

**DUSK RETAIL GROUP
HOLDINGS PTY LIMITED**

ACN 603 018 131

GENERAL PURPOSE (RDR) FINANCIAL REPORT
For the 52 weeks ended 1 July 2018

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Directors' report

The directors submit their report on Dusk Retail Group Holdings Pty Limited (the "Company") and its controlled entities (collectively, the "Group") for the 52 weeks ended 1 July 2018.

The Group utilises a 52 week retail calendar year for financial reporting purposes, which ended on 1 July 2018. The prior year was a 52 week retail calendar year, which ended on 2 July 2017.

DIRECTORS

The names of the Company's directors in office during the financial year and until the date of this report are set as below. Directors were in office for this entire period.

Trent Peterson
Peter King
John Joyce
Greg Milne
David Maclean

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the directors recommend the declaration of a dividend.

PRINCIPAL ACTIVITY

The principal activity of the Group for the 52 weeks ended 1 July 2018 comprised of retailing of scented and unscented candles, home decor, home fragrance and gift solutions.

There have been no significant changes in the nature of this activity during the year.

OPERATING AND FINANCIAL REVIEW

The net profit after tax of the Group for the 52 weeks ended 1 July 2018 was \$3,781,000 (2017: \$1,710,000).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the year.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There have been no significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

Directors' report (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the Group has paid premiums in respect of a contract insuring all the directors of the Company against legal costs incurred in defending proceedings for conduct other than:

- (a) A wilful breach of duty
- (b) A contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*

The total amount of insurance contract premiums paid was \$24,181.

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.


ROUNDING

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Group under ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191. The Group is an entity to which this legislative instrument applies.

AUDITOR'S INDEPENDENCE

The directors received an independence declaration from the auditor, Ernst & Young. A copy has been included on page 4 of the report.

Signed in accordance with a resolution of the directors.


Peter King
Director

Sydney, 17 October 2018



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Auditor's Independence Declaration to the Directors of Dusk Retail Group Holdings Pty Limited

As lead auditor for the audit of Dusk Retail Group Holdings Pty Limited for the year ended 1 July 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Dusk Retail Group Holdings Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Ashley Butler
Partner
17 October 2018

Consolidated statement of profit or loss and other comprehensive income

For the 52 weeks ended 1 July 2018

	Notes	2018 \$'000	2017 \$'000
Revenue	4.1	74,360	64,816
Cost of sales		(24,638)	(21,808)
Gross profit		49,722	43,008
Other income		73	135
Depreciation and amortisation expense		(2,127)	(2,027)
Employee benefit expense	4.2	(20,963)	(19,179)
Asset, property and maintenance expenses		(161)	(93)
Occupancy expenses		(13,259)	(13,002)
Advertising expenses		(1,673)	(1,168)
Other expenses	4.3	(5,965)	(5,070)
Finance costs	4.4	(265)	(182)
Finance income	4.5	26	19
Profit before tax		5,408	2,441
Income tax expense	5	(1,627)	(731)
Profit for the year		3,781	1,710
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>			
Net movement of cash flow hedges		-	139
Income tax relating to the components of other comprehensive income		-	(42)
Other comprehensive income for the year, net of tax		-	97
Total comprehensive income for the year		3,781	1,807

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

Consolidated statement of financial position

As at 1 July 2018

	Notes	1 July 2018 \$'000	2 July 2017 \$'000
Assets			
Current assets			
Cash	6	6,712	5,454
Trade and other receivables	7	1,955	919
Inventories	8	11,453	8,694
Total current assets		20,120	15,067
Non-current assets			
Property, plant and equipment	9	6,609	5,020
Intangible assets	10	1,863	1,747
Deferred tax assets	5	1,522	2,817
Total non-current assets		9,994	9,584
Total assets		30,114	24,651
Liabilities			
Current liabilities			
Trade and other payables	11	6,403	4,928
Provisions	12	649	495
Employment benefit liabilities	13	633	642
Income tax payable		343	13
Total current liabilities		8,028	6,078
Non-current liabilities			
Provisions	12	2,377	1,241
Employee benefit liabilities	13	259	225
Interest-bearing loans and borrowings	15.1	-	1,438
Total non-current liabilities		2,636	2,904
Total liabilities		10,664	8,982
Net assets		19,450	15,669
Equity			
Issued capital	14	3,415	3,415
Retained earnings		16,035	12,254
Total equity		19,450	15,669

