

Dusk Group Limited

ACN 603 018 131

Appendix 4E

Preliminary Final Report

For the 52 Weeks Ended 27 June 2021

APPENDIX 4E

Preliminary Final Report

For the 52 week period ended 27 June 2021

1. Details of the reporting period and the prior corresponding period

Reporting period: 29 June 2020 to 27 June 2021 (52 weeks)
Previous period: 1 July 2019 to 28 June 2020 (52 weeks)

2. Results for announcement to the market

				Amount \$'000
Revenues from ordinary activities	up	47.4%	to	148,624
Profit from ordinary activities after tax attributable to members	up	130.2%	to	21,862
Net Profit for the period attributable to members	up	130.2%	to	21,862

Dividends

	Amount per security Cents	Franked amount per security Cents
Pre IPO FY2020 dividend - Ordinary (paid 20 July 2020)	10.0	10.0
Pre IPO FY2020 dividend - Ordinary (paid 21 December 2020)	6.4	6.4
Interim FY21 dividend - Ordinary (paid 26 March 2021)	15.0	15.0
Final FY21 dividend - Ordinary (resolved, not yet provided for at 27 June 2021)	10.0	10.0

Record date for determining entitlements to the final dividend – 10 September 2021

Expected Payment date of final dividend – 24 September 2021

Review of Operations

Dusk has delivered record sales and profit results in FY21. The key highlights vs FY20 are:

- Total Sales growth +47.4% to \$148.6m
- Total like for like (LFL) Sales +32.7% - Stores +32.9% and Online +27.0%
- Gross Margin +54.4% to \$101.3m
- Statutory EBIT +118.4% to \$32.8m
- Statutory NPAT +130.2% to \$21.9m
- Pro forma EBIT¹ +224.7% to \$38.4m
- Pro forma NPAT¹ +225.5% to \$26.8m
- Net Cash at period end of \$21.4m
- dusk rewards active members grew 31% to over 688,000

Based on pro forma NPAT of \$26.8m for FY21 and \$8.2m for FY20 and using the number of ordinary shares on issue at year end, earnings per share (EPS) for FY21 is 43.1 cents and 14.3 cents in FY20.

Please refer to the ASX Announcement and Investor presentation which accompany this Appendix 4E for further information on the company performance in FY21.

¹ Pro forma EBIT is unaudited and used as a measure of financial performance and refers to earnings before interest and tax excluding the impacts of AASB 16 Leases, IPO related costs, the net benefit of JobKeeper and COVID related rental concessions.

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Preliminary Final Report

For the 52 week period ended 27 June 2021

3. Dividend or distribution reinvestment plan details

Not applicable.

4. Net tangible assets

	Current Reporting period Cents	Previous Reporting period Cents
Net tangible assets per ordinary security	<u>45.65</u>	<u>40.28</u>

5. Commentary

Please refer to the Review of Operations in Section 2 and the Investor Presentation accompanying this Preliminary Final Report.

6. Information on Audit Process

This report is based on financial statements which are in the process of being audited.

The Appendix 4E should be read in conjunction with the accompanying unaudited Preliminary Final Report.

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Preliminary Final Report
For the 52 Weeks Ended 27 June 2021

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Dusk Group Limited

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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the 52 Weeks Ended 27 June 2021

	Note	2021 \$000's	2020 \$000's
Revenue from contracts with customers	4	148,624	100,812
Cost of sales	7	(47,310)	(35,192)
Gross profit		101,314	65,620
Other income	5	568	1,140
Depreciation and amortisation expense		(15,766)	(15,657)
Employee benefit expense	7	(31,743)	(23,004)
Asset, property and maintenance expenses		(180)	(123)
Occupancy expenses		(3,115)	(3,053)
Advertising expenses		(2,154)	(1,745)
IPO costs		(6,641)	(719)
Other expenses	7	(9,438)	(7,417)
Finance costs	7	(1,582)	(1,478)
Finance income	6	-	11
Profit before income tax		31,263	13,575
Income tax expense	8	(9,401)	(4,078)
Profit after tax for the year		21,862	9,497
Other comprehensive income, net of income tax		-	-
Total comprehensive income for the year attributable to equity owners of the parent		21,862	9,497
Earnings per share (EPS)		Cents	Cents
Basic earnings per share	34	35.1	16.4
Diluted earnings per share	34	34.6	14.7

The accompanying notes form part of these financial statements.

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Consolidated Statement of Financial Position
As At 27 June 2021

	Note	2021 \$000's	2020 \$000's
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	21,408	28,354
Trade receivables and other financial assets	10	695	2,906
Inventories	11	14,424	8,634
Right-of-return assets		416	327
Prepayments		988	656
TOTAL CURRENT ASSETS		37,931	40,877
NON-CURRENT ASSETS			
Property, plant and equipment	12	9,192	8,150
Right-of-use assets	17	28,451	31,041
Intangible assets	13	1,790	1,824
Deferred tax assets	14	7,112	4,154
TOTAL NON-CURRENT ASSETS		46,545	45,169
TOTAL ASSETS		84,476	86,046
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	8,655	16,687
Provisions	16	2,876	4,533
Employee benefit liabilities	19	1,196	867
Lease liabilities	17	13,182	10,181
Current tax liabilities	18	6,103	2,962
TOTAL CURRENT LIABILITIES		32,012	35,230
NON-CURRENT LIABILITIES			
Employee benefit liabilities	19	414	342
Provisions	16	1,087	578
Lease liabilities	17	20,748	24,821
TOTAL NON-CURRENT LIABILITIES		22,249	25,741
TOTAL LIABILITIES		54,261	60,971
NET ASSETS		30,215	25,075
EQUITY			
Issued capital	20	3,487	3,415
Other capital reserves	21	(3,342)	112
Retained earnings		30,070	21,548
TOTAL EQUITY		30,215	25,075

