koala

# The Koala Company Limited and its controlled entities

**(Formerly known as K Sleep Holdings Pty Ltd)**

ABN 48 619 538 671

## Interim Report - 31 December 2024

**Contents**

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 half-year ended 31 December 2024.

## Directors

The following persons were directors of The Koala Company Limited during the whole of the financial half-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 |

## 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 half-year.

## Review of operations

The Operating Profit for the Group was $3,642,000 in HY25 (HY24: $952,000) assisted by an improved Gross margin of 62% (HY24: 61%).

The Group grew revenues by 51.7% to $133,295,000 during HY25, continuing our strategic focus on profitable growth without sacrificing strong margins.

The Group’s focused range of innovative, high quality products delivered a strong and growing average selling price and improved margins during the period.

The Group has continued to expand operations in the USA during the six months to 31 Dec 2024 as well as the planned cessation of operations in South Korea. There has otherwise been no material change in the nature of the Group's operations in current period.

The Group remains committed to a range of environmental causes, work with charity partners to donate returned products to those doing it tough and continues to employee circular design principles with an aim to reduce landfill waste.

## Significant changes in the state of affairs

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

## Matters subsequent to the end of the financial half-year

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

Subsequent to the end of the financial half-year, trade and tariff developments between USA and China have impacted the Group's landed cost of goods into the US market. The Group is monitoring impacts and has taken steps to adjust retail pricing and reduce sourcing costs.

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 changed name to The Koala Company Limited.

No other matter or circumstance has arisen since 31 December 2024 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.

### 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 by the Audit Committee is set out immediately after this directors' report.

On behalf of the directors

Daniel William Milham
Director

12 May 2025
Sydney

## Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2024

| | Note | Consolidated 31 Dec 2024 $'000 | Consolidated 31 Dec 2023 $'000 |
|---|---|---|---|
| **Revenue** | 4 | 133,295 | 87,850 |
| Other income | | 265 | 211 |
| **Expenses** | | | |
| Raw materials and consumables used | | (51,067) | (34,455) |
| Employee benefits expense | 5 | (20,412) | (14,695) |
| Depreciation and amortisation expense | | (2,093) | (1,687) |
| Advertising and marketing expense | | (25,205) | (17,907) |
| Merchant fees | | (4,890) | (2,950) |
| Transportation expense | | (11,534) | (8,536) |
| Other expenses | 5 | (14,717) | (8,783) |
| **Operating profit/(loss)** | | 3,642 | (952) |
| Finance income | | 454 | 16,555 |
| Finance costs | 5 | (6,380) | (10,584) |
| **(Loss)/profit before income tax expense** | | (2,284) | 5,019 |
| Income tax expense | 6 | - | - |
| **(Loss)/profit after income tax expense for the half-year** | | (2,284) | 5,019 |
| **Other comprehensive (loss)/income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Foreign currency translation | 13 | (1,059) | 162 |
| Other comprehensive (loss)/income for the half-year, net of tax | | (1,059) | 162 |
| **Total comprehensive (loss)/income for the half-year** | | (3,343) | 5,181 |
| | | Cents | Cents |
| Basic earnings per share | 7 | (3.57) | 10.57 |
| Diluted earnings per share | 7 | (3.57) | 7.86 |

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

## Consolidated statement of financial position
## As at 31 December 2024

| | Note | Consolidated 31 Dec 2024 $'000 | Consolidated 30 Jun 2024 (Restated) $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 45,438 | 24,124 |
| Trade and other receivables | | 631 | 1,525 |
| Inventories | | 26,294 | 25,615 |
| Derivative financial instruments | | 428 | 607 |
| Other | | 3,107 | 2,981 |
| Total current assets | | 75,898 | 54,852 |
| **Non-current assets** | | | |
| Property, plant and equipment | | 353 | 415 |
| Right-of-use assets | | 6,174 | 7,427 |
| Intangibles | 8 | 6,000 | 4,703 |
| Total non-current assets | | 12,527 | 12,545 |
| **Total assets** | | 88,425 | 67,397 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 46,525 | 31,604 |
| Contract liabilities | 9 | 20,345 | 15,295 |
| Borrowings* | 15 | 41,252 | 17,845 |
| Lease liabilities | | 2,174 | 2,468 |
| Derivative financial instruments | | 9,199 | 7,302 |
| Employee benefits | | 1,741 | 1,672 |
| Provisions | 10 | 3,256 | 2,995 |
| Total current liabilities | | 124,492 | 79,181 |
| **Non-current liabilities** | | | |
| Borrowings* | | - | 24,645 |
| Lease liabilities | | 4,993 | 5,919 |
| Derivative financial instruments | | - | 1,488 |
| Employee benefits | | 395 | 408 |
| Provisions | 10 | 2,021 | 1,292 |
| Total non-current liabilities | | 7,409 | 33,752 |
| **Total liabilities** | | 131,901 | 112,933 |
| **Net liabilities** | | (43,476) | (45,536) |
| **Equity** | | | |
| Share capital | 11 | 32,418 | 32,295 |
| Other capital contributions | 12 | 3,605 | 2 |
| Reserves | 13 | 8,255 | 7,637 |
| Accumulated losses | | (87,754) | (85,470) |
| **Total deficiency in equity** | | (43,476) | (45,536) |