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

Consolidated statement of changes in equity

For the 52 weeks ended 1 July 2018

	Issued capital (Note 14) \$'000	Retained earnings \$'000	Cash flow reserve \$'000	Total equity \$'000
At 2 July 2017	3,415	12,254	-	15,669
Profit for the year	-	3,781	-	3,781
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	3,781	-	3,781
At 1 July 2018	3,415	16,035	-	19,450
At 3 July 2016	3,415	10,544	(97)	13,862
Profit for the year	-	1,710	-	1,710
Other comprehensive income	-	-	97	97
Total comprehensive income for the year	-	1,710	97	1,807
At 2 July 2017	3,415	12,254	-	15,669

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

Consolidated statement of cash flows

For the 52 weeks ended 1 July 2018

	2018	2017
Note	\$'000	\$'000
Operating activities		
Receipts from customers (inclusive of GST)	81,131	72,176
Payments to suppliers and employees (inclusive of GST)	(74,341)	(69,207)
Interest received	26	19
Interest paid	(75)	(182)
Income tax (paid)/refund	(2)	41
Net cash flows from operating activities	6,739	2,847
Investing activities		
Purchase of property, plant and equipment	(3,690)	(206)
Purchase of intangible assets	(163)	(52)
Net cash flows used in investing activities	(3,853)	(258)
Financing activities		
(Repayment of)/proceeds from borrowings	(1,628)	1,438
Net cash flows (used in)/from financing activities	(1,628)	1,438
Net increase in cash and cash equivalents	1,258	4,027
Cash and cash equivalents at beginning of the year	5,454	1,427
Cash and cash equivalents at end of the year	6,712	5,454

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

Notes to the consolidated financial statements

For the 52 weeks ended 1 July 2018

1 Corporate information

The consolidated financial report of Dusk Retail Group Holdings Pty Limited (the "Company") and its controlled entities (collectively, the "Group") for the year ended 1 July 2018 were authorised for issue in accordance with a resolution of the directors on 17 October 2018.

The Group utilises a 52 week retail calendar year for financial reporting purposes, which ended on 1 July 2018. The prior year was a 52 week retail calendar ended on 2 July 2017.

Dusk Retail Group Holdings Pty Limited is a for-profit company limited by shares incorporated in Australia. Dusk Retail Group Holdings Pty Limited is controlled by a number of investors managed by Catalyst Investment Managers Pty Limited.

The registered office and principal place of business of the Company is Building 1, Level 3, 75-85 O'Riordan Street, Alexandria, NSW 2015.

The nature of the operations and principal activity of the Group are described in the directors' report.

Information on the Group's structure is provided in Note 16. Information on other related party relationships of the Group is provided in Note 15.

2 Summary of significant accounting policies

2.1 Basis of preparation

Statement of compliance

The Group is a for-profit, private sector entity which is not publicly accountable. Therefore, the consolidated financial statements for the Group are general purpose financial statements which have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards – Reduced Disclosure Requirements (AASB – RDRs) and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191.

2.2 Changes in accounting policies, disclosure, standards and interpretations

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year.

The new and amended Australian Accounting Standards and AASB Interpretations that apply for the first time in 2017/2018 do not materially impact the financial statements of the Group.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.2 Changes in accounting policies, disclosure, standards and interpretations (continued)

Accounting Standards and Interpretations issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the 52 weeks ended 1 July 2018. The directors have not early adopted any of these new or amended standards or interpretations. The directors are in the process of assessing the impact of the applications of AASB 9 *Financial Instruments* (effective for years ending on or after 1 January 2018), AASB 15 *Revenue from Contracts with Customers* (effective for years ending on or after 1 January 2018), and AASB 16 *Leases* (effective for years ending on or after 1 January 2019) and its amendments to the extent relevant to the financial statements of the Group.

2.3 Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 1 July 2018 and 2 July 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(a) Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(c) Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(c) Current versus non-current classification (continued)

The Group classifies all other liabilities as non-current.

