Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited)
ACN 603 018 131

General purpose financial report for the 52 weeks ended
28 June 2020

Contents

Directors' report

The directors submit their report on Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) (the "Company") and its controlled entities (collectively, the "Group") for the 52 weeks ended 28 June 2020.

The Group utilises a 52 week retail calendar year for financial reporting purposes, which ended on 28 June 2020. The prior year was a 52 week retail calendar year, which ended on 30 June 2019.

Directors

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

Names, qualifications, experience and special responsibilities

John Joyce

John has been the Chairman of the Company since 2016.

John has over 30 years' experience in senior management roles across a range of retailers and supermarkets. John previously held positions as CEO at Rebel Group and Managing Director at ALDI and currently runs his own independent advisory (Business Improvement Solutions) focused on retail and related businesses.

John has a MBA from Leeds University.

John is also a non-executive director of Independent Living Specialists.

John is a member of the Remuneration Committee.

Peter King

Peter joined the Company in 2014 as the CEO and was appointed to the Board in 2014.

Peter has over 25 years' experience in senior leadership positions including General Manager Australia/New Zealand and Head of Global New Product Development and Sourcing at Skins Australia and New Zealand, General Manager at Colorado Group, General Manager at Tabcorp, Marketing Director at Maxxium Australia and Marketing Director at Levi Strauss.

Peter holds a Bachelor of Business degree from Charles Sturt University.

Peter is a graduate of the advanced Executive Programme from Northwestern University - Kellogg Graduate School of Management.

Trent Peterson

Trent has been a non-executive director of the Company since 2011 and served as Chairman between 2011 and 2016.

Trent has over 20 years' investment and private equity experience, focused primarily on businesses operating in consumer, retail and media sectors. Trent is Managing Director of Catalyst Investment Managers and the founder and Managing Director of both Catalyst Direct Capital Management and IPMB Capital Partners.

Trent is a non-executive director of ASX-listed companies Adairs Limited and Shaver Shop Group Limited. Trent is also the Chairman of Universal Store and Cirrus Media. Trent is a director of Australian Pure Health Pty Ltd (trading as Mr Vitamins) and the Ascham Foundation. Trent is also a director of a not for profit charity, Gather My Crew, which dusk supports.

Trent was previously a director of Just Group, Max Fashions, EziBuy, Taverner Hotel Group, Global Television, Metro GlassTech, Australian Discount Retail and SkyBus.

Trent qualified as a Chartered Accountant and graduated from The University of Melbourne with a Bachelor of Commerce.

Directors' report (continued)

Directors (continued)

Trent Peterson (continued)

Trent is the Chair of the Remuneration Committee and a member of the Audit and Risk Committee.

David Maclean

David has been a non-executive director of the Company since 2014.

David was formerly the CEO and Managing Director of Adairs Limited for 14 years from 2002 to 2016.

David is a non-executive director at Adairs Limited and Universal Store and runs his family investment office as well as holding minority interests in a number of private retail businesses.

David is a member of the Audit and Risk Committee.

Gregory Milne (resigned: 29 September 2020)

Gregory has been involved with the Company for 16 years. Firstly as an executive director in 2004 when it was acquired by publicly listed Brazin Ltd in his capacity as Executive Director and CEO, then as CEO (and part owner) and finally upon retirement in 2015, as non-executive director. Brazin comprised Bras ’n Things, Sanity Entertainment (including Virgin and HMV), Aztec Rose, Diva (subsequently becoming Lovisa), Adairs (prior to the formation of Home Decor Holdings in 2010) and others during that period.

With over 48 years of retail management experience, most of it at General Manager or CEO level, covering many product groups, including both apparel and non-apparel categories and thoroughly versed in all aspects of retail management with specific focus on product development, inventory and strategic retail management. In addition to CEO of Brazin Ltd he has also been President, COO and CEO of Sunglass Hut International based in Miami, (prior to and after the acquisition by Luxottica) The Walking Company (Los Angeles), Bras ‘n Things (during its early formative years) Dymocks, Traveland (and Ansett after the acquisition) and Myer Grace Brothers.

Retiring from full time roles in 2015 Greg continues to work with the BBRC group as a board and senior management advisor to brands connected with that group including Honey Birdette, Lovisa and the Accent Group. He is a Non-executive Director of the Dymocks Group of Companies and works as a contracted consultant for large retail chains.

Greg holds an Economics (with Marketing) degree from Macquarie University and other retail related qualifications from both Australian and international institutions.

Tracy Mellor (appointed: 16 September 2020)

Tracy joined the Company as non-executive director in September 2020.

Tracy brings over 30 years of global experience in leadership roles across a number of different sectors including Pharma, Technology and Retail.

Tracy is currently a consultant specialising in leadership effectiveness and company culture. Prior to this, she was Global People and Culture Director for GreenLight Clinical, an Australian global clinical research organisation and before that Managing Director and Global People Director for Reward Gateway, a company specialising in employee engagement. Prior to this, Tracy was Executive General Manager of People and Development at Rebel Group.

Tracy is a Chartered Fellow of the Chartered Institute of Personnel and Development, a Fellow Certified Practitioner of the Human Resources Australian Human Resources Institute and a Graduate of the Australian Institute of Company Directors.

Tracy is a member of the Remuneration Committee.

Directors' report (continued)

Directors (continued)

Katherine Ostin (appointed: 16 September 2020)

Katherine joined the Company as non-executive director in September 2020.

Katherine was an audit partner at KPMG between 2005 and 2017, during which time she established and led KPMG's New South Wales Health, Ageing and Human Services Practice.

Katherine is also a non-executive director at ASX-listed companies Capral Ltd and Swift Media Limited where she is also respectively Chair of the Audit & Risk Committees; and at eftpos Payments Australia where she is the Chair of the Finance & Financial Audit Committee, Chair of the Risk and Internal Audit Committee and a member of the Pricing and Rebates Committee.

Katherine is a Graduate of the Australian Institute of Company Directors, a Fellow of the Financial Services Institute of Australasia, a Member of Chartered Accountants Australia and New Zealand (previously, The Institute of Chartered Accountants in Australia) and graduated from The University of New South Wales with a Bachelor of Commerce (Accounting and Finance).