**Preference shares, included in the borrowings balance at 30 June 2024, have been reclassified from non-current to current, refer to note 2 for further details.*

| Consolidated | Share capital $'000 | Other capital contributions $'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) |
| Profit after income tax expense for the half-year | - | - | - | - | 5,019 | 5,019 |
| Other comprehensive income for the half-year, net of tax | - | - | 162 | - | - | 162 |
| Total comprehensive income for the half-year | - | - | 162 | - | 5,019 | 5,181 |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Share-based payments (note 18) | - | - | - | 909 | - | 909 |
| Balance at 31 December 2023 | 315 | 2 | 359 | 5,495 | (79,064) | (72,893) |

| Consolidated | Share capital $'000 | Other capital contributions $'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 half-year | - | - | - | - | (2,284) | (2,284) |
| Other comprehensive loss for the half-year, net of tax | - | - | (1,059) | - | - | (1,059) |
| Total comprehensive loss for the half-year | - | - | (1,059) | - | (2,284) | (3,343) |
| *Transactions with owners in their capacity as owners:* | | | | | | |
| Share-based payments (note 18) | - | - | - | 1,677 | - | 1,677 |
| Issue of ordinary shares upon exercise of options | 3 | - | - | - | - | 3 |
| Issue of ordinary shares upon exercise of convertible notes | 120 | - | - | - | - | 120 |
| Share issue on conversion of warrants | - | 3,603 | - | - | - | 3,603 |
| Balance at 31 December 2024 | 32,418 | 3,605 | 1,083 | 7,172 | (87,754) | (43,476) |

## Consolidated statement of cash flows
**For the half-year ended 31 December 2024**

| | Note | Consolidated 31 Dec 2024 $'000 | Consolidated 31 Dec 2023 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 140,332 | 101,270 |
| Payments to suppliers and employees (inclusive of GST) | | (113,904) | (94,189) |
| | | 26,428 | 7,081 |
| Interest received | | 246 | 424 |
| Interest and other finance costs paid | | (337) | (572) |
| Net cash from operating activities | | 26,337 | 6,933 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (72) | (87) |
| Payments for intangibles | 8 | (1,155) | (1,411) |
| Net cash used in investing activities | | (1,227) | (1,498) |
| **Cash flows from financing activities** | | | |
| Repayment of loans | | (2,935) | (3,726) |
| Repayment of lease liabilities | | (1,633) | (1,182) |
| Net cash used in financing activities | | (4,568) | (4,908) |
| Net increase in cash and cash equivalents | | 20,542 | 527 |
| Cash and cash equivalents at the beginning of the financial half-year | | 24,124 | 37,250 |
| Effects of exchange rate changes on cash and cash equivalents | | 772 | (16) |
| Cash and cash equivalents at the end of the financial half-year | | 45,438 | 37,761 |

*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 half-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 a 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 12 May 2025.

## Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2024 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting', as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2024 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### Basis of preparation
The consolidated financial statements have been prepared to assist the Directors for the purpose of their due diligence in relation to an Initial Public Offering.

### 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. Except for the amended AASB 1 First-time Adoption of Australian Accounting Standards and AASB 101 Presentation of Financial Statements, impact of which is denoted below, the adoption of all other Accounting Standards and Interpretations did not have any other impact on the financial performance or position of the Group during the financial half-year ended 31 December 2024 and are not expected to have a significant impact for the full financial year ending 30 June 2025.

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

*AASB 1 First-time Adoption of Australian Accounting Standards*
The Group has adopted AASB 1 during the current year as the Group transitioned from Tier 2 to Tier 1 in accordance with the requirements of AASB 1053. AASB 1 First time Adoption of Australian Accounting Standards has been applied in preparing these financial statements, with a transition date of 1 July 2024. Financial statements of the Group until 30 June 2024 had been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards, and the disclosure requirements of AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for Profit Tier 2 Entities complying with Corporations Act 2001. The Group’s adoption of AASB 1 did not have any impact on the financial position, financial performance and cash flows of the Group. As there was no change in recognition or measurement of balances due to the adoption of AASB 1, these financial statements do not include any AASB 1 first-time adoption reconciling items or an opening balance sheet.

## Note 2. Material accounting policy information (continued)

*Amended AASB 101 Presentation of Financial Statements*

During the period, the Group applied AASB 101 Presentation of Financial Statements resulting in preference shares with a carrying amount of $13,549,913 being restated from non-current to current as at 30 June 2024 as the Group does not hold the right to defer settlement. The holder of these shares can only elect to convert the shares to ordinary share capital of the Group.