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

(d) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(e) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. An operating lease is a lease other than a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(f) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Dusk Rewards Membership Programme (Loyalty Card)

Revenue from Loyalty Card sales is recognised when service rendered can be estimated reliably. A portion of revenue (2018: 19%, 2017: 15%) is deferred and recognised on a straight line basis over the life of the card membership (24 months).

Interest income

Interest income is recognised as it accrues.

(g) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(g) Taxes (continued)

Deferred tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Dusk Retail Group Holdings Pty Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 23 February 2015.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(g) Taxes (continued)

Tax consolidation legislation (continued)

The head entity, Dusk Retail Group Holdings Pty Ltd, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the consolidated head company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable.
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(h) Cash

Cash in the consolidated statement of financial position comprises cash at bank and on hand.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, as defined above.

(i) Trade and other receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate (EIR) method, less an allowance for impairment.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(i) Trade and other receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis.
- Finished goods: cost of product, freight, duties and other customs charges.
- Work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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

(k) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

- | | |
|------------------------------|--------------------|
| - Computer equipment | 3 years |
| - Plant and other equipment | 5 to 8 years |
| - Shop fixtures and fittings | Over initial lease |

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the Cash Generating Unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

Computer software

The Group records direct costs associated with the development of computer software for external direct costs of materials and services consumed. Computer software has been determined to have a finite life, and is amortised on a straight-line basis over its useful life, as follows:

Computer software	3 years
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The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(m) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Due to the Company operating only one brand and utilising uniform store formats across one geographic location, we consider the Company as a whole to be a CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal recent market transactions are taken into account. If no such transactions can be identified an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. The Group utilises the 'multiple EBITDA' approach when calculating the terminal value.

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(n) Investment in subsidiaries

Investment in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

(o) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Where funds are borrowed to finance major developments which extend for greater than one year, the borrowing costs on such funds are included as a capital cost of development up to the date of commissioning and are amortised over the expected useful economic life of the development.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(p) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(q) Provisions and employee benefit liabilities

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Make good provision

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with returning the premises to its original condition.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

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

(r) Derivative financial instruments and hedge accounting

The Group uses derivative financial instrument, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

2 Summary of significant accounting policies (continued)

2.3 Significant accounting policies (continued)

(r) Derivative financial instruments and hedge accounting (continued)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income as other operating expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity income until the forecast transaction occurs or the foreign currency firm commitment is met.

(s) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Loyalty programme sales

Dusk Rewards Membership Programme (Loyalty Card) are recognised proportionately over the life of the card (24 months). As the fee is non-refundable and management considers that most customer benefits in the form of vouchers will be utilised in the first month, management have recognised 81% of loyalty card sales at the point of sale. The 81% of revenue recognised up-front is based on average discount provided per member store visit and historical data regarding the number of visits loyalty card holders make during their 24 month membership life. The remaining 19% of the membership sales revenue is deferred and recognised on a straight-line basis over a 24 month period.

Make good provision

The calculation of this provision requires assumptions such as expected lease expiry dates and cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each leased premises is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the consolidated statement of financial position by adjusting both the expense or asset (if applicable) and provision.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

3 Significant accounting judgements, estimates and assumptions (continued)

Fair value measurement of financial instruments

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

Long service leave provision

As discussed in Note 2(q), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

4	Revenue and expenses		
4.1	Revenue		
		2018	2017
		\$'000	\$'000
	Sale of goods	74,360	64,816
4.2	Employee benefit expense		
	Wages and salaries	19,526	17,942
	Defined contribution superannuation expense	1,437	1,237
		20,963	19,179
4.3	Other expenses		
	Professional fees	393	465
	Storage costs	2,440	1,858
	Postage and stationery	129	104
	Bank fees	694	529
	Other	2,309	2,114
		5,965	5,070
4.4	Finance costs		
	Interest expense	265	182
4.5	Finance income		
	Interest income	26	19

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

5 Income tax

The major components of income tax expense for the 52 weeks ended 1 July 2018 and 2 July 2017 are:

Consolidated statement of profit or loss and other comprehensive income

	2018	2017
	\$'000	\$'000
Current income tax:		
Current income tax charge	331	595
Adjustments in respect of current income tax of previous year	-	(1)
Deferred tax:		
Relating to origination and reversal of temporary differences	1,296	137
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	1,627	731
Deferred income tax		
Relating to origination and reversal of temporary differences taken to other comprehensive income	-	41
	1,627	772