Katherine is the chair of the Audit and Risk Committee of the Company.

Dividends

A dividend of $5,772,000 was declared and provided for during the financial year (2019: $nil). The dividend was paid in full on 20 July 2020.

Principal activity

The principal activity of the Group for the 52 weeks ended 28 June 2020 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 results for the year

The net profit after tax of the Group for 52 weeks ended 28 June 2020 was $9,497,000 (2019: $2,616,000).

Set out below is a summary of the financial performance attributable to the Group's shareholders for the 52 weeks ending 28 June 2020. The summary includes non-AASB financial information, including earnings before interest, tax, depreciation and amortisation ("EBITDA"), and is stated excluding certain non-operating income and expense items and items of a non-recurring, one-off nature. The results are set out this way as the Directors consider them to be a meaningful comparison from period to period. EBITDA is used as a key measure of earnings considered by management in operating the business and assessing performance. The non-AASB information is unaudited.

Directors' report (continued)

Operating results for the year (continued)

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	**$000**
Profit before tax as per statutory accounts	**13,575**	**3,780**
Add/(deduct):		
Depreciation of property, plant and equipment and amortisation expense	3,028	2,457
Depreciation of right-of-use assets (i)	12,629	-
Finance costs	1,478	53
Finance income	(11)	(75)
EBITDA	**30,699**	**6,215**
Add back non-recurring, one off items:		
Provision for historical wages review (ii)	-	2,800
Sale preparation costs (iii)	719	927
Net JobKeeper receipts (iv)	(2,265)	-
Rental concessions received (v)	(1,023)	-
Adjusted EBITDA	**28,130**	**9,942**
EBITDA (Pre AASB 16)	**18,070**	**6,215**
Adjusted EBITDA (Pre AASB 16)	**15,501**	**9,942**

(i) Upon adoption of AASB 16, the Group recognised depreciation on right-of-use assets and interest expense instead of rental expenses. As a result, EBITDA for 2020 is not comparable with 2019 EBITDA. Therefore, EBITDA for 2020 is also presented on a pre AASB 16 basis to compare with EBITDA presented in 2019.

(ii) The provision for historical wages review in 2019 arose from the request of five employees to review their wages regarding double time entitlements where there had been a less than 12-hour break between shifts. Whilst undertaking a detailed self-audit of the issue an estimate of possible one-off payments to be made to staff was made by management, including on-costs. The provision does not include any penalties or fines.

(iii) The Group incurred certain non-recurring costs in preparation of a possible sale transaction.

(iv) Net JobKeeper Receipts reflects the removal of the non-recurring benefit to FY20 earnings of the JobKeeper Payment received from the Australian Government. It reflects the amount of subsidy received by the Group to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Company. This adjustment does not include the additional JobKeeper Payment amounts of $2.1 million received by the Company in FY20 and paid to staff who were not working, or where wages of staff who worked were below the relevant minimum threshold, as there was no net benefit to the Group's earnings from the receipt of these amounts as they were passed directly through to staff.

(v) As an impact of COVID-19, the Group has negotiated with its landlords to achieve rent concessions and in some instances, lease modifications and extended lease terms. The rent concessions reflect credits received from landlords on contracted lease costs under the practical expedients of AASB 16 Leases.

In March 2020 and the following months, the COVID-19 outbreak resulted in widespread uncertainty and the implementation of government imposed restrictions in Australia which led to drastically reduced foot traffic in shopping centres. During this period, the Group implemented a range of measures to protect the safety of its staff and customers and implemented a range of steps designed to preserve and insulate the performance of the business and its liquidity from the potential prolonged impacts of COVID-19. The Company qualified for the JobKeeper Payment due to depressed sales in April 2020 when its national store network was shut. The Group expects to receive this subsidy until the end of September 2020.

Directors' report (continued)

Operating results for the year (continued)

Since reopening stores in early May, physical store and online sales have experienced strong growth. These sales trends have continued into July and August 2020. The drivers of total sales growth in physical stores have transitioned from being divided almost equally between growth in average transaction value (ATV) and growth in transaction volumes in the pre-COVID-19 52-week period, to being driven in majority by significant increased transaction volume, together with continued growth in ATV, since reopening stores in early May 2020.

Significant changes in the state of affairs

The Company converted from a large proprietary company to an unlisted public company limited by shares on 25 September 2020. As a result, the Company changed its name from Dusk Retail Group Holdings Pty Limited to Dusk Group Limited.

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

Significant events after the reporting period

The dividend of $5,772,000 declared and provided for on 3 March 2020 was paid on 20 July 2020.

There have been no other 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

The Company, its directors and advisors are currently considering a possible Initial Public Offer (‘IPO’) in the immediate future. An IPO is being considered to (i) allow existing shareholders to realise part of their investment in the Company; (ii) provide the Company with access to capital markets and improved financial flexibility; (iii) create a liquid market for the Company’s shares; and (iv) increase the Company’s profile as it continues its growth plans.

The home fragrance market is a substantial retail segment in Australia and is estimated to represent approximately $461.5 million of annual retail sales in the year ended 28 June 2020 and is forecast to grow by approximately 8.3% over the next twelve months, as determined by Frost & Sullivan: The Home Fragrances Market in Australia, Market Size (September 2020). In the current year, the Company had approximately 22% market share in the segment. The directors currently expect the Company to experience growth in line with market expectations through increased sales, continued store openings and further growth in online sales as Australia continues to embrace digital retail channels post the COVID-19 pandemic.

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.

Share options

Share-based payments

As at the date of this report, there were 2,450,000 unissued ordinary shares under options. Refer to Note 18.2 of the financial report for further details of the options outstanding.

Option holders are entitled to the issue of one ordinary share in the share capital of Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) for each option. 4,550,000 options have been exercised as at the date of this report.

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 $38,436 (2019: $30,499).

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young (Australia), 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 (Australia) during or since the financial year.

Directors' meetings

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

	Directors' meetings
Number of meetings held:	12
Number of meetings attended:	
Trent Peterson	12
Peter King	12
John Joyce	12
Gregory Milne	11
David Maclean	10
Tracy Mellor*	-
Katherine Ostin*	-

*Both directors were appointed on 16 September 2020, subsequent to year end. During the year, Tracy Mellor attended 5 directors' meetings, and was not acting in the capacity of a director.