### 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.

The Group had operating profit of $3,642,000 (31 December 2023: loss of $952,000), its total liabilities exceeded total assets by $43,476,000 (30 June 2024: $45,536,000) and had a net current asset deficit of $48,594,000 (30 June 2024: $24,329,000); the Group also generated positive operating cash flows of $26,337,000 (31 December 2023: $6,933,000) and a loss after tax of $2,284,000 (31 December 2023: profit of $5,019,000).

The restatement described above has resulted in changes to the net current asset deficit and net assets in the comparative as at 30 June 2024.

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.

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.

This cashflow forecast for the Group has been prepared including a combination of the following assumptions:

- Continued revenue growth across each region through increased brand awareness and product offerings, in particular in our US market which continues to show promising growth.
- Subsequent to the end of the financial half-year, trade and tariff developments between USA and China have impacted the Group's landed cost of goods into the US market. The Group has taken steps to adjust retail pricing and reduce sourcing costs in order to mitigate impacts.
- Low increase to key product costs, including production and freight costs that can be absorbed.
- Convertible notes with a subscription value of $19,800,000 (carrying amount of $25,871,000), have a maturity date in July 2025. There is no cash flow arising from the maturity of convertible notes unless the Group elects to redeem any convertible notes. In January 2025, convertible notes with a subscription value of $2,300,000 (carrying amount $3,042,000) were converted into ordinary share capital. The Group may choose to convert the residual convertible notes into share capital, to redeem notes using funds raised through capital raising or agree with the noteholders to a further extension in the maturity date. The noteholders cannot unilaterally elect to redeem their convertible notes.
- The Group has derivative liabilities in respect of warrants issued. The terms of these warrants are expected to lead to no cashflow impacts within the next 12 months. These warrants have a carrying amount of $6,003,000.
- The Group has loan debt of $1,846,000 with a lender with monthly repayments of principal and interest ending in June 2025. The Group expects to be able to make these repayments without complication.
- The Group is exposed to foreign exchange risk in USD and maintains a hedging policy to minimise this risk. Whilst the Group is exposed to risk of changes in this currency, it is not expected to have a material impact on this forecast.

Therefore, 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 3. Operating segments

*Identification of reportable operating segments*

The Group is organised into 3 operating segments: Australia, Asia, and USA. These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer (who are identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

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

*Operating segment information*

| Consolidated - 31 Dec 2024 | Australia $'000 | Asia $'000 | USA $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 77,949 | 33,909 | 21,437 | 133,295 |
| **Total revenue** | 77,949 | 33,909 | 21,437 | 133,295 |
| | | | | |
| Management EBITDA | 4,327 | 640 | 768 | 5,735 |
| Depreciation and amortisation | | | | (2,093) |
| Interest revenue | | | | 454 |
| Finance costs | | | | (6,380) |
| **Loss before income tax expense** | | | | (2,284) |
| Income tax expense | | | | - |
| **Loss after income tax expense** | | | | (2,284) |
| | | | | |
| **Assets** | | | | |
| Segment assets | 60,574 | 16,372 | 11,479 | 88,425 |
| **Total assets** | | | | 88,425 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 114,680 | 10,312 | 6,909 | 131,901 |
| **Total liabilities** | | | | 131,901 |

## Note 3. Operating segments (continued)

| Consolidated - 31 Dec 2023 | Australia $'000 | Asia $'000 | USA $'000 | Total $'000 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Sales to external customers | 57,207 | 30,263 | 380 | 87,850 |
| **Total revenue** | 57,207 | 30,263 | 380 | 87,850 |
| | | | | |
| Management EBITDA | 2,977 | (1,822) | (421) | 734 |
| Depreciation and amortisation | | | | (1,687) |
| Interest revenue | | | | 16,555 |
| Finance costs | | | | (10,583) |
| **Profit before income tax expense** | | | | 5,019 |
| Income tax expense | | | | - |
| **Profit after income tax expense** | | | | 5,019 |
| | | | | |
| **Consolidated - 30 Jun 2024** | | | | |
| | | | | |
| **Assets** | | | | |
| Segment assets | 45,238 | 16,577 | 5,582 | 67,397 |
| **Total assets** | | | | 67,397 |
| | | | | |
| **Liabilities** | | | | |
| Segment liabilities | 100,813 | 9,568 | 2,552 | 112,933 |
| **Total liabilities** | | | | 112,933 |

### 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 Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance

## Note 4. Revenue

| | Consolidated 31 Dec 2024 $'000 | Consolidated 31 Dec 2023 $'000 |
|---|---|---|
| Revenue net of discounts and returns | 133,295 | 87,850 |

All revenue received relates to goods transferred and are recognised at a point in time.

| Contract liabilities | Consolidated 31 Dec 2024 $'000 | Consolidated 31 Dec 2023 $'000 |
|---|---|---|
| Provision for returns | 4,366 | 2,987 |