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2018 and 2017:

Accounting profit before income tax	5,408	2,441
At Australia's statutory income tax rate of 30% (2017: 30%)	1,622	732
Adjustments in respect of current income tax of previous years	-	(1)
Non-deductible expenses	6	-
Other	(1)	-
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	1,627	731

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

5 Income tax (continued)

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Losses available for offsetting against future taxable income	-	1,969	(1,969)	-
Provisions	1,155	848	307	-
Inventory	83	-	83	-
Property, plant and equipment	(32)	-	(32)	-
Accruals	316	-	316	-
Amounts (charged)/credited directly to equity	-	-	-	(41)
Amounts (charged)/credited directly to the consolidated statement of profit or loss and other comprehensive income	-	-	-	(137)
Deferred tax expense			(1,295)	(178)
Net deferred tax assets	1,522	2,817		
Reflected in the consolidated statement of financial position, net as follows:				
Deferred tax assets	1,554	2,841		
Deferred tax liabilities	(32)	(24)		
Deferred tax assets, net	1,522	2,817		

6 Cash

	2018	2017
	\$'000	\$'000
Cash on hand	62	53
Cash at bank	6,650	5,401
	6,712	5,454

7 Trade and other receivables

Current

Trade receivables	986	131
Prepaid expenses	969	674
Other receivables	-	114
	1,955	919

8 Inventories

Finished goods at cost	11,728	8,890
Provision for diminution in value	(275)	(196)
Inventories at lower of cost and net realisable value	11,453	8,694

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

8 Inventories (continued)

During 2018, \$145,127 (2017: \$8,963) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

9 Property, plant and equipment

	Shop fixtures and fitting	Computer equipment	Plant and other equipment	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
At 2 July 2017	19,910	1,128	4,342	25,380
Additions	3,502	158	30	3,690
Disposals	(1,043)	(37)	(217)	(1,297)
At 1 July 2018	22,369	1,249	4,155	27,773
Accumulated depreciation				
At 2 July 2017	15,160	980	4,220	20,360
Depreciation charge for the year	1,921	109	50	2,080
Disposals	(1,022)	(37)	(217)	(1,276)
At 1 July 2018	16,059	1,052	4,053	21,164
Net book value				
At 1 July 2018	6,310	197	102	6,609
At 2 July 2017	4,750	148	122	5,020

10 Intangible assets

	Computer software	Goodwill	Total
	\$'000	\$'000	\$'000
Cost			
At 2 July 2017	73	1,687	1,760
Additions	163	-	163
At 1 July 2018	236	1,687	1,923
Amortisation and impairment			
At 2 July 2017	13	-	13
Amortisation	47	-	47
At 1 July 2018	60	-	60
Net book value			
At 1 July 2018	176	1,687	1,863
At 2 July 2017	60	1,687	1,747

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

11 Trade and other payables

	2018	2017
	\$'000	\$'000
Current		
Trade payables	3,033	2,878
Unearned revenue	216	234
Accrued expenses	2,449	1,172
Other payables	705	644
	6,403	4,928

12 Provisions

Current		
Lease incentives	472	162
Straight-line lease	109	153
Make good provision	68	180
	649	495
Non-current		
Lease incentives	1,264	295
Straight-line lease	705	805
Make good provision	408	141
	2,377	1,241

	Lease incentives \$'000	Straight-line lease \$'000	Make good provision \$'000	Total \$'000
At 3 July 2016	639	889	360	1,888
Arising during the year	-	69	-	69
Utilised	(182)	-	(39)	(221)
At 2 July 2017	457	958	321	1,736
Arising during the year	1,470	53	180	1,703
Utilised	(191)	(197)	(25)	(413)
At 1 July 2018	1,736	814	476	3,026
Current	472	109	68	649
Non-current	1,264	705	408	2,377
	1,736	814	476	3,026

13 Employment benefit liabilities

	2018	2017
	\$'000	\$'000
Current		
Annual leave	506	537
Long service leave	127	105
	633	642
Non-current		
Long service leave	259	225

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

14 Issued capital

Ordinary shares issued

	2018	2017
	\$'000	\$'000
Ordinary shares	3,415	3,415
Movement in issued capital	Number of shares	\$'000
At 3 July 2016	15,214	3,415
At 2 July 2017	15,214	3,415
At 1 July 2018	15,214	3,415

15 Related party disclosures

15.1 Transactions with related parties

		Interest expense	Amounts owed to related parties
		\$	\$
Shareholders loan	2018	190,819	-
	2017	132,541	1,437,541

Shareholders loan

The loan was repaid in full (principal plus interest) on 30 April 2018.