Rounding

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the Company under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191.The Company is an entity to which this legislative instrument applies.

Directors' report (continued)

Auditor's independence

The directors received an independence declaration from the auditor, Ernst & Young (Australia). A copy has been included on page 8 of the report.

Signed in accordance with a resolution of the directors.

Peter King
Chief Executive Officer
Sydney
1 October 2020

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

As lead auditor for the audit of Dusk Group Limited (formerly Dusk Retail Group Holdings Pty Ltd) for the year ended 28 June 2020, 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 Group Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Ashley Butler
Partner

Melbourne
1 October 2020

Consolidated statement of profit or loss and other comprehensive income

For the 52 weeks ended 28 June 2020

	Notes	52 weeks ended 28 June 2020 $000	52 weeks ended 30 June 2019 $000
Revenue from contracts with customers	7.1	100,928	86,079
Cost of sales	7.2	(35,180)	(30,578)
Gross profit		**65,748**	**55,501**
Other income	7.3	1,024	28
Depreciation and amortisation expense	12, 13, 14	(15,657)	(2,457)
Employee benefit expense	7.4	(23,004)	(26,122)
Asset, property and maintenance expenses		(135)	(190)
Occupancy expenses		(3,053)	(13,929)
Advertising expenses		(1,745)	(1,557)
Other expenses	7.5	(8,136)	(7,516)
Finance costs	7.6	(1,478)	(53)
Finance income	7.7	11	75
Profit before tax		**13,575**	**3,780**
Income tax expense	8	(4,078)	(1,164)
Profit for the year		**9,497**	**2,616**
Other comprehensive income		-	-
Total comprehensive income for the year		**9,497**	**2,616**
Earnings per share (EPS) (in dollars)			
Basic, profit for the period attributable to ordinary equity holders of the parent	5	0.16	0.05
Diluted, profit for the period attributable to ordinary equity holders of the parent	5	0.15	0.04

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 28 June 2020

	Notes	28 June 2020 $000	30 June 2019 $000
Assets			
Current assets			
Cash	9	28,354	13,871
Trade and other receivables	10	2,906	565
Inventories	11	8,634	11,985
Right-of-return assets		327	405
Prepayments		656	1,404
Total current assets		40,877	28,230
Non-current assets			
Property, plant and equipment	12	8,150	6,041
Right-of-use assets	13	31,041	-
Intangible assets	14	1,824	1,948
Deferred tax assets	8	4,154	2,812
Total non-current assets		45,169	10,801
Total assets		**86,046**	**39,031**
Liabilities			
Current liabilities			
Trade and other payables	15	16,687	8,006
Provisions	16	4,533	5,481
Employee benefit liabilities	17	867	780
Lease liabilities	13	10,181	-
Income tax payable		2,962	1,542
Total current liabilities		35,230	15,809
Non-current liabilities			
Provisions	16	578	1,607
Employee benefit liabilities	17	342	281
Lease liabilities	13	24,821	-
Total non-current liabilities		25,741	1,888
Total liabilities		**60,971**	**17,697**
Net assets		**25,075**	**21,334**
Equity			
Issued capital	18.1	3,415	3,415
Other capital reserves	18.2	112	96
Retained earnings		21,548	17,823
Total equity		**25,075**	**21,334**

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 28 June 2020

	Issued capital (Note 18.1)	Retained earnings	Other capital reserves (Note 18.2)	Total equity
	$000	$000	$000	$000
At 1 July 2019	**3,415**	**17,823**	**96**	**21,334**
Profit for the year	-	9,497	-	9,497
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	9,497	-	9,497
Share-based payments	-	-	16	16
Dividends provided but not paid (Note 6)	-	(5,772)	-	(5,772)
At 28 June 2020	**3,415**	**21,548**	**112**	**25,075**
At 1 July 2018	**3,415**	**16,035**	**-**	**19,450**
Effect of adoption of new accounting standards	-	(828)	-	(828)
As at 1 July 2018 (restated)	**3,415**	**15,207**	**-**	**18,622**
Profit for the year	-	2,616	-	2,616
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	2,616	-	2,616
Share-based payments	-	-	96	96
At 30 June 2019	**3,415**	**17,823**	**96**	**21,334**

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 28 June 2020

	Notes	52 weeks ended 28 June 2020 $000	52 weeks ended 30 June 2019 $000
Operating activities			
Receipts from customers (inclusive of GST)		109,419	95,211
Payments to suppliers and employees (inclusive of GST)		(79,096)	(83,419)
Interest received		11	75
Interest paid		(1,154)	(53)
Income tax paid		(4,000)	(901)
Receipt of government grants		2,703	-
Net cash flows from operating activities	9.1	**27,883**	**10,913**
Investing activities			
Purchase of property, plant and equipment	12	(4,423)	(3,524)
Purchase of intangible assets	14	(24)	(230)
Net cash flows used in investing activities		**(4,447)**	**(3,754)**
Financing activities			
Payment of principal portion of lease liabilities		(8,953)	-
Net cash flows used in financing activities	9.2	**(8,953)**	**-**
Net increase in cash and cash equivalents		14,483	7,159
Cash and cash equivalents at beginning of the year		13,871	6,712
Cash and cash equivalents at end of the year	9	**28,354**	**13,871**

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 28 June 2020

1. Corporate information

The consolidated financial report of Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) (the "Company") and its controlled entities (collectively, the "Group") for the 52 weeks ended 28 June 2020 were authorised for issue in accordance with a resolution of the directors on 1 October 2020.

The Group utilises a 52 week retail calendar year for financial reporting purposes, which ended on 28 June 2020. The prior year was a 52 week retail calendar which ended on 30 June 2019.

Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) is a for-profit company limited by shares incorporated in Australia. Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) is controlled by various entities and funds associated with, managed or advised by Catalyst Investment Managers Pty Limited.

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

Further information on the nature of the operations and principal activity of the Group is described in the directors' report. Information on the Group's structure is provided in Note 21. Information on other related party relationships of the Group is provided in Note 19.

