



Accent Group Limited

ABN 85 108 096 251

Appendix 4D
Half-year Report

Appendix 4D

1. COMPANY DETAILS

Name of entity:	Accent Group Limited
ABN:	85 108 096 251
Reporting period:	For the half-year ended 26 December 2021 (26 weeks)
Previous period:	For the half-year ended 27 December 2020 (26 weeks)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Percentage change %	Amount \$'000
Revenue from ordinary activities	up 12.2%	to 536,490
Profit after income tax for the period	down 72.0%	to 14,759

Dividends

	Amount per security Cents	Franked amount per security Cents
2021 Final dividend	3.25	3.25
2022 Interim dividend	2.50	2.50

Dividend payment date:

- 2021 Final dividend	16 September 2021
- 2022 Interim dividend	17 March 2022

3. NET TANGIBLE ASSETS PER SECURITY

	26 Dec 2021 Cents	27 Dec 2020 Cents
Net tangible assets per ordinary security	10.79	14.72

Net tangible assets are calculated by deducting intangible assets from the net assets of the Group.

4. OTHER INFORMATION

This report is based on the consolidated financial statements which have been reviewed by Deloitte.

For further explanation of the figures above please refer to the ASX Announcement dated 22 February 2022 on the results for the half-year ended 26 December 2021 and the notes to the financial statements.

Interim Report
26 December 2021



Accent Group Limited

ABN 85 108 096 251

Interim Report
26 December 2021

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26 December 2021

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Directors' Report

26 December 2021

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of Accent Group Limited (referred to hereafter as the 'Company' or 'Accent Group') and the entities it controlled at the end of, or during, the half-year ended 26 December 2021.

DIRECTORS

The following persons were directors of Accent Group Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

David Gordon - Chairman

Daniel Agostinelli - Chief Executive Officer

Stephen Goddard

Michael Hapgood

Donna Player

Joshua Lowcock

Brett Blundy

Timothy Dodd – alternate Director for Brett Blundy

PRINCIPAL ACTIVITIES

Accent Group is a leading digitally integrated consumer business in the retail and distribution sectors of branded performance and lifestyle footwear, with over 700 stores and 32 websites across different retail banners, and exclusive distribution rights for 19 international brands across Australia and New Zealand.

The combined Group's banners and brands include The Athlete's Foot ('TAF'), Platypus Shoes, Hype DC, Subtype, The Trybe, PIVOT, Stylerunner, Glue Store, Vans, Skechers, Dr Martens, CAT, Timberland, Hoka One One, Saucony, Merrell and Superga. Further, the Group also secured a 10-year distribution agreement for Reebok commencing March 2022.

The Group's focus on growing its owned brands and apparel presence continues to be a key strategic initiative, with ten vertically owned brands including Nude Lucy, Article One, Stylerunner the Label, Exie and Alpha.

DIVIDENDS

Dividends paid during the half-year were as follows:

	Consolidated	
	26 Dec 2021 \$'000	27 Dec 2020 \$'000
Final dividend for the year ended 27 June 2021 of 3.25 cents (2020: 4.00 cents) per ordinary share	17,611	21,675
	17,611	21,675

In respect of the financial year ending 26 June 2022, the directors recommended the payment of an interim fully franked dividend of 2.50 cents per share to be paid on 17 March 2022.

The Group remains in a strong position with a flexible and resilient business model, a strong balance sheet and conservative gearing levels.

Directors' Report

26 December 2021

REVIEW OF OPERATIONS

Trading for the half year ended 26 December 2021 was materially impacted by the continuing COVID-related disruptions and lockdowns that occurred across Australia and New Zealand. Through the months of July to October, more than 55% of the Group's stores (representing 400 of the 700 stores) were required to close due to government mandated lockdowns.

Despite these challenges, the Group delivered total sales (including TAF franchise sales) of \$594 million, up 9.7% on the prior year. Net profit after tax for the half-year ended 26 December 2021 was \$14.8 million, delivered through its omnichannel operating model, coupled with the continued focus on VIP, Vertical and Virtual.