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the 52 Weeks Ended 27 June 2021

	Note	Issued capital \$000's	Retained earnings \$000's	Other capital reserves \$000's	Total equity \$000's
Balance at 28 June 2020		3,415	21,548	112	25,075
Profit for the year		-	21,862	-	21,862
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	21,862	-	21,862
Dividends paid	22	-	(13,340)	-	(13,340)
Cash buyback of options	21	-	-	(4,900)	(4,900)
Deferred tax on cash buyback of options	21	-	-	1,463	1,463
Share-based payments for new options plan	21	-	-	55	55
Issue of shares	21	72	-	(72)	-
Balance at 27 June 2021		3,487	30,070	(3,342)	30,215
Balance 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	21	-	-	16	16
Dividends provided but not paid	22	-	(5,772)	-	(5,772)
Balance at 28 June 2020		3,415	21,548	112	25,075

The accompanying notes form part of these financial statements.

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Consolidated Statement of Cash Flows For the 52 Weeks Ended 27 June 2021

	2021	2020
Note	\$000's	\$000's
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers (inclusive of GST)	166,351	109,419
Payments to suppliers and employees (inclusive of GST)	(125,138)	(79,096)
Interest received	-	11
Interest paid	(1,582)	(1,154)
Income taxes paid	(7,755)	(4,000)
Receipt of government grants - Jobkeeper	6,045	2,703
Repayment of government grants - Jobkeeper	(2,831)	-
Net cash provided by/(used in) operating activities	32	35,090
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3,735)	(4,423)
Purchase of intangible assets	(92)	(24)
Net cash provided by/(used in) investing activities	(3,827)	(4,447)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash buyback of options	(4,900)	-
Dividends paid by parent entity	(19,112)	-
Payment of lease liabilities	(14,197)	(8,953)
Net cash provided by/(used in) financing activities	(38,209)	(8,953)
Net increase/(decrease) in cash and cash equivalents held	(6,946)	14,483
Cash and cash equivalents at beginning of the year	28,354	13,871
Cash and cash equivalents at end of the year	9	21,408
	28,354	28,354

The accompanying notes form part of these financial statements.

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Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

1 Corporate information

The consolidated financial report of Dusk Group Limited and its controlled entities (referred to hereafter as “dusk”, “the Group” or “the Company”) for the 52 weeks ended 27 June 2021 (“FY21” or “2021”) were authorised for issue in accordance with a resolution of the directors on 26 August 2021.

The Group utilises a 52 week retail calendar year for financial reporting purposes, which ended on 27 June 2021. The prior year was a 52 week retail calendar which ended on 28 June 2020 (“FY20” or “2020”).

Dusk Group Limited is a for-profit company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (“ASX”).

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

Information on the Group’s structure is provided in Note 30. Information on other related party relationships of the Group is provided in Note 28.

2 Summary of significant accounting policies

(a) 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 except derivative financial instruments that have been measured at fair value.

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. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the ordinary course of business. 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 Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(b) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in Note 29.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 27 June 2021 and 28 June 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies 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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(d) 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.

(e) Current and non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and non-current classifications. 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.

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

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(f) **Foreign currencies**

The Group's consolidated financial statements are presented in Australian dollars, which is also the Company's functional currency. The Group determines the functional currency for each entity, 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.

(g) **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The Group operates within one operating segment, being retail sales of home fragrance products and accessories.

(h) **Cash and cash equivalents**

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

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

(i) **Trade receivables and other financial assets**

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 uses the foreign exchange contracts in forecast transactions and groups commitments to minimise its foreign currency risk. These are measured at fair value through profit or loss, and are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(j) **Right of return assets**

Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

(k) **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, 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.

(l) **Property, plant and equipment**

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the 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:

Fixed asset class	Useful life
Computer equipment	3 years
Plant and other equipment	5 to 8 years
Shop fixtures and fittings	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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(m) 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 the profit or loss in the period in which the expenditure is incurred.

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

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

(n) Leases

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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

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.

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 lease term, as follows:

- Property and storage licenses 5 to 7 years

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 (o) Impairment of non-financial assets.

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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(n) Leases (continued)

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).

As an impact of COVID-19, the Group has negotiated with its landlord to achieve rent concessions. The rent concessions reflect credits received from landlords on contracted lease costs under the practical expedients of AASB16 Leases.

(o) Impairment of goodwill

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 CGUs 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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(p) **Trade and other payables**

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial 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.

(q) **Provisions and employee benefit liabilities**

General

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

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

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.

Voucher liabilities

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

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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(q) Provisions and employee benefit liabilities (continued)

Long service leave

The Group does not expect its entire 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.

(r) 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.

Shares or option buy-back must be deducted from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such option or shares.

(s) Dividends

Dividends are recognised when declared during the financial year.