2. Significant accounting policies

2.1 Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand ($000), except when otherwise indicated under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The financial report has been prepared on a going concern basis. On 6 August 2020, Metropolitan Victoria entered Stage 4 lockdown restrictions in response to the continued spread of COVID-19. All essential businesses, including 20 of the Group’s 25 retail stores within Victoria have been forced to close down operations until at least 26 October 2020 as at the date of this report. Whilst some of these stores may operate in ‘dark mode’ fulfilling expected growth in online order demand, the current known shutdown has been considered within management’s budgets and forecast position for the first quarter fiscal year 2021. Any further impact in Victoria or more broadly across Australia is currently unknown and cannot be reliably predicted or measured. As such, any financial impact of such unknown future events has not been considered within the Group’s going concern assessment or this financial report.

Based on current expectations, the directors consider that the Group will have sufficient cash available to meet its liabilities as they fall due.

Compliance with International Financial Reporting Standards (IFRS)

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.2 Changes in accounting policies, disclosures, standards and interpretations

New standards, interpretations and amendments adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2019:

- AASB 16 *Leases*
- AASB Interpretation 23 *Uncertainty over Income Tax Treatment*
- AASB 119 *Employee Benefits*

Several other amendments and interpretations listed below apply for the first time, but do not have a material impact on the consolidated financial statements of the Group.

AASB 16 *Leases*

AASB 16 supersedes AASB 117 Leases, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease,* AASB Interpretation 115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

The Group adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 July 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts for which the underlying asset is of low value (low-value assets). However, the Group has not elected to use the recognition exemption for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases).

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for leases of low-value assets where applicable. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets where applicable. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities, adjusted for any related deferred lease incentive and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

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

New standards, interpretations and amendments adopted by the Group (continued)

AASB 16 *Leases* (continued)

Leases previously accounted for as operating leases (continued)

Based on the above, as at 1 July 2019:

- Right-of-use assets of $27,450,000 and presented separately in the consolidated statement of financial position.
- Lease liabilities of $29,266,000 were recognised and presented separately in the consolidated statement of financial position.
- The difference of $1,816,000 is the amount of deferred lease incentives and accrued lease payments related to previous operating leases which were derecognised on transition to AASB 16.
- The net effect of these adjustments has been adjusted to the right-of-use asset as the Group have applied the modified retrospective approach.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	$000
Operating lease commitments as at 30 June 2019	**28,892**
Weighted average incremental borrowing rate as at 1 July 2019	4.3%
Discounted operating lease commitments as at 1 July 2019	**25,464**
Add:	
Lease payments relating to renewal periods not included in operating lease commitments as at 30 June 2019	110
Lease commitments relating to property, storage licenses and promotion levies not included in operating lease commitments as at 30 June 2019	2,476
Variances in recognition of lease commencement	1,216
Lease liabilities as at 1 July 2019	**29,266**

COVID-19 related rent concessions

The Group has adopted the practical expedient for rent concessions negotiated as a consequence of COVID-19 prior to 28 June 2020. This allows the Group to elect not to account for changes in lease payments as a lease modification where a change in lease payments to the revised consideration are substantially the same or less than the consideration for the lease preceding the change, the reductions only affect payments which fall due before 27 June 2021. There has been no substantive change in terms and conditions and the rent concessions are legally enforceable as at 28 June 2020. Where the practical expedient has been applied, rent concessions are accounted for as other income in the consolidated statement of profit or loss and other comprehensive income.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

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

New standards, interpretations and amendments adopted by the Group (continued)

Other amendments

The following amendments to existing standards were adopted during the current year but did not have an impact on the consolidated financial statements of the Group:

AASB Interpretation 23 *Uncertainty over Income Tax Treatment*

The Group applied Interpretation 23 *Uncertainty over Income Tax Treatment* for the first time in the year commencing 1 July 2019. The Interpretation did not have any impact on the amounts recognised in the consolidated financial statements in prior or current periods.

AASB 119 *Employee Benefits*

AASB 119 *Employee Benefits* was amended to specify the treatment of a plan amendment, curtailment or settlement that occurs during a reporting period. An entity should use the assumptions applied in the remeasurement of the net defined benefit liability or asset when determining the current service cost and the net interest in the period following the plan event.

Accounting Standards and Interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 52 weeks ended 28 June 2020 and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

Amendments to AASB 101 and AASB 108: Definition of Material

The AASB has issued amendments to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting years and on foreseeable future transactions.

2.3 Summary of significant accounting policies

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 28 June 2020 and 30 June 2019. 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

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

a) Basis of consolidation (continued)

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 in 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.

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.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

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:

- Expected to be settled in the normal operating cycle;
- 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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments does not affect its classification.

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 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) 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.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

f) Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate (EIR) method.

For trade and other receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

g) 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:

- Finished goods: cost of product, freight, central warehousing, duties and other customs charges

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.

h) 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 fitting	Over initial lease term

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the seller loses control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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.

i) 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.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

i) Intangible assets (continued)

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 in 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 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.

An intangible asset is derecognised upon disposal (i.e., at the date the seller loses control) or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition 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.

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

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

j) Leases

For the 52 weeks ended 28 June 2020

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property and storage licenses	5 to 7 years

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

j) Leases (continued)

For the 52 weeks ended 28 June 2020 (continued)

Group as a lessee (continued)

(i) Right-of-use assets (continued)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.3(k) Impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases of property and storage licenses that are considered to be low value. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term. However, the Group has not elected to use the short-term lease recognition exemption to its leases of property and storage licenses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

For the 52 weeks ended 30 June 2019

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, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) 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. 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 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

k) 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 Group operating only one brand and utilising uniform store formats across one geographic location, we consider the Group as a whole to be a CGU.

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.

l) 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 year 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.

m) 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.

Refund liabilities

A provision has been made for the Group's obligation to return to customers the consideration paid for the product. The provision is calculated using the historical run-rate data.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

m) Provisions and employee benefit liabilities (continued)

Voucher liabilities

A provision has been made for the expected redemption value of vouchers available under the Group's loyalty card programme.

Make good provisions

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.