Owned retail sales were \$443.3 million, with an estimated impact of COVID lockdowns and disruptions of at least \$95 million.

Wholesale sales were up 47.7% on the prior year to \$81.9 million. The Group expects wholesale sales to continue to grow, driven by core brands and new distribution agreements including Reebok and Hoka One One.

Digital sales represented 31.2% of total retail sales (including TAF franchise sales). The Group is on track to sustainably grow digital sales to 30% of retail sales over time. Contactable customers grew by 600,000 to a total of 9 million.

Sales of vertically owned brands and products grew to \$30.2 million, representing 5.7% of sales.

The Group opened 104 new stores during H1 and closed 4 stores where required rent outcomes could not be achieved. The Group expects to open a total of at least 140 stores in FY2022 across all banners.

Given the ongoing uncertainty relating to COVID-19, the Group has determined not to provide guidance for the full FY22 year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the period.

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.

Comparatives have been reclassified where appropriate to ensure consistency and comparability with the current period.

Directors' Report

26 December 2021

AUDITOR'S INDEPENDENCE DECLARATION

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



David Gordon
Chairman

22 February 2022
Melbourne

Auditor's Independence Declaration

Deloitte.

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Melbourne VIC 3000

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The Board of Directors
Accent Group Limited
2/64 Balmain Street
Richmond VIC 3121

22 February 2022

Dear Directors,

Accent Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Accent Group Limited.

As lead audit partner for the review of the financial statements of Accent Group Limited for the half-year ended 26 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



David White
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 26 December 2021

	Note	Consolidated	
		26 Dec 2021 \$'000	27 Dec 2020 \$'000 Restated
Revenue	6	536,490	478,052
Interest revenue		421	501
Expenses			
Cost of sales		(245,112)	(195,644)
Distribution		(27,136)	(18,453)
Marketing		(25,240)	(20,608)
Occupancy		(6,671)	(3,704)
Employee expenses	7	(106,082)	(79,998)
Other		(26,704)	(21,531)
Depreciation and amortisation		(69,244)	(56,437)
Finance costs		(8,599)	(7,116)
Profit before income tax expense		22,123	75,062
Income tax expense		(7,364)	(22,373)
Profit after income tax expense for the period		14,759	52,689
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		6,625	(12,473)
Foreign currency translation		(4,619)	2,984
Other comprehensive income for the period, net of tax		2,006	(9,489)
Total comprehensive income for the period		16,765	43,200
Profit for the period is attributable to:			
Owners of Accent Group Limited		14,759	52,689
		14,759	52,689
Total comprehensive income for the period is attributable to:			
Owners of Accent Group Limited		16,765	43,200
		16,765	43,200
		Cents	Cents
Basic earnings per share	19	2.73	9.74
Diluted earnings per share	19	2.62	9.36

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

Statement of Financial Position

As at 26 December 2021

	Note	Consolidated	
		26 Dec 2021 \$'000	27 June 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents		58,585	34,084
Trade and other receivables		42,164	39,732
Inventories	8	230,512	216,881
Lease receivable		8,502	9,300
Derivative financial instruments		6,641	-
Other current assets		8,935	4,808
Total current assets		355,339	304,805
Non-current assets			
Property, plant and equipment		144,265	115,527
Right of use asset		321,314	271,348
Lease receivable		14,319	16,993
Intangibles	9	372,260	372,723
Derivative financial instruments		257	81
Net deferred tax assets		14,190	30,699
Total non-current assets		866,605	807,371
Total assets		1,221,944	1,112,176
Liabilities			
Current liabilities			
Trade and other payables	11	157,586	149,446
Deferred revenue		11,862	8,784
Provisions		13,513	19,218
Borrowings	12	-	40,000
Lease liabilities		122,812	106,811
Derivative financial instruments		-	2,622
Provision for Income tax		819	13,282
Total current liabilities		306,592	340,163
Non-current liabilities			
Provisions		958	659
Deferred revenue		4,647	4,208
Borrowings	13	148,872	61,125
Lease liabilities		330,170	277,015
Derivative financial instruments		-	26
Total non-current liabilities		484,647	343,033
Total liabilities		791,239	683,196
Net assets		430,705	428,980
Equity			
Issued capital	14	390,616	390,616
Reserves		30,601	26,024
Retained earnings		9,488	12,340
Total equity		430,705	428,980