(t) Share-based payments

Directors and other key management personnel 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 35.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(t) Share-based payments (continued)

That cost is recognised in employee benefits expense (Note 7), 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.

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 the profit or loss.

(u) 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.

Loyalty Program Membership - Dusk Rewards

The Group has a loyalty program, Dusk Rewards, which gives rise to a separate performance obligation as they provide a material right to the customer. A portion of membership revenue (2021: 18%; 2020: 21%) 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).

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(u) Revenue from contracts with customers (continued)

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.

(v) Finance income

Interest income is recorded using the effective interest rate (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.

(w) 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. Where the grant has been voluntarily repaid, it is recognised as an expense item in the same line of the income statement the income for the grant was originally recognised. Refer to Note 7 for further information.

(x) Taxes

Current income tax expense

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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(x) Taxes (continued)

Deferred tax (continued)

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

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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(x) Taxes (continued)

Tax consolidation legislation

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

The head entity, Dusk Group 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 a 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 Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(y) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit after tax 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 dilutive potential ordinary shares into ordinary shares.

(z) Comparatives

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

(aa) New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

(ab) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 27 June 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(ab) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

IFRIC agenda decision on net realisable value (NRV) of inventories

The Group is currently assessing the impact of the recently published IFRIC agenda decision which was published in June 2021 in relation to the accounting treatment when determining net realisable value of inventories. Based on preliminary analysis performed, the Group expects the impact of the adoption of the IFRIC agenda decision to be immaterial. The Group expects to complete the implementation of the above IFRIC agenda decision by 26 December 2021.

AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

An amendment to IAS 12 Accounting for Income Taxes (the IFRS-equivalent of AASB 112 Accounting for Income Taxes) has been published by the International Accounting Standards Board (IASB), with an effective date of 1 January 2023 and early application permitted.

The amendments clarify that companies must account for deferred tax assets and liabilities on initial recognition of certain transactions, such as the recognition of a lease liability (and corresponding right of use asset) under IFRS 16 Leases, or of decommissioning provisions (and corresponding increase in asset value).

The amendments are applicable to the Group from 1 July 2023. The impact of the amendments on the consolidated financial statements of the Group is unknown and inestimable at this stage.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current

AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* and require a liability to be classified as current when entities do not have a substantive right to defer settlements at the end of the reporting period for at least 12 months.

This may affect the classification of some liabilities between current and non-current. The new guidance will be effective for annual periods starting on or after 1 January 2023. Earlier application is permitted.

The amendments are applicable to the Group from 1 July 2023. The impact of the amendments on the consolidated financial statements of the Group is unknown and inestimable at this stage.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

This Standard makes amendments to the following Australian Accounting Standards:

- a) AASB 7 *Financial Instruments: Disclosures* (August 2015);
- b) AASB 101 *Presentation of Financial Statements* (July 2015);
- c) AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (August 2015); and
- d) AASB 134 *Interim Financial Reporting* (August 2015).

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

2 Summary of significant accounting policies (continued)

(ab) New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

The Standard also makes amendments to AASB Practice Statement 2 *Making Materiality Judgements* (December 2017).

This Standard amends:

- a) AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- b) AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- c) AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- d) AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
- e) AASB Practice Statement 2, to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

This Standard applies to annual periods beginning on or after 1 January 2023. The amendments to individual Standards may be applied early, separately from the amendments to the other Standards, where feasible.

The amendments are applicable to the Group from 1 July 2023. The impact of the amendments on the consolidated financial statements of the Group is unknown and inestimable at this stage.

3 Critical accounting estimates and judgments

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.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

3 Critical accounting estimates and judgments (continued)

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 program membership

The Dusk Rewards Membership fee is recognised as revenue over the term of membership (24 months). Management have recognised 82% (2020: 79%) up-front at the point of sale. This 82% 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 18% (2020: 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.

Long service leave provision

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

Rights of return assets

This calculation only includes those return assets which are resaleable. Products returned which are not resaleable represent less than 1% of sales for the period ended 27 June 2021. The resaleable return asset is recognised and measured using the historical run-rate data which is approximately 1%.

Voucher liabilities

This calculation is based on the assumption of the percentage of people that will redeem their two separate loyalty program 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 24% (2020: 23%) and 19% (2020: 22%) respectively.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

3 Critical accounting estimates and judgments (continued)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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).

Employee equity incentive plan

The fair value of options granted under the plan is recognised as an employee benefit expense with a corresponding increase in equity. The total value to be expensed is determined by reference to the fair value of the options granted measured at the grant date, which includes any market performance conditions and also the probability of meeting any service conditions. The valuation takes into account the exercise price of the option, the life of the option, the current price of the underlying shares, the expected volatility of the share price, the dividends of the shares, and the risk free interest rate for the life of the option.

Useful lives of property, plant, and equipment

The assessment of the useful life of property plant and equipment requires management judgement based on past experience and industry practice. Management reassess the useful lives when there are indications of a change in economic circumstances which may impact the assets.

Inventory

Inventories are valued at the lower of cost and net realisable value. Weighted average cost is used to value inventory. Costs incurred to bring each product to store include purchase price plus freight, cartage, and import duties.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

4 Revenue from contracts with customers

	2021	2020
	\$000's	\$000's
Sale of goods	145,307	98,823
Loyalty program membership	3,317	1,989
Total revenue from contracts with customers	148,624	100,812
Disaggregation of revenue		
Store revenue	137,400	91,975
Online revenue	11,224	8,837
	148,624	100,812

(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 or the placement of an online order.

