

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Appendix 4D
Half-year report

1. Company details

Name of entity:	City Chic Collective Limited
ABN:	43 057 569 169
Reporting period:	For the 26 week period ended 30 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

			\$'000
Revenue from ordinary activities	up	7.1% to	75,430
Profit after tax from continuing operations to the owners of City Chic Collective Limited	up	34.5% to	9,851
Profit after tax for the period from continuing and discontinued operations attributable to the owners of City Chic Collective Limited	up	226.7% to	10,145

Comments

Reconciliation of operating profit before income tax to underlying EBITDA (Earnings before interest, taxation, depreciation, amortisation and impairment, and other adjustments) is provided as follows:

	Consolidated 30 Dec 2018 \$'000	Consolidated 31 Dec 2017 \$'000 Restated
Underlying EBITDA	15,818	13,008
Depreciation, amortisation and impairment expense ¹	(971)	(1,170)
Net interest income/(expense)	182	(968)
Transition costs	(1,145)	-
Profit before income tax from continuing operations	<u>13,884</u>	<u>10,870</u>
Profit/(loss) before income tax from discontinued operations	<u>421</u>	<u>(6,264)</u>
Profit before income tax	<u><u>14,305</u></u>	<u><u>4,606</u></u>
	30 Dec 2018 Cents	31 Dec 2017 Cents
Basic earnings per share	5.3	1.6
Diluted earnings per share	5.3	1.6

Dividends

Fully franked ordinary dividends of 2.5 cents per share were declared for the 26 week period ended 30 December 2018 as well as a fully franked special dividend of 2.5 cents per share. These have not been recognised in the liabilities for the period.

¹ Depreciation, amortisation and impairment expense for H1FY19 balance included an impairment write-back of \$0.2 million.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>18.9</u>	<u>11.4</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

Fully franked ordinary dividends of 2.5 cents per share were declared for the 26 week period ended 30 December 2018 as well as a fully franked special dividend of 2.5 cents per share. These have not been recognised in the liabilities for the period.

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

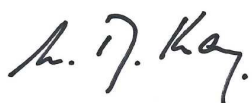
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of City Chic Collective Limited for the 26 week period ended 30 December 2018 is attached.

12. Signed

A handwritten signature in black ink, appearing to read "M. Kay". The signature is written in a cursive, slightly slanted style.

M Kay
Chairman
Sydney

Date: 14 February 2019

City Chic Collective Limited

(Formerly known as Specialty Fashion Group Limited)

ABN 43 057 569 169

Interim Report – 26 week period ended 30 December 2018

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
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General information

The condensed consolidated financial statements cover City Chic Collective Limited (formerly known as Specialty Fashion Group Limited) as a consolidated entity consisting of City Chic Collective Limited and the entities it controlled at the end of, or during the 26 week period. The financial statements are presented in Australian dollars, which is City Chic Collective Limited's functional and presentation currency.

City Chic Collective Limited (ASX Code: CCX) is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

151-163 Wyndham Street
Alexandria, NSW 2015
Australia
T: (02) 8303 9800
F: (02) 8306 3596

A description of the nature of the consolidated entity'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 14 February 2019.

**City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Directors' report
30 December 2018**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'consolidated entity') consisting of City Chic Collective Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the 26 week period ended 30 December 2018 (referred to hereafter as 30 December 2018).

Directors

The following persons were directors of City Chic Collective Limited during the whole of the financial period and up to the date of this report, unless otherwise stated:

M Kay (appointed 1 October 2018)
M Hardwick
M Quinn
P Ryan (appointed 12 February 2019)
A McDonald (resigned 9 November 2018)
A Hardwick (resigned 9 November 2018)

Principal activities

City Chic Collective Limited operates within the women's fashion retail sector in Australia, New Zealand, USA, Germany and the UK. The Southern Hemisphere, which comprise Australia and New Zealand, represented 85% of revenue with the balance in the Northern Hemisphere markets of USA, UK and Germany.

Dividends

Since the end of the period the directors have declared the payment of an interim ordinary dividend of 2.5 cents and special dividend of 2.5 cents per fully paid ordinary share (1 July 2018 - nil) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid on 19 March 2019 out of retained earnings at 30 December 2018, but not recognised as a liability at the end of the period is \$9.612 million.