## Note 5. Expenses

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
| (Loss)/profit before income tax includes the following specific expenses: | | |
| *Other expenses* | | |
| Storage and handling | 7,530 | 3,706 |
| Software | 2,814 | 2,333 |
| Consulting | 769 | 590 |
| Research and development | 713 | 754 |
| Others | 2,891 | 1,400 |
| Total other expenses | 14,717 | 8,783 |
| *Finance costs* | | |
| Interest and finance charges paid/payable on borrowings | 400 | 891 |
| Interest and finance charges paid/payable on lease liabilities | 190 | 182 |
| Net foreign exchange (gain)/loss | - | 733 |
| Change in fair value of convertible notes | 1,756 | 8,773 |
| Change in fair value of derivative | 1,713 | - |
| Change in fair value of warrants | 2,321 | - |
| Amortisation of borrowing costs | - | 5 |
| Finance costs expensed | 6,380 | 10,584 |
| *Leases* | | |
| Short-term and low-value lease payments | 19 | 24 |
| *Employee benefits expense* | | |
| Defined contribution superannuation expense | 1,126 | 969 |
| Share-based payments expense | 1,677 | 909 |
| Employee benefits expense excluding superannuation and share-based payments | 16,840 | 12,417 |
| Leave entitlements expense | 769 | 400 |
| Total employee benefits expense | 20,412 | 14,695 |

## Note 6. Income tax

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
| *Income tax expense* | | |
| Current tax | (170) | (173) |
| Origination and reversal of temporary differences | 3,077 | (2,734) |
| Recognition of tax losses previously not brought to account | (2,907) | - |
| Tax losses not recognised | - | 2,907 |
| Aggregate income tax expense | - | - |
| *Numerical reconciliation of income tax expense and tax at the statutory rate* | | |
| (Loss)/profit before income tax expense | (2,284) | 5,019 |
| Tax at the statutory tax rate of 30% | (685) | 1,506 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Effect of foreign tax rates | (70) | 55 |
| Non-deductible expenses | 526 | (1,784) |
| Tax effect of temporary differences | 3,077 | (2,735) |
| Other | 59 | 51 |
| Tax losses not recognised | - | 2,907 |
| Utilisation of prior period tax losses and offset | (2,907) | - |
| Income tax expense | - | - |

*Tax*
Koala Group has a tax loss in the current reporting period and has no current tax liability.

*Tax losses carried forward*
Tax losses for which no deferred tax asset was recognised and its expiry date are as follows.

## Note 6. Income tax (continued)

| | 31 Dec 2024 $'000 | Expiry date | 31 Dec 2023 $'000 |
|---|---|---|---|
| **Expire** | | | |
| *Japan losses* | | | |
| 30 June 2024 | 2,238 | 30 June 2034 | 1,736 |
| 30 June 2023 | 603 | 30 June 2033 | 603 |
| 30 June 2022 | 3,824 | 30 June 2032 | 3,824 |
| | **6,665** | | **6,163** |
| *South Korea losses* | | | |
| 30 June 2024 | 1,891 | 30 June 2034 | 487 |
| 30 June 2023 | 3,027 | 30 June 2033 | 3,027 |
| 30 June 2022 | 8,020 | 30 June 2032 | 8,020 |
| 30 June 2021 | 869 | 30 June 2031 | 869 |
| | **13,807** | | **12,403** |
| **Never expire** | | | |
| *Australia losses* | | | |
| 30 June 2024 | 3,230 | | 7,301 |
| 30 June 2023 | 65 | | 3,092 |
| 30 June 2021 | 2,877 | | 2,877 |
| 30 June 2020 | 151 | | 151 |
| | **6,323** | | **13,421** |
| *United States of America losses* | | | |
| 30 June 2024 | 264 | | 326 |
| | **264** | | **326** |

No additional tax losses were incurred in the half year ended 31 December 2024.

## Note 7. Earnings per share

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 31 Dec 2023 $'000 |
| (Loss)/profit after income tax | (2,284) | 5,019 |
| | **Number** | **Number** |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 63,938,953 | 47,498,550 |
| Adjustments for calculation of diluted earnings per share: | | |
| Preference shares* | - | 11,498,300 |
| Options over ordinary shares* | - | 1,200,895 |
| Warrants* | - | 3,694,200 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 63,938,953 | 63,891,945 |
| | **Cents** | **Cents** |
| Basic earnings per share | (3.57) | 10.57 |
| Diluted earnings per share | (3.57) | 7.86 |

*As at 31 December 2024 (31 December 2023: 30,928,211 convertible notes) 11,498,300 preference shares, 1,762,826 share options, 14,005,129 convertible notes and 3,201,822 warrants have been excluded from the above calculations as their inclusion would be anti-dilutive.