Loyalty Program Membership - Dusk Rewards

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

5 Other income

	2021	2020
	\$000's	\$000's
Rental concessions received (i)	346	1,023
Recoveries	83	117
Gain on financial derivative	139	-
	568	1,140

(i) As an impact of COVID-19, the Group negotiated with its landlords to achieve rent concessions. The rent concessions reflect credits received from landlords on contracted lease costs under the practical expedients of AASB 16 Leases.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

6 Finance Income

	2021 \$000's	2020 \$000's
Interest income	-	11

7 Expenses

Profit before income tax from continuing operations includes the following specific expenses:

	2021 \$000's	2020 \$000's
<i>Cost of sales</i>		
Standard cost adjustments	(1,017)	(199)
Cost of inventories recognised as an expense	40,940	29,363
Freight expenses	4,310	3,201
Other expenses	3,077	2,827
	47,310	35,192
<i>Employee benefit expense</i>		
Wages and salaries	31,107	25,666
Defined contribution superannuation expense	2,155	1,665
Share-based payment expense (Note 35)	55	16
Federal Government JobKeeper payments received (i)	(4,405)	(4,343)
Federal Government JobKeeper payments repaid (ii)	2,831	-
	31,743	23,004

(i) 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.

(ii) A voluntary repayment of \$2.831 million in grants was made to the Australian Taxation Office in May 2021.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

7 Expenses (continued)

	2021 \$000's	2020 \$000's
<i>Other expenses</i>		
Professional fees	1,147	838
Storage fees	3,746	2,850
Postage and stationery	198	218
Bank and merchant fees	1,455	1,099
Other	2,892	2,412
	9,438	7,417
<i>Finance costs</i>		
Interest	100	75
Interest on lease liabilities	1,482	1,403
	1,582	1,478

8 Income tax expense

The major components of income tax expense are:

	2021 \$000's	2020 \$000's
Current tax expense		
Current income tax charges	10,896	5,420
Deferred tax expense		
Relating to origination and reversal of temporary differences	(1,495)	(1,342)
Income tax expense reported in the consolidated statement of profit or loss	9,401	4,078

Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic tax rate for 2021 and 2020:

Accounting profit before tax	31,263	13,575
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2020: 30%)	9,379	4,073
Non-deductible expenses	22	-
Other	-	5
Income tax expense reported in the consolidated statement of profit or loss	9,401	4,078

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

9 Cash and cash equivalents

	2021	2020
	\$000's	\$000's
Cash on hand	58	66
Cash at bank	21,350	28,288
	<u>21,408</u>	<u>28,354</u>

For the year ended 27 June 2021, the Group has \$130,000 (2020: \$130,000) of bank guarantees.

At 27 June 2021, the Group had available \$5,570,000 (2020: \$4,570,000) of undrawn committed borrowing facilities. The total facility value of \$6 million includes a corporate credit card facility and a bank guarantee. The total facility value increased from \$5 million to \$6 million during the year.

10 Trade receivables and other financial assets

	2021	2020
	\$000's	\$000's
Trade receivables	556	362
Other receivables	-	2,544
Financial derivatives	139	-
	<u>695</u>	<u>2,906</u>

Financial Derivatives are foreign exchange contracts that the group enters with the banking institutions and are measured at fair value through Profit and Loss. The Group uses the foreign exchange contracts in forecast transactions and groups commitments to minimise its foreign currency risk. Foreign exchange forward contracts are valued using valuation techniques, which employ the use of market observable inputs.

11 Inventories

	2021	2020
	\$000's	\$000's
Finished goods	13,882	8,602
Goods in transit	1,458	957
Provision for diminution in value	(916)	(925)
Inventories at lower of cost and net realisable value	<u>14,424</u>	<u>8,634</u>

During 2021, \$15,266 (2020: \$125,298) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

12 Property, plant and equipment

	2021 \$000's	2020 \$000's
Plant and equipment		
At cost	1,517	1,679
Accumulated depreciation	(1,319)	(1,552)
	<u>198</u>	<u>127</u>
Shop fixtures and fittings		
At cost	26,373	23,502
Accumulated depreciation	(17,785)	(15,821)
	<u>8,588</u>	<u>7,681</u>
Computer equipment		
At cost	1,698	1,441
Accumulated depreciation	(1,292)	(1,099)
	<u>406</u>	<u>342</u>
	<u><u>9,192</u></u>	<u><u>8,150</u></u>

Reconciliations

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

	Plant and equipment \$000's	Shop fixtures and fittings \$000's	Computer equipment \$000's	Total \$000's
Balance at 1 July 2019	79	5,705	257	6,041
Additions	86	4,072	265	4,423
Make good increments	21	551	-	572
Disposals	-	(6)	-	(6)
Depreciation expense	(59)	(2,641)	(180)	(2,880)
Balance at 28 June 2020	127	7,681	342	8,150
Additions	92	3,348	295	3,735
Make good increments	-	241	-	241
Disposals	-	(122)	-	(122)
Depreciation expense	(21)	(2,560)	(231)	(2,812)
Balance at 27 June 2021	198	8,588	406	9,192