Operating and financial review

City Chic continues to be a market leader in the plus size women's apparel market with 375,000 active customers globally. The Group has a strong multi-channel offering including 104 stores in Australia and New Zealand, a market leading online platform with sales penetration of 40%, and a growing online and partner business in North America and Europe. At the annual general meeting (AGM) on 9 November 2018, the Group changed its name from Specialty Fashion Group Limited to City Chic Collective Limited.

The Group achieved revenue from continuing operations of \$75.4 million (31 December 2017: \$70.4 million) and Underlying EBITDA from continuing operations of \$15.8 million (31 December 2017: \$13.0 million). The profit for the Group after providing for income tax amounted to \$10.1 million (31 December 2017: \$3.1 million).

The Group ended the half-year with net cash of \$35.5 million at 30 December 2018 (1 July 2018: \$16.1 million). The Group has a \$15.0 million debt facility to February 2021, which was unutilised as at 30 December 2018.

The reported operating cash flow for the first half is \$(8.7) million (31 December 2017: \$13.1 million). The normalised operating cash flow is \$14.6 million, adjusted for the impact of a shortening of trade creditor terms whilst a new trade facility is being implemented, as well as outflows associated with the divested brands, the transaction and the transition. Outflows include settlement of select retained supplier and employee liabilities, GST related balances, advisor fees and redundancies, which were provided for at 1 July 2018 and reflected in the pro-forma net cash balance of \$25 million disclosed at the full year FY18 results.

Due to the change in accounting period end to retail trading weeks, results in prior period comparatives have two additional days of trading.

**City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Directors' report
30 December 2018**

Significant changes in the state of affairs

On 2 July 2018, the Group divested five of its brands to Noni B Limited for consideration of \$31.0 million (prior to completion adjustments) and retained the City Chic brand. There were no other significant changes in the state of affairs of the Group during the financial period.

In relation to the divestment of brands on 2 July 2018, independent experts have been engaged to determine the quantum of the completion adjustment and the Group believes that it is appropriately provisioned to reflect the impact of this completion adjustment once finalised.

Matters subsequent to the end of the financial period

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 December 2018 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

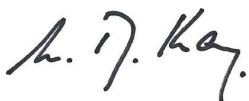
The Group is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this 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



M Kay
Chairman

14 February 2019

The Board of Directors
City Chic Collective Limited
151-163 Wyndham Street
Alexandria NSW 2015

14 February 2019

Dear Board Members

City Chic Collective Limited
(Formerly known as Specialty Fashion 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 City Chic Collective Limited.

As lead audit partner for the review of the half-year financial report of City Chic Collective Limited for the 26 week period ended 30 December 2018, 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 sincerely



DELOITTE TOUCHE TOHMATSU



Annalisa Amiradakis
Partner
Chartered Accountants

Independent Auditor's Review Report to the Members of City Chic Collective Limited (Formerly known as Specialty Fashion Group Limited)

Report on the Half-Year Financial Report

We have reviewed the accompanying condensed consolidated half-year financial report of City Chic Collective Limited, which comprises the condensed consolidated statement of financial position as at 30 December 2018, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information and, the Directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 7 to 23

The Directors' Responsibility for the Financial Report

The Directors of the entity are responsible for the preparation of the condensed consolidated 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 condensed consolidated half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the condensed consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's and consolidated entity's financial position as at 30 December 2018 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of City Chic Collective Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the financial report.

A review of a condensed consolidated 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.

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Member of Deloitte Touche Tohmatsu Limited

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of City Chic Collective Limited would be in the same terms if given to the Directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the condensed consolidated half-year financial report of City Chic Collective Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 December 2018 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standards *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Annalisa Amiradakis
Partner
Chartered Accountants
Parramatta, 14 February 2019