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

Statement of Changes in Equity

For the half-year ended 26 December 2021

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve – cash flow hedges \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 29 June 2020 - restated	389,600	2,787	4,683	11,002	441	408,513
Profit after income tax expense for the half-year	–	–	–	–	52,689	52,689
Other comprehensive income for the half-year, net of tax	–	2,984	(12,473)	–	–	(9,489)
Total comprehensive income for the half-year	–	2,984	(12,473)	–	52,689	43,200
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	–	–	–	4,056	–	4,056
Treasury share payments	807	–	–	–	–	807
Dividends paid (Note 15)	–	–	–	–	(21,675)	(21,675)
Balance at 27 December 2020	390,407	5,771	(7,790)	15,058	31,455	434,901

Consolidated	Issued capital \$'000	Foreign currency translation reserve \$'000	Hedging reserve – cash flow hedges \$'000	Share-based payments reserve \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 28 June 2021	390,616	9,512	(1,797)	18,309	12,340	428,980
Profit after income tax expense for the half-year	–	–	–	–	14,759	14,759
Other comprehensive income for the half-year, net of tax	–	(4,619)	6,625	–	–	2,006
Total comprehensive income for the half-year	–	(4,619)	6,625	–	14,759	16,765
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	–	–	–	2,571	–	2,571
Treasury share payments	–	–	–	–	–	–
Dividends paid (Note 15)	–	–	–	–	(17,611)	(17,611)
Balance at 26 December 2021	390,616	4,893	4,828	20,880	9,488	430,705

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

Statement of Cash Flows

For the half-year ended 26 December 2021

	Note	Consolidated	
		26 Dec 2021 \$'000	27 Dec 2020 \$'000 Restated
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		593,554	537,345
Payments to suppliers and employees (inclusive of GST)		(508,149)	(377,424)
Interest received		10	36
Interest and other finance costs paid		(1,874)	(1,090)
Interest on lease liabilities		(5,917)	(5,258)
Income taxes paid		(5,493)	(37,470)
Net cash from operating activities		72,131	116,139
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	18	(2,703)	(50)
Payments for property, plant and equipment ⁽¹⁾		(21,055)	(12,891)
Payments for intangibles		(487)	(1,160)
Net cash used in investing activities		(24,245)	(14,101)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		-	807
Proceeds / (repayment) of borrowings, net		48,875	(15,000)
Payments for debt transaction costs		(1,128)	-
Payment for lease liabilities		(53,654)	(48,675)
Dividends paid	15	(17,611)	(21,675)
Net cash used in financing activities		(23,518)	(84,543)
Net increase in cash and cash equivalents		24,368	17,495
Cash and cash equivalents at the beginning of the financial half-year		34,084	54,912
Effects of exchange rate changes on cash and cash equivalents		133	374
Cash and cash equivalents at the end of the financial period		58,585	72,781

(1) Payments for property, plant and equipment are net of cash fitout contributions received from landlords of \$23,934,000 (Dec 2020: \$12,095,000)

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

Notes to the Financial Statements

26 December 2021

NOTE 1. GENERAL INFORMATION

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

Accent is a public company limited by shares, listed on the Australian Securities Exchange ('ASX') incorporated and domiciled in Australia. Its registered office and principal place of business is:

2/64 Balmain Street
Richmond VIC 3121

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 22 February 2022.

NOTE 2. BASIS OF PREPARATION

These general purpose financial statements for the period ended 26 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, 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 27 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements have been prepared under the historical cost conversion, except for, where applicable, derivative financial instruments and share-based payments which have been measured at fair value at grant date.

The preparation of the Interim Financial Report requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Comparatives have been reclassified where appropriate to ensure consistency and comparability with the current period.