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

13 Intangible assets

	2021 \$000's	2020 \$000's
Goodwill		
Cost	1,687	1,687
Computer software		
Cost	582	490
Accumulated amortisation and impairment	(479)	(353)
	<u>103</u>	<u>137</u>
	<u><u>1,790</u></u>	<u><u>1,824</u></u>

Reconciliations

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

	Computer software \$000's	Goodwill \$000's	Total \$000's
Balance at 1 July 2019	261	1,687	1,948
Additions	24	-	24
Amortisation	(148)	-	(148)
Balance at 28 June 2020	137	1,687	1,824
Additions	92	-	92
Amortisation	(126)	-	(126)
Balance at 27 June 2021	103	1,687	1,790

For the purposes of impairment testing dusk group is a single cash generating unit (CGU) and consequently the whole goodwill balance has been allocated to this CGU. The recoverable amount of the CGU is based on its value in use determined by discounting the future cash flows expected to be generated by the continued use of this CGU. The long-term growth rate assumed in determining the value in use was 3% (2020: 6%). The weighted average cost of capital (WACC) used in the model was 15% (2020: 15%). No impairment losses have been recognised and it would require significant adverse change in these assumptions to impact the assessment that the recoverable amount of the CGU exceeds its carrying amount and such change is not expected.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

14 Deferred tax assets

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2021 \$000's	2020 \$000's	2021 \$000's	2020 \$000's
Provisions	764	406	1,210	(581)
Inventories	275	278	(3)	141
Property, plant and equipment	-	(86)	-	(58)
Accrued expenses	540	1,289	(900)	270
Refund liabilities	706	(572)	134	(1,118)
Refund assets	(125)	98	(125)	220
Voucher liabilities	68	(76)	(8)	(125)
Net right-of-use assets and lease liabilities	1,644	1,222	456	1,222
Other	3,240	1,595	731	1,371
Deferred tax benefit			1,495	1,342
Net deferred tax assets	7,112	4,154		

Movements:

	2021 \$000's	2020 \$000's
Opening balance	4,154	2,812
Tax expense during the period recognised in profit or loss	1,495	1,342
IPO cost recognised through equity	1,463	-
Closing balance	7,112	4,154

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

15 Trade and other payables

	2021 \$000's	2020 \$000's
Trade payables	3,869	6,202
Accrued expense	2,924	3,430
Other payables	550	486
Contract liabilities	1,312	797
Dividends payable	-	5,772
	8,655	16,687

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

16 Provisions

	2021	2020
	\$000's	\$000's
<i>Current</i>		
Make good provision	136	341
Payroll provision	122	1,993
Refund liabilities	2,352	1,907
Voucher liabilities	226	254
Other provisions	40	38
	2,876	4,533
<i>Non-current</i>		
Make good provision	1,042	502
Other provisions	45	76
	1,087	578

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease incentives	Straight- line lease	Refund liabilities	Voucher liabilities	Make good provision	Payroll provision	Other provisions	Total
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
At 1 July 2019	1,091	680	1,820	164	451	2,800	82	7,088
Adoption of AASB 16 Leases	(1,091)	(680)	-	-	-	-	-	(1,771)
Arising during the year	-	-	1,995	243	436	-	104	2,778
Utilised	-	-	(1,908)	(153)	(44)	(807)	(72)	(2,984)
At 28 June 2020	-	-	1,907	254	843	1,993	114	5,111
Arising during the year	-	-	2,797	44	353	422	10	3,626
Utilised	-	-	(2,352)	(72)	(18)	(2,293)	(39)	(4,774)
At 27 June 2021	-	-	2,352	226	1,178	122	85	3,963

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

17 Leases

Right-of-use assets

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 year:

	Property \$000's	Storage licenses \$000's	Total \$000's
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
Additions	10,171	67	10,238
Depreciation expense	(12,775)	(53)	(12,828)
As at 27 June 2021	28,355	96	28,451

Lease liabilities

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

	Lease liabilities \$000's	
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	(13,047)	
As at 28 June 2020	35,002	
Additions	11,643	
Accretion of interest	1,482	
Payments in accordance with lease agreements	(14,197)	
As at 27 June 2021	33,930	
	2021 \$000's	2020 \$000's
Current	13,182	10,181
Non-current	20,748	24,821

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

17 Leases (continued)

The following are the amounts recognised in profit or loss:

	2021	2020
	\$000's	\$000's
Rental concessions received	(346)	(1,023)
Depreciation expense of right-of-use assets	12,828	12,629
Interest expense on lease liabilities	1,482	1,403
Expense relating to leases of low-value assets (included in administrative expenses)	28	11
Expenses relating to variable and holdover lease payments	3,115	3,053
Total amount recognised in profit or loss	17,107	16,073

The Group had total cash outflows for leases of \$17,340,000 in 2021 (2020: \$10,367,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of \$11,643,000 in 2021 (2020: \$16,218,000).

The Group's payment of the principal portions of its lease liabilities for the year then ended was \$14,197,000 (2020: \$8,953,000) and interest paid on lease liabilities totalled \$1,482,000 (2020: \$1,078,000).