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 December 2018

	Note	Consolidated 30 Dec 2018 \$'000	Consolidated 31 Dec 2017 \$'000 Restated
Revenue from continuing operations	4	75,430	70,441
Interest		291	43
Expenses			
Finished goods and consumables used		(29,848)	(28,626)
Employee benefits expense		(15,112)	(12,466)
Depreciation, amortisation and impairment expense		(971)	(1,170)
Rental expense		(7,706)	(7,361)
Other expenses		(8,091)	(8,980)
Finance costs		(109)	(1,011)
Profit before income tax expense from continuing operations		13,884	10,870
Income tax expense		(4,033)	(3,545)
Profit after income tax expense from continuing operations		9,851	7,325
Profit/(loss) after income tax (expense)/benefit from discontinued operations	5	294	(4,220)
Profit after income tax (expense)/benefit for the period attributable to the owners of City Chic Collective Limited	11	10,145	3,105
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		(103)	(613)
Foreign currency translation		849	(720)
Income tax (expense)/benefit relating to the components of other comprehensive income		31	184
Other comprehensive income for the period, net of tax		777	(1,149)
Total comprehensive income for the period attributable to the owners of City Chic Collective Limited		<u>10,922</u>	<u>1,956</u>
Total comprehensive income for the period is attributable to:			
Continuing operations		10,628	6,176
Discontinued operations		294	(4,220)
		<u>10,922</u>	<u>1,956</u>

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

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 30 December 2018

	Note	Consolidated 30 Dec 2018 \$'000 Cents	Consolidated 31 Dec 2017 \$'000 Restated Cents
Earnings per share for profit from continuing operations attributable to the owners of City Chic Collective Limited			
Basic earnings per share	15	5.1	3.8
Diluted earnings per share	15	5.1	3.8
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of City Chic Collective Limited			
Basic earnings per share	15	0.2	(2.2)
Diluted earnings per share	15	0.2	(2.2)
Earnings per share for profit attributable to the owners of City Chic Collective Limited			
Basic earnings per share	15	5.3	1.6
Diluted earnings per share	15	5.3	1.6

Refer to note 3 for detailed information on Restatement of comparatives.

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

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Condensed consolidated statement of financial position
As at 30 December 2018

	Consolidated Note	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000	Consolidated 31 Dec 2017 \$'000
Assets				
Current assets				
Cash and cash equivalents		35,476	28,929	27,698
Receivables		5,967	4,025	11,321
Inventories		15,234	15,819	81,934
Derivative financial instruments		22	126	-
Income tax receivable		-	15	-
		<u>56,699</u>	<u>48,914</u>	<u>120,953</u>
Assets of disposal groups classified as held for sale	6	-	125,063	-
Total current assets		<u>56,699</u>	<u>173,977</u>	<u>120,953</u>
Non-current assets				
Property, plant and equipment	7	8,334	6,684	50,963
Intangibles	8	11,976	10,095	24,031
Deferred tax assets		7,294	5,349	8,619
Total non-current assets		<u>27,604</u>	<u>22,128</u>	<u>83,613</u>
Total assets		<u>84,303</u>	<u>196,105</u>	<u>204,566</u>
Liabilities				
Current liabilities				
Trade and other payables		20,650	44,277	103,746
Derivative financial instruments		-	-	5,681
Income tax payable		2,601	-	4,813
Provisions		8,163	7,395	21,337
Other		663	491	5,828
		<u>32,077</u>	<u>52,163</u>	<u>141,405</u>
Liabilities directly associated with assets classified as held for sale	9	-	91,791	-
Total current liabilities		<u>32,077</u>	<u>143,954</u>	<u>141,405</u>
Non-current liabilities				
Borrowings		-	12,860	6,403
Provisions		2,748	1,784	5,885
Other		1,260	406	4,842
Total non-current liabilities		<u>4,008</u>	<u>15,050</u>	<u>17,130</u>
Total liabilities		<u>36,085</u>	<u>159,004</u>	<u>158,535</u>
Net assets		<u>48,218</u>	<u>37,101</u>	<u>46,031</u>
Equity				
Issued capital		49,139	49,139	134,497
Reserves	10	(75)	(1,047)	(4,528)
Accumulated losses	11	(846)	(10,991)	(83,938)
Total equity		<u>48,218</u>	<u>37,101</u>	<u>46,031</u>

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

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Condensed consolidated statement of changes in equity
For the period ended 30 December 2018

Consolidated	Issued capital \$'000	Share based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2017	134,497	61	(3,547)	107	(87,043)	44,075
Profit after income tax expense for the period	-	-	-	-	3,105	3,105
Other comprehensive income for the period, net of tax	-	-	(429)	(720)	-	(1,149)
Total comprehensive income for the period	-	-	(429)	(720)	3,105	1,956
Balance at 31 December 2017	<u>134,497</u>	<u>61</u>	<u>(3,976)</u>	<u>(613)</u>	<u>(83,938)</u>	<u>46,031</u>

