

Dusk Group Limited

ACN 603 018 131

Appendix 4E

Preliminary Financial Report

For the year ended 30 June
2024

APPENDIX 4E
Preliminary Final Report
For the 52 week period ended 30 June

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

Reporting period:	3 July 2023 to 30 June 2024 (52 weeks)
Previous period:	4 July 2022 to 2 July 2023 (52 weeks)

2. Results for announcement to the market

				Amount \$'000
Revenues from ordinary activities	down	7.9%	to	126,728
Profit from ordinary activities after tax attributable to members	down	63.2%	to	4,267
Net Profit for the period attributable to members	down	63.2%	to	4,267

Dividends

	Amount per security Cents	Franked amount per security Cents
Final FY23 dividend - Ordinary (paid 28 September 2023)	3.0	3.0
Interim FY24 dividend - Ordinary (paid 26 March 2024)	2.5	2.5
Final FY24 dividend - Ordinary (resolved, not yet provided for at 30 June 2024)	4.0	4.0

Record date for determining entitlements to the FY24 final dividend – 12 September 2024

Expected payment date of final dividend – 26 September 2024

Review of Operations

The FY24 financial results reflect the challenging macro-economic trading conditions, and a year where we have re-set both the leadership team and refreshed strategy under a new CEO. While the results are below our expectations and prior year, we are pleased with the significant progress made in building the foundations for improved performance in the years ahead.

The key metrics vs FY23 are:

- Total sales -7.9% to \$126.7m
- Total like for like (LFL) sales -12.1%; stores -12.6% and online -3.4%
- Statutory gross margin -7.1% to \$81.5m
- Statutory EBIT -57.6% to \$7.6m
- Statutory NPAT -63.2% to \$4.3m
- Pro forma EBIT¹ -62.2% to \$6.2m
- Pro forma NPAT -57.3% to \$5.0m
- Net cash at period end of \$20.8m

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, non-cash impairment, NZ setup costs and COVID-19 related rental concessions.

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Based on statutory NPAT of \$4.3m for FY24 and \$11.7m for FY23 and using the number of ordinary shares on issue at year end, earnings per share (EPS) for FY24 is 6.9 cents and 18.8 cents in FY23.

Please refer to the ASX Announcement and Investor presentation which accompany this Appendix 4E for further information on the company performance in FY24.

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>54.69</u>	<u>55.52</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

The Appendix 4E should be read in conjunction with the accompanying Preliminary Final Report which has been audited and an unqualified audit opinion has been issued.

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Dusk Group Limited

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Consolidated Financial Statements

For the year ended 30 June 2024

Dusk Group Limited
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Dusk Group Limited
Directors' report
For the year ended 30 June 2024

The Directors present their report, together with the consolidated financial statements on Dusk Group Limited and its controlled entities (referred to hereafter as “dusk”, “the Group” or “the Company”) for the 52 weeks ended 30 June 2024 (“FY24” or “2024”).

The Group utilises a 52-week retail calendar year for financial reporting purposes, which ended on 30 June 2024. The prior year was a 52-week retail calendar year, which ended on 2 July 2023 (“FY23” or “2023”).

Directors

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

Names	Position
John Joyce	Independent Chair, Non-Executive Director Executive Chair (3 July 2023 - 8 October 2023)
Trent Peterson	Non-Executive Director
David MacLean	Non-Executive Director (Independent)
Tracy Mellor	Non-Executive Director (Independent)
Katherine Ostin	Non-Executive Director (Independent)
Peter King (resigned 19 July 2023)	Managing Director, Chief Executive Officer
Vlad Yakubson (commenced 9 October 2023)	Managing Director, Chief Executive Officer

With the departure of Peter King as CEO and Managing Director, dusk Chairman John Joyce was appointed Executive Chairman from 3 July 2023, taking on the day-to-day responsibilities of the CEO until Vlad Yakubson commenced as CEO and Managing Director effective 9 October 2023. There was also a change in the CFO position, with Kate Sundquist resigning and her last day being 26 July 2024. The incoming CFO is Gordon Squire. Gordon commenced employment with the Company on 20 June 2024, and took over as CFO from 1 July 2024 and Company Secretarial responsibilities from 1 July 2024.

Principal activities and significant changes in nature of activities

The principal activities of the Group for the year ended 30 June 2024 comprised of retailing of scented and unscented candles, home decor, home fragrance and gift solutions.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Dividends

A final dividend on ordinary shares in respect of the 2023 financial year was declared on 29 August 2023. The dividend was paid on 28 September 2023. The total amount of the dividend was 1.87 million and represented a fully franked dividend of 3.0 cents per share.

An interim dividend on ordinary shares in respect of the 2024 financial year was declared on 22 February 2024. The dividend was paid on 26 March 2024. The total amount of the dividend was \$1.56 million which represented a fully franked dividend of 2.5 cents per share.

A final dividend on ordinary shares in respect of the 2024 financial year was declared on 28 August 2024. The dividend will be paid on 26 September 2024. The total amount of the dividend will be \$2.5 million and represents a fully franked dividend of 4.0 cents per share.

2024 operational and financial review

The net profit after tax (NPAT) of the Group for the year ended 30 June 2024 was \$4.3 million (2 July 2023: \$11.6 million).

The Directors' Report includes references to pro forma results. The pro forma results have been derived from dusk's statutory accounts and adjusted to a pro forma basis to reflect the ongoing operations of dusk more appropriately, and its balance sheet and capital structure. The impact of AASB16 lease accounting is also excluded. In FY24, the adjustments also include an adjustment for impairment related to PPE for three stores we will consider to closing in the absence of significant changes to current lease costs and trading conditions. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS measures contained within this report are not subject to audit. Other companies may calculate such measures in a different manner to the Group.

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Pro forma earnings before interest and tax ("EBIT") was \$6.2 million for the year ended 30 June 2024 which is reconciled to statutory EBIT as follows (with comparatives):

	2024	2023
	\$'000	\$'000
Statutory profit before income tax	6,162	16,614
Add/(deduct):		
Finance costs	2,302	1,781
Finance income	(833)	(378)
Statutory EBIT	<u>7,631</u>	<u>18,017</u>
Add/(deduct) the following items:		
Impact of AASB 16 ⁽ⁱ⁾	(1,844)	(1,506)
Impairment of PPE ⁽ⁱⁱ⁾	448	-
Rental concessions received ⁽ⁱⁱⁱ⁾	-	(291)
NZ set up costs ^(iv)	-	317
Pro forma EBIT	<u><u>6,235</u></u>	<u><u>16,537</u></u>

- (i) Adjustment is reflective of management measuring and reviewing company performance prior to any AASB 16 adjustments.
- (ii) Prior to any AASB 16 adjustments, an impairment of Property, Plant and Equipment has been taken relating to three cash-generating units.
- (iii) As an impact of COVID-19, the Group has negotiated with some of 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.
- (iv) The Group incurred certain non-recurring set up costs for entry into the New Zealand market.

Operating and financial review

Results summary

The FY24 financial results reflect the challenging macro-economic trading conditions, and a year where we have re-set both the leadership team and refreshed strategy under a new CEO. While the results are below our expectations and prior year, we are pleased with the significant progress made in building the foundations for improved performance in the years ahead. As the financial year progressed, we saw progressive improvement in our trading patterns, and the benefits of the changes led by management started to gain traction.

Total revenue was \$126.7 million, pro forma EBIT was \$6.2 million and pro forma NPAT was \$5.0 million. Pro forma EBIT and pro forma NPAT are non IFRS measures.

Total sales were 7.9% lower, and total LFL sales were 12.6% lower. Store LFL sales were 12.1% lower and online 3.4% lower to \$7.2 million. The online channel represented 5.7% of total sales in FY24.

Average Transaction Value (ATV) at \$50 was 2.0% lower than FY23. The ATV for Reward members was \$56, 12% higher than that of total business.

dusk Rewards, the Company membership program, signed up or renewed 283,000 members in FY24, 28.0% lower than FY23. The drop was primarily due to a drop in sign-ups when the price of the membership increased on a trial basis from \$10 to \$15. Management carefully considered trialling and subsequently executing an increase from \$10 to \$15. After analysing the results for approximately eight months, management made the decision to revert back to \$10 in March 2024. dusk Rewards members contributed 57% of total sales in FY24, 5 pts lower than FY23. dusk Rewards members continue to spend more, and shop more often, than non-members. This program is an important part of our value proposition for customers, is our most important marketing channel, and provides us with valuable and unique customer insights. The strategic importance of this program continues to grow for the business.

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Ten new stores were opened in Australia during FY24: Busselton (WA), Ingle Farm (SA), Gympie (QLD), Canberra Centre (ACT), Pakenham (VIC), Mildura (SA), Harbour town (QLD), Oran Park (NSW), Albany (WA) and Armidale (NSW). Six stores were closed. 144 stores remain at 30 June 2024 in Australia.

The Company has not further expanded its international footprint. New Zealand (NZ) remains the only international trading market in FY24.

Pro forma gross profit decreased by 7.5% to \$81.5 million. The gross margin rate increased 20 basis points to 64.3% due to reduced promotional activity which represented a important change in the trading tactics of the business.

Cost of doing business (CODB) increased 5.4% from \$67.8 million in FY23 to \$71.4 million in FY24. This increase was driven mainly by new stores and increased store wage costs.

Pro forma EBIT decreased by 62.2% to \$6.2 million and pro forma NPAT decreased 56.8% to \$5.0 million.

Capital management

Net cash closed the year at \$20.8 million with no drawn debt. All bank covenants were complied with and there remains significant headroom.

Inventory closed the year broadly in line with plan and includes a significant weighting in high turn core products in the Candle and Home Fragrance product categories. Inventory levels were slightly up on pcp reflecting the addition of 4 net stores during the year. Inventory remains clean and well balanced.

Strategic update

The Company believes its existing strategies remain appropriate and that its performance both operationally and financially in FY24 despite numerous challenges are evidence of this. The Company continues to focus on the importance of building operational agility given the likelihood of continued volatility in market and operational conditions. The Company will continue to pursue its vertically integrated model which it believes will deliver significant growth in shareholder value over long-term.

Set out below are the key drivers of this expected growth:

A proven, strategically robust and agile business model

dusk's competitive advantage emanates from its 'vertical' business model which combines internal product design and development, brand ownership, third-party manufacturing and logistics arrangements, and ownership and operation of its channels to market (i.e. physical stores and website). dusk is the largest specialty retailer in the Home Fragrance segment in Australia.

dusk does not currently wholesale its products to other retailers for on-sale. In the first quarter of FY25, Management are trialling select third party platforms. Management believes dusk's vertical model enables it to provide customers with superior value for money, consistent quality, knowledgeable staff in store, product newness that excites, fragrances they know and love, and product specifically developed for the preferences of the dusk customer.

dusk Rewards

The dusk Rewards program is the centrepiece of dusk's marketing activities and promotional events; and dusk is continuously refining how this member database is used and segmented to grow customer shopping frequency and loyalty to the brand. The program has a large and loyal membership base of over 674,000 paid-up current members. Members are more highly engaged – they shop more often and spend more each transaction than non-members (accounting for 57% of total sales), and are more likely to shop across all channels.

Store rollout and upgrades in Australia

Although dusk has a strong national presence, it believes there is opportunity to further evolve the strategic approach to locations across Australia. Our current physical store number in Australia is 144, and we do not expect this to change materially in FY25.

Stores provide a valued and trusted engagement point with our customers. Our experienced, customer-friendly store team can create and inspire a customer's vision, deliver a personalised and tailored experience, and increase sales conversion and loyalty.

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Online sales

Although the performance of online in FY24 was below expectations, we successfully launched Click and Collect in 1H FY24, and the replatform of the website in 2H FY24. We saw improved sales performance in 2H FY24, reflecting a positive outcome of these strategic initiatives.

Continued product innovation and product improvement

dusk regards consistent product innovation and continuous product improvement as a core competency and has developed capabilities and processes to support this strategy.

The segments of the Home Fragrance Market where innovation is fastest and most significant are the ultrasonic diffuser segment and product areas with potential wellness appeal (e.g. essential oils). dusk is a market leader in the market for Diffusers and other Home Fragrance Products in Australia (which includes the sale of related essential oils).

dusk believes innovation will continue to drive its growth and is necessary to maintain market leadership.

Due to dusk's market position and vertical retail model, Management believes the Company is well placed to be a pioneer and market leader in a range of adjacent product categories and expects to trial various new adjacent categories to our core offering in FY25 when the necessary regulatory changes permit.