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

	Less than 3 months \$000's	3 to 12 months \$000's	1 to 5 years \$000's	> 5 years \$000's	Total \$000's
Year ended 28 June 2020					
Lease liabilities	3,233	6,948	25,761	50	35,992
Year ended 27 June 2021					
Lease liabilities	3,478	9,704	22,790	-	35,972

18 Current tax liability

	2021	2020
	\$000's	\$000's
Income tax payable	6,103	2,962

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

19 Employee benefits

	2021 \$000's	2020 \$000's
<i>Current liabilities</i>		
Annual leave	966	698
Long service leave	230	169
	<u>1,196</u>	<u>867</u>
<i>Non-current liabilities</i>		
Long service leave	<u>414</u>	<u>342</u>

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2021 \$000's	2020 \$000's
Employee benefits obligation expected to be settled after 12 months	<u>559</u>	<u>405</u>

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

20 Issued capital

	2021	2020
	\$000's	\$000's
62,267,865 (2020: 57,717,855) Ordinary shares	3,487	3,415

Movements in ordinary share capital

	2021	2020
	No.	No.
At the beginning of the reporting period	57,717,855	57,717,855
Shares issued during the year	4,550,010	-
At the end of the reporting period	62,267,865	57,717,855

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital Management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 28 June 2020 Consolidated Financial Statements.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

21 Other capital reserves

	2021	2020
	\$000's	\$000's
Share-based payment reserve	<u>(3,342)</u>	<u>112</u>

Movements in reserves

Movements in reserve during the current and previous financial year are set out below:

	Share-based reserve \$000's
At 1 July 2019	96
Share-based payments expense during the year	<u>16</u>
At 28 June 2020	112
Issued shares	(72)
Share-based payments	55
Cash buyback of options	(4,900)
Deferred tax asset on cash buyback of options	<u>1,463</u>
At 27 June 2021	<u>(3,342)</u>

Nature and purpose of reserve

Share-based reserve

During the 2016 financial year, the Directors of Dusk Group Limited issued 7,000,000 options to the Chairman and CEO (3,500,000 each). Option holders were entitled to the issue of one ordinary share in the share capital of Dusk Group Limited for each option. Both individuals remain in their position as at 27 June 2021. Whilst 4,550,000 options had been exercised in prior year, the remaining 2,450,000 unissued ordinary shares under options in prior year were bought back for \$5,057,385 by way of a cash payment in the current period.

During the financial year, the Group has issued 1,000,000 new options pursuant to the equity incentive plan as disclosed in section 6.3.4.2 of the Prospectus. No other options have been exercised, granted or forfeited.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

22 Dividends

	2021 \$000's	2020 \$000's
Dividends on ordinary shares declared and provided for, not paid:		
Dividend for 27 June 2021: \$nil (28 June 2020: 10 cents per share)	-	5,772
Dividends on ordinary shares declared and paid:		
Pre IPO dividend for 28 June 2020 was paid on 20 July 2020: 10 cents per share	5,772	-
Pre IPO dividend for 28 June 2020 was paid on 21 December 2020: 6.4 cents per share	4,000	-
Interim dividend for 27 June 2021 was paid on 26 March 2021: 15 cents per share	9,340	-
	19,112	5,772
<i>Franking credit balance</i>		
The amount of franking credit available for the subsequent financial year are:		
Franking account balance as at the end of the financial period at 30% (28 June 2020: 30%)	4,465	4,900
Franking credits that arise from the payment of income tax payable as at the end of financial year	6,103	2,962
Franking debits that will arise from the payment of dividends at the end of the financial period	-	(2,474)
	10,568	5,388

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

23 Financial risk management

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.

(ii) Foreign exchange 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.

The Group's exposure to foreign currency risk is monitored and managed within the parameters of the Group's foreign exchange policy.

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 material level of credit risk.

Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

23 Financial risk management (continued)

Financing arrangements

Borrowing facilities at the reporting date:

	2021	2020
	\$000's	\$000's
Overdraft facility	5,570	4,570
Corporate credit card facility	300	300
Bank guarantee facility	130	130
	<u>6,000</u>	<u>5,000</u>

The banking facilities may be drawn at any time and may be terminated by the bank without notice. There is one bank guarantee outstanding under this facility as disclosed in Note 9. The overdraft facility is otherwise undrawn. This was also the case in FY20.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Remaining contractual maturities
	%	\$000's	\$000's	\$000's	\$000's	\$000's
Consolidated - 2021						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables		8,655	-	-	-	8,655
<i>Interest-bearing - fixed rate</i>						
Lease liability	3.5%	3,478	9,704	22,790	-	35,972
Total non-derivatives		<u>12,133</u>	<u>9,704</u>	<u>22,790</u>	<u>-</u>	<u>44,627</u>
Consolidated - 2020						
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables		16,687	-	-	-	16,687
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.1%	3,233	6,948	25,761	50	35,992
Total non-derivatives		<u>19,920</u>	<u>6,948</u>	<u>25,761</u>	<u>50</u>	<u>52,679</u>

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

23 Financial risk management (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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 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 CODM 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 Financial Statements

For the 52 Weeks Ended 27 June 2021

24 Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2021	2020
	\$	\$
Short-term employee benefits	2,260,624	1,296,328
Post-employment pensions and medical benefits	73,432	47,834
Share-based payment transactions	197,000	15,586
	<u>2,531,056</u>	<u>1,359,748</u>

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

During the year share options issued during 2016 were exercised (4,550,000) and bought back (2,450,000) (refer Note 35). The 2,450,000 ordinary shares were bought back by the company for \$5,057,385 by way of a cash payment in the period with \$157,385 recognised as compensation and \$4,900,000 recognised in the share based payment reserve.