Consolidated	Issued capital \$'000	Share based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 2 July 2018	49,139	61	88	(1,196)	(10,991)	37,101
Profit after income tax expense for the period	-	-	-	-	10,145	10,145
Other comprehensive income for the period, net of tax	-	-	(72)	849	-	777
Total comprehensive income for the period	-	-	(72)	849	10,145	10,922
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 16)	-	195	-	-	-	195
Balance at 30 December 2018	<u>49,139</u>	<u>256</u>	<u>16</u>	<u>(347)</u>	<u>(846)</u>	<u>48,218</u>

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

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Condensed consolidated statement of cash flows
For the period ended 30 December 2018

	Consolidated	Consolidated
	Note	Note
	30 Dec 2018	31 Dec 2017
	\$'000	\$'000
		Restated
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	82,230	76,649
Payments to suppliers and employees (inclusive of GST)	(90,167)	(62,156)
Interest received	291	43
Interest and other finance costs paid	(109)	(1,011)
Income taxes paid	(964)	(334)
	<u> </u>	<u> </u>
Net cash (used in)/from operating activities	(8,719)	13,191
Cash flows from investing activities		
Payments for plant and equipment	7 (1,787)	(781)
Payments for intangibles	8 (1,721)	(16)
Proceeds from sale of discontinued operations	31,099	-
	<u> </u>	<u> </u>
Net cash from/(used in) investing activities	27,591	(797)
Cash flows from financing activities		
Repayment of borrowings	(12,860)	(19,311)
	<u> </u>	<u> </u>
Net cash used in financing activities	(12,860)	(19,311)
Net increase/(decrease) in cash and cash equivalents from continuing operations		
	6,012	(6,917)
Cash and cash equivalents at the beginning of the financial period	28,929	17,431
Effects of exchange rate changes on cash and cash equivalents	111	-
Net cash flow from discontinued operations	424	17,184
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial period	<u>35,476</u>	<u>27,698</u>

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

**City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Notes to the condensed consolidated financial statements
30 December 2018**

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 December 2018 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 1 July 2018 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*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and interpretations effective for the current half-year that are relevant to the Group include:

AASB 9 Financial Instruments

The Group has adopted AASB 9 from 2 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 from 2 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

**City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Notes to the condensed consolidated financial statements
30 December 2018**

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 December 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. The Group will adopt this standard from 1 July 2019.

Note 2. Operating Segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment being fashion retail. This operating segment is based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM assess the performance of the operating segment based on a measure of underlying EBITDA (Earnings before interest, tax, depreciation, amortisation and impairment, and other adjustments). 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 at least a monthly basis, including weekly reporting on key metrics.

A reconciliation of operating profit before income tax to underlying EBITDA is provided as follows:

Half-year 2019 Segment revenue and profit

	Continuing \$'000	Unallocated \$'000	Consolidated Continuing \$'000
Revenue	75,430	291	75,721
Expense	(61,728)	-	(61,728)
Earnings before interest and tax	13,702	291	13,993
Finance cost	-	(109)	(109)
Profit before income tax from continuing operations	13,702	182	13,884
Income tax expense	(4,033)	-	(4,033)
Profit after income tax from continuing operations	9,669	182	9,851

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Notes to the condensed consolidated financial statements
30 December 2018

Note 2. Operating Segments (continued)

	Consolidated Continuing \$'000
Reconciliation of operating profit before income tax to underlying EBITDA:	
Profit before income tax from continuing operations	13,884
Net interest income/(expense)	(182)
Depreciation, amortisation and impairment expense	971
Transition costs	1,145
	<u>15,818</u>
Underlying EBITDA	<u>15,818</u>

Segment revenue reported above represents revenue generated from external customers.