Employee accruals

As the Group utilises a retail year end format of financial reporting, the need to accrue for unpaid or paid in advance retail wages can occur from year to year. In the current financial year, the Group has completed this assessment. This calculation incorporates the various retail award rates and penalty rates across each Australian state jurisdiction, including significant timesheet data for retail staff and estimates at year end of time worked, mandatory break periods and other award conditions.

n) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

o) Share-based payments

Directors of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 18.2.

That cost is recognised in employee benefits expense (Note 7.4), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

o) Share-based payments (continued)

Equity-settled transactions (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

p) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before revenue transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Dusk Rewards Membership Programme (Loyalty Card)

The Group has a loyalty programme, Dusk Rewards Membership Programme, which gives rise to a separate performance obligation as they provide a material right to the customer. A portion of revenue (2020: 21%; 2019: 7%) is deferred and recognised as a contract liability which is recognised on a straight-line basis over the term of the loyalty card (24 months).

Contract balances

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

q) Finance income

Interest income is recorded using the EIR. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss and other comprehensive income.

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

r) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Government grants received by the Group consist of JobKeeper payments. Refer to Note 7.4 for further information.

s) Taxes

Current income tax

Current income tax assets and liabilities 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. Management implements a net approach in presenting deferred tax balances in relation to right-of-use assets and lease liabilities.

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

- When the deferred tax liability arises from the initial recognition of goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, 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 arrangements, 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

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

s) Taxes (continued)

Deferred tax (continued)

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.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Tax consolidation legislation

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

The head entity, Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) 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.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

2. Significant accounting policies (continued)

2.3 Summary of significant accounting policies (continued)

t) Comparatives

Where necessary, comparative figures have been reclassified to conform with the changes in presentation in the current year.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

3. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated 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 that are 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 fair value less costs of disposal calculation is based on discounted cash flows incorporating known strategies that are reasonable for a market participant to assume or observable market prices less incremental costs for disposing of the asset.

Loyalty programme membership

The Dusk Rewards Membership fee is recognised as revenue over the term of membership (24 months). Management have recognised 79% up-front at the point of sale. This 79% is based on the average discount provided per member store visit and historical data regarding the number of visits, transactions and average transaction value. The remaining 21% of the revenue is deferred and recognised on a straight-line basis over the remaining 12 month membership period.

Make good provisions

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.

Employee benefit liabilities

As the Group utilises a retail year ended format of financial reporting, the need to accrue for unpaid or paid in advance retail wages can occur from year to year. In the current financial year, the Group has completed this assessment. This calculation incorporates the various retail award rates and penalty rates across each Australian state jurisdiction, including significant timesheet data for retail staff and estimates at year end of time worked, mandatory break periods and other award conditions.

Long service leave provision

As discussed in Note 2.3(m), 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.

Rights of return assets

This calculation only includes those return assets which are resaleable. Products returned which aren’t resaleable represent approximately 0.67% (2019: 0.83%) of sales for the period ended 28 June 2020. The resaleable return asset is recognised and measured using the historical run-rate data equal to 1.22% (2019: 1.25%) of total sales.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

3. Significant accounting judgements, estimates and assumptions (continued)

Estimates and assumptions (continued)

Voucher liabilities

This calculation is based on the assumption of the percentage of people that will redeem their two separate loyalty programme vouchers, the $10 joining voucher and $20 birthday voucher, within the specified 30 day time period. Both the $10 joining voucher and $20 birthday voucher liability is based on the prior year redemption rate of 23.4% (2019: 20.7%) and 21.8% (2019: 23.8%) respectively.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

4. Segment information

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM). The CODM has been identified as the Chief Executive Officer (CEO) of the Group on the basis that they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

Key internal reports received by the CODM, primarily the management accounts, focus on the performance of the Group as a whole. The performance of the operations is based on EBITDA (earnings before interest, tax, depreciation and amortisation) and adjusted EBITDA which excludes the effects of significant items of income and expenditure including provision for historical wage review, sale preparation costs, share-based payments expense, JobKeeper and rental concessions received that may have an impact on the quality of earnings, as shown in the following table. The accounting policies adopted for internal reporting to the CODM's are consistent with those adopted in the consolidated financial statements.

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Profit before tax as per statutory accounts	**13,575**	**3,780**
Add/(deduct):		
Depreciation of property, plant and equipment and amortisation expense	3,028	2,457
Depreciation of right-of-use assets	12,629	-
Finance costs	1,478	53
Finance income	(11)	(75)
EBITDA	**30,699**	**6,215**
Add back non-recurring, one off items:		
Provision for historical wages review	-	2,800
Sale preparation costs	719	927
Net JobKeeper receipts	(2,265)	-
Rental concessions received	(1,023)	-
Adjusted EBITDA	**28,130**	**9,942**
EBITDA (Pre AASB 16)	**18,070**	**6,215**
Adjusted EBITDA (Pre AASB 16)	**15,501**	**9,942**

The Group has considered its internal reporting framework, management and operating structure and the directors' conclusion is that the Group has one operating segment being retail sales in the home fragrances and accessories category, operating in one geographical location, Australia.

5. Earnings per share

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

5. Earnings per share (continued)

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	**$000**
Profit attributable to ordinary equity holders of the parent for basic earnings	**9,497**	**2,616**

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	Thousands	**Thousands**
Weighted average number of ordinary shares for basic EPS	**57,718**	**57,718**
Effect of dilution from:		
Share options	7,000	7,000
Weighted average number of ordinary shares adjusted for the effect of dilution	**64,718**	**64,718**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

6. Dividends

	2020	2019
	$000	**$000**
Dividends on ordinary shares declared and provided for, not paid:		
Dividend for 28 June 2020: 10 cents per share (30 June 2019: $nil)	**5,772**	**-**
Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial period at 30% (30 June 2019: 30%)	4,900	901
Franking credits that arise from the payment of income tax payable as at the end of the financial year	2,962	1,542
Franking debits that will arise from the payment of dividends as at the end of the financial period	(2,474)	-
	5,388	**2,443**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

7. Revenue and expenses

7.1 Revenue from contracts with customers

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Sale of goods	98,939	83,973
Loyalty programme membership	1,989	2,106
	100,928	**86,079**

a) Performance obligations

Information about the Group's performance obligations are summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally received at point of sale due to the high proportion of cash sales.