NOTE 3. RESTATEMENT OF COMPARATIVES

Change in accounting policy – Software as a Service arrangements

As noted in the Group's annual report for the financial year ended 27 June 2021, the Group implemented two agenda decisions issued by the IFRS Interpretations Committee (IFRIC) related to accounting for Software-as-a-Service (SaaS) arrangements. This change was retrospectively accounted for as a change in accounting policy during the prior financial year. Previously, the Group capitalised certain upfront configuration and customisation costs incurred in implementing SaaS arrangements.

In this half-year report, the historical financial information in the statement of comprehensive income and statement of cash flows has been restated to also retrospectively account for the impact of the change in accounting policy, as follows:

Statement of profit or loss and other comprehensive income

	Consolidated		
	27 Dec 2020 \$'000	\$'000 Accounting Policy Change Adjustment (SaaS)	27 Dec 2020 \$'000
	Previously Reported		Restated
Expenses			
Depreciation amortisation and impairment	(56,615)	178	(56,437)
Other expenses*	(21,196)	(335)	(21,531)
Profit before tax	75,219	(157)	75,062
Income tax expense	(22,420)	47	(22,373)
Profit after income tax expense for the year	52,799	(110)	52,689

* Other expenses includes IT costs.

Notes to the Financial Statements

26 December 2021

NOTE 3. RESTATEMENT OF COMPARATIVES (CONTINUED)

Statement of cash flows

	Consolidated				27 Dec 2020 \$'000
	27 Dec 2020 \$'000	\$'000	\$'000	\$'000	
	Previously Reported	Intangibles Reclass Adjustment	Accounting Policy Change Adjustment (SaaS)	Lease Liability payments reclass*	Restated
Payments to suppliers and employees	(377,089)	–	(335)	–	(377,424)
Interest on lease liabilities	–	–	–	(5,258)	(5,258)
Net cash generated by operating activities	121,732	–	(335)	(5,258)	116,139
Payments for property, plant and equipment	(14,386)	1,495	–	–	(12,891)
Payments to acquire intangible assets	–	(1,495)	335	–	(1,160)
Net cash used in investing activities	(14,436)	–	335	–	(14,101)
Payment of lease liabilities	(53,933)	–	–	5,258	(48,675)
Net cash used in financing activities	(89,801)	–	–	5,258	(84,543)

* Further to the above restatements, the Group also restated its prior half year cashflow which resulted in a reclassification between operating activities and financing activities associated with the payment of lease liabilities.

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

New or amended Accounting Standards and Interpretations adopted

Except as described below, the accounting policies applied in these consolidated interim financial statements are the same as those applied in the Group's 2021 Annual Report.

Adoption of new accounting standards

In the current half-year, the Group has applied the below amendments to Australian Accounting Standards [and Interpretations] issued by the Australian Accounting Standards Board (the Board) that are effective for the Group's annual reporting period that began on 1 July 2021. Their adoption has had a material impact on the disclosures and/or amounts reported in these financial statements:

- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021.

Except for the adoption of AASB 2021-3, the above standards and interpretations have not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

The impact of the above pronouncements is discussed below.

COVID-19 related rent concessions

In April 2021, the AASB issued AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021 which extends the practical expedient by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022. The amendment is effective for annual reporting periods beginning on or after 1 April 2021 but earlier application is permitted, including in financial statements not authorised for issue at 31 March 2021.

During the half year, the Group received COVID-19 related rental concessions. The Group has adopted the practical expedient for rental concessions allowing the Group to elect not to account for changes in leases payments as a lease modification where the following conditions were met:

- The change in lease payments were substantially the same or less than the payments prior to the rental concession;
- The reductions only affect payments which fall due before 30 June 2022; and
- There has been no substantive change in the terms and conditions of the lease.

The practical expedient has been applied to leases that have executed agreements in place as at 26 December 2021. For independent landlords, the Group has applied the practical expedient to written agreements in conjunction with the lessor's acceptance of a lower rent payment. The Group considers the amendment to the lease contract as enforceable as both parties were committed to performing their obligations as at 26 December 2021.