Half-year 2018 Segment revenue and profit

	Continuing \$'000 Restated	Unallocated \$'000 Restated	Consolidated Continuing \$'000 Restated
Revenue	70,441	43	70,484
Expense	(58,603)	-	(58,603)
Earnings before interest and tax	11,838	43	11,881
Finance cost	-	(1,011)	(1,011)
Profit before income tax from continuing operations	11,838	(968)	10,870
Income tax expense	(3,545)	-	(3,545)
Profit after income tax from continuing operations	8,293	(968)	7,325

Segment revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

City Chic Collective Limited
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Notes to the condensed consolidated financial statements
30 December 2018

Note 3. Restatement of comparatives

Statement of profit or loss and other comprehensive income

	Consolidated 31 Dec 2017 \$'000 Reported	\$'000 Adjustment	Consolidated 31 Dec 2017 \$'000 Restated
Revenue from continuing operations	398,913	(328,472)	70,441
Interest	43	-	43
Expenses			
Finished goods and consumables used	(175,733)	147,107	(28,626)
Employee benefits expense	(103,933)	91,467	(12,466)
Depreciation, amortisation and impairment expense	(11,300)	10,130	(1,170)
Rental expense	(60,345)	52,984	(7,361)
Other expenses	(42,028)	33,048	(8,980)
Finance costs	(1,011)	-	(1,011)
Profit before income tax expense from continuing operations	4,606	6,264	10,870
Income tax expense	(1,501)	(2,044)	(3,545)
Profit after income tax expense from continuing operations	3,105	4,220	7,325
(Loss) after income tax (expense)/benefit from discontinued operations	-	(4,220)	(4,220)
Profit after income tax (expense)/benefit for the period attributable to the owners of City Chic Collective Limited	3,105	-	3,105
Other comprehensive income			
Net change in the fair value of cash flow hedges taken to equity, net of tax	(613)	-	(613)
Foreign currency translation	(720)	-	(720)
Income tax (expense)/benefit relating to the components of other comprehensive income	184	-	184
Other comprehensive income for the period, net of tax	(1,149)	-	(1,149)
Total comprehensive income for the period attributable to the owners of City Chic Collective Limited	1,956	-	1,956
Total comprehensive income for the period is attributable to:			
Continuing operations	1,956	4,220	6,176
Discontinued operations	-	(4,220)	(4,220)
	1,956	-	1,956

City Chic Collective Limited
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Notes to the condensed consolidated financial statements
30 December 2018

Note 3. Restatement of comparatives (continued)

	Cents Reported	Cents Adjustment	Cents Restated
Earnings per share for profit from continuing operations attributable to the owners of City Chic Collective Limited			
Basic earnings per share	1.6	2.2	3.8
Diluted earnings per share	1.6	2.2	3.8
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of City Chic Collective Limited			
Basic earnings per share	-	(2.2)	(2.2)
Diluted earnings per share	-	(2.2)	(2.2)
Earnings per share for profit attributable to the owners of City Chic Collective Limited			
Basic earnings per share	1.6	-	1.6
Diluted earnings per share	1.6	-	1.6

Note 4. Revenue

	Consolidated 30 Dec 2018 \$'000	Consolidated 31 Dec 2017 \$'000 Restated
From continuing operations		
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>75,311</u>	<u>70,375</u>
<i>Other revenue</i>		
Other revenue	<u>119</u>	<u>66</u>
Revenue from continuing operations	<u><u>75,430</u></u>	<u><u>70,441</u></u>
Timing of revenue recognition		
Goods transferred at a point in time	<u><u>75,430</u></u>	<u><u>70,441</u></u>

Accounting policy for revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers

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

City Chic Collective Limited
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Note 4. Revenue (continued)

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

Sale of goods

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

Other revenue

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

Note 5. Discontinued operations

	Consolidated 30 Dec 2018 \$'000	Consolidated 31 Dec 2017 \$'000 Restated
Revenue	17	328,472
Expense	404	(334,736)
Profit/(loss) before income tax from discontinued operations	421	(6,264)
Income tax (expense)/benefit	(127)	2,044
Profit/(loss) after income tax from discontinued operations	294	(4,220)

Cash flow information

	Consolidated 30 Dec 2018 \$'000	Consolidated 31 Dec 2017 \$'000 Restated
Net cash from operating activities	424	22,516
Net cash used in investing activities	-	(5,332)
Net cash used in financing activities	-	-
Net increase in cash and cash equivalents from discontinued operations	424	17,184

Accounting policy for discontinued operations

A discontinued operation is a component of the Group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

On 2 July 2018, the Group divested five of its brands to Noni B Limited for consideration of \$31.0 million (prior to completion adjustments) and retained the City Chic brand. In relation to the divestment of brands on 2 July 2018, independent experts have been engaged to determine the quantum of the completion adjustment and the Group believes that it is appropriately provisioned to reflect the impact of this completion adjustment once finalised.