Dusk Rewards Membership

The performance obligation is satisfied upon the customer receiving the benefits of membership.

7.2 Cost of sales

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Standard cost adjustments	(199)	(1,428)
Costs of inventories recognised as an expense	29,363	26,502
Freight expenses	3,201	3,514
Other expenses	2,815	1,990
	35,180	**30,578**

7.3 Other income

	2020	2019
	$000	$000
Rental concessions received	1,023	-
Recoveries	117	63
Gift voucher adjustments	(116)	(35)
	1,024	**28**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

7. Revenue and expenses (continued)

7.4 Employee benefit expense

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Wages and salaries	25,666	24,444
Defined contribution superannuation expense	1,665	1,582
Share-based payment expense (Note 18.2)	16	96
Federal Government JobKeeper payments received	(4,343)	-
	23,004	**26,122**

Federal Government JobKeeper payments received is a government grant which relates to wages and salaries. It is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Included in wages and salaries for 2019 is $2.8 million related to the provision of historical wages review. The provision for historical wages review arose from the request of five employees to review their wages regarding double time entitlements where there had been a less than 12-hour break between shifts. Whilst undertaking a detailed self-audit of the issue an estimate of possible one-off payments to be made to staff was made by management, including on-costs. The provision does not include any penalties or fines. During the financial year, $807,000 was paid out to employees with a further $1,964,000 to be paid subsequent to year end.

7.5 Other expenses

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Professional fees	838	462
Storage costs	2,850	2,414
Postage and stationery	218	168
Bank fees	1,099	887
Sale preparation costs	719	927
Other	2,412	2,658
	8,136	**7,516**

7.6 Finance costs

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Interest on borrowings	75	53
Interest on lease liabilities (Note 13)	1,403	-
	1,478	**53**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

7. Revenue and expenses (continued)

7.7 Finance income

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Interest income	**11**	**75**

8. Income tax

The major components of income tax expense for the 52 weeks ended 28 June 2020 and 30 June 2019 are:

Consolidated statement of profit or loss	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Current income tax:		
Current income tax charge	5,420	2,111
Deferred tax:		
Relating to origination and reversal of temporary differences	(1,342)	(947)
Income tax expense reported in the consolidated statement of profit or loss	**4,078**	**1,164**

Reconciliation of tax expense and the accounting profit multiplied by Australia’s domestic tax rate for 2020 and 2019:

	52 weeks ended 28 June 2020	52 weeks ended 30 June 2019
	$000	$000
Accounting profit before income tax	**13,575**	**3,780**
At Australia's statutory income tax rate of 30% (2019: 30%)	4,073	1,134
Non-deductible expenses	-	31
Other	5	(1)
Income tax expense reported in the consolidated statement of profit or loss	**4,078**	**1,164**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

8. Income tax (continued)

Deferred tax

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2020	2019	2020	2019
	$000	$000	$000	$000
Provisions	406	987	(581)	(168)
Inventories	278	137	141	54
Property, plant and equipment	(86)	(28)	(58)	4
Accrued expenses	1,289	1,019	270	703
Refund liabilities	(572)	546	(1,118)	106
Refund assets	98	(122)	220	(20)
Voucher liabilities	(76)	49	(125)	21
Net right-of-use assets and lease liabilities	1,222	-	1,222	-
Other	1,595	224	1,371	247
Deferred tax benefit			**1,342**	**947**
Net deferred tax assets	**4,154**	**2,812**		

Reconciliation of deferred tax assets, net

	2020	2019
	$000	$000
As of 1 July	**2,812**	**1,522**
Adjustment upon adoption of AASB 15	-	343
Tax expense during the period recognised in profit or loss	1,342	947
As at 28 June	**4,154**	**2,812**

The Group has no tax losses that arose in Australia that are available indefinitely for offsetting against future taxable profits.

9. Cash

	2020	2019
	$000	$000
Cash on hand	66	63
Cash at bank	28,288	13,808
	28,354	**13,871**

For the year ended 28 June 2020, the Group has $130,000 (2019: $130,000) of bank guarantees.

At 28 June 2020, the Group had available $4,570,000 (2019: $4,570,000) of undrawn committed borrowing facilities.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

9. Cash (continued)

9.1 Reconciliation of net profit after tax to net cash flows from operations

	2020	2019
	$000	$000
Profit for the year	9,497	2,616
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	2,880	2,312
Depreciation of right-of-use assets	12,629	-
Amortisation of intangible assets	148	145
Share-based payment expense	16	96
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	(1,593)	61
Decrease/(increase) in inventories	3,351	(520)
Increase in deferred tax assets	(1,342)	(939)
Decrease/(increase) in right of return assets	78	(65)
Increase in trade and other payables	2,628	3,335
(Decrease)/increase in provisions	(1,977)	2,504
Increase in employee benefit liabilities	148	169
Increase in income tax payable	1,420	1,199
Net cash flows from operating activities	**27,883**	**10,913**

9.2 Changes in liabilities arising from financing activities

Cash flows from financing activities during the year were in relation to movements in lease liabilities. The movements in lease liabilities are disclosed in Note 13.