### 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 8. Intangibles

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
| *Non-current assets* | | |
| Website - at cost | 379 | 379 |
| Less: Accumulated amortisation | (201) | (188) |
| | 178 | 191 |
| Patents and trademarks - at cost | 1,905 | 214 |
| Less: Accumulated amortisation | (115) | (88) |
| | 1,790 | 126 |
| Software development - at cost | 2,682 | 2,638 |
| Less: Accumulated amortisation | (776) | (504) |
| | 1,906 | 2,134 |
| Intangible assets - WIP - at cost | 385 | 972 |
| Product development - at cost | 2,678 | 1,850 |
| Less: Accumulated amortisation | (937) | (570) |
| | 1,741 | 1,280 |
| | 6,000 | 4,703 |

*Reconciliations*

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

| Consolidated | Website $'000 | Patents and trademarks $'000 | Software development $'000 | Intangible assets - WIP $'000 | Product development $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at 1 July 2024 | 191 | 126 | 2,134 | 972 | 1,280 | 4,703 |
| Additions | - | 1,691 | - | 428 | - | 2,119 |
| Disposals | - | - | - | (144) | - | (144) |
| Transfers | - | - | 44 | (871) | 827 | - |
| Amortisation expense | (13) | (27) | (272) | - | (366) | (678) |
| Balance at 31 December 2024 | 178 | 1,790 | 1,906 | 385 | 1,741 | 6,000 |

## Note 9. Contract liabilities

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
| *Current liabilities* | | |
| Contract liabilities | 20,345 | 15,295 |

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
| 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 | 15,979 | 12,351 |
| Movement in provision during period | 1,422 | (34) |
| | 20,345 | 15,295 |

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

## Note 10. Provisions

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
| *Current liabilities* | | |
| Warranties | 3,256 | 2,995 |
| *Non-current liabilities* | | |
| Lease make good | 500 | 155 |
| Warranties | 1,521 | 1,137 |
| | 2,021 | 1,292 |
| | 5,277 | 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.

*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.

## Note 10. Provisions (continued)

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

| Consolidated - 31 Dec 2024 | Warranties $'000 | Lease make good $'000 |
|---|---|---|
| Carrying amount at the start of the half-year | 4,132 | 155 |
| Net remeasurement of provisions | 1,275 | 345 |
| Provisions used during the year | (630) | - |
| Carrying amount at the end of the half-year | 4,777 | 500 |

## Note 11. Share capital

| | Consolidated | | | |
|---|---|---|---|---|
| | 31 Dec 2024 Shares | 30 Jun 2024 Shares | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
| Ordinary shares - fully paid | 63,293,659 | 63,206,382 | 32,418 | 32,295 |

*Movements in ordinary share capital*

| Details | Date | Shares | Issue price | $'000 |
|---|---|---|---|---|
| Balance | 1 July 2024 | 63,206,382 | | 32,295 |
| Share options exercised | 15 August 2024 | 3,030 | $1.0000 | 3 |
| Share options exercised | 5 July 2024 | 28,300 | $0.0000 | - |
| Share issue on conversion of notes | 5 July 2024 | 55,947 | $2.1400 | 120 |
| Balance | 31 December 2024 | 63,293,659 | | 32,418 |

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

*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 31,330 (30 June 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 ordinary shares resulting from the conversion of convertible notes.

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

## Note 12. Other capital contributions

| | Consolidated 31 Dec 2024 $'000 | Consolidated 30 Jun 2024 $'000 |
|---|---|---|
| Other capital contributions | 3,605 | 2 |

During the year, the Company issued 1,339,410 shares resulting from the conversion of warrants.

## Note 13. Reserves

| | Consolidated 31 Dec 2024 $'000 | Consolidated 30 Jun 2024 $'000 |
|---|---|---|
| Foreign currency reserve | 1,083 | 2,142 |
| Share-based payments reserve | 7,172 | 5,495 |
| | 8,255 | 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.

*Movements in reserves*
Movements in each class of reserve during the current financial half-year are set out below:

| Consolidated | Foreign currency $'000 | Share-based payments $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 July 2024 | 2,142 | 5,495 | 7,637 |
| Foreign currency translation | (1,059) | - | (1,059) |
| Share-based payments | - | 1,677 | 1,677 |
| Balance at 31 December 2024 | 1,083 | 7,172 | 8,255 |

## Note 14. Dividends

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

## Note 15. Financial risk management

### Financial Instruments

*Convertible Notes*
The Group has issued several interest-bearing convertible notes with a total face value of $19,800,000 convertible into shares of the company. The remaining notes will mature by July 2025, as such they are classified as current liabilities on the balance sheet.

The Group may choose to convert the residual convertible notes into share capital, to redeem notes using funds raised through capital raising or agree with the noteholders to a further extension in the maturity date. The noteholders cannot unilaterally elect to redeem their convertible notes. There is no cash flow arising from the maturity of convertible notes unless the Group elects to redeem any convertible notes.

As the conversion feature requires settlement by the Group by issuing a variable number of shares, calculated based on a future fair value of the business, the convertible notes continue to be presented as a financial liability on the balance sheet, rather than being reclassified as equity.

During the period, convertible notes with face value of $87,509 were converted into ordinary share capital.

| Issued | Subscription value | Simple interest | Maturity date | Issuer option | Noteholder option | Carrying amount ($) | Comparative ($) |
|---|---|---|---|---|---|---|---|
| Nov 2020 | 6,000,000 | 10% | July 2025 | Redeem 100% prior to maturity date | Convert 50% prior to maturity date into ordinary share capital | 8,373,541 | 7,805,140 |
| Aug 2021 | 2,300,000 | 10% | July 2025 | Redeem 100% prior to maturity date | Convert 50% prior to maturity date into ordinary share capital | 3,041,812 | 2,835,332 |
| Aug 2021 | 2,500,000 | 10% | July 2025 | Redeem 100% prior to maturity date | Convert 50% prior to maturity date into ordinary share capital | 3,818,329 | 3,559,138 |
| Jan 2022 | 3,000,000 | 10% | July 2025 | Redeem 100% prior to maturity date | Convert 50% prior to maturity date into ordinary share capital | 3,303,475 | 3,079,233 |
| Jun 2022 | 4,000,000 | 10% | July 2025 | Redeem 100% prior to maturity date | Convert 50% prior to maturity date into ordinary share capital | 4,935,313 | 4,600,300 |
| Oct 2022 | 2,000,000 | 10% | July 2025 | Redeem 100% prior to maturity date | Convert 50% prior to maturity date into ordinary share capital | 2,398,288 | 2,235,491 |

*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.

## Note 15. Financial risk management (continued)

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 $1,846,451 outstanding as at 31 December 2024. This debt is interest bearing with the interest rates varying from 8.75% to 10.25% among the tranches, with a final repayment to be made in June 2025.

*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:

| | Consolidated | |
|---|---|---|
| | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
| Total facilities | | |
| Loans | 1,831 | 4,725 |
| Used at the reporting date | | |
| Loans | 1,831 | 4,725 |
| | - | - |
| Unused at the reporting date | | |
| Loans | - | - |
| | - | - |

## Note 15. Financial risk management (continued)

*Terms and debt repayment schedule*

Terms and conditions of outstanding loans are as follows:

| | Currency | Nominal interest rate | Year of maturity | 31 Dec 2024 Face value $'000 | 31 Dec 2024 Carrying amount $'000 | 30 Jun 2024 Face value $'000 | 30 Jun 2024 Carrying amount $'000 |
|---|---|---|---|---|---|---|---|
| Loan | AUD | 8.75%-10.25% | 2025 | 1,846 | 1,831 | 4,857 | 4,725 |
| Preference shares | AUD | N/A | N/A | 13,550 | 13,550 | 13,550 | 13,550 |
| Convertible notes | AUD | 10% | 2025 | 19,800 | 25,871 | 19,888 | 24,215 |
| | | | | 35,196 | 41,252 | 38,295 | 42,490 |

*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.

| Consolidated - 31 Dec 2024 | 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 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 25,165 | - | - | - | 25,165 |
| Accrued expenses | - | 13,974 | - | - | - | 13,974 |
| Other payables | - | 7,387 | - | - | - | 7,387 |
| Preference shares* | - | - | - | - | - | - |
| *Interest bearing* | | | | | | |
| Loans | 9.34% | 1,831 | - | - | - | 1,831 |
| Convertible notes payable | 10.00% | 25,871 | - | - | - | 25,871 |
| Lease liability | - | 2,174 | 1,843 | 3,150 | - | 7,167 |
| **Total non-derivatives** | | 76,402 | 1,843 | 3,150 | - | 81,395 |
| **Derivatives** | | | | | | |
| Foreign exchange contracts | | | | | | |
| -inflow | - | (2,200) | - | - | - | (2,200) |
| -outflow | - | 1,773 | - | - | - | 1,773 |
| Warrants* | - | - | 845 | 4,413 | - | 5,258 |
| Convertible notes payable | - | 3,196 | - | - | - | 3,196 |
| **Total derivatives** | | 2,769 | 845 | 4,413 | - | 8,027 |

## Note 15. Financial risk management (continued)

| Consolidated - 30 Jun 2024 | 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 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| *Non-interest bearing* | | | | | | |
| Trade payables | - | 14,561 | - | - | - | 14,561 |
| Accrued expenses | - | 13,792 | - | - | - | 13,792 |
| Other payables | - | 3,252 | - | - | - | 3,252 |
| Preference shares* | - | - | - | - | - | - |
| *Interest bearing* | | | | | | |
| 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** | | 38,325 | 26,461 | 4,146 | - | 68,932 |
| **Derivatives** | | | | | | |
| Forward 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 (30 June 2024: Between 1 and 2 years) that have a fair value of $745,000 (30 June 2024: $732,000) are only convertible to share capital in the Group and have no cash flow impact.

*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. These preference shares have a fair value of $30,930,427.

## Note 15. Financial risk management (continued)

*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

| Consolidated - 31 Dec 2024 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *Assets* | | | | |
| Forward foreign exchange contracts | - | 2,200 | - | 2,200 |
| **Total assets** | - | 2,200 | - | 2,200 |
| *Liabilities* | | | | |
| Forward foreign exchange contracts | - | 1,773 | - | 1,773 |
| Convertible notes | - | - | 3,196 | 3,196 |
| Warrants | - | - | 6,003 | 6,003 |
| **Total liabilities** | - | 1,773 | 9,199 | 10,972 |

| Consolidated - 30 Jun 2024 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| *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 76 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 have determined the convertible notes to contain an embedded derivative which allows for conversion of the convertible notes into shares in Koala. Subsequently, management have 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 15. Financial risk management (continued)**

*Warrants*
The Group has issued warrants for the purpose of funding operational activities. The warrants allow holders to either exchange the warrants for Koala shares or exchange the warrants for cash. 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 half-year. The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature

*Valuation techniques for fair value measurements categorised within level 2*
Derivative financial instruments have been valued using observable data. This valuation technique maximises the use of observable foreign exchange prices.