City Chic Collective Limited
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Note 6. Current assets - assets of disposal groups classified as held for sale

	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000
Trade and other receivables	-	1,068
Inventories	-	65,962
Property, plant and equipment	-	45,067
Intangibles	-	12,966
	<u>-</u>	<u>125,063</u>

Note 7. Non-current assets - property, plant and equipment

	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000
Plant and equipment - at cost	23,645	22,888
Less: Accumulated depreciation	<u>(15,311)</u>	<u>(16,204)</u>
	<u>8,334</u>	<u>6,684</u>

Reconciliations

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

Consolidated	Property, plant and equipment \$'000	Total \$'000
Balance at 2 July 2018	6,684	6,684
Transfer between asset classes - prior year	(259)	(259)
Adjustment to assets held for sale	967	967
Additions	1,787	1,787
Depreciation expense	(1,061)	(1,061)
Impairment write-back	189	189
Exchange differences	27	27
Balance at 30 December 2018	<u>8,334</u>	<u>8,334</u>

Accounting policy for property, plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives.

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

City Chic Collective Limited
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Note 8. Non-current assets - intangibles

	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000
Goodwill - at cost	<u>10,095</u>	<u>10,095</u>
Other intangible assets - at cost	2,517	-
Less: Accumulated amortisation	<u>(636)</u>	<u>-</u>
	<u>1,881</u>	<u>-</u>
Total intangibles	<u><u>11,976</u></u>	<u><u>10,095</u></u>

Reconciliations

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

Consolidated	Goodwill \$'000	Other Intangibles \$'000	Total \$'000
Balance at 2 July 2018	10,095	-	10,095
Transfer between asset classes - prior year	-	259	259
Additions	-	1,721	1,721
Amortisation expense	-	(99)	(99)
Balance at 30 December 2018	<u><u>10,095</u></u>	<u><u>1,881</u></u>	<u><u>11,976</u></u>

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Note 9. Current liabilities - liabilities directly associated with assets classified as held for sale

	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000
Trade payables	-	72,285
Other payables	-	15,068
Provisions	<u>-</u>	<u>4,438</u>
	<u><u>-</u></u>	<u><u>91,791</u></u>

City Chic Collective Limited
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Note 10. Equity - Reserves

	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000
Foreign currency reserve	(347)	(1,196)
Hedging reserve - cash flow hedges	16	88
Share-based payments reserve	256	61
	<u>(75)</u>	<u>(1,047)</u>

Note 11. Equity - Accumulated losses

	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000
Accumulated losses at the beginning of the financial period	(10,991)	(87,043)
Capital reduction ²	-	85,358
Accumulated losses at the beginning of the financial period - restated	(10,991)	(1,684)
Profit/(loss) after income tax (expense)/benefit for the period	10,145	(9,306)
Accumulated losses at the end of the financial period ³	<u>(846)</u>	<u>(10,991)</u>
<i>Accumulated losses at the end of the financial period comprises:</i>		
Loss reserve	(10,991)	(10,991)
Retained earnings	10,145	-
	<u>(846)</u>	<u>(10,991)</u>

Note 12. Equity - Dividends

Dividends

Since the end of the period the directors have declared the payment of a fully franked ordinary dividend of 2.5 cents and a fully franked special dividend of 2.5 cents per fully paid ordinary share (1 July 2018 - nil) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividends expected to be paid on 19 March 2019 out of retained earnings at 30 December 2018, but not recognised as a liability at the end of the period is \$9.612 million.

Franking credits

	Consolidated 30 Dec 2018 \$'000	Consolidated 1 July 2018 \$'000
Franking credits available at the reporting date based on a tax rate of 30%	46,998	45,984
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	2,520	-
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>49,518</u>	<u>45,984</u>

² During FY18, the parent entity, undertook a capital reduction to reduce its share capital by \$85.4 million to \$49.1 million, in accordance with section 258F of the *Corporations Act 2001*. The reduction was allocated in full to the prior period accumulated losses account in the parent entity with no impact on the net assets of either the parent entity or the Group. On consolidation, the share capital of the Group also reduced by \$85.4 million to \$49.1 million.