International expansion

dusk continues to explore opportunities to expand into international markets through both physical store roll-out and the launch of a website which can readily accommodate sales outside Australia. The Company launched in NZ in 1H FY23 with a website and three stores as an initial trial. New Zealand is enduring significant macro-economic challenges which is directly affecting the retail market. Until such time as the market stabilises, our view of the outcome of the trial will not be concluded.

Given the uniqueness of the dusk vertical retail model and the absence of a similar concept in a range of large international markets, management believes there may be store roll-out opportunities in other markets that exhibit similar characteristics to those of the Australian market - namely English speaking, 'house proud and gift inclined customers', similar fragrance palette, with acceptable operational dynamics and risks. These opportunities are in phase of 'preliminary assessment' and are not expected to be initiated in the near term.

Any international opportunities will be assessed with a 'test and learn' methodology and a disciplined approach to risk management and capital allocation.

FY24 has been a transformational year for dusk Group with an improved sales performance in the second half reflecting the implementation of several strategic initiatives focused on product rejuvenation, disciplined promotional activity and better online execution. Our strategic priorities in FY25 are focused on the reassertion of our leadership in the home fragrance category. This will be achieved by increasing customer frequency, driving new customer acquisition and redefining our brand identity. A key focus will be the delivery of product newness, more often with monthly injections of new seasonal and trend lines. We will also continue to expand into new product categories through Test & Learn and increase the frequency and variety of product collaborations. Our FY25 product ranges are a testament to our focus on growing market share with existing and new adjacent categories.

Key business risks

There are a number of key risks both specific to dusk and of a general nature, which may either individually or in combination materially and adversely affect the future operating and financial performance of the Company. They include:

The Australian and / or NZ retail environment and general economic conditions may deteriorate

dusk's performance is sensitive to the current state of and future changes in the retail environment and general economic conditions in Australia and NZ, and more specifically those that impact consumer demand for homewares and related home fragrance products. If Australian and / or NZ economic conditions worsen, there is a risk that the retail environment will deteriorate as consumers reduce their level of consumption or redirect their spending to cheaper products or discount stores. A reduction in consumer spending or a change in spending patterns which is adverse to dusk is likely to result in a reduction in revenue and may have a material adverse effect on the Company's future financial performance and financial position.

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dusk's performance can also be adversely affected by trading disruptions that require prolonged period of store closures. A specific example of this was the prolonged store closures in a number of the company's key markets on the Eastern Seaboard of Australia due to COVID-19 in FY21 and FY22. The duration, breadth and specific timing and conditions of any store closures could have a materially adverse effect on the company's supply chain staffing and operations in a manner that could cause deterioration to the performance or prospects of the business.

Customer buying habits or seasonal trading patterns may change

dusk's products are discretionary goods, and consumer demand for these products is driven by home decoration and styling trends, along with the broader wellbeing trend, particularly in respect of dusk's ultrasonic diffuser products, and these trends are beyond the control of dusk.

While dusk's product development team aims to monitor and respond to the latest consumer trends, a failure to accurately judge the change in consumer preferences, or a delay in the introduction of new innovative products in response to changing customer buying habits, may have an adverse impact on demand for dusk's products, or the margins dusk achieves on these products.

Any series of significant misjudgements in predicting product trends could adversely affect demand for dusk's products, which may impact dusk's revenues, and in the longer term may adversely impact dusk's brand.

dusk's sales have historically been subject to seasonal patterns, with a disproportionate amount of annual sales being generated over the Christmas trading period, and to a lesser extent Mother's Day. An unexpected decrease in sales over those traditionally high-volume trading periods may impact dusk's revenue during the relevant period, and could also result in abnormally large amounts of surplus inventory, which dusk would typically seek to sell before it becomes too old or obsolete. Sale of out of season or old stock, would be affected through higher discounting, which is likely to reduce dusk's revenue and earnings, and in turn adversely affect its financial performance.

Competition may increase and change

The Australian and NZ retail industry in which dusk operates is competitive and is subject to changing customer preferences.

dusk faces competition from homewares and specialty retailers, department stores, discount department stores, supermarkets and independent retailers (such as pharmacies and boutique specialty retailers), as well as online only retailers. Shifts in spending patterns also highlights that dusk competes generally for customers discretionary spending capacity. Competition is based on a variety of factors including merchandise range, quality, price, advertising (including SEO and SEM), store location, store presentation, product presentation and customer service.

dusk's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by dusk to successfully maintain its position as the retail environment changes. Any deterioration in dusk's competitive position may result in a loss of market share and a decline in revenue and earnings.

dusk may experience supply chain disruption

dusk does not manufacture the products which it sells, and currently has relatively informal supply arrangements manufacturers of candles, diffusers, and other related products. dusk sources the majority of its products from five suppliers, representing approximately 75% of purchases in FY24.

dusk's reliance on third party suppliers for the products it sells, exposes it to risks relating to the actions or operations of those suppliers. For example, dusk is exposed to potential risks relating to the quality of goods supplied to it, or increases in the cost of materials and cost of manufacturing. dusk's relationships with its suppliers may deteriorate or international tensions or restrictions may have an impact on trade between dusk and its suppliers. Supply arrangements may also be terminated or discontinued (which may occur at short notice). There may also be potential delays in sourcing new products or disruptions in identifying and engaging alternative suppliers. Given the majority of its suppliers are located outside Australia (predominantly in China), dusk is also subject to foreign exchange risks.

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Furthermore, dusk relies on the timely supply of products and services (e.g. production, freight and warehousing services) from its suppliers. In the event that there are delays or failures in providing products or services to dusk, this may impact dusk's operations and results. This may occur, for example, where dusk's suppliers are unable to adequately respond to increased demand for their products or services during seasons (e.g. Christmas) where dusk's sales are substantially higher than normal, and any failure of suppliers to adequately service dusk's needs during those periods may have a significant adverse impact on dusk's financial performance. While this may occur through the actions of the supplier itself, it may also occur if the operations of a significant supplier to dusk are disrupted due to factors outside its control including fire, labour disputes, weather events, regulation and actions of government authorities, or other similar events or circumstances.

dusk may lose key management personnel

dusk is a leader in the retail Home Fragrance Market. There are relatively few companies in Australia and NZ operating in the Home Fragrance Market, and no others doing so at the scale of dusk. dusk's success depends to a significant extent on its key personnel, in particular Management that have driven the growth in operations, earnings and financial performance and position of the Company. These individuals have extensive experience in, and knowledge of, the Australian and NZ retail industry and dusk's business along with relationships with dusk's key landlords and suppliers (including the businesses from which dusk sources its products and the fragrance houses from which its fragrances are sourced). The loss of key personnel, particularly if there is any inability to recruit or retain suitable replacement or additional personnel, may adversely affect the Company's operations along with its ability to develop and implement its business and growth strategies, which may affect its future financial performance.

In the interests of managing the risks and challenges associated with leadership succession and retention of intellectual property and experience, dusk has arrangements in place with key employees including employment agreements, short and long-term incentives, and key employee equity holdings. dusk also has an experienced Board which is mindful of the issues associated with succession, and the importance of its team in maintaining the performance of the business. These matters cannot however, ensure the successful retention or succession of key people.

There may be adverse exchange rate movements

dusk purchases the majority of its products from suppliers in China. Most of the arrangements for purchase of products are denominated in US dollars, Chinese renminbi and Australian dollars in that descending order. dusk is therefore exposed to the foreign exchange rate movements.

The Company could also be exposed to additional currencies through the receipt of revenues and payment of costs in foreign currencies, should dusk move forward with international expansion plans. Adverse exchange rate movements in those currencies may also negatively impact on revenues generated by dusk, and as a result impact dusk's financial performance.

There may be adverse movement in input costs of underlying raw materials

The predominant inputs to dusk's products are glass, paper for packaging, paraffin based candle wax, soy based candle wax, and fragrance (concentrated oils). Each of these items in turn has various inputs, including oil for paraffin wax. The costs of most of these inputs is denominated in global markets in US dollars. The cost of shipping and freight are also significant inputs.

dusk is therefore exposed to movements in the price of various underlying commodities. For example, if the cost of glass increases and dusk or its suppliers are not able to negotiate prices or change inputs, specifications or formulations to mitigate this cost increase, the cost to dusk of purchasing some of its products will increase. If dusk is not able to pass the increased costs on to its customers, this will impact dusk's product margins and profitability.

dusk also must comply with multiple complex awards for the payment of its employees, and may fail to do so

dusk store staff are typically employed and paid under the Australian retail award. The award is complex when combined with the large number of employees, different circumstances and terms of employment, a fluid work environment and constantly changing conditions and circumstances, and a distributed workforce around Australia. Any breach of the retail award could adversely affect the Company's reputation and profitability with the imposition of significant fines or other adverse consequences.

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Cyber security and IT infrastructure

dusk has access to a significant amount of customer information, including through its database of over 674,000 dusk Rewards members. The dusk Rewards program is a significant component of dusk's business and therefore the protection of customer data is critical. A significant breach of customer data could attract regulatory action, negative media attention or brand damage and result in lost memberships, sales, fines or litigation, which could have a material adverse effect on dusk's future financial performance and financial position. dusk does not store payment or credit card or bank account information of customers.

The Company has access to a significant amount of employee and company data, and any security breach in respect of this data could result in damage to dusk, including financial penalties and damage to dusk's reputation with employees and suppliers, and ultimately result in a material adverse effect on the financial performance of the business.

dusk does not insure against cyber risk and as a result the occurrence of any of the above would result in direct costs being incurred by dusk, which may impact its financial performance.

dusk is also reliant on third party IT suppliers for the efficient operation of its IT systems (e.g. point of sale, its online store and loyalty program). Any failures of these IT suppliers to provide services to dusk's requirements, system outages, defects in their software or systems, or disruptions caused by changing suppliers, could adversely affect dusk's operations and financial performance.

Availability of funding and liquidity

dusk currently has in place a working capital facility with the Commonwealth Bank of Australia. In the future, dusk may wish to put in place other debt facilities or extend or renew the current facility. However, there is no guarantee that in the future dusk will be able to extend, renew or refinance its existing bank facilities at the required time, or access additional debt facilities if desired. Any new debt may also be available on terms that are less favourable to dusk.

If dusk is unable to access adequate debt financing when desired, or debt that is provided is on commercially less favourable terms, this may affect its financing costs, or its ability to fund its operations, meet its growth aspirations or respond to competitive pressures. This in turn may affect dusk's financial performance.

dusk may experience product recalls

Goods sold in the home fragrance and wellbeing market could be subject to manufacturer or mandatory product recall notices due to failure of those goods to comply with the relevant Australian mandatory product safety standards or due to defects and risks posed by products.

dusk does not insure against the risk of product recalls, and as such any product recall would impose direct costs on dusk related to undertaking the recall, and may also result in significant brand and reputational damage for dusk. These outcomes could in turn result in a material adverse impact on the Company's costs, sales and financial performance.

dusk may be involved in disputes or litigation

dusk may from time to time be the subject of complaints, litigation, inquiries or audits initiated by customers, employees, suppliers, landlords, government agencies, regulators or other third parties alleging matters such as incorrect product descriptions, injury, health, environmental, safety or operational concerns, negligence, failure to comply with applicable laws and regulations, or failure to comply with contractual obligations. In particular, dusk has been subject to a number of product liability claims from customers related to its Mood Flame ethanol burner product, which was also the subject of a product recall. As a result, insurance has not been able to be obtained from 1st June 2021 onwards for this product group.

If dusk were found to be liable under any such claims or decided to settle them, there could be a material adverse effect on dusk's financial position and performance. Even if such claims or complaints were ultimately unsuccessful against dusk, they could have an adverse effect on dusk's reputation and may divert Management's attention from normal operations, which could in turn have a material adverse effect on dusk's operational and financial performance.

Laws and regulations may change and any breach of law may negatively impact dusk

dusk is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. dusk is also required to hold a licence in relation to the importation of certain industrial chemicals.

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Changes to laws and regulations may restrict dusk's operations or otherwise adversely affect dusk, including increasing dusk's costs either directly (such as an increase in the amount of tax the Company is required to pay), or indirectly (including increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact dusk's future financial performance.

Any failure to comply with laws or licencing requirements, or a failure to renew its licence may adversely affect dusk's operations and financial performance, including by resulting in fines or penalties, negative publicity or other claims against dusk or inability to operate its business as currently operated.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

On 28 August 2024, the Directors declared a final dividend on ordinary shares in respect of the 2024 financial year. The total amount of the dividend is \$2.5 million which represents a fully franked dividend of 4 cents per share. The dividend has not been provided for in the 30 June 2024 financial statements.

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.