10. Trade and other receivables

	2020	2019
	$000	$000
Current		
Trade receivables	362	400
Other receivables	2,544	165
	2,906	**565**

11. Inventories

	2020	2019
	$000	$000
Finished goods	9,559	12,443
Provision for diminution in value	(925)	(458)
Inventories at lower of cost and net realisable value	**8,634**	**11,985**

During 2020, $125,298 (2019: $60,000) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

12. Property, plant and equipment

	Shop fixtures and fitting	Computer equipment	Plant and other equipment	Total
	$000	$000	$000	$000
Cost				
At 1 July 2018	22,369	1,249	4,155	27,773
Additions	3,296	203	25	3,524
Disposals	(4,703)	(202)	(1,730)	(6,635)
At 30 June 2019	**20,962**	**1,250**	**2,450**	**24,662**
Additions	4,072	265	86	4,423
Disposals	(2,083)	(74)	(857)	(3,014)
Make good increments	551	-	-	551
At 28 June 2020	**23,502**	**1,441**	**1,679**	**26,622**
Accumulated depreciation				
At 1 July 2018	16,059	1,052	4,053	21,164
Depreciation charge for the year	2,124	141	47	2,312
Disposals	(2,926)	(200)	(1,729)	(4,855)
At 30 June 2019	**15,257**	**993**	**2,371**	**18,621**
Depreciation charge for the year	2,641	180	59	2,880
Disposals	(2,077)	(74)	(878)	(3,029)
At 28 June 2020	**15,821**	**1,099**	**1,552**	**18,472**
Net book value				
At 30 June 2019	**7,681**	**342**	**127**	**8,150**
At 30 June 2019	5,705	257	79	6,041

13. Leases

Group as a lessee

The Group has lease contracts for various items of property and storage licenses which makes up its operations. Leases of property and storage licenses generally have lease terms between 5 and 7 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property	Storage licenses	Total
	$000	$000	$000
As at 1 July 2019 (on adoption of AASB 16)	**27,377**	**73**	**27,450**
Additions	14,995	83	15,078
Lease modification adjustments	1,142	-	1,142
Depreciation expense	(12,555)	(74)	(12,629)
As at 28 June 2020	**30,959**	**82**	**31,041**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

13. Leases (continued)

Group as a lessee (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020
	$000
As at 1 July 2019 (on adoption of AASB 16)	**29,266**
Additions	16,218
Lease modification adjustments	1,162
Accretion of interest	1,403
Payments in accordance with lease agreements (i)	(13,047)
As at 28 June 2020	**35,002**
Current	10,181
Non-current	24,821

The following are the amounts recognised in profit or loss:

	2020
	$000
Rental concessions received	(1,023)
Depreciation expense of right-of-use assets	12,629
Interest expense on lease liabilities	1,403
Expense relating to leases of low-value assets (included in administrative expenses)	11
Expenses relating to variable and holdover lease payments	3,053
	16,073

The Group had total cash outflows for leases of $10,367,000 in 2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of $16,218,000 in 2020.

(i) Landlords granted temporary relief from contracted rental lease payments as a result of the impact of COVID-19. The Group, as a result of this, deferred the payment of $3,000,000 worth of contracted rental lease payments. These deferred payments are currently held in trade and other payables for the year ended 28 June 2020. The Group's payment of the principal portions of its lease liabilities for the year then ended was $8,953,000 and interest paid on lease liabilities totalled $1,078,000.

The table below summarises the maturity profile of the Group's lease liabilities based on contractual undiscounted payments:

Year ended 28 June 2020	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	$000	$000	$000	$000	$000
Lease liabilities	3,233	8,216	24,493	50	35,992
	3,233	**8,216**	**24,493**	**50**	**35,992**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

14. Intangible assets

	Computer software	Goodwill	Total
	$000	$000	$000
Cost			
At 1 July 2018	236	1,687	1,923
Additions	230	-	230
At 30 June 2019	**466**	**1,687**	**2,153**
Additions	24	-	24
At 28 June 2020	**490**	**1,687**	**2,177**
Accumulated amortisation and impairment			
At 1 July 2018	60	-	60
Amortisation	145	-	145
At 30 June 2019	**205**	**-**	**205**
Amortisation	148	-	148
At 28 June 2020	**353**	**-**	**353**
Net book value			
At 28 June 2020	**137**	**1,687**	**1,824**
At 30 June 2019	261	1,687	1,948

15. Trade and other payables

	2020	2019
	$000	$000
Current		
Trade payables	6,202	4,549
Accrued expenses	3,430	2,624
Other payables	1,007	392
Contract liabilities	276	441
Dividends payable	5,772	-
	16,687	**8,006**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

16. Provisions

	2020	2019
	$000	**$000**
Current		
Straight-line lease	-	241
Make good provision	341	90
Payroll provision	1,993	2,800
Refund liabilities	1,907	1,820
Voucher liabilities	254	164
Lease incentives	-	342
Other provisions	38	24
	4,533	**5,481**
Non-current		
Straight-line lease	-	439
Make good provision	502	361
Lease incentives	-	749
Other provisions	76	58
	578	**1,607**

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

16. Provisions (continued)

	Lease incentives	Straight-line lease	Refund liabilities	Voucher liabilities	Make good provision	Payroll provision	Other provisions	Total
	$000	$000	$000	$000	$000	$000	$000	$000
At 1 July 2018	**1,664**	**814**	**-**	**-**	**476**	**-**	**72**	**3,026**
Arising during the year	843	31	1,820	164	2	2,800	38	5,698
Utilised	(1,416)	(165)	-	-	(27)	-	(28)	(1,636)
At 30 June 2019	**1,091**	**680**	**1,820**	**164**	**451**	**2,800**	**82**	**7,088**
Arising during the year	-	-	87	90	436	-	104	717
Utilised	-	-	-	-	(44)	(807)	(72)	(923)
Adoption of AASB 16 Leases	(1,091)	(680)	-	-	-	-	-	(1,771)
At 28 June 2020	**-**	**-**	**1,907**	**254**	**843**	**1,993**	**114**	**5,111**

(i) Included in wages and salaries for 2019 is $2.8 million related to the provision of historical wages review. The provision for historical wages review arose from the request of five employees to review their wages regarding double time entitlements where there had been a less than 12-hour break between shifts. Whilst undertaking a detailed self-audit of the issue an estimate of possible one-off payments to be made to staff was made by management, including on-costs. The provision does not include any penalties or fines. During the financial year, $807,000 was paid out to employees with a further $1,964,000 to be paid subsequent to year end.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

17. Employee benefit liabilities

	2020	2019
	$000	$000
Current		
Annual leave	698	652
Long service leave	169	128
	867	**780**
Non-current		
Long service leave	**342**	**281**

18. Issued capital and reserves

18.1 Issued capital

	2020	2019
	$000	$000
57,717,855 ordinary shares (2019: 57,717,855)	**3,415**	**3,415**

Movement in issued capital	**Thousand no. of shares**	**$000**
At 1 July 2018	**57,718**	**3,415**
At 30 June 2019	**57,718**	**3,415**
At 28 June 2020	**57,718**	**3,415**

18.2 Other capital reserves

	Share-based reserve
	$000
At 1 July 2019	**96**
Share-based payments expense during the year	16
At 28 June 2020	**112**

Nature and purpose of reserves

Share-based reserve

During the 2016 financial year, the directors of Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) issued 7,000,000 options, settled in equity, to the Chairman and CEO (3,500,000 each). Option holders are entitled to the issue of one ordinary share in the share capital of Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) for each option. Both individuals remain in their position at 28 June 2020.