³ Subsequent to the share capital reduction in FY18, accumulated losses as at 1 July 2018 of \$(11.0 million) were transferred to a Loss reserve. Balance at 30 December 2018 comprises Loss reserve of \$(11.0 million) and Retained earnings of \$10.1 million.

City Chic Collective Limited
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Notes to the condensed consolidated financial statements
30 December 2018

Note 12. Equity - Dividends (continued)

Accounting policy for dividends

Dividends are recognised when declared during the financial period and no longer at the discretion of the Company.

Note 13. Related party transactions

Parent entity

City Chic Collective Limited is the parent entity.

Transactions with related parties

The following transactions occurred with related parties.

	Consolidated	Consolidated
	30 Dec 2018	31 Dec 2017
	\$	\$
Payment for other expenses:		
Lease of business premises in which G Perlstein ⁴ , a former director of the consolidated entity has an interest	-	150,391
Services provided by Southern Cross Shop fit out, a company that is associated with NAAH Pty Ltd and NAAH Investments Pty Ltd	83,751	-
Share registry and Annual General Meeting fees paid to Link Market services. A McDonald ⁵ is a former non-executive director of Link Administrative Holding Limited (Link Group)	12,928	-

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

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 14. Events after the reporting period

Apart from the dividend declared as disclosed in note 12, no other matter or circumstance has arisen since 30 December 2018 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.

⁴ G Perlstein ceased as a director of City Chic Collective Limited (formerly known as Specialty Fashion Group Limited) on 15 February 2018.

⁵ A McDonald ceased as a director of City Chic Collective Limited (formerly known as Specialty Fashion Group Limited) on 9 November 2018.

City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
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Note 15. Earnings per share

	30 Dec 2018	Consolidated 31 Dec 2017
	\$'000	\$'000
		Restated
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of City Chic Collective Limited	<u>9,851</u>	<u>7,325</u>
	Cents	Cents
		Restated
Basic earnings per share	5.1	3.8
Diluted earnings per share	5.1	3.8
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of City Chic Collective Limited	<u>294</u>	<u>(4,220)</u>
	Cents	Cents
		Restated
Basic earnings per share	0.2	(2.2)
Diluted earnings per share	0.2	(2.2)
<i>Earnings per share for profit</i>		
Profit after income tax attributable to the owners of City Chic Collective Limited	<u>10,145</u>	<u>3,105</u>
	Cents	Cents
Basic earnings per share	5.3	1.6
Diluted earnings per share	5.3	1.6
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	192,236,121	192,236,121
Adjustments for calculation of diluted earnings per share:		
Performance rights	<u>233,848</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>192,469,969</u>	<u>192,236,121</u>

Accounting policy for earnings per share

Basic earnings per share

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

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.

City Chic Collective Limited
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30 December 2018

Note 16. Share-based payments

On 13 November 2018, 5,845,552 performance rights were issued under the City Chic Collective Limited Long Term Incentive Plan.

Tranche	Grant date	Performance period end date	Balance at the start of the period	Granted	Exercised	Expired / forfeited / other	Balance at the end of the period
1	13/11/2018	30/06/2021	-	895,552	-	-	895,552
2A	13/11/2018	30/06/2021	-	1,237,500	-	-	1,237,500
2B	13/11/2018	30/06/2021	-	1,237,500	-	-	1,237,500
2C	13/11/2018	30/06/2023	-	2,475,000	-	-	2,475,000
			-	5,845,552	-	-	5,845,552

Tranche	Grant date	Performance period end date	Share price at grant date	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
1	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	\$1.0700
2A	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	\$1.0700
2B	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	\$1.0700
2C	13/11/2018	30/06/2023	\$1.17	35.00%	3.50%	2.33%	\$0.9900

Accounting policy for share-based payments

Performance rights issued have been accounted for as equity-settled transactions.

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

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

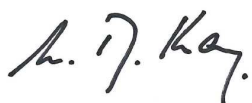
**City Chic Collective Limited
(Formerly known as Specialty Fashion Group Limited)
Directors' declaration
30 December 2018**

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 30 December 2018 and of its performance for the financial 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

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

M Kay
Chairman

14 February 2019