomes a leaver unless the Board exercises its absolute discretion to extend. The Board holds a discretion to lapse unvested Options, cancel for consideration or direct the Optionholder to sell. If the Optionholder is a good leaver, the compensation for cancelled awards will be the fair market value as at the date they became a leaver. If the Optionholder is a bad leaver, no consideration is payable.	Unless the offer documents provide otherwise, if a participant becomes a good leaver, they will retain their outstanding vested awards, and all of their unvested awards will be forfeited on the date determined by the Board, unless the Board determines that they may retain some or all unvested awards. Unless the offer documents provide otherwise, if a participant becomes a bad leaver, all of their awards (whether vested or unvested) will be forfeited on the date determined by the Board, unless the Board determines that they may retain some or all of those awards.
Clawback and avoiding inappropriate benefits	Bad Leaver provisions provide Board discretion on the treatment of Options where employment terminated for fraud or criminal conduct.	Individual offer documents provide more specific information on how the entitlements will be treated if the participant ceases employment. Detailed provisions for clawback and malus, including actions for fraud, dishonesty, material breach, financial misstatement, and other adverse events
Change of control	Board discretion on treatment of options during Exit Event	Detailed provisions for Change of Control Event, including potential cancellation, transfer, or sale of Awards and Resulting Shares
Reconstructions, corporate actions, rights issues, bonus issues etc	Terms varied to neither advantage nor disadvantage Optionholders	Board may make adjustments to awards to minimise or eliminate material advantage or disadvantage due to

Note 37. Share-based payments (continued)

Term	2019 Plan	2023 Plan
Restrictions on dealings	Restrictions until Exit Event, Board consent required for Disposal	corporate actions or capital reconstruction Restrictions as per Plan Documentation, compliance with Shareholders' Agreement, and specific procedures to ensure compliance
Expiry	Options lapse 15 years from the date of grant or earlier as specified	Awards lapse on the specified Expiry Date or 10 years from the Grant Date; restricted stock units do not have an Expiry Date

Set out below are summaries of options granted under the plan:

	Number of options 2025	Weighted average exercise price 2025	Number of options 2024	Weighted average exercise price 2024
Outstanding at the beginning of the financial year	4,518,196	\$1.8900	2,166,756	\$3.7600
Granted	5,154,895	\$2.1300	3,189,889	\$1.5600
Forfeited	(438,293)	\$0.8800	(838,449)	\$5.4800
Exercised	(66,540)	\$0.0000	-	\$0.0000
Outstanding at the end of the financial year	<u>9,168,258</u>	\$2.0800	<u>4,518,196</u>	\$1.8900
Exercisable at the end of the financial year	<u>3,480,384</u>	\$2.3800	<u>1,318,178</u>	\$2.2600

The weighted average remaining contractual life of options outstanding at the end of the financial year was 8 years (2024: 8 years).

The below table outlines the options granted in the year to 30 June 2025 across both option plans.

The options granted have, in some instances, been granted with vesting conditions outside the default conditions, as outlined below:

Note 37. Share-based payments (continued)

Date granted	No of options	Vesting conditions	Contractual life of options
29/07/2024	43,070	Nil	10 years
05/08/2024	35,824	Nil	10 years
17/09/2024	600,000	Annual Group financial targets for revenue and EBITDA, in addition to service conditions	10 years
31/10/2024	1,299,400	Nil	10 years
04/02/2025	24,353	Nil	10 years
26/02/2025	425,000	A liquidity event occurring on or before 1 January 2026	10 years
26/02/2025	385,000	A liquidity event occurring on or before 1 January 2026	10 years
26/03/2025	1,500,000	Options vest across 4 even tranches on 1 July 2025, 1 July 2026, 1 July 2027 and 1 July 2028.	10 years
01/04/2025	2,043	Nil	10 years
13/05/2025	801,000	Annual market financial targets for revenue and EBITDA, in addition to service conditions.	10 years
05/06/2025	39,205	Nil	10 years

The fair value of services received in return for share options granted is based on the fair value of the share options granted, using the Black-Scholes method.

Measurement of fair values

The fair value of the employee share options has been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

	Consolidated 2025	2024
Share-based payments expense	5,358	909

Measurement at grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based plans.

	KMP (2023 Plan) Grant 1	Senior Employees (2023 Plan) Grant 2	KMP (2023 Plan) Grant 3	KMP & Senior Employees (2023 Plan) Grant 4
Fair value at grant date (\$)	\$0.38	\$0.94	\$0.54	\$2.69
Share price at grant date (\$)	\$2.69	\$2.69	\$2.69	\$2.69
Exercise price (\$)	\$2.59	\$2.59	\$2.59	\$0.00
Expected volatility (%)	45%	50%	50%	50%
Option life	10 years	10 years	10 years	10 years
Expected dividends (\$)	\$0.00	\$0.00	\$0.00	\$0.00
Risk-free interest rate (based on government bonds) (%)	4.15%	4.11%	4.15%	4.15%

Note 37. Share-based payments (continued)