The fair value of share options granted is estimated at the date of grant using a Bi-Nomial model, taking into account the terms and conditions upon which the share options were granted, and the extent to which the employees have rendered services to date. The final tranche of unvested options are expected to vest in 2021. The vesting period is subject to the continuance of service of the option holders and an exit event. It does not involve any external or internal performance measures that impact the valuation or vesting periods.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

18. Issued capital and reserves (continued)

Nature and purpose of reserves (continued)

Share-based reserve (continued)

The impact of the share options expensed in the current financial year has been assessed to be $15,586 (2019: $96,415).

The exercise price was decreased from $0.10 to nil subsequent to year end on 20 July 2020 in accordance with the original terms of the option plan where an equity distribution occurs. The reduction of the exercise price equates to the per share value of the dividend declared on 3 March 2020. As this was done in order to keep the option holders 'whole' in their access to their share of the equity value of the Company on exit, the directors have concluded that no modification to the original share option plans has occurred. Therefore, the decrease in exercise price has not resulted in an adjustment to the fair value of the options.

During the financial year, no options have been exercised, granted or forfeited.

19. Related party disclosures

Compensation of key management personnel of the Group

	2020	2019
	$	$
Short-term employee benefits	1,814,131	1,619,481
Post-employment pension and medical benefits	93,579	102,829
Termination benefits	3,269	7,605
Share-based payment transactions	15,586	96,415
Total compensation paid to key management personnel	**1,926,565**	**1,826,330**

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 (2019: $nil).

20. Financial risk management objectives and policies

The Group's exposure to market risk, credit risk, and liquidity risk, and the policies in place to address these risks are disclosed below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's exposure to market risk is limited to interest rate risk and foreign currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is through its significant cash holdings and is considered immaterial due to current interest rates. The Group maintains a finance facility with a major Australian banking institution, however these facilities are undrawn at year end and no interest rate risk exists thereon. Interest rate risk is monitored at the board level.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

20. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when expenses and inventory purchases is denominated in a foreign currency). Currencies utilised in relation to purchase imported goods are US dollars and Chinese Renminbi. Commercial forward exchange hedges are taken against purchases, however hedge accounting is not applied by the Group. For the year ended 28 June 2020, realised currency exchange gains were $199,000 (2019: $1,428,000).

The Group's exposure to foreign currency risk is managed within the context of the business, and is monitored at the board level.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. As a retailer where all revenue receipts are in the form of immediate cash, electronic funds transfer, credit card and/or buy now pay later providers, the Group is not exposed to a significant level of credit risk.

Liquidity risk

The Group monitors its risk of a shortage of funds by performing a liquidity planning analysis. Given the Group's current cash reserves and cash flows from operations, the Group is not exposed to a significant level of liquidity risk.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank facilities and lease contracts.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

As a retailer, the Group avoids excessive concentrations of risk, and the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified product portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Other risks

The Group's operating activities require a continuous supply of finished goods. The majority of finished goods are imported from suppliers in China. The Group is exposed to the risk of not being able to receive their finished goods as a result of supplier manufacturing restrictions (e.g. due to factory shutdowns, Chinese New Year, etc.) or restrictions on delivery of finished goods (e.g. due to local travel restrictions).

The Group's exposure increased during the current year as a result of the COVID-19 pandemic. The board of directors monitor this risk on an ongoing basis, and develop and implement policies based on the level of risk at any point in time.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

21. Information relating to subsidiaries

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 candies, home decor, home fragrance and gift solutions
Dusk Wholesale and Imports Pty Ltd	Dormant
Dusk Europe Pty Ltd	Dormant

All subsidiaries listed, are party to the Deed of cross guarantee as described in Note 22. The Company and subsidiaries covered by the Deed represent a Closed Group for the purposes of the Class Order.

22. Information relating to Dusk Retail Group Holdings Pty Limited (Parent)

	2020	2019
	$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	-	-
	23,000	**23,000**
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 28 June 2020 (2019: $nil).

For the year ended 28 June 2020, the Company has $130,000 (2019: $130,000) of bank guarantees.

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 Group Limited (formerly known as 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 Group Limited (formerly known as Dusk Retail Group 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 Group Limited (formerly known as 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.

Notes to the consolidated financial statements (continued)

For the 52 weeks ended 28 June 2020

22. Information relating to Dusk Retail Group Holdings Pty Limited (Parent) (continued)

Contingent liabilities (continued)

The Parent did not have any other contingent liabilities as at 28 June 2020 (2019: $nil).

23. Commitments and contingencies

Commitments

There are no commitments as at the reporting date which would have a material effect on the Group's consolidated financial statements as at 28 June 2020 (2019: $nil).

Contingent liabilities

Contingent liabilities held by the Parent entity are disclosed in Note 22.

The Group did not have any other contingent liabilities as at 28 June 2020 (2019: none).

24. Events after the reporting period

The dividend of $5,772,000 declared and provided for on 13 February 2020 was paid on 20 July 2020.

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

Directors' declaration

In accordance with a resolution of the directors of Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited), I state that:

In the opinion of the directors:

(a) the financial statements and notes of Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) for the 52 weeks ended 28 June 2020 are in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 28 June 2020 and its performance for the 52 weeks ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the board

Peter King
Chief Executive Officer
Sydney
1 October 2020

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

Opinion

We have audited the financial report of Dusk Group Limited (formerly known as Dusk Retail Group Holdings Pty Limited) (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 28 June 2020, the consolidated statement of profit or loss and 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 28 June 2020 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards 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 (including Independence Standards)* (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.

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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 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

Ashley Butler
Partner

Melbourne
1 October 2020