There are no other transactions with the key management personal during the year (2020: \$nil).

25 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young (Australia), the auditor of the Company, its network firms and unrelated firms:

	2021	2020
	\$	\$
<i>Audit services - Ernst & Young (Australia)</i>		
Fees for auditing the statutory financial report of the Company and its controlled entities	232,850	294,528
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	70,000	61,104
<i>Other services - Ernst & Young (Australia)</i>		
Preparation of the tax return	12,000	25,000
IPO related costs	35,000	-
	<u>349,850</u>	<u>380,632</u>

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

26 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 27 June 2021 (2020: none).

27 Contingencies

Contingent liabilities held by the Parent entity are disclosed in Note 29.

The Group did not have any other contingent liabilities as at 27 June 2021 (2020: none).

28 Related parties

Parent entity

Dusk Group Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in Note 24 and the remuneration report included in the directors' report.

Transactions with related parties

There were no transactions between related parties during this financial year (2020: nil).

Loans to/from related parties

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

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

29 Parent entity

Set out below is the supplementary information about the parent entity.

	2021 \$000's	2020 \$000's
Statement of financial position		
Assets		
Current assets	23,000	23,000
Total Assets	23,000	23,000
Liabilities		
Current liabilities	-	-
Total Liabilities	-	-
Equity		
Issued capital	23,000	23,000
Retained earnings	-	-
Total Equity	23,000	23,000
Statement of profit or loss and other comprehensive income		
Profit after income tax	-	-
Total comprehensive income	-	-

Contractual commitments

The parent entity did not have any contractual commitments as at 27 June 2021 or 28 June 2020.

For the year ended 27 June 2021, the Parent has \$130,000 (2020: \$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.

- Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Dusk Group Limited have entered into a deed of cross guarantee on 9 June 2016. The effect of the deed is that Dusk Group 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 is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The parent entity did not have any other contingent liabilities as at 27 June 2021 or 28 June 2020.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in Note 2, except for investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

30 Interests in subsidiaries

Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in Note 2:

Name	Principal place of business / Principal activities	Percentage	Percentage
		Owned (%) 2021	Owned (%) 2020
Dusk Australasia Pty Ltd	Australia / Retailing of scented and unscented candies, home decor, home fragrance and gift solutions	100	100
Dusk Wholesale and Imports Pty Ltd	Australia / Dormant	100	100
Dusk Europe Pty Ltd	Australia / Dormant	100	100

All subsidiaries listed, are party to the Deed of cross guarantee as described in Note 29.

31 Deed of cross-guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Dusk Group Limited
- Dusk Australasia Pty Ltd
- Dusk Wholesale and Imports Pty Ltd
- Dusk Europe Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

31 Deed of cross-guarantee (continued)

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'. As the Closed Group contains all the members of the consolidated group the financial statements presented below are identical to the primary financial statements presented for the consolidated group.

	2021 \$000's	2020 \$000's
Statement of profit or loss and other comprehensive income		
Revenue from contracts with customers	148,624	100,812
Cost of sales	(47,310)	(35,192)
Gross profit	101,314	65,620
Other income	568	1,140
Depreciation and amortisation expense	(15,766)	(15,657)
Employee benefit expense	(31,743)	(23,004)
Asset, property and maintenance expenses	(180)	(123)
Occupancy expenses	(3,115)	(3,053)
Advertising expenses	(2,154)	(1,745)
IPO costs	(6,641)	(719)
Other expenses	(9,438)	(7,417)
Finance costs	(1,582)	(1,478)
Finance income	-	11
Profit before income tax	31,263	13,575
Income tax expense	(9,401)	(4,078)
Profit for the year	21,862	9,497
Other comprehensive income, net of income tax	-	-
Total comprehensive income for the year	21,862	9,497
	2021 \$000's	2020 \$000's
Retained earnings:		
Retained earnings at the beginning of the year	21,548	17,823
Profit after income tax	21,862	9,497
Dividends paid	(13,340)	(5,772)
Retained earnings at the end of the year	30,070	21,548

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For the 52 Weeks Ended 27 June 2021

31 Deed of cross-guarantee (continued)

	2021	2020
	\$000's	\$000's
Statement of financial position		
Current Assets		
Cash and cash equivalents	21,408	28,354
Trade receivables and other financial assets	695	2,906
Inventories	14,424	8,634
Right-of-return assets	416	327
Prepayments	988	656
Total Current Assets	37,931	40,877
Non-Current Assets		
Property, plant and equipment	9,192	8,150
Right-of-use assets	28,451	31,041
Intangible assets	1,790	1,824
Deferred tax assets	7,112	4,154
Total Non-Current Assets	46,545	45,169
Total Assets	84,476	86,046
Current Liabilities		
Trade and other payables	8,655	16,687
Provisions	2,876	4,533
Employee benefit liabilities	1,196	867
Lease liabilities	13,182	10,181
Current tax liabilities	6,103	2,962
Total Current Liabilities	32,012	35,230
Non-Current Liabilities		
Employee benefit liabilities	414	342
Provisions	1,087	578
Lease liabilities	20,748	24,821
Total Non-Current Liabilities	22,249	25,741
Total Liabilities	54,261	60,971
Net Assets	30,215	25,075
Equity		
Share capital	3,487	3,415
Other capital reserves	(3,342)	112
Retained earnings	30,070	21,548
Total Equity	30,215	25,075