	KMP and Senior Employees (2023 Plan) Grant 5	KMP (2023 Plan) Grant 6	Senior Employees (2023 Plan) Grant 7	Senior Employees (2023 Plan) Grant 8
Fair value at grant date (\$)	\$2.69	\$0.47	\$2.69	\$2.69
Share price at grant date (\$)	\$2.69	\$2.69	\$2.69	\$2.69
Exercise price (\$)	\$0.00	\$3.30	\$0.00	\$0.00
Expected volatility (%)	45%	45%	45%	45%
Option life	10 years	10 years	10 years	10 years
Expected dividends (\$)	\$0.00	\$0.00	\$0.00	\$0.00
Risk-free interest rate (based on government bonds) (%)	4.15%	4.12%	4.14%	4.08%

Expected volatility is estimated taking into account historical average share price volatility.

Note 38. Cash flow information

Reconciliation of loss after income tax to net cash from operating activities

	Consolidated	
	2025	2024
	\$'000	\$'000
Loss after income tax expense for the year	(4,600)	(1,387)
Adjustments for:		
Depreciation and amortisation	4,466	3,505
Impairment of non-current assets	108	-
Net fair value loss on financial assets	2,748	15
Share-based payments	5,358	909
Foreign exchange differences	(608)	1,097
Non-cash finance costs and income	3,573	1,166
Change in operating assets and liabilities:		
Decrease in trade and other receivables	115	71
Decrease/(increase) in inventories	90	(11,173)
(Increase)/decrease in prepayments	(75)	424
Increase in other operating assets	(1,201)	(459)
Increase in trade and other payables	10,098	11,278
Increase in contract liabilities	3,672	454
Increase in provision for income tax	1,974	-
Increase in employee benefits	362	383
Increase in other provisions	2,285	1,733
Net cash from operating activities	<u>28,365</u>	<u>8,016</u>

Note 38. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated	
	2025	2024
	\$'000	\$'000
Additions to the right-of-use assets	469	2,954
Shares issued on conversion of loan	-	-
	<u>469</u>	<u>2,954</u>

Note 39. Events after the reporting period

Subsequent to the end of the financial year, 272,000 warrants were converted to ordinary share capital in the Company.

No other matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest	Tax residency
			%	
The Koala Company Limited (Formerly known as K Sleep Holdings Pty Ltd)	Body Corporate	Australia	-	Australia
Koala AU Operations Pty Ltd (Formerly known as Koala Sleep Pty Ltd)	Body Corporate	Australia	100%	Australia
Shanghai Koala Sleep Co., Ltd.	Body Corporate	China	100%	Australia & China
Koala Sleep Japan KK	Body Corporate	Japan	100%	Australia & Japan
Koala Inc.	Body Corporate	USA	100%	Australia & USA
Koala Home SK Co. Ltd	Body Corporate	South Korea	100%	Australia & South Korea
Koala UK Operations Ltd	Body Corporate	United Kingdom	100%	Australia & United Kingdom

Basis of preparation

Key assumptions and judgements

Determination of Tax Residency

Section 295 (3A) of the Corporations Act 2001 requires that the tax residency of each entity which is included in the Consolidated Entity Disclosure Statement (CEDS) be disclosed.

For the purposes of this section, an entity is an Australian resident at the end of the financial year if the entity is:

- (a) an Australian resident (within the meaning of the Income Tax Assessment Act 1997) at that time; or
- (b) a partnership, with at least one partner being an Australian resident (within the meaning of the Income Tax Assessment Act 1997) at that time; or
- (c) a resident trust estate (within the meaning of Division 6 of Part III of the Income Tax Assessment Act 1936) in relation to the year of income (within the meaning of that Act) that corresponds to the financial year.

The determination of tax residency involves judgement as the determination of tax residency is highly fact dependent and there are currently several different interpretations that could be adopted, and which could give rise to a different conclusion on residency.

In determining tax residency, the Group has applied the following interpretations:

Australian tax residency

The Group has applied current legislation and judicial precedent, including having regard to the Commissioner of Taxation's public guidance in Tax Ruling TR 2018/5.

Foreign tax residency

The Group has applied current legislation and where available judicial precedent in the determination of foreign tax residency. Where necessary, the Group has used independent tax advisers in foreign jurisdictions to assist in its determination of tax residency to ensure applicable foreign tax legislation has been complied with.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Group and the Company will be able to pay its debts as and when they become due and payable;
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36 to the financial statements.
- the information disclosed in the consolidated entity disclosure statement is true and correct.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Daniel Milham
Director

3 October 2025
Sydney



Independent Auditor's Report

To the shareholders of The Koala Company Limited

Opinion

We have audited the **Financial Report** of The Koala Company Limited (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the Group's financial position as at 30 June 2025 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2025;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2025;
- Notes, including material accounting policies;
- Directors' Declaration.

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

Basis for opinion

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

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

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

Other Information

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

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

https://www.auasb.gov.au/media/apzlw0y/ar3_2024.pdf. This description forms part of our Auditor's Report.

KPMG

Michelle Jobson
Partner
Sydney
3 October 2025