Likely developments and expected results of operations

Given the uncertainty that persists in the macro environment, the Board will not provide FY25 revenue and earnings guidance at this time.

Due to seasonality, our 1H and FY25 earnings will be most determined by how we trade in November and December, and therefore the prevailing trading conditions at this time (not today). Our strategy and focus on strong execution and remaining nimble is unchanged.

Environmental regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

Information on Directors

The Directors of Dusk Group Limited in office are listed below together with details of their relevant interests in the securities of the Company as at 30 June 2024.

Name:	John Joyce
Title:	Independent Chair, Non-Executive Director
Experience and expertise:	John has over 35 years' experience in senior management roles across a range of retailers and supermarkets. John previously held positions as CEO at Rebel Group and Managing Director at ALDI and currently runs his own independent advisory (Business Improvement Solutions) focused on retail and related businesses.
Other current listed directorships:	None
Former listed directorships in last 3 years:	None
Special responsibilities:	Chair of the Board Member of the Remuneration Committee
Interests in shares and options:	Ordinary Shares – Dusk Group Limited 2,335,000

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Name: Trent Peterson
Title: Non-Executive Director
Experience and expertise: Trent has over 20 years' investment and private equity experience, focused primarily on businesses operating in consumer, retail and media sectors. Trent is Managing Director of Catalyst Investment Managers and the founder and Managing Director of Catalyst Direct Capital Management.
Other current listed directorships: Adairs Limited
Universal Store Holdings Limited
Shaver Shop Group Limited
Former listed directorships in last 3 years: None
Special responsibilities: Chair of the Remuneration Committee
Member of the Audit and Risk Committee
Interests in shares and options: Ordinary Shares – Dusk Group Limited
278,500

Name: David MacLean
Title: Non-Executive Director (Independent)
Experience and expertise: David was the Chief Executive Officer and Managing Director of Adairs for 14 years from 2002-2016, having previously held the role of General Manager from 1989-2002. David now runs his family investment office and holds minority interests in a number of private retail businesses.
Other current listed directorships: Adairs Limited
Universal Store Holdings Limited
Former listed directorships in last 3 years: None
Special responsibilities: Member of the Audit and Risk Committee
Interests in shares and options: Ordinary Shares – Dusk Group Limited
1,268,027

Name: Tracy Mellor
Title: Non-Executive Director (Independent)
Experience and expertise: Tracy brings over 30 years of global experience in leadership roles across a number of different sectors including Pharma, Technology and Retail. Tracy is currently a consultant specialising in leadership effectiveness and company culture. Prior to this, she has held roles as Chief People Officer for Angus Knight Group, Global People and Culture Director for GreenLight Clinical, Managing Director and Global People Director for Reward Gateway, and Executive General Manager of People and Development at Rebel Group.
Other current listed directorships: None
Former listed directorships in last 3 years: None
Special responsibilities: Member of the Remuneration Committee
Interests in shares and options: Ordinary Shares – Dusk Group Limited
46,400

Dusk Group Limited
Directors' report
For the year ended 30 June 2024

Name: Katherine Ostin
Title: Non-Executive Director (Independent)
Experience and expertise: Katherine was an audit partner at KPMG between 2005 and 2017 with diverse experience in Audit & Risk Management and responsible for a wide range of listed and unlisted companies. She is a Chartered Accountant and Company Director of a number of listed and unlisted companies where she also chairs the Audit & Risk Committees. Kathy has also previously been non-executive director of a number of not-for-profit organisations.

Other current listed directorships: Capral Limited
3P Learning Limited
Next Science Limited
Elanor Investors Group Limited
Elanor Commercial Property Fund

Former listed directorships in last 3 years: Swift Media Limited (October 2019 to November 2021)

Special responsibilities: Chair of the Audit and Risk Committee
Interests in shares and options: Ordinary Shares – Dusk Group Limited
20,804

Name: Vlad Yakubson (commenced 09 October 2023)
Title: Managing Director, Chief Executive Officer
Experience and expertise: With over 25 years' experience in Australian retail, holding various senior leadership roles including General Manager of (part of Retail Apparel Group ('RAG'), which is ultimately owned by The Foschini Group Limited), Mad Mex and Glue Store.

Other current listed directorships: None
Former listed directorships in last 3 years: None

Special responsibilities: Managing Director, Chief Executive Officer
Interests in shares and options: Ordinary Shares – Dusk Group Limited
5,000

Name: Peter King (resigned 19 July 2023)
Title: Managing Director, Chief Executive Officer

Other current listed directorships: None
Former listed directorships in last 3 years: None

Special responsibilities: Managing Director, Chief Executive Officer
Interests in shares and options: Ordinary Shares – Dusk Group Limited
2,260,059

Company secretary

Kate Sundquist held the position of Company Secretary up to 30 June 2024. Gordon Squire commenced as Company Secretary from 1 July 2024. Gordon is a Certified Practising Accountant (CPA) with extensive senior finance leadership experience across the retail sector including Head of Commercial, Finance and Operations (Performance Division) at Accent Group Limited (ASX:AX1) and was previously Chief Financial Officer (CFO) for Honey Birdette, a luxury lingerie and lifestyle brand. Gordon has a Bachelor of Commerce from the University of Johannesburg, South Africa and a Master of Taxation Law.

Dusk Group Limited
Directors' report
For the year ended 30 June 2024

Meetings of Directors

During the financial year, 15 meetings of directors were held, 3 meetings of the Audit & Risk Committee were held, and 2 meetings of the Remuneration Committee were held. Attendances by each Director who was a member of the Board and relevant subcommittee during the year were as follows:

	Board of Directors Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held
John Joyce	16	16	-	-	2	2
Trent Peterson	16	16	3	3	2	2
David MacLean	16	16	3	3	-	-
Tracy Mellor	16	16	-	-	2	2
Katherine Ostin	16	16	3	3	-	-
Peter King (resigned 19 July 2023)	-	-	-	-	-	-
Vlad Yakubson (commenced 9 October 2023)	11	11	-	-	1	2

Shares under option and performance rights

There were 208,824 unissued ordinary shares of Dusk Group Limited under option outstanding at the date of this report.

There were 726,324 unissued ordinary shares of Dusk Group Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options and performance rights

There were no ordinary shares of Dusk Group Limited issued on the exercise of options or performance rights during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of directors and officers

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

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

Under the terms of policy, the total amount of insurance contract premiums paid cannot be disclosed.

Indemnity and insurance of auditor

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

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Dusk Group Limited
Directors' report
For the year ended 30 June 2024

The Directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Ernst & Young (Australia)

There are no officers of the Company who are former partners of Ernst & Young (Australia).

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) 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 the legislative instrument applies.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2024 has been received and can be found on page 26 of the consolidated financial report.

Auditor

Ernst & Young (Australia) continues in office in accordance with section 327 of the *Corporations Act 2001*.

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

The Directors of Dusk Group Limited (“Company”) present the Remuneration Report for the Group for the 52 week period from 3 July 2023 to 30 June 2024. This Remuneration report forms part of the Directors’ Report and has been audited in accordance with the Corporations Act 2001.

The report sets out the remuneration arrangements for the Group’s key management personnel (KMP) (listed in the table below) who have been KMP for the reporting period. For the purpose of this report the KMP are referred to as either the Non-executive Directors (NED) or Senior Executives (being the Executive Director and Other KMP).

All Non-executive Directors have held their positions for the entire duration of the reporting period. There were changes in both the Senior Executive positions in the reporting period. John Joyce was also interim Executive Chair for approximately 3 months during the period.

Name	Position
Non-executive Directors	
John Joyce	Independent, Non-executive Chair
David MacLean	Independent, Non-executive Director
Tracy Mellor	Independent, Non-executive Director
Katherine Ostin	Independent, Non-executive Director
Trent Peterson	Non-executive Director

Executive Directors

Vlad Yakubson (commenced 9 October 2023) Chief Executive Officer (CEO) and Managing Director
Peter King (resignation effective [19 July 2023]) former Chief Executive Officer (CEO) and Managing Director

Other Key Management Personnel

Kate Sundquist (resignation effective 26 July 2024) Chief Financial Officer (CFO) and Company Secretary

Contents

Section 1:	Remuneration overview
Section 2:	Remuneration strategy and policy
Section 3:	Role of the Remuneration Committee and external advisors
Section 4:	Company performance – relationship between financial performance and remuneration
Section 5:	Senior Executive remuneration structure
Section 6:	Non-executive Directors remuneration structure
Section 7:	KMP disclosures
Section 8:	Details of remuneration
Section 9:	Consequences of performance for shareholder wealth

Section 1: Remuneration Overview

The remuneration outcomes outlined in this report reflect the Company’s approach to rewarding Non-executive Directors and Senior Executives for delivering strong performance and holding the executive team accountable to ensure value for all shareholders.

The FY24 financial results reflect the challenging macro-economic trading conditions, and a year where we have re-set both the leadership team and refreshed strategy under a new CEO. While the results are below our expectations and prior year, we are pleased with the significant progress made in building the foundations for improved performance in the years ahead. As the financial year progressed, we saw progressive improvement in our trading patterns, and the benefits of the changes led by management started to gain traction.

With the departure of Peter King as CEO and Managing Director, dusk Chairman John Joyce was appointed Executive Chairman from 3 July 2023, taking on the day-to-day responsibilities of the CEO until Vlad Yakubson commenced as CEO and Managing Director effective 9 October 2023. In this capacity John Joyce was remunerated over and above his non-executive chairman fees, with remuneration consisting of \$2,500 per day worked (inclusive of superannuation). Along with the change in CEO, there was also a change in the CFO position, with Kate Sundquist resigning and her last day being 26 July 2024. The incoming CFO is Gordon Squire. Gordon commenced employment with the Company on 20 June 2024, and took over CFO duties on 1 July 2024 and Company Secretarial responsibilities from 1 July 2024.

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

Total revenue decreased by 7.9% to \$126.7 million in FY24 compared to FY23. Pro forma EBIT for the year was \$6.2 million, down 62.2% on FY23. Pro forma EBIT is unaudited and pre-AASB 16 (Accounting for Lease). Pro forma EBIT is a non IFRS measure.

The Board believes the remuneration outcomes for FY24 are appropriate and demonstrate to a significant extent the alignment between pay and performance of the Company and the KMP during the year. Finally, we believe the remuneration outcomes for executive KMP are also fair in terms of the context of prior year remuneration outcomes, the financial results of the Company, and the returns achieved by shareholders.

Section 2: Remuneration strategy and policy

The remuneration philosophy of dusk is designed to attract and retain talented, motivated, and culturally aligned Senior Executives and Team Members who can enhance the Company's performance through their contributions and leadership. We believe this provides a competitive advantage that is fundamental to the long-term success of the Company. Fostering a workplace culture that supports the belief and necessity to maintain and develop leaders is a priority for dusk.

In considering the remuneration arrangements of Senior Executives, the Remuneration Committee makes recommendations based on the following principles:



Reward for outcomes and performance;



Strengthen capabilities by attracting and retaining high calibre talent;



Align the interest of executives to those of the shareholders;



Contribute to driving sustainable long-term performance of the business;



Reflect sound risk management and drive the right behaviours;



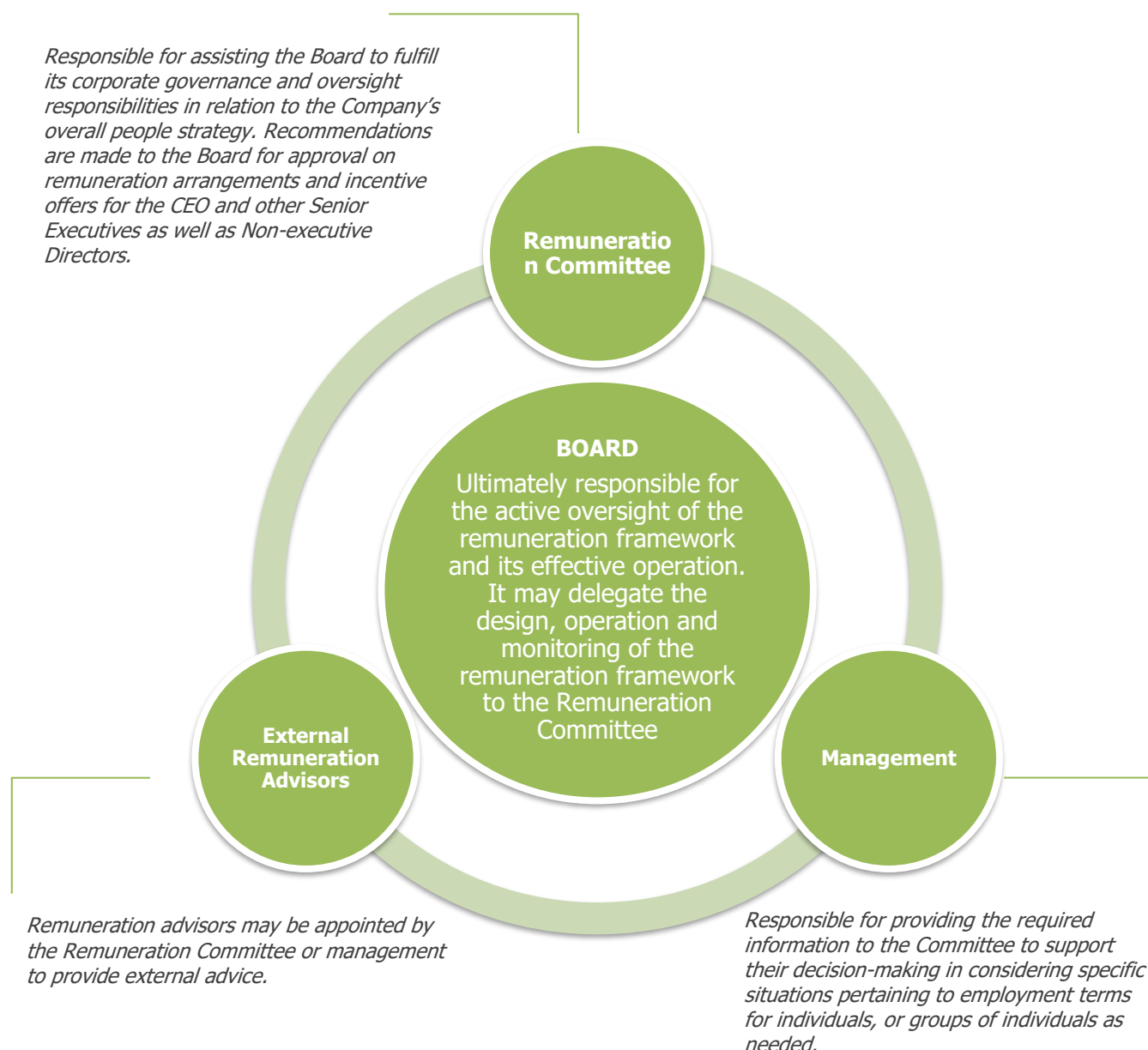
Be simple and transparent.

In relation to its most senior Team Members, the Board's strategy is to deepen executive commitment to the Company and align management and shareholder interests through the ownership of shares or related securities.

Section 3: Role of the Remuneration Committee and external advisors

The Remuneration Committee is responsible for determining and reviewing the remuneration arrangements for its Directors and Senior Executives. The Board believes that performance of the Company depends on the quality and motivation of its team. dusk’s remuneration strategy therefore seeks to attract, retain and reward team members at all levels of the business, with a particular emphasis on key executives and high potential team members. The Board has appointed a Remuneration Committee whose objective is to assist the Board in relation to the Company’s remuneration strategy, policies, and decisions. In seeking to deliver this objective, the Committee must give appropriate consideration to financial performance, delivery of strategic objectives, environmental social governance (ESG) considerations, and the outcomes for our shareholders.

The diagram below outlines how the Board interacts with internal and external stakeholders of the Company.



All Non-executive Directors have a standing invitation to attend Remuneration Committee meetings. Other non-committee members, including members of management, may attend meetings of the Committee at the invitation of the Committee Chair.

No other remuneration consultants and external advisors provided a remuneration recommendation during the reporting period ending 30 June 2024.

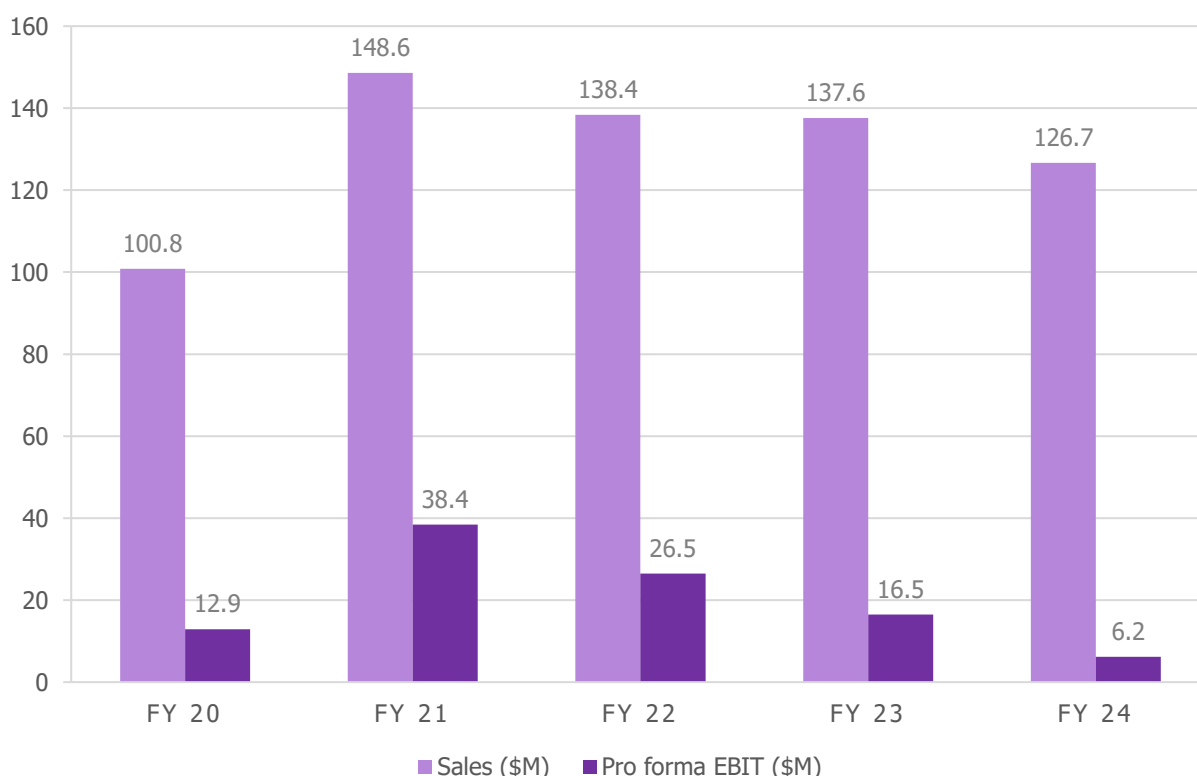
Section 4: Company performance – relationship between financial performance and remuneration

Remuneration for Senior Executives is directly linked to the performance of the Company.

The FY24 STI plan for Senior Executives is based on the achievement of pre-determined targets and performance criteria. The performance condition is the pro forma EBIT of the business (see chart below).

The FY24 long-term incentive (LTI) plan offered Senior Executives performance rights over the ordinary shares of Dusk Group Limited. The performance rights issued for nil consideration, are subject to the satisfaction of both performance and service conditions, with both aspects ending on the 29 June 2026. Key details of the LTI are summarised in Section 5 of this report. Approval of the FY24 LTI plan for Senior Executives was adopted by the Board on 27 November 2023.

SHORT TERM MEASURES



STI & LTI Outcomes

FY24

STI

0%

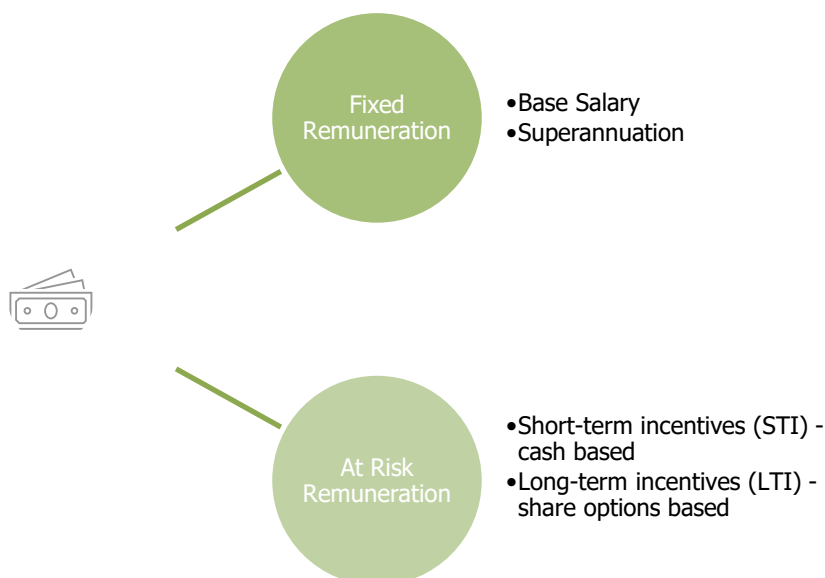
LTI

As per the LTI Plan this will be determined following the release of the FY24 audited results.

The minimum threshold for any STI to be payable was achieving a pro forma EBIT result in FY24 of \$8.5 million. As this was not achieved, no STI was awarded.

Section 5: Senior Executive remuneration structure

The FY24 Senior Executive remuneration structure consists of two components:



The combination of fixed and at-risk components for each Senior Executive as a percentage of total on target remuneration for FY24 is as follows:

Senior Executive	Fixed Remuneration	At Risk Remuneration (STI)	At Risk Remuneration (LTI)
Vlad Yakubson	41.8%	37.6%	20.6%
Kate Sundquist	54.1%	26.0%	19.9%

Note: The above assumes that each Senior Executive receives their maximum STI in the relevant period, and the LTI is measured at the fair value of the LTI grant in the FY24 year.

Fixed Remuneration

The remuneration of Senior Executives includes a fixed component comprised of base salary and employer superannuation contributions that are in line with statutory obligations.

The Fixed Remuneration of Vlad Yakubson (CEO) in FY24 is \$555,000 (including Superannuation). The Fixed Remuneration of Kate Sundquist (CFO) in FY24 is \$395,000 (including Superannuation).

The remuneration policy provides Senior Executives a base salary package that reflects the base salary for a comparable role in similarly sized companies operating in the retail industry, having regard to the experience and expertise of the Senior Executive, their performance and history with the Company, and other relevant factors.

Fixed remuneration is reviewed annually by the Remuneration Committee and recommendations are made to the Board. Any change is usually effective from the first full pay fortnight in October. There is no guaranteed salary increase in any Senior Executive’s employment contract.

Short-term Incentive

Under the STI Plan participants are entitled to receive a cash bonus subject to the achievement of Company performance hurdles as determined by the Board. The performance hurdles can include financial and non-financial performance measures. The frequency, quantum and maximum payments under the STI Plan will be determined by the Board. While the Board has flexibility to include financial and non-financial performance measures, the history of the STI plans for our KMP (including in FY24) is that pro forma EBIT is the primary financial measure used.

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

The Board considers pro forma EBIT to be a well understood financial measure which is tracked by the Board and KMP on a monthly basis and is transparent to investors in our annual and half yearly reporting. EBIT as a measure requires management to balance revenue growth, gross margin, and manage CODB – which we regard as a key task of KMP in a changing retail environment.

Participation in the STI Plan is subject to a participant's ongoing employment with the Company in the relevant period. Where a participant ceases to be employed by the Company prior to the date of release of our annual results, the Board has the discretion to determine whether the participant will retain any eligibility to their STI Plan awards or if the participant's STI Plan award will be forfeited.

For FY24, the maximum incentive (Maximum STI) that may be awarded to Management was set as a fixed dollar amount which when expressed as a percentage of annual total fixed remuneration (TFR) equated to the CEO at 90.0%, and the CFO (Kate Sundquist) at 48.1%.

Other selected employees may also be eligible to participate in the STI Plan, and the Maximum STI for those employees will be determined by the Board based on similar criteria to the KMP.

In FY24, the sole measure upon which the STI entitlement is determined is pro forma EBIT and was set based on a stretch target. Pro forma EBIT for FY24 shall be calculated consistent with the manner in which pro forma EBIT was calculated and presented in the Prospectus. Using pro forma EBIT as the sole KPI measure ensures that variable rewards are only paid when value is created for shareholders and profitability meets or exceeds a level approved by the Board.

As described in Section 4, no bonus amount was earned by the participants.

Senior Executives	Target STI (\$)	Actual STI awarded (\$)	Actual STI awarded as a % of maximum STI	% of maximum STI forfeited
Vlad Yakubson	\$499,500	\$0	0%	100%
Kate Sundquist	\$190,000	\$0	0%	100%

Long-term Incentive

The Company operates an LTI plan to assist in the motivation, reward and retention of Senior Executives and other employees that may be invited to participate in the plan from time to time. The Equity Incentive Plan (EIP) is used to deliver LTI awards and is designed to align the interests of employees with the interests of shareholders, by providing an opportunity for employees to receive an equity interest in the Company. The EIP Rules (Plan Rules) provide flexibility for the Company to grant rights, options and/or restricted shares as incentives, subject to the terms of individual offers and the satisfaction of performance and vesting conditions determined by the Board from time to time.

Offers may be made at the Board's discretion to certain Senior Executives. The CEO is the only Director who is eligible to receive an LTI award in FY24. The CEO has been allocated 414,953 performance rights under his FY24 LTI award. The CEO's performance rights have a fair value of \$272,624. The CFO has been allocated 221,495 performance rights under her FY24 LTI award. The CFO's performance rights have a fair value of \$145,522. These performance rights were granted on 27 November 2023. Upon resignation the CFO's unvested options and performance rights become incapable of vesting.

Performance Conditions

The performance period for FY24 LTI award is three years. The TSR performance conditions for the FY24 award will be measured over a period from the release of the FY23 result to the ASX, to the release of the FY26 results to the ASX. The EPS growth CAGR is measured as between the pro forma FY23 EPS and the FY26 EPS.

A weighting of 30% of a participant's performance rights will be tested against the CAGR of the Company's total shareholder return (TSR CAGR Hurdle), and the remaining 70% will be tested against the CAGR of the Company's underlying earnings per share (EPS CAGR Hurdle). The Board believe these measures are transparent, well understood by shareholders, and effective in aligning the interests of management and shareholders over the longer term.

TSR CAGR Hurdle (FY24 LTI Grant)

The number of performance rights subject to the TSR CAGR Hurdle that vest will be determined by the Board by reference to the CAGR in the Company's total shareholder return (TSR). The percentage of performance rights that vest, if any, will be determined by reference to the following vesting schedule:

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

Level of Achievement	Percentage of participants TSR Rights that vest
Less than 5% p.a.	Nil
5% p.a. (threshold performance)	30%
Between 5% p.a. and 15% p.a.	Straight line pro-rata vesting between 30% and 100%
15% p.a. or above (stretch performance)	100%

The base for TSR is the volume weighted average price for the five trading days following the announcement of the FY23 results (i.e. 1.07 per share) and the end is the volume weighted average price for the five trading days following the announcement of the FY26 full year audited results, and is inclusive of any dividends paid in the intervening period. The TSR CAGR measure has been chosen because it provides a direct link between executive reward and shareholder return. The hurdles have been set as we believe the minimum threshold of 5% represents a satisfactory base level return for shareholders, and 15% would represent a strong return having regard to the average long term returns delivered to investors in Australian listed equities.

EPS CAGR Hurdle (FY24 LTI Grant)

The percentage of performance rights that vest, if any, will be determined by reference to the following vesting schedule:

Level of Achievement	Percentage of participants EPS Rights that vest
Less than 20 cents	Nil
20 cents (threshold performance)	30%
Between 20 cents and 27 cents	Straight line pro-rata vesting between 30% and 100%
27 cents or above (stretch performance)	100%

The base for EPS CAGR is \$0.20 (i.e. FY23 underlying EPS) and the end point is the EPS reported in the FY26 full year audited results. If considered appropriate this can be adjusted by the Board to ensure the plan operates fairly and as intended. The EPS CAGR hurdle has been chosen as it provides evidence of dusk's growth in profitability and is linked to shareholder returns.

Calculation of the performance conditions and achievement against the performance conditions and vesting schedule will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items).

Treatment on cessation of employment

Unless otherwise determined by the Board, if a Senior Executive's employment is terminated for cause or a participant resigns (or gives notice of their resignation) prior to the vesting date, all of their unvested options and performance rights will lapse. Where a Senior Executive is considered a 'good leaver' by the Board (in its absolute discretion) and retains this status after leaving, the Board will consider allowing a Senior Executive to retain a pro-rata portion of the securities and to evaluate their vesting in due course.

Where a Senior Executive ceases employment for any other reason prior to the vesting date, a pro-rata proportion of their unvested performance rights and options (calculated based on the portion of the Performance Period that has elapsed) will remain on foot and will be tested in the ordinary course. All vested performance rights and options will remain on foot if a Senior Executive ceases employment after the vesting date and must be exercised within sixty days.

Under the Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment.

Treatment on change of control

In the event of a takeover bid for the Company or the Board considers a change of control is likely to occur, the Board has the discretion to accelerate vesting of some or all of a participant's unvested performance rights and options. Where only some of the performance rights and options vest, the remainder will lapse, unless the Board determines otherwise. Any vested but unexercised performance rights and options will be exercisable for a period of 60 days or otherwise for a period

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

notified by the Board and will lapse after the end of that period if they are not exercised.

If an actual change of control occurs before the Board has exercised its discretion, all unvested performance rights and options will vest, and Senior Executives will have 60 days to exercise vested performance rights and options.

Long-term incentive Review and Forward Planning

We expect to make a further grant of securities to KMP in FY25 under the LTI plan. The nature of securities granted will be similar to those granted in FY24. The performance conditions will be updated having regard to the baseline position, and reasonable and stretch targets for FY27, which will reflect a substantial rebound in profitability.

Senior Executive Service Agreements

The Company has entered into service agreements with Vlad Yakubson and Kate Sundquist to formalise the remuneration and terms of their employment. Each of these agreements provides for the provision of fixed remuneration, performance related cash bonuses and other benefits.

The service agreements with the Senior Executives are ongoing until terminated by either party. All contracts with the Senior Executives may be terminated early by either party with six months' notice. In either event, the Company may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, the Company may terminate the Senior Executive's employment contract immediately without notice.

After cessation of employment for any reason, for a period of six months, the Senior Executive must not compete with the Company (including direct or indirect involvement as a principal, agent, partner, employee, shareholder, unit holder, director, trustee, beneficiary, manager, contractor, adviser or financier), without first obtaining the consent of the Company in writing, subject to certain carve outs and exemptions.

No contracted retirement benefits are in place with any of the Company's Senior Executives.

Section 6: Non-executive Directors remuneration structure

The Company's remuneration strategy is designed to attract and retain experienced, qualified Non-executive Directors and to remunerate appropriately to reflect the demands which are made of them and the responsibilities of the position.

The level of fees are reviewed annually by the Remuneration Committee and are based on the fees paid for comparative Non-executive Director roles in similarly sized publicly listed companies operating in the retail industry.

Non-executive Directors' Fees

Non-executive Director fees are determined within an aggregate Non-executive Directors' fee pool approved by the Board. This amount has been fixed by the Company at \$650,000 per annum.

Currently, annual Non-executive Directors' base fees and Committee fees agreed to be paid by the Company (inclusive of any superannuation payable) are as follows:

- base fee of \$110,502 per annum to the Chair;
- base fee of \$70,320 per annum to each other Non-executive Director;
- fee of \$10,046 per annum to the Audit and Risk Committee Chair;
- fee of \$5,023 per annum to the Remuneration Committee Chair;
- fee of \$2,009 per annum for each of the members of the Audit and Risk Committee; and
- fee of \$1,005 per annum for each of the members of the Remuneration Committee.

The Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of Committees of the Board. Such amounts will not form part of the aggregate remuneration amount approved by shareholders. In FY24 and FY23, Directors' fees payable to Trent Peterson were paid to Catalyst Direct Capital Management Pty. To maintain the independence of directors, Non-executive Directors do not receive shares as part of their remuneration from the Company.

Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. Any amount

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

paid will not form part of the aggregate remuneration amount approved by shareholders.

Section 7: KMP disclosures

Material Contracts with the Company

No Director or other KMP (including their related parties) has entered into a material contract with the Company or a subsidiary during the reporting period.

Loans with the Company

No Director or other KMP (including their related parties) has entered into a loan made, guaranteed or secured, directly or indirectly, by the Company during the reporting period.

Section 8: Details of Remuneration

The below table shows the total remuneration of the Directors and KMP of the Company for 2024 and 2023.

52 weeks ended 30 June 2024	Short-term employee benefits		Post-employment benefits	Share-based payments	Total
In AUD	Salary and fees ¹	STI Bonuses			
Non-Executive Directors					
John Joyce ²	\$232,957	-	\$11,050	-	\$244,007
Trent Peterson ³	\$77,000	-		-	\$77,000
Katherine Ostin ⁴	\$74,851	-	\$5,514	-	\$80,365
Tracy Mellor	\$64,256	-	\$7,068	-	\$71,324
David MacLean	\$65,161	-	\$7,168	-	\$72,329
Total Non-Executive Directors	\$514,225	\$0	\$30,800	\$0	\$545,025
Executive Directors					
Vlad Yakubson ⁵	\$385,481	-	\$20,549	\$17,788	\$423,818
Other KMP					
Kate Sundquist ⁶	\$367,447	-	\$27,399	\$0	\$394,846
Total Executive	\$752,928	\$0	\$47,948	\$17,788	\$818,664
Total 2024	\$1,267,153	\$0	\$78,748	\$17,788	\$1,363,689

1. Inclusive of Committee Fees & exclusive of Super.
2. John Joyce was Executive Chairman between 3 July 2023 and 8 October 2023. Refer to page 1 for further information. Total incremental fees paid to John in relation to this interim role (over and above Non-Executive Chairman) fees were \$132,500 (inclusive of superannuation)
3. The Director fees for Trent Peterson were paid to Catalyst Direct Capital Management Pty Ltd.
4. The Director fees for Katherine Ostin were paid to Malvern Advisory Pty Ltd from 4 March 2024.
5. Vlad Yakubson commenced 9 October 2023.
6. Kate Sundquist resigned 26 July 2024.

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

52 weeks ended 2 July 2023	Short-term employee benefits		Post-employment benefits	Share-based payments	Total
In AUD	Salary and fees ¹	STI Bonuses			
Non-Executive Directors					
John Joyce	\$100,911	-	\$10,596	-	\$111,507
Trent Peterson ²	\$77,000	-		-	\$77,000
Katherine Ostin	\$72,729	-	\$7,636	-	\$80,365
Tracy Mellor	\$64,547	-	\$6,777	-	\$71,324
David MacLean	\$65,456	-	\$6,873	-	\$72,329
Total Non-Executive Directors	\$380,643	\$0	\$31,882	\$0	\$412,525
Executive Directors					
Peter King	\$514,433	-	\$40,567	(\$119,452)	\$435,548
Other KMP					
Kate Sundquist	\$351,505	-	\$36,803	\$37,184	\$425,492
Total Executive	\$865,937	\$0	\$77,370	(\$82,268)	\$861,040
Total 2023	\$1,246,580	\$0	\$109,253	(\$82,268)	\$1,273,565

1. Inclusive of Committee Fees & exclusive of Super.
2. The Director fees for Trent Peterson were paid to Catalyst Investment Managers Pty Ltd.

Section 9: Consequences of performance on shareholders wealth

In considering the Company's overall performance and the benefits for shareholder wealth, the Remuneration Committee has a range of indicators to consider in respect of Senior Executive remuneration and correlated these to the short and long-term incentives as detailed above.

The below table and chart present these indicators showing the impact of the Company's performance on shareholder wealth. The table within the operational and financial review section of the Directors' report bridges the statutory EBIT to the Pro forma EBIT.

Indicator	FY21	FY22	FY23	FY24
Pro forma earnings before interest and tax (\$000)	\$38.4m	\$26.5m	\$16.5m	\$6.2m
Pro forma net profit after tax (\$000)	\$26.8m	\$18.4m	\$11.7m	\$5.0m
Dividends paid	25.0 cents per share (incl final FY21 dividend declared of 10 cents)	20.0 cents per share (incl final FY22 dividend declared of 10 cents)	11.0 cents per share (incl final FY23 dividend declared of 3 cents)	6.5 cents per share (incl final FY24 dividend declared of 4 cents)
Share Price	\$3.50 (as at 27 June 2021)	\$1.75 (as at 3 July 2022)	\$1.03 (as at 2 July 2023)	\$0.58 (as at 30 June 2024)
Pro forma Earnings per share (cents) ¹	43.1 cents	29.6 cents	18.8 cents	8.1 cents

¹ Based on the shares on issue as at 27 June 2021, 3 July 2022, 2 July 2023 and 30 June 2024 (62.3 million shares).

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

DSK share price



KMP Shareholdings

The following table details the ordinary shareholdings and the movements in the shareholdings of Directors and KMP for the year ended 30 June 2024.

No. of Shares	Held at 02 July 2023	Shares Purchased	Shares Sold	Held at 30 June 2024
Non-Executive Directors				
John Joyce	2,335,000	-	-	2,335,000
David MacLean*	949,227	318,800	-	1,268,027
Tracy Mellor	46,400	-	-	46,400
Katherine Ostin	20,804	-	-	20,804
Trent Peterson	278,500	-	-	278,500
Executive Directors				
Vlad Yakubson	-	5,000	-	5,000
Key Management Personnel				
Kate Sundquist	75,000	-	-	75,000

*David MacLean's shareholding is via his private company, David MacLean Investments.

KMP Option Holdings

The following table details the share performance rights and option holdings and the movements of KMP for FY24.

No. of Share Performance Rights and Options	Held at 2 July 2023	Quantity Granted	Exercised	Forfeited	Lapsed	Held at 30 June 2024	Vested %	Vested and exercisable as at 30 June 2024
Non-Executive Directors								
John Joyce	-	-	-	-	-	-	-	-
David MacLean	-	-	-	-	-	-	-	-
Tracy Mellor	-	-	-	-	-	-	-	-
Katherine Ostin	-	-	-	-	-	-	-	-
Trent Peterson	-	-	-	-	-	-	-	-
Executive Directors								
Vlad Yakubson	-	414,953	-	-	-	414,953	-	-
Key Management Personnel								
Kate Sundquist	607,834	221,495	-	-	745,505	83,824	100%	83,824

Dusk Group Limited
Remuneration report
For the year ended 30 June 2024

End of Audited Remuneration Report

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'John Joyce', is written over a faint, light-colored rectangular background.

John Joyce
Chair

Sydney
29 August 2024



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of dusk Group Limited

As lead auditor for the audit of the financial report of Dusk Group Limited for the 52 weeks ended 30 June 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of dusk Group Limited and the entities it controlled during the financial year.

A handwritten signature in cursive script that reads "Ernst & Young".

Ernst & Young

A handwritten signature in cursive script that reads "Yvonne L Barnikel".

Yvonne L Barnikel
Partner
29 August 2024

Dusk Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Revenue			
Revenue from contracts with customers	4	126,728	137,623
Cost of sales	7	<u>(45,183)</u>	<u>(49,852)</u>
Gross profit		81,545	87,771
Other income	5	176	590
Expenses			
Depreciation and amortisation expense		(19,063)	(19,021)
Impairment expense		(448)	-
Employee benefit expense	7	(40,163)	(37,830)
Asset, property and maintenance expenses		(285)	(243)
Occupancy expenses		(4,094)	(2,772)
Advertising expenses		(2,534)	(2,559)
Other expenses	7	(7,503)	(7,919)
Finance costs	7	(2,302)	(1,781)
Finance income	6	<u>833</u>	<u>378</u>
Profit before income tax expense		6,162	16,614
Income tax expense	8	<u>(1,895)</u>	<u>(5,027)</u>
Profit after income tax expense for the year attributable to the owners of Dusk Group Limited		4,267	11,587
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(6)</u>	<u>(31)</u>
Other comprehensive loss for the year, net of tax		<u>(6)</u>	<u>(31)</u>
Total comprehensive income for the year attributable to the owners of Dusk Group Limited		<u><u>4,261</u></u>	<u><u>11,556</u></u>
		Cents	Cents
Earnings per share for profit attributable to the owners of Dusk Group Limited			
Basic earnings per share	37	6.9	18.6
Diluted earnings per share	37	6.8	18.5

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

Dusk Group Limited
Consolidated statement of financial position
As at 30 June 2024

	Note	2024	2023
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	9	20,759	16,006
Trade receivables and other financial assets	10	280	384
Inventories	11	15,496	15,172
Right-of-return assets		117	168
Prepayments		1,217	1,451
Current tax assets	12	1,836	4,250
Total current assets		<u>39,705</u>	<u>37,431</u>
Non-current assets			
Property, plant and equipment	13	9,873	11,377
Right-of-use assets	14	29,969	32,776
Intangible assets	15	3,442	2,168
Deferred tax assets	16	4,813	5,772
Total non-current assets		<u>48,097</u>	<u>52,093</u>
Total assets		<u>87,802</u>	<u>89,524</u>
Liabilities			
Current liabilities			
Trade payables and other financial liabilities	17	8,302	7,627
Provisions	18	1,549	1,779
Employee benefit liabilities	19	1,451	1,572
Lease liabilities	20	13,728	13,821
Total current liabilities		<u>25,030</u>	<u>24,799</u>
Non-current liabilities			
Trade payables and other financial liabilities	17	468	352
Provisions	18	1,020	1,318
Employee benefit liabilities	19	276	571
Lease liabilities	20	23,509	25,743
Total non-current liabilities		<u>25,273</u>	<u>27,984</u>
Total liabilities		<u>50,303</u>	<u>52,783</u>
Net assets		<u>37,499</u>	<u>36,741</u>
Equity			
Issued capital	21	3,487	3,487
Other capital reserves	22	(3,308)	(3,223)
Retained earnings		<u>37,320</u>	<u>36,477</u>
Total equity		<u>37,499</u>	<u>36,741</u>

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

Dusk Group Limited
Consolidated statement of changes in equity
For the year ended 30 June 2024

	Issued capital \$'000	Retained earnings \$'000	Other capital reserves \$'000	Total equity \$'000
Balance at 3 July 2022	3,487	36,098	(3,122)	36,463
Profit after income tax expense for the year	-	11,587	-	11,587
Other comprehensive loss for the year, net of tax	-	-	(31)	(31)
Total comprehensive income/(loss) for the year	-	11,587	(31)	11,556
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 23)	-	(11,208)	-	(11,208)
Share-based payments (note 22)	-	-	(70)	(70)
Balance at 2 July 2023	<u>3,487</u>	<u>36,477</u>	<u>(3,223)</u>	<u>36,741</u>
	Issued capital \$'000	Retained earnings \$'000	Other capital reserves \$'000	Total equity \$'000
Balance at 2 July 2023	3,487	36,477	(3,223)	36,741
Profit after income tax expense for the year	-	4,267	-	4,267
Other comprehensive loss for the year, net of tax	-	-	(6)	(6)
Total comprehensive income/(loss) for the year	-	4,267	(6)	4,261
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 23)	-	(3,424)	-	(3,424)
Share-based payments (note 22)	-	-	(79)	(79)
Balance at 30 June 2024	<u>3,487</u>	<u>37,320</u>	<u>(3,308)</u>	<u>37,499</u>

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

Dusk Group Limited
Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	2024	2023
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		139,770	151,528
Payments to suppliers and employees (inclusive of GST)		(112,192)	(115,680)
Net interest paid		(1,469)	(1,403)
Income taxes received/(paid)		1,486	(9,045)
Net cash from operating activities	33	<u>27,595</u>	<u>25,400</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,271)	(3,656)
Purchase of intangible assets		(1,604)	(275)
Proceeds from disposal of property, plant and equipment		202	-
Proceeds from sale of financial derivative		91	399
Net cash used in investing activities		<u>(3,582)</u>	<u>(3,532)</u>
Cash flows from financing activities			
Dividends paid by parent entity		(3,424)	(11,208)
Payment of lease liabilities		(15,836)	(15,932)
Net cash used in financing activities		<u>(19,260)</u>	<u>(27,140)</u>
Net increase/(decrease) in cash and cash equivalents		4,753	(5,272)
Cash and cash equivalents at the beginning of the financial year		<u>16,006</u>	<u>21,278</u>
Cash and cash equivalents at the end of the financial year	9	<u><u>20,759</u></u>	<u><u>16,006</u></u>

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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 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 52 weeks ended 30 June 2024 (“FY24” or “2024”) were authorised for issue in accordance with a resolution of the Directors on 29 September 2024.

The Group utilises a 52 week retail calendar year for financial reporting purposes, which ended on 30 June 2024. The prior year was a 52 week retail calendar which ended on 2 July 2023 (“FY23” or “2023”).

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.

Further information on the nature of the operations and principal activity of the Group is described in the Directors’ report.

Information on the Group’s structure is provided in note 31. Information on other related party relationships of the Group is provided in note 29.

Note 2. Material accounting policy information

The accounting policies that are material to the Group are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

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.

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 30.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2024 and 2 July 2023. 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:

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 2. Material accounting policy information (continued)

- 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.

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.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 2. Material accounting policy information (continued)

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.

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.

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference 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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 2. Material accounting policy information (continued)

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

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

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

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

Tax consolidation legislation

Dusk Group Limited 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.

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.

Note 2. Material accounting policy information (continued)

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. The CGU for goodwill is assessed at a consolidated Group level, in line with the one operating segment used in Group reporting.

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. 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.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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 Company:

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 2. Material accounting policy information (continued)

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 amendments had no impact on the Group's consolidated financial statements.

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).

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

This Standard amends:

- AASB 7, to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements;
- AASB 101, to require entities to disclose their material accounting policy information rather than their significant accounting policies;
- AASB 108, to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates;
- AASB 134, to identify material accounting policy information as a component of a complete set of financial statements; and
- 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 amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules

This Standard amends AASB 112 to introduce:

- a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD); and
- targeted disclosure requirements to help financial statement users better understand an entity's exposure to income taxes arising from the reform, particularly in periods before legislation implementing the rules is in effect.

This Standard applies to annual periods beginning on or after 1 January 2023 that end on or after 30 June 2023. Earlier application is permitted.

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Note 2. Material accounting policy information (continued)

The amendments are applicable to the Group from 1 July 2023. The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2024. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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

AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current – Deferral of Effective Date

AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants

These Standards amend AASB 101 *Presentation of Financial Statements* to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The impact of the amendments on the consolidated financial statements of the Group is unknown and inestimable at this stage.

The following new and amended accounting standards are not expected to have a significant impact on the Group's consolidated financial statements.

- *AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback*
- *AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangements*
- *AASB 2023-5 Amendments to Australian Accounting Standards - Lack of Exchangeability*
- *AASB 18 Presentation and Disclosure in Financial Statements*

Note 3. Critical accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

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Note 3. Critical accounting judgements, estimates and assumptions (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. Management recognises a proportion up-front at the point of sale and an amount is deferred based on the average discount provided per member store visit and historical data regarding the number of visits, transactions and average transaction value. The revenue deferred is then recognised on a straight-line basis over the remaining 24-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

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

Where a product is returned and is resalable, the return asset is recognised and measured using the historical run-rate data.

Voucher liabilities

This calculation is based on historical data as to the percentage of people that will redeem their two separate loyalty program vouchers, the \$15 joining voucher and \$20 birthday voucher, within the specified 90-day time period.

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 and performance rights 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 and performance rights 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 and performance right, the life of the option and performance right, 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 and performance right.

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. Net realisable value is the estimated selling price in the ordinary course of business. Management has assessed the value of inventory that is likely to be sold below cost and recorded a provision for this amount.

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Note 4. Revenue from contracts with customers

	2024	2023
	\$'000	\$'000
Sale of goods	123,897	134,481
Loyalty program membership	2,831	3,142
	<u>126,728</u>	<u>137,623</u>
<i>Disaggregation of revenue</i>		
Store revenue	119,502	130,141
Online revenue	7,226	7,482
	<u>126,728</u>	<u>137,623</u>

(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.

Accounting policy for 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. The performance obligation is satisfied upon the customer receiving the benefits of membership. A portion of membership revenue (2024: 27%; 2023: 20%) 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).

Note 5. Other income

	2024	2023
	\$'000	\$'000
Rental concessions received (i)	-	291
Recoveries	35	28
Gain on financial derivative	141	271
	<u>176</u>	<u>590</u>

(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*.

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Note 6. Finance income

	2024	2023
	\$'000	\$'000
Interest income	833	378

Accounting policy for finance income

Interest income is recorded using the Effective Interest Rate(EIR). Interest income is included in finance income in the consolidated statement of profit or loss and other comprehensive income.

Note 7. Expenses

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

	2024	2023
	\$'000	\$'000
<i>Cost of sales</i>		
Cost of inventories recognised as an expense	35,590	40,108
Freight expenses	6,155	6,322
Warehouse expenses	1,476	2,509
Other expenses	1,962	913
	<u>45,183</u>	<u>49,852</u>
<i>Employee benefit expense</i>		
Wages and salaries	36,879	34,752
Defined contribution superannuation expense	3,363	3,148
Share-based payment expense (note 38)	(79)	(70)
	<u>40,163</u>	<u>37,830</u>
<i>Other expenses</i>		
Professional fees	973	1,574
Storage fees	1,349	1,247
Postage and stationery	240	266
Bank and merchant fees	1,156	1,332
Other	3,619	3,475
Loss on financial derivative	166	25
	<u>7,503</u>	<u>7,919</u>
<i>Finance costs</i>		
Interest	0	162
Interest on lease liabilities (note 20)	2,302	1,619
	<u>2,302</u>	<u>1,781</u>

Accounting policy for expenses

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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Note 7. Expenses (continued)

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 8. Income tax expense

The major components of income tax expense are:

	2024	2023
	\$'000	\$'000
<i>Income tax expense</i>		
Current tax	923	4,078
Deferred tax - origination and reversal of temporary differences	959	951
Others	13	(2)
	<u>1,895</u>	<u>5,027</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 16)	<u>959</u>	<u>951</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>6,203</u>	<u>16,614</u>
Tax at the statutory tax rate of 30%	1,861	4,984
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	28	21
Other	<u>6</u>	<u>22</u>
Income tax expense	<u>1,895</u>	<u>5,027</u>

Note 9. Cash and cash equivalents

	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Cash on hand	88	84
Cash at bank	<u>20,671</u>	<u>15,922</u>
	<u>20,759</u>	<u>16,006</u>

Accounting policy for 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.

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Note 10. Trade receivables and other financial assets

	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	280	384

Accounting policy for 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 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.

Note 11. Inventories

	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Finished goods	11,759	11,751
Goods in transit	3,737	3,421
Inventories at lower of cost and net realisable value	15,496	15,172

During 2024, \$13,888 (2023: \$18,018) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Accounting policy for 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.

Note 12. Current tax assets

	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Income tax receivable	1,836	4,250

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Note 13. Property, plant and equipment

	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	777	788
Less: Accumulated depreciation	(645)	(581)
	<u>132</u>	<u>207</u>
Shop fixtures and fittings - at cost	33,225	31,758
Less: Accumulated depreciation	(23,725)	(20,908)
	<u>9,500</u>	<u>10,850</u>
Computer equipment - at cost	1,735	1,621
Less: Accumulated depreciation	(1,494)	(1,301)
	<u>241</u>	<u>320</u>
	<u><u>9,873</u></u>	<u><u>11,377</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	Shop fixtures and fittings \$'000	Computer equipment \$'000	Total \$'000
Balance at 3 July 2022	220	10,427	432	11,079
Additions	28	3,466	162	3,656
Make good increments	17	249	-	266
Disposals	-	(37)	-	(37)
Depreciation expense	(58)	(3,255)	(274)	(3,587)
Balance at 2 July 2023	207	10,850	320	11,377
Additions	0	2,448	116	2,564
Make good increments	-	0	-	0
Disposals	(11)	(35)	(1)	(47)
Impairment of assets	-	(443)	(5)	(448)
Depreciation expense	(64)	(3,320)	(189)	(3,573)
Balance at 30 June 2024	<u><u>132</u></u>	<u><u>9,500</u></u>	<u><u>241</u></u>	<u><u>9,873</u></u>

Accounting policy for 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.

During the period an impairment of fixed assets was booked for stores identified as having a carrying value of assets greater than the value in use of their discounted future cash flows for the remainder of the current lease. Each individual store is assessed as a single cash generating unit.

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Note 13. Property, plant and equipment (continued)

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

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

Note 14. 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.

	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use assets	29,969	32,776

Reconciliations

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

	Property	Storage	Total
	\$'000	licenses	\$'000
	\$'000	\$'000	\$'000
Balance at 3 July 2022	28,917	258	29,175
Additions	18,732	9	18,741
Depreciation expense	(15,058)	(82)	(15,140)
Balance at 2 July 2023	32,591	185	32,776
Additions	12,307	48	12,355
Depreciation expense	(15,072)	(90)	(15,162)
Balance at 30 June 2024	29,826	143	29,969

Accounting policy for 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 licences 5 to 7 years

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Note 14. Right-of-use assets (continued)

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies 'Impairment of non-financial assets'.

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).

Note 15. Intangible assets

	2024 \$'000	2023 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	1,687	1,687
Computer software - at cost	2,962	1,360
Less: Accumulated amortisation	(1,207)	(879)
	<u>1,755</u>	<u>481</u>
	<u>3,442</u>	<u>2,168</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	Goodwill \$'000	Total \$'000
Balance at 3 July 2022	500	1,687	2,187
Additions	275	-	275
Amortisation expense	(294)	-	(294)
Balance at 2 July 2023	481	1,687	2,168
Additions	1,602	-	1,602
Amortisation expense	(328)	-	(328)
Balance at 30 June 2024	<u>1,755</u>	<u>1,687</u>	<u>3,442</u>

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 3.2% (2023: 3.5%). The weighted average cost of capital (WACC) used in the model was 15% (2023: 15%).

Note 15. Intangible assets (continued)

Accounting policy for 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 5 years

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

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.

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Note 16. Deferred tax assets

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2024 \$000's	2023 \$000's	2024 \$000's	2023 \$000's
Provisions	838	1,023	(185)	50
Inventories	192	232	(40)	(194)
Accrued expenses	79	277	(198)	41
Refund liabilities	255	636	(381)	16
Refund assets	(35)	(50)	15	63
Voucher liabilities	150	53	97	(4)
Right of use assets	(8,979)	(9,818)	839	(1,065)
Lease liabilities	11,154	11,848	(694)	1,196
Other	1,159	1,571	(412)	(1,054)
	<u>4,813</u>	<u>5,772</u>	<u>(959)</u>	<u>(951)</u>

	2024 \$'000	2023 \$'000
Deferred tax assets	<u>4,813</u>	<u>5,772</u>
<i>Movements:</i>		
Opening balance	5,772	6,723
Charged to profit or loss (note 8)	<u>(959)</u>	<u>(951)</u>
Closing balance	<u>4,813</u>	<u>5,772</u>

The Group has tax losses of \$NZD1.7m in New Zealand that are available indefinitely for offsetting against future taxable profits. A deferred tax asset has not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

Note 17. Trade payables and other financial liabilities

	2024 \$'000	2023 \$'000
<i>Current liabilities</i>		
Trade payables	4,736	3,785
Accrued expense	1,660	2,063
Other payables	451	536
Contract liabilities	1,314	1,218
Financial derivatives (i)	<u>141</u>	<u>25</u>
	<u>8,302</u>	<u>7,627</u>
<i>Non-current liabilities</i>		
Contract liabilities	<u>468</u>	<u>352</u>

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Note 17. Trade payables and other financial liabilities (continued)

(i) 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 (Level 2).

Accounting policy for trade payables and other financial liabilities

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.

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.

Accounting policy for 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.

Note 18. Provisions

	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Make good provision	107	504
Refund liabilities	850	1,036
Voucher liabilities	549	173
Other provisions	43	66
	<u>1,549</u>	<u>1,779</u>
<i>Non-current liabilities</i>		
Make good provision	964	1,243
Other provisions	56	75
	<u>1,020</u>	<u>1,318</u>

Movements in provisions

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

	Refund liabilities	Voucher liabilities	Make good provision	Other provisions	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2024					
Carrying amount at 2 July 2023	1,036	173	1,747	141	3,097
Arising during the year	1,787	500	-	-	2,287
Utilised	<u>(1,973)</u>	<u>(173)</u>	<u>(676)</u>	<u>(42)</u>	<u>(2,864)</u>
Carrying amount at 30 June 2024	<u>850</u>	<u>500</u>	<u>1,071</u>	<u>99</u>	<u>2,520</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 18. Provisions (continued)

Accounting policy for provisions

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.

Note 19. Employee benefit liabilities

	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Annual leave	958	1,140
Long service leave	493	432
	<u>1,451</u>	<u>1,572</u>
<i>Non-current liabilities</i>		
Long service leave	<u>276</u>	<u>571</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:

	2024	2023
	\$'000	\$'000
Employee benefits obligation expected to be settled after 12 months	<u>764</u>	<u>741</u>

Accounting policy for employee benefits

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.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 19. 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.

Note 20. Lease liabilities

	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Lease liabilities	<u>13,728</u>	<u>13,821</u>
<i>Non-current liabilities</i>		
Lease liabilities	<u>23,509</u>	<u>25,743</u>
		Lease liabilities
		\$'000

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

As at 3 July 2022	35,506
Additions	19,990
Accretion of interest	1,619
Payments in accordance with lease agreements	<u>(17,551)</u>
As at 2 July 2023	<u>39,564</u>
As at 2 July 2023	39,564
Additions	13,509
Accretion of interest	2,302
Payments in accordance with lease agreements	<u>(18,138)</u>
As at 30 June 2024	<u>37,237</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 20. Lease liabilities (continued)

	2024	2023
	\$'000	\$'000
The following are the amounts recognised in profit or loss:		
Rental concessions received	-	(291)
Depreciation expense of right-of-use assets	15,162	15,140
Interest expense on lease liabilities	2,302	1,619
Expense relating to leases of low-value assets (included in administrative expenses)	9	9
Expenses relating to variable and holdover lease payments	4,094	2,771
	<u>21,567</u>	<u>19,248</u>
Total amount recognised in profit or loss	21,567	19,248

The Group had total cash outflows for leases of \$18,138,319 in 2024 (2023: \$17,560,764). The Group also had non-cash additions to lease liabilities of \$13,509,917 in 2024 (2023: \$19,990,656).

The Group's payment of the principal portions of its lease liabilities for the year then ended was \$15,836,487 (2023 \$15,932,834) and interest paid on lease liabilities totalled \$2,301,487 (2023 \$1,618,578).

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 2 July 2023					
Lease liabilities	4,161	11,122	27,740	61	43,084
Year ended 30 June 2024					
Lease liabilities	4,154	10,958	24,877	12	40,001

Accounting policy for lease liabilities

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.

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.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 21. Issued capital

	2024	2023	2024	2023
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>62,267,865</u>	<u>62,267,865</u>	<u>3,487</u>	<u>3,487</u>

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.

Accounting policy for issued capital

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

Share, option or performance right buy-backs must be deducted from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares, options or performance rights.

Note 22. Other capital reserves

	2024	2023
	\$'000	\$'000
Foreign currency translation reserve	(37)	(31)
Share-based payments reserve	<u>(3,271)</u>	<u>(3,192)</u>
	<u>(3,308)</u>	<u>(3,223)</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 22. Other capital reserves (continued)

Movements in reserves

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

	Share-based reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 3 July 2022	(3,122)	-	(3,122)
Foreign currency translation	-	(31)	(31)
Share-based payments	(70)	-	(70)
	<hr/>	<hr/>	<hr/>
Balance at 2 July 2023	(3,192)	(31)	(3,223)
Foreign currency translation	-	(6)	(6)
Share-based payments	(79)	-	(79)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2024	<u>(3,271)</u>	<u>(37)</u>	<u>(3,308)</u>

Nature and purpose of reserve

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

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) at the time. Option holders were entitled to the issue of one ordinary share in the share capital of Dusk Group Limited for each option. Whilst 4,550,000 options had been exercised in the 2021 financial year, the remaining 2,450,000 unissued ordinary shares under options were bought back for \$5,057,385 by way of a cash payment in the 2021 financial year.

During the financial year, the Group has issued 1,097,664 performance rights pursuant to the equity incentive plan as disclosed in section 6.3.4.2 of the Prospectus. 850,000 options and 710,683 performance rights have lapsed due to conditions becoming incapable of being satisfied. No other securities have been exercised, granted or forfeited.

Note 23. Dividends

Dividends on ordinary shares declared and paid:

	2024 \$'000	2023 \$'000
Final dividend for 3 July 2022 was paid on 27 September 2022: 10 cents per share	-	6,227
Interim dividend for 2 July 2023 was paid on 28 March 2023: 8 cents per share	-	4,981
Final dividend for 2 July 2023 was paid on 28 September 2023: 3 cents per share	1,868	-
Interim dividend for 30 June 2024 was paid on 26 March 2024: 2.5 cents per share	1,556	-
	<hr/>	<hr/>
	<u>3,424</u>	<u>11,208</u>

Franking credit balance

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% (2 July 2023: 30%)	<u>13,559</u>	<u>16,366</u>
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Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 23. Dividends (continued)

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

Accounting policy for dividends

Dividends are recognised when declared during the financial year.

Note 24. 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.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 24. Financial risk management (continued)

Financing arrangements

Borrowing facilities at the reporting date:

	2024	2023
	\$'000	\$'000
Overdraft facility	5,570	5,570
Corporate credit card facility	300	300
Bank guarantee facility	130	130
	<u>6,000</u>	<u>6,000</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 and the overdraft facility is otherwise undrawn. This was also the case in FY23.

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.

2024	Weighted average interest rate %	Less than 3 months \$'000	3 - 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	8,302	-	468	-	8,770
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.30%	4,154	10,958	24,877	12	40,001
Total non-derivatives		<u>12,456</u>	<u>10,958</u>	<u>25,345</u>	<u>12</u>	<u>48,771</u>
Derivatives						
Forward foreign exchange contracts	-	5,276	7,709	-	-	12,985
Total derivatives		<u>5,276</u>	<u>7,709</u>	<u>-</u>	<u>-</u>	<u>12,985</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 24. Financial risk management (continued)

2023	Weighted average interest rate %	Less than 3 months \$'000	3 - 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	7,627	-	352	-	7,979
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.00%	4,161	11,122	27,740	61	43,084
Total non-derivatives		11,788	11,122	28,092	61	51,063
Derivatives						
Forward foreign exchange contracts	-	3,523	3,200	-	-	6,723
Total derivatives		3,523	3,200	-	-	6,723

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 CODM monitor this risk on an ongoing basis and develop and implement policies based on the level of risk at any point in time.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 25. 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:

	2024 \$	2023 \$
Short-term employee benefits	1,267,153	1,246,580
Post-employment pensions and medical benefits	78,748	109,253
Share-based payment transactions	17,788	(82,268)
	<u>1,363,689</u>	<u>1,273,565</u>

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

There are no other transactions with the key management personnel during the year (2023: \$nil).

Note 26. 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:

	2024 \$	2023 \$
<i>Audit services - Ernst & Young (Australia)</i>		
Fees for auditing the statutory financial report of the Company and its controlled entities	260,000	252,200
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	-	15,000
	<u>260,000</u>	<u>267,200</u>
<i>Other services - Ernst & Young (Australia)</i>		
Preparation of the tax return	<u>20,500</u>	<u>14,000</u>
<i>Other services - Other member firms</i>		
NZ Tax advisory services	<u>11,797</u>	<u>29,900</u>
	<u>292,297</u>	<u>311,100</u>

Note 27. 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 30 June 2024 (2023: none).

Note 28. Contingencies

Contingent liabilities held by the Parent entity are disclosed in note 30.

The Group did not have any other contingent liabilities as at 30 June 2024 (2023: none).

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 29. Related party transactions

Parent entity

Dusk Group Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the Directors' report.

Transactions with related parties

	2024	2023
	\$	\$
KMP compensation paid through related companies	<u>235,970</u>	<u>32,083</u>

Loans to / from related parties

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

Note 30. Parent entity information

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

Statement of financial position

	2024	2023
	\$'000	\$'000
Assets		
Current assets	-	-
Non-current assets	<u>23,000</u>	<u>23,000</u>
Total Assets	<u>23,000</u>	<u>23,000</u>
Liabilities		
Current liabilities	-	-
Non-current liabilities	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Equity		
Issued capital	23,000	23,000
Retained earnings	-	-
Total Equity	<u>23,000</u>	<u>23,000</u>

Statement of profit or loss and other comprehensive income

	2024	2023*
	\$'000	\$'000
Profit after income tax	<u>3,424</u>	<u>11,208</u>
Total comprehensive income	<u>3,424</u>	<u>11,208</u>

*The prior year Profit/(Loss) and Total Comprehensive income have been restated as the dividends received by the entity from its subsidiaries should have been disclosed. There is no impact to retained earnings.

Contractual commitments

The parent entity did not have any contractual commitments as at 30 June 2024 (2023: none).

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 30. Parent entity information (continued)

For the year ended 30 June 2024, the Parent has \$130,000 (2023: \$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 30 June 2024 (2023: none).

Material accounting policy information

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.

Note 31. Interests in subsidiaries

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

Name	Principal place of business/Principal activities	Percentage Owned	
		2024 %	2023 %
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%
Dusk New Zealand Limited	New Zealand/Retailing of scented and unscented candles, home decor, home fragrance and gift solutions	100%	100%

All subsidiaries listed, are party to the Deed of cross guarantee as described in note 32.

Note 32. 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
- Dusk New Zealand Limited (party to a deed of cross guarantee since 25 May 2023)

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.

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For the year ended 30 June 2024

Note 32. 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.

	2024	2023
	\$'000	\$'000
Statement of profit or loss and other comprehensive income		
Revenue from contracts with customers	126,728	137,623
Cost of sales	(45,183)	(49,852)
Other income	176	590
Asset, property and maintenance expenses	(285)	(243)
Occupancy expenses	(4,094)	(2,772)
Advertising expenses	(2,534)	(2,559)
Employee benefits expense	(40,163)	(37,830)
Depreciation and amortisation expense	(19,063)	(19,021)
Impairment expense	(448)	-
Other expenses	(7,503)	(7,919)
Finance costs	(2,302)	(1,781)
Finance income	833	378
	<hr/>	<hr/>
Profit before income tax expense	6,162	16,614
Income tax expense	(1,895)	(5,027)
	<hr/>	<hr/>
Profit after income tax expense	4,267	11,587
Other comprehensive loss		
Foreign currency translation	(6)	(31)
	<hr/>	<hr/>
Other comprehensive loss for the year, net of tax	(6)	(31)
	<hr/>	<hr/>
Total comprehensive income for the year	4,261	11,556
	<hr/> <hr/>	<hr/> <hr/>
Equity - retained profits	2024	2023
	\$'000	\$'000
Retained profits at the beginning of the financial year	36,477	36,098
Profit after income tax expense	4,267	11,587
Dividends paid	(3,424)	(11,208)
	<hr/>	<hr/>
Retained profits at the end of the financial year	37,320	36,477
	<hr/> <hr/>	<hr/> <hr/>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 32. Deed of cross guarantee (continued)

	2024	2023
	\$'000	\$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	20,759	16,006
Trade receivables and other financial assets	280	384
Inventories	15,496	15,172
Right-of-use assets	117	168
Prepayments	1,217	1,451
Current tax assets	1,836	4,250
	<u>39,705</u>	<u>37,431</u>
Non-current assets		
Property, plant and equipment	9,873	11,377
Right-of-use assets	29,969	32,776
Intangible assets	3,442	2,168
Deferred tax assets	4,813	5,772
	<u>48,097</u>	<u>52,093</u>
Total assets	<u>87,802</u>	<u>89,524</u>
Current liabilities		
Trade payables and other financial liabilities	8,302	7,627
Provisions	1,549	1,779
Employee benefit liabilities	1,451	1,572
Lease liabilities	13,728	13,821
	<u>25,030</u>	<u>24,799</u>
Non-current liabilities		
Trade payables and other financial liabilities	468	352
Provisions	1,020	1,318
Employee benefit liabilities	276	571
Lease liabilities	23,509	25,743
	<u>25,273</u>	<u>27,984</u>
Total liabilities	<u>50,303</u>	<u>52,783</u>
Net assets	<u>37,499</u>	<u>36,741</u>
Equity		
Issued capital	3,487	3,487
Other capital reserves	(3,308)	(3,223)
Retained profits	37,320	36,477
	<u>37,499</u>	<u>36,741</u>
Total equity	<u>37,499</u>	<u>36,741</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 33. Reconciliation of profit after income tax to net cash from operating activities

	2024	2023
	\$'000	\$'000
Profit after income tax expense for the year	4,267	11,587
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	3,573	3,587
Depreciation of right-of-use assets	15,162	15,140
Amortisation of intangible assets	328	294
Impairment of property, plant and equipment	448	-
Share-based payment expense	(79)	(70)
Loss/(gain) on financial derivative	166	(246)
Loss on disposal of property, plant and equipment	-	37
Foreign exchange differences	(6)	(31)
Changes in assets and liabilities:		
- decrease in trade receivables and other financial assets	338	80
- (increase)/decrease in inventories	(324)	243
- decrease in deferred tax asset	959	951
- decrease in right of return assets	51	207
- decrease/(increase) in income taxes receivable	3,030	(4,250)
- increase/(decrease) in trade and other payables	675	(317)
- decrease in provisions	(577)	(1,263)
- (decrease)/increase in employee benefits	(416)	170
- decrease in income taxes payable	-	(719)
Net cash from operating activities	<u>27,595</u>	<u>25,400</u>

Note 34. 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 20.

Note 35. Non-cash investing and financing activities

	2024	2023
	\$'000	\$'000
Additions to the right-of-use assets	<u>12,355</u>	<u>18,741</u>

Note 36. Events after the reporting period

On 28 August 2024, the Directors declared a final dividend on ordinary shares in respect of the 2024 financial year. The total amount of the dividend is \$2.5 million which represents a fully franked dividend of 4 cents per share. The dividend has not been provided for in the 30 June 2024 financial statements.

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.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 37. 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 number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares. In accordance with AASB133, Earnings per share, some options and performance rights that could potentially dilute basic earnings per share in the future have not been included in the calculation of diluted earnings per share shown below because they are antidilutive for the periods presented.

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

	2024	2023
	\$'000	\$'000
Profit after income tax attributable to the owners of Dusk Group Limited	<u>4,267</u>	<u>11,587</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	62,267,865	62,267,865
Adjustments for calculation of diluted earnings per share:		
Share options & performance rights	<u>726,324</u>	<u>313,099</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>62,994,189</u>	<u>62,580,964</u>
	Cents	Cents
Basic earnings per share	6.9	18.6
Diluted earnings per share	6.8	18.5

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.

Accounting policy for 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.

Note 38. Share-based payments

FY24 Long Term Incentive Plan

Under the FY24 Long Term Incentive Plan (LTI) performance rights of the parent are granted to senior executives of dusk. The exercise price of the performance rights is nil. The performance rights 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 performance rights granted will not vest if the performance conditions are not met. The fair value of the performance rights is estimated at the grant date using both a Monte Carlo and Black Scholes pricing model, taking into account the terms and conditions on which the performance rights were granted. The rights performance test date is 1 September 2026 (assuming FY26 results are released on 1 September 2026). The rights will either vest and be exercised on this date, or lapse.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 38. Share-based payments (continued)

FY23 Long Term Incentive Plan

Under the FY23 Long Term Incentive Plan (LTI) performance rights of the parent are granted to senior executives of dusk. The exercise price of the performance rights is nil. The performance rights 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 performance rights granted will not vest if the performance conditions are not met. The fair value of the performance rights is estimated at the grant date using both a Monte Carlo and Black Scholes pricing model, taking into account the terms and conditions on which the performance rights were granted. The rights performance test date is 1 September 2025 (assuming FY25 results are released on 1 September 2025). The rights will either vest and be exercised on this date, or lapse.

FY22 Long Term Incentive Plan

Under the FY22 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.

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.

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

	2024	2023
	\$	\$
Expense arising from equity-settled share-based payment transactions	<u>(78,665)</u>	<u>(70,347)</u>

Movements during the year

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

	Number 2024	WAEP 2024	Number 2023	WAEP 2023
Outstanding at the beginning of the financial year	1,288,099	\$1.99	2,125,000	\$2.59
Granted during the year	1,165,867	\$0.00	517,707	\$0.00
Lapsed during the year	(1,518,818)	\$1.31	(1,354,608)	\$2.17
Exercised during the year	-	\$0.00	-	\$0.00
Bought back during the year	-	\$0.00	-	\$0.00
Outstanding at the end of the financial year	<u>935,148</u>	\$0.88	<u>1,288,099</u>	\$1.99
Exercisable at the end of the financial year	<u>83,824</u>	\$2.00	<u>-</u>	\$0.00

The weighted average remaining contractual life for the share options and performance rights outstanding as at 30 June 2024 was 1.47 years.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 38. Share-based payments (continued)

The weighted average fair value of options or performance rights granted during the year was \$0.66 (2023: \$1.50).

The weighted average exercise price for options and performance rights outstanding at the end of the year was \$0.88 (2023: \$1.99).

The following tables list the inputs to the models used for the EIP for the year ended 30 June 2024:

	2024
Weighted average fair values at the measurement date	\$0.66
Dividend yield	9%
Expected volatility	55%
Risk-free interest rate	4.22%
Expected life of share options	2.76 years
Weighted average share price	\$0.96
Model used	Black-Scholes/ Monte Carlo

The expected life of the share options and performance rights 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 and performance rights is indicative of future trends, which may not necessarily be the actual outcome.

Accounting policy for 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.

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 Groups 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.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 30 June 2024

Note 39. 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.

Accounting policies for 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.

Note 40. 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

Dusk Group Limited
Consolidated entity disclosure statement
As at 30 June 2024

Entity name	Entity type	Place formed / Country of incorporation	Ownership interest %	Tax residency
Dusk Australasia Pty Ltd	Trading	Australia	100.00%	Australia *
Dusk Wholesale and Imports Pty Ltd	Dormant	Australia	100.00%	Australia *
Dusk Europe Pