

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

The Koala Company Limited and its controlled entities
(Formerly known as K Sleep Holdings Pty Ltd)
Contents
31 December 2024



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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 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 employ 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

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 half-year ended 31 December 2024

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		Consolidated	
	Note	31 Dec 2024 \$'000	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			
<i>Items that may be reclassified subsequently to profit or loss</i>			
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		<u>(3,343)</u>	<u>5,181</u>
		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

The Koala Company Limited and its controlled entities
(Formerly known as K Sleep Holdings Pty Ltd)
Consolidated statement of financial position
As at 31 December 2024

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	Note	Consolidated 31 Dec 2024 \$'000	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.

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 half-year ended 31 December 2024

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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
<i>Transactions with owners in their capacity as owners:</i> 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)
<i>Transactions with owners in their capacity as owners:</i> 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)

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 half-year ended 31 December 2024

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Note	Consolidated	
	31 Dec 2024 \$'000	31 Dec 2023 \$'000
Cash flows from operating activities		
	140,332	101,270
	(113,904)	(94,189)
	26,428	7,081
	246	424
	(337)	(572)
	26,337	6,933
Cash flows from investing activities		
	(72)	(87)
8	(1,155)	(1,411)
	(1,227)	(1,498)
Cash flows from financing activities		
	(2,935)	(3,726)
	(1,633)	(1,182)
	(4,568)	(4,908)
	20,542	527
	24,124	37,250
	772	(16)
	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	<u>77,949</u>	<u>33,909</u>	<u>21,437</u>	<u>133,295</u>
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				<u>(2,284)</u>
Income tax expense				-
Loss after income tax expense				<u>(2,284)</u>
Assets				
Segment assets	60,574	16,372	11,479	88,425
Total assets				<u>88,425</u>
Liabilities				
Segment liabilities	114,680	10,312	6,909	131,901
Total liabilities				<u>131,901</u>

Note 3. Operating segments (continued)

	Australia \$'000	Asia \$'000	USA \$'000	Total \$'000
Consolidated - 31 Dec 2023				
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	31 Dec 2023
	\$'000	\$'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.

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

Note 5. Expenses

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
(Loss)/profit before income tax includes the following specific expenses:		
<i>Other expenses</i>		
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
	<hr/>	<hr/>
Total other expenses	14,717	8,783
<i>Finance costs</i>		
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
	<hr/>	<hr/>
Finance costs expensed	6,380	10,584
<i>Leases</i>		
Short-term and low-value lease payments	19	24
	<hr/>	<hr/>
<i>Employee benefits expense</i>		
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
	<hr/>	<hr/>
Total employee benefits expense	20,412	14,695

Note 6. Income tax

	Consolidated	
	31 Dec 2024	31 Dec 2023
	\$'000	\$'000
<i>Income tax expense</i>		
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
	<u>-</u>	<u>2,907</u>
Aggregate income tax expense	<u>-</u>	<u>-</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(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)	-
	<u>-</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>-</u>

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	Expiry date	31 Dec 2023
	\$'000		\$'000
Expire			
<i>Japan losses</i>			
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
 <i>South Korea losses</i>			
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			
<i>Australia losses</i>			
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
 <i>United States of America losses</i>			
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	31 Dec 2023
	\$'000	\$'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
<i>Non-current assets</i>		
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	30 Jun 2024
	\$'000	\$'000
<i>Current liabilities</i>		
Contract liabilities	20,345	15,295
	Consolidated	
	31 Dec 2024	30 Jun 2024
	\$'000	\$'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
	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	30 Jun 2024
	\$'000	\$'000
<i>Current liabilities</i>		
Warranties	3,256	2,995
<i>Non-current liabilities</i>		
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	<u>4,777</u>	<u>500</u>

Note 11. Share capital

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

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	<u>55,947</u>	<u>\$2.1400</u>	<u>120</u>
Balance	31 December 2024	<u>63,293,659</u>		<u>32,418</u>

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	30 Jun 2024
	\$'000	\$'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	30 Jun 2024
	\$'000	\$'000
Foreign currency reserve	1,083	2,142
Share-based payments reserve	7,172	5,495
	<u>8,255</u>	<u>7,637</u>

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	<u>1,083</u>	<u>7,172</u>	<u>8,255</u>

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:

				31 Dec 2024	31 Dec 2024	30 Jun 2024	30 Jun 2024
	Currency	Nominal interest rate	Year of maturity	Face value \$'000	Carrying amount \$'000	Face value \$'000	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
				<u>35,196</u>	<u>41,252</u>	<u>38,295</u>	<u>42,490</u>

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						
<i>Non-interest bearing</i>						
Trade payables	-	25,165	-	-	-	25,165
Accrued expenses	-	13,974	-	-	-	13,974
Other payables	-	7,387	-	-	-	7,387
Preference shares*	-	-	-	-	-	-
<i>Interest bearing</i>						
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		<u>76,402</u>	<u>1,843</u>	<u>3,150</u>	-	<u>81,395</u>
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		<u>2,769</u>	<u>845</u>	<u>4,413</u>	-	<u>8,027</u>

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						
<i>Non-interest bearing</i>						
Trade payables	-	14,561	-	-	-	14,561
Accrued expenses	-	13,792	-	-	-	13,792
Other payables	-	3,252	-	-	-	3,252
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		38,325	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
<i>Assets</i>				
Forward foreign exchange contracts	-	2,200	-	2,200
Total assets	-	2,200	-	2,200
<i>Liabilities</i>				
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
<i>Assets</i>				
Forward foreign exchange contracts	-	1,837	-	1,837
Total assets	-	1,837	-	1,837
<i>Liabilities</i>				
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	<u>(3,676)</u>
Balance at 31 December 2024	<u><u>9,200</u></u>

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 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) 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 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) 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		Year-end spot rate	
	H125	H224	H125	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.

In AUD	Profit or loss		Equity, net of tax	
	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	<p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>Individual offer documents provide more specific information on how the entitlements will be treated if the participant ceases employment.</p>
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

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	<u>6,080,306</u>	\$2.1600	<u>4,518,196</u>	\$1.8900
Exercisable at the end of the financial period	<u>2,181,679</u>	\$2.2500	<u>1,318,178</u>	\$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	31 Dec 2023 \$'000
Share-based payments expense	<u>1,677</u>	<u>909</u>

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.

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.

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