*Level 3 assets and liabilities*
Movements in level 3 assets and liabilities during the current financial half-year are set out below:

| Consolidated | $'000 |
|---|---|
| Balance at 1 July 2024 | 8,791 |
| Losses recognised in profit or loss | 4,085 |
| Conversion to equity | (3,676) |
| Balance at 31 December 2024 | 9,200 |

## Note 15. Financial risk management (continued)

| Financial assets/ financial liabilities | Valuation technique and key input | Significant unobservable input | Relationship and sensitivity of unobservable inputs to fair value |
|---|---|---|---|
| Convertible Notes | Management has adopted a Monte-Carlo simulation comparing the payoffs of the redemption and conversion scenarios of the Convertible Notes to determine the expected payoff and fair value of the embedded equity call options within the Convertible Notes. 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<br><br>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 $560,000 / ($1,296,000)<br><br>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 ($349,000) / $273,000. |
| 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<br><br>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 $910,000 / ($564,000)<br><br>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 $178,000 / ($178,000) |

*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 purchased 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.

## Note 15. Financial risk management (continued)

*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.

| | 31 Dec 2024 $'000 | 30 Jun 2024 $'000 |
|---|---|---|
| Trade payables AUD balance exposure to USD | 21,646 | 9,836 |
| **Net statement of financial position exposure** | 21,646 | 9,836 |

The following significant exchange rates have been applied.

| AUD | Average rate H125 | Average rate H224 | Year-end spot rate H125 | Year-end spot rate H224 |
|---|---|---|---|---|
| USD 1 | 1.51 | 1.52 | 1.52 | 1.52 |

*Sensitivity analysis*
A reasonably possible strengthening (weakening) of USD against AUD at 31 December 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.

| | Profit or loss | | Equity, net of tax | |
|---|---|---|---|---|
| In AUD | Strengthening $'000 | Weakening $'000 | Strengthening $'000 | Weakening $'000 |
| **31 Dec 2024** | | | | |
| USD (5% movement) | 41 | (41) | 1,018 | (1,018) |
| **30 Jun 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 half year, the Group had receivables of $800,000, predominantly from B2B customers, with a provision for expected credit loss of $200,000 of these receivables, $400,000 were within 30 days of their due date, $300,000 were within 60 days of their due date and $100,000 extending past this period.

## Note 15. Financial risk management (continued)

*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.

## Note 16. Contingent liabilities

The Group has provided bank guarantees over a property lease for a value of $408,000 as at 31 December 2024 (30 June 2024: $408,000).

## Note 17. Related party transactions

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

*Transactions with related parties*
There were no transactions with related parties during the current and previous financial half-year.

*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 | |
|---|---|---|
| | 31 Dec 2024 | 30 Jun 2024 |
| | $ | $ |
| Current receivables: | | |
| Loan to shareholders | - | 541,522 |

*Terms and conditions*
These loans have a maturity date of 30 December 2024 at which time they were settled in cash. These loans were secured against shares held in the Group by the relevant shareholders.

## Note 18. Share-based payments

At 31 December 2024 the Group had the following share-based payment arrangements:

*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.

## Note 18. Share-based payments (continued)

| 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.<br><br>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.<br><br>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.<br><br>Individual offer documents provide more specific information on how the entitlements will be treated if the participant ceases employment. |
| Clawback and avoiding inappropriate benefits | Bad Leaver provisions provide Board discretion on the treatment of Options where employment terminated for fraud or criminal conduct. | 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 corporate actions or capital reconstruction |
| Restrictions on dealings | Restrictions until Exit Event, Board consent required for Disposal | Restrictions as per Plan Documentation, compliance with Shareholders' Agreement, and specific procedures to ensure compliance |

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## Note 18. Share-based payments (continued)

| Term | 2019 Plan | 2023 Plan |
|---|---|---|
| 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 31 Dec 2024 | Weighted average exercise price 31 Dec 2024 | Number of options 30 Jun 2024 | Weighted average exercise price 30 Jun 2024 |
|---|---|---|---|---|
| Outstanding at the beginning of the financial half-year | 4,518,196 | $1.8900 | 2,166,756 | $3.7600 |
| Granted | 1,978,294 | $2.4900 | 3,189,889 | $1.5600 |
| Forfeited | (384,854) | $0.8000 | (838,449) | $5.4800 |
| Exercised | (31,330) | $0.0100 | - | $0.0000 |
| Outstanding at the end of the financial period | 6,080,306 | $2.1600 | 4,518,196 | $1.8900 |
| Exercisable at the end of the financial period | 2,181,679 | $2.2500 | 1,318,178 | $2.2600 |

The weighted average remaining contractual life of options outstanding at the end of the financial half-year was 8.4 years (30 Jun 2024: 8 years).