The treatment of the rental concessions was dependent on the events that trigger the concession. The Group had rent concessions which were entirely unconditional and rent concessions which remained conditional on other factors, predominantly future sales. For unconditional rent concessions, the Group recognised the present value of the rent concession in the profit and loss on the date the change in terms was agreed. For conditional rent concessions the Group recognised the benefit in the profit and loss and the corresponding reduction in the lease liability on the date the trigger for the conditional rent concession occurred.

Notes to the Financial Statements

26 December 2021

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Through the practical expedient, the Group has recognised \$3,425,278 of COVID-19 rental concessions during the half year ended 26 December 2021 (Dec 2020: \$7,951,674).

These rental concessions recognised partially offset the sales impact of mandated store closures.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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.

NOTE 5. OPERATING SEGMENTS

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-makers (CODM's). The CODM's have been identified as the Board of Directors on the basis they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

Key internal reports received by the CODM's, primarily the management accounts, focus on the performance of the Group as a whole. The CODM's assess the performance of the Group based on a measure of EBIT (earnings before interest and tax) prior to the impact of AASB 16 *Leases* and non-operating intercompany charges.

The Group has considered its internal reporting framework, management and operating structure and the Directors' conclusion is that the Group has one operating segment.

During the half year, the Group's New Zealand operations generated revenue in excess of 10% of the total Groups revenue. As a result, the Group now recognises two geographical areas, Australia and New Zealand.

The following is an analysis of the Group's revenue and non-current assets. The geographical split for intangible assets is not available and has not been disclosed.

	26 December 2021			27 December 2020		
	Australia \$'000	New Zealand \$'000	Group \$'000	Australia \$'000	New Zealand \$'000	Group \$'000
Sales to customers	461,404	63,804	525,208	407,041	59,852	466,893
Other geographical information						
Additions to property, plant and equipment	39,955	6,345	46,300	23,817	3,236	27,053

NOTE 6. REVENUE

	Consolidated	
	26 Dec 2021 \$'000	27 Dec 2020 \$'000
Sales revenue		
Sales to customers	525,208	466,893
Royalties and other franchise related income	6,894	6,392
	532,102	473,285
Other revenue		
Marketing levies received from TAF stores	3,566	3,554
Other revenue	822	1,213
	4,388	4,767
Revenue	536,490	478,052

Notes to the Financial Statements

26 December 2021

NOTE 7. GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

Government wage subsidies are recorded as a reduction in employee expenses on the statement of profit or loss and other comprehensive income.

During the half year, the Group recognised wage subsidies and resurgence support payments of \$915,528 in New Zealand as a result of COVID-19 mandated store closures. The Group did not apply for, nor was it eligible to receive, any wage subsidies in Australia.

In the comparative period (half year ended 27 December 2020), the Group recognised government grants across Australia under the JobKeeper program of \$24,513,000 for the period. All of the JobKeeper funds of \$24,513,000 received, were deployed throughout the financial year ended 27 June 2021 and had been fully utilised by July 2021 to keep team members employed during the various government mandated store closures due to COVID-19 related lockdowns.

NOTE 8. CURRENT ASSETS - INVENTORIES

	Consolidated	
	26 Dec 2021 \$'000	27 Jun 2021 \$'000
Finished goods held at lower of cost and net realisable value	186,736	177,304
Goods in transit	43,776	39,577
	230,512	216,881

Provision for write down of inventories to net realisable value amounted to \$10,798,435 (27 June 2021: \$9,955,509).

NOTE 9. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	26 Dec 2021 \$'000	27 Jun 2021 \$'000
Goodwill – at cost	320,559	319,022
Brands and trademarks – at cost	44,825	44,825
Less: Accumulated impairment	(9,714)	(9,714)
	35,111	35,111
Licence fees – The Athlete's Foot – at cost	7,832	7,832
Less: Accumulated amortisation	(376)	(360)
	7,456	7,472
Distribution rights – at cost	16,800	16,800
Less: Accumulated amortisation	(16,800)	(15,659)
	–	1,141
Re-acquired rights	1,308	1,308
Less: Accumulated amortisation	(579)	(493)
	729	815
Software	15,947	15,460
Less: Accumulated amortisation	(7,542)	(6,298)
	8,405	9,162
	372,260	372,723