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

32 Cash flow information

(a) Reconciliation of result for the year to cashflows from operating activities

	2021	2020
	\$000's	\$000's
Profit for the year	21,862	9,497
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	2,812	2,880
Depreciation of right-of-use assets	12,828	12,629
Amortisation of intangible assets	126	148
Share-based payment expense	55	16
Gain on financial derivative	(139)	-
Loss on disposal of property, plant and equipment	122	-
Working capital adjustments:		
- decrease/(increase) in trade receivables and other financial assets	2,018	(1,593)
- (increase)/decrease in inventories	(5,790)	3,351
- increase in deferred tax asset	(1,495)	(1,342)
- (increase)/decrease in right of return assets	(89)	78
- increase in trade and other payables	386	2,628
- decrease in provisions	(1,148)	(1,977)
- increase in employee benefits	401	148
- increase in income taxes payable	3,141	1,420
Net cash flows from operating activities	35,090	27,883

(b) Changes in liabilities arising from financing activities

Cash flow from financing activities during the year were in relation to movements in lease liabilities. The movements in lease liabilities are disclosed in Note 17.

(c) Non-cash financing and investing activities

	2021	2020
	\$000's	\$000's
Additions to the right-of-use assets	10,238	15,078
Shares issued under employee share plan	-	-
	10,238	15,078

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

33 Events occurring after the reporting date

On 26 August 2021, the directors declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is \$6.23 million which represents a fully franked dividend of 10 cents per share. The dividend has not been provided for in the 27 June 2021 financial statements.

Subsequent to 27 June 2021, the dusk store network has been impacted by various Government imposed restrictions related to COVID-19. This has resulted in temporary store closures across multiple States. Whilst the duration of the current lockdowns is unknown and we remain cautious on the near-term outlook, we expect it to ultimately represent a temporary disruption to the retail environment.

Other than the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

34 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.

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

	2021	2020
	\$000's	\$000's
Profit after tax attributable to ordinary equity holders of the parent for basic earnings	21,862	9,497
Basic earnings per share (in cents)	35.1	16.4
Diluted earnings per share (in cents)	34.6	14.7
	2021	2020
	Thousands	Thousands
	No.	No.
Weighted average number of ordinary shares for basic EPS	62,268	57,718
Effect of dilution from:		
Share options	1,000	7,000
Weighted average number of ordinary shares adjusted for the effect of dilution	63,268	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.

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

35 Share-based payments - options

FY21 Long Term Incentive Plan

Under the FY21 Long Term Incentive Plan (LTI) share options of the parent are granted to senior executives of dusk. The exercise price of the options is equal to the listing price. The share options vest if, and when, the companies Total Shareholder Return hurdle and Earnings Per Share hurdle are satisfied (refer Remuneration report) and the senior executive remains employed on such date. The share options granted will not vest if the performance conditions are not met. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions on which the share options were granted. The share options can be exercised up to two years after the three year vesting period. The contractual term of each option granted is 5 years.

Legacy Option Plan

During the year share options issued during 2016 were exercised (4,550,000) and bought back (2,450,000). No options issued under the Legacy Option Plan remain outstanding at the end of the period. During 2020 the exercise price for the outstanding options was modified from 10 cents to zero.

The expense recognised for employee services received during the year is shown in the following table:

	2021	2020
	\$	\$
Expense arising from equity settled share based payment transactions	56,593	15,586
Total expense arising from share based payment transactions	56,593	15,586

Movements during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2021	2021	2020	2020
	Number	WAEP	Number	WAEP
Outstanding at beginning of the period	7,000,000	\$0.00	7,000,000	\$0.10
Granted during the year	1,000,000	\$2.00	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(4,550,000)	\$0.00	-	-
Bought back during the year	(2,450,000)	\$0.00	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the period	<u>1,000,000</u>	\$2.00	<u>7,000,000</u>	\$0.00
Exercisable at the end of the period	-	\$2.00	-	\$0.00

The weighted average remaining contractual life for the share options outstanding as at 27 June 2021 was 2 years.

The weighted average fair value of options granted during the year was 44 cents (2020: none granted).

The exercise price for options outstanding at the end of the year was \$2.00 (2020: zero).

Notes to the Financial Statements

For the 52 Weeks Ended 27 June 2021

35 Share-based payments - options (continued)

The following tables list the inputs to the models used for the EIP for the year ended 27 June 2021:

	2021
Weighted average fair values at the measurement date	44 cents
Dividend yield	7.0%
Expected volatility	50.0%
Risk-free interest rate	0.20%
Expected life of share options	3.9 years
Weighted average share price	\$2.00
Model used	Black Scholes

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome.

36 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-makers (CODM). The CODM have been identified as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) 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.

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.

37 Statutory information

The registered office and principal place of business of the Company is:

Dusk Group Limited
Building 1, Level 3,
75 O'Riordan Street
Alexandria NSW 2015