The below table outlines the options granted in the half year to 31 December 2024 across both option plans.

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

| 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 | Vesting over 6 years in addition to 50% annual revenue and 50% annual EBITDA hurdles. | 10 years |
| 04/11/2024 | 1,299,400 | 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 31 Dec 2024 $'000 | Consolidated 31 Dec 2023 $'000 |
|---|---|---|
| Share-based payments expense | 1,677 | 909 |

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

## Note 18. Share-based payments (continued)

| | KMP and Senior Employees (2023 Plan) Grant 1 | KMP and Senior Employees (2023 Plan) Grant 2 | KMP and Senior Employees (2023 Plan) Grant 3 |
|---|---|---|---|
| Fair value at grant date ($) | $0.56 | $1.28 | $2.58 |
| Share price at grant date ($) | $2.70 | $2.70 | $2.59 |
| Exercise price ($) | $2.59 | $2.58 | $0.01 |
| Expected volatility (%) | 56% | 54% | 56% |
| Option life | 10 years | 10 years | 10 years |
| Expected dividends ($) | - | - | - |
| Risk-free interest rate (based on government bonds) (%) | 4.30% | 4.30% | 4.30% |

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

## Note 19. Events after the reporting period

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 changed name to The Koala Company Limited.

No other matter or circumstance has arisen since 31 December 2024 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.

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## Management Assertion Statement

*In the opinion of the management of Koala:*

(a) The consolidated financial statements and notes that are set out on the pages 4 to 31:
   (i) Present fairly the financial position of the Group as at 31 December 2024 and its performance for the half-year ended 31 December 2024 on that date in accordance with the statement of compliance and basis of preparation described in note 2 and:
   (ii) Comply with Australian Accounting Standards AASB 134 Interim Financial Reporting, and

(b) There are reasonable ground to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed on behalf of management.

Daniel William Milham
Director

12 May 2025
Sydney

# Independent Auditor's Review Report

## To the Directors of The Koala Company Limited (formerly K Sleep Holdings Pty Ltd)

### Conclusion

We have reviewed the accompanying ***Half-year Financial Statements*** of The Koala Company Limited (formerly K Sleep Holdings Pty Ltd) (the ***Group***) prepared to meet the needs of the Directors for the purpose of their due diligence in connection with a potential initial public offering.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Statements of The Koala Company Limited do not present fairly, in all material respects, the financial position of the ***Group*** as at 31 December 2024 and of its financial performance and its cash flows for the six month period ended on that date, in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting.

The ***Half-year Financial Statements*** comprises:

- Consolidated statement of financial position as at 31 December 2024
- Consolidated statement of profit or loss, and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the six-month period ended on that date;
- Notes, comprising a summary of significant accounting policies and other explanatory information.

The ***Group*** consists of The Koala Company Limited (the Company) and the entities it controlled at the period ended 31 December 2024, or from time to time during the period 1 July 2024 to 31 December 2024.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-Year Financial Statements* section of our report.

We are independent of the Group in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

### Restriction on use and distribution

The Half-year Financial Statements have been prepared to assist the Directors of The Koala Company Limited for the purpose of their due diligence in relation to a potential Initial Public Offering. As a result, the Half-year Financial Statements and this Auditor’s Review Report may not be suitable for another purpose. Our conclusion is not modified in respect of this matter.

Our report is intended solely for the Directors of Koala and should not be used by or distributed to parties other than the Directors of Koala. We disclaim any assumption of responsibility for any reliance on this report, or on the Interim Financial Report to which it relates, to any person other than the Directors of Koala or for any other purpose than that for which it was prepared.

## Responsibilities of Management for the Half-year Financial Statements

Management of the Company are responsible for:

- the preparation and fair presentation of the Half-year Financial Statements in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting*, and have determined that the financial reporting framework is appropriate to meet the needs of the Directors for the purpose of their due diligence in relation to a potential Initial Public Offering.
- such internal control as the Management determine is necessary to enable the preparation and fair presentation of the Half-year Financial Statements that are free from material misstatement, whether due to fraud or error.

## Auditor’s responsibilities for the Review of the Half-year Financial Statements

Our responsibility is to express a conclusion on the Half-year financial statements based on our review and to report our conclusion solely to the Directors of The Koala Company Limited. As a result of the purpose for which the Half-year financial statements are prepared, the Half-year financial statements and this Auditor’s Review Report may not be suitable for another purpose.

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Statements do not present fairly, in all material respects, the financial position of the Group as at 31 December 2024 and of its financial performance and its cash flows for the six months ended on that date, in accordance with *Australian Accounting Standard AASB 134 Interim Financial Reporting*.

A review of Half-year Financial Statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG
Sydney
12 May 2025