15.2 Compensation of key management personnel of the Group

	2018	2017
	\$	\$
Total compensation paid to key management personnel	1,259,228	1,147,866

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

There are no other transactions with the key management personnel during the year (2017: \$nil).

16 Information relating to subsidiaries

The consolidated financial statements of the Group include the financial statements of the Company and the subsidiaries listed in the below table:

Name	Principal activities
Dusk Australasia Pty Ltd	Retailing of scented and unscented candles, home decor, home fragrance and gift solutions.
Dusk Wholesale and Imports Pty Ltd	Dormant
Dusk Europe Pty Ltd	Dormant

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

17 Information relating to Dusk Retail Group Holdings Pty Limited (Parent Entity)

	2018	2017
	\$'000	\$'000
Current assets	23,000	23,000
Total assets	23,000	23,000
Current liabilities	-	-
Total liabilities	-	-
Issued capital	23,000	23,000
Retained earnings	-	-
Cash flow hedge reserve	-	-
	<u>23,000</u>	<u>23,000</u>
Profit or loss of the parent entity	-	-
Total comprehensive income of the parent entity	-	-

Contractual commitments

The Parent entity did not have any contractual commitments as at 1 July 2018 (2017: \$nil).

Contingent liabilities

The Parent is a guarantor on the Commonwealth Bank of Australia banking facilities held by Dusk Australasia Pty Ltd.

The Parent has issued the following guarantees in relation to the debts of its subsidiaries:

Pursuant to *ASIC Corporations (Wholly-owned Companies) Instrument 2016/785*, Dusk Retail Group Holdings Pty Limited have entered into a deed of cross guarantee on 9 June 2016. The effect of the deed is that Dusk Retail Holdings Pty Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Dusk Retail Group Holdings Pty Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The Parent did not have any other contingent liabilities as at 1 July 2018 (2017: \$nil).

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 1 July 2018

18 Commitments and contingencies

Operating lease commitments – Group as lessee

Future minimum rentals payable under non-cancellable operating leases as at reporting date are as follows:

	2018	2017
	\$'000	\$'000
Within one year	9,961	8,807
After one year but not more than five years	16,876	12,265
More than five years	24	44
	<u>26,861</u>	<u>21,116</u>

The Group has entered into operating leases for rental of shop premises. These leases have an average life of between 3 and 7 years with renewal options included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Contingent liabilities

Contingent liabilities held by the Parent entity are disclosed in Note 17.

The Group did not have any other contingent liabilities as at 1 July 2018 (2017: none).

19 Events after the reporting period

There have been no significant events occurring after the reporting period which may affect either the Group's operations or results of those operations or the Group's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Dusk Retail Group Holdings Pty Limited and its controlled entities, I state that:

In the opinion of the directors:

- (a) the consolidated financial statements and notes of the Dusk Retail Group Holdings Pty Limited and its controlled entities for the 52 weeks ended 1 July 2018 are in accordance with the *Corporations Act 2001*, including:
 - (i) Giving a true and fair view of the Group's financial position as at 1 July 2018 and its performance for the 52 weeks ended on that date
 - (ii) Complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the closed group identified in Note 16 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 16.

On behalf of the Board



Peter King
Director

17 October 2018



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Independent Auditor's Report to the Members of Dusk Retail Group Holdings Pty Limited

Opinion

We have audited the financial report of Dusk Retail Group Holdings Pty Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 1 July 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 1 July 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Ernst & Young

A handwritten signature in black ink, appearing to read 'Ashley Butler', is written over the printed name.

Ashley Butler
Partner
Melbourne
17 October 2018