Notes to the Financial Statements

26 December 2021

NOTE 9. NON-CURRENT ASSETS - INTANGIBLES (CONTINUED)

Reconciliations

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

Consolidated	Goodwill \$'000	Brands and trademarks \$'000	Licence \$'000	Distribution rights \$'000	Re-acquired rights \$'000	Software \$'000	Total \$'000
Balance at 28 June 2021	319,022	35,111	7,472	1,141	815	9,162	372,723
Additions	-	-	-	-	-	487	487
Additions through business combinations (Note 18)	1,522	-	-	-	-	-	1,522
Amortisation expense	-	-	(16)	(1,141)	(86)	(1,244)	(2,487)
Exchange differences	15	-	-	-	-	-	15
Balance at 26 December 2021	320,559	35,111	7,456	-	729	8,405	372,260

Impairment testing

Goodwill and brand names were subject to a full annual impairment test as at 27 June 2021. No indicators of impairment were identified that would require a full impairment test to be performed as at 26 December 2021. The annual financial report details the most recent annual impairment tests undertaken for all three brand names and goodwill. The key assumptions used for the impairment tests are disclosed in the annual financial report.

NOTE 10. IMPAIRMENT OF ASSETS

The Group is required to assess whether there is any indication that an asset (or CGU) may be impaired. The Group has determined that each store is a separate CGU.

The value in use of each CGU is calculated based on the latest Board approved full year forecast for FY22. Cash flows beyond year one represent the Groups five-year strategy. Growth rates were applied to store generated sales and click and dispatch and click and collect sales. Gross profit margins were assumed to remain in line with the forecasted FY22 margins and all operating expenses of each CGU were considered variable to sales. The value in use calculations make no assumptions for government assistance and rental concessions. Cash flows were discounted to present value using a mid-point after-tax discount rate of 8.4%.

Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions. Reasonable possible changes do not lead to a significant increase or decrease in the impairment charge.

Whilst the Group notes that the current half year period was severely impacted by mandated store closures driven by COVID-19 lockdowns, for the half year ended 26 December 2021, no incremental impairment charge was recognised.

NOTE 11. TRADE AND OTHER PAYABLES

	Consolidated	
	26 Dec 2021 \$'000	27 Jun 2021 \$'000
Trade payables	57,401	76,631
Goods and services tax payable	7,115	5,740
Accrued expenses	61,493	46,905
Other payables	31,577	20,170
	157,586	149,446

Trade payables and accruals represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Other payables represent goods receipted that have not been invoiced as at 26 December 2021. Trade and other payables are stated at amortised cost. The amounts are unsecured and are usually settled within 30 to 60 days of recognition.

Notes to the Financial Statements

26 December 2021

NOTE 12. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	26 Dec 2021 \$'000	27 Jun 2021 \$'000
<i>Secured</i>		
Bank loans	-	5,000
Trade finance facility	-	35,000
	-	40,000

NOTE 13. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	26 Dec 2021 \$'000	27 Jun 2021 \$'000
<i>Secured</i>		
Bank loans	150,000	61,125
Capitalised debt transaction costs	(1,128)	-
	148,872	61,125

On 15 December 2021, the Group successfully completed an upsize and extension of its existing debt facilities that were due to mature in August 2023. The new debt facilities have a combination of three and five year tenure, expiring between December 2024 and December 2026.

NOTE 14. EQUITY - ISSUED CAPITAL

	Consolidated			
	26 Dec 2021 Shares	27 Jun 2021 Shares	26 Dec 2021 \$'000	27 Jun 2021 \$'000
Ordinary shares – fully paid	541,866,715	541,866,715	390,926	390,926
Less: Treasury shares	(200,000)	(200,000)	(310)	(310)
	541,666,715	541,666,715	390,616	390,616

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	29 June 2020	540,516,713		389,600
Employee Share Scheme - loans repaid	30 June 2020	250,000	\$0.730	183
Employee Share Scheme - loans repaid	30 June 2020	250,000	\$0.730	183
Employee Share Scheme - loans repaid	1 September 2020	100,000	\$0.730	73
Employee Share Scheme - loans repaid	2 September 2020	100,000	\$1.010	101
Employee Share Scheme - loans repaid	25 September 2020	33,333	\$1.140	38
Employee Share Scheme - loans repaid	1 October 2020	33,334	\$1.140	38
Employee Share Scheme - loans repaid	14 October 2020	66,666	\$1.010	67
Employee Share Scheme - loans repaid	23 October 2020	33,333	\$0.730	24
Employee Share Scheme - loans repaid	3 November 2020	33,333	\$1.140	38
Employee Share Scheme - loans repaid	24 November 2020	33,334	\$0.730	24
Employee Share Scheme - loans repaid	26 November 2020	33,334	\$1.140	38
Employee Share Scheme - loans repaid	2 February 2021	66,668	\$1.140	76
Employee Share Scheme - loans repaid	4 February 2021	66,667	\$1.140	76
Employee Share Scheme - loans repaid	23 February 2021	50,000	\$1.140	57
Balance	27 June 2021	541,666,715		390,616
Balance	26 December 2021	541,666,715		390,616

Notes to the Financial Statements

26 December 2021

NOTE 15. EQUITY - DIVIDENDS

Dividends paid during the period were as follows:

	Consolidated	
	26 Dec 2021 \$'000	27 Dec 2020 \$'000
Final dividend for the year ended 27 June 2021 of 3.25 cents (2020: 4.00 cents) per ordinary share	17,611	21,675
	17,611	21,675

In respect of the half year ended 26 December 2021, the directors recommended the payment of an interim fully franked dividend of 2.50 cents per share to be paid on 17 March 2022.

NOTE 16. FAIR VALUE MEASUREMENT

The only financial assets or financial liabilities carried at fair value are interest rate swaps and foreign currency forward contracts. All these instruments are Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

Valuation techniques for fair value measurements

The fair values are determined using the valuation techniques below. The fair value was obtained from third party valuations.

Forward foreign exchange contracts

The fair value was obtained from third party valuations derived from discounted cash flow forecasts of forward exchange rates at the end of the reporting period and contract exchange rates.

Interest rate swap contracts

Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between levels during the half year.

The carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

NOTE 17. CONTINGENT LIABILITIES

The Group has bank guarantees outstanding as at 26 December 2021 of \$3,199,913 (27 Jun 2021: \$4,208,739). The Group also has open letters of credit of \$16,886,470 (27 June 2021: \$11,845,474). These guarantees and letters of credit are in favour of international stock suppliers and landlords where parent guarantees cannot be negotiated.

Notes to the Financial Statements

26 December 2021

NOTE 18. BUSINESS COMBINATIONS

2022

During the half-year to 26 December 2021 the Group completed the acquisition of 5 TAF stores. The total consideration transferred for these acquisitions was \$2,763,000. Goodwill of \$1,522,000 was recognised on acquisition.

Details of the business combination are as follows:

	Fair value \$'000
Cash and cash equivalents	1
Inventories	773
Other current assets	5
Property, plant and equipment	-
Right-of-use assets	761
Net deferred tax	665
Provisions	(42)
Deferred revenue	(161)
Other current liabilities	-
Lease liability	(761)
Net assets acquired	1,241
Reacquired rights	-
Goodwill	1,522
Acquisition-date fair value of the total consideration transferred	2,763
Representing:	
Cash paid or payable to vendor	2,704
Outstanding debt	59
	2,763

Details of the cash flow movement relating to the acquisition are as follows:

Cash used to acquire business, net of cash acquired:

Acquisition-date fair value of the total consideration transferred	2,763
Less: outstanding debt/loans forgiven	(59)
Less: cash and cash equivalents	(1)
Net cash used	2,703

Notes to the Financial Statements

26 December 2021

NOTE 18. BUSINESS COMBINATIONS (CONTINUED)

2021

During the year to 27 June 2021, the Group completed the acquisition of Glue Store retail business and the wholesale and distribution brands business of Next Athleisure Pty Ltd (NAL), a leading Australian youth apparel, shoe and accessory retailer offering an aspirational range spanning global street, fashion and sport cultures. In addition to this, the Group acquired lifestyle womenswear brand, Exie and 1 TAF store. The total consideration transferred for these acquisitions was \$14,065,544. Goodwill of \$8,934,926 was recognised on acquisition.

Details of the provisional assets and liabilities acquired are as follows:

	Fair value \$'000
Cash and cash equivalents	15,904
Inventories	1
Other current assets	6,688
Property, plant and equipment	963
Right-of-use assets	10,606
Net deferred tax	2,975
Trade and other payables	(16,679)
Provisions	(1,377)
Deferred revenue	(493)
Other current liabilities	-
Lease liability	(13,457)
Net assets acquired	5,131
Reacquired rights	-
Goodwill	8,935
Acquisition-date fair value of the total consideration transferred	14,066
Representing:	
Cash paid or payable to vendor	12,996
Outstanding debts	(30)
Payments to be made in future periods	1,100
	14,066

Details of the cash flow movement relating to the acquisition are as follows:

Cash used to acquire business, net of cash acquired:

Acquisition-date fair value of the total consideration transferred	14,066
Add: outstanding debts	30
Less: payments to be made in future periods	(1,100)
Less: cash and cash equivalents	-
Net cash used	12,996

The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

The Group engaged independent experts to identify and value intangible assets associated with the acquisition of Glue / Next Athleisure Pty Ltd. The report from the independent experts provided a lower and higher range of values for the Brand value of Glue and other vertical brands acquired as well as Glue's customer database. The Group elected to use the lower end of the range provided and notes that both the Brand and Customer database assets are immaterial and therefore not recognised.

Notes to the Financial Statements

26 December 2021

NOTE 19. EARNINGS PER SHARE

	Consolidated	
	26 Dec 2021 \$'000	27 Dec 2020 \$'000 Restated
Profit after income tax attributable to the owners of Accent Group Limited	14,759	52,689
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	541,666,715	541,236,786
Adjustments for calculation of diluted earnings per share:		
Treasury shares	200,000	383,335
Performance rights	21,497,379	21,599,863
Weighted average number of ordinary shares used in calculating diluted earnings per share	563,364,094	563,219,984
	Cents	Cents
Basic earnings per share	2.73	9.74
Diluted earnings per share	2.62	9.36

NOTE 20. EVENTS AFTER THE REPORTING PERIOD

Trade for the first 8 weeks of H2 FY22 has been significantly impacted by reduced customer traffic due to the COVID-19 Omicron Variant. Like for like sales for the first 8 weeks of H2 were down 10.0% on the prior year and flat on FY20.

Like for like sales for the first 4 weeks of January (to 23rd January) were down 19.1% to last year. Like for like sales for the 4 weeks of 24 January to 20 February improved significantly and were in line with last year. Back to School trade came late and was particularly strong in the last week of January and the first week of February.

Following the post-Christmas sales, the Group has continued to drive full price, full margin sales, and gross margin % over the first 8 weeks has been in line with expectations and ahead of the prior year.

Given the ongoing uncertainty surrounding the impact of COVID-19, the Group has determined not to provide forward sales or profit guidance for H2 FY22 or the full year FY22.

Apart from the dividend declared as disclosed in note 15, no other matter or circumstance has arisen since 26 December 2021 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.

Directors' Declaration

26 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 26 December 2021 and of its performance for the period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



David Gordon

Chairman

22 February 2022

Melbourne



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Independent Auditor's Review Report to the members of Accent Group Limited

Conclusion

We have reviewed the half-year financial report of Accent Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the statement of financial position as at 26 December 2021, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 6 to 20.

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 report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 26 December 2021 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

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 Report* 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 the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Independent Auditor's Report

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 26 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report 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.



DELOITTE TOUCHE TOHMATSU



David White
Partner
Chartered Accountants
Melbourne, 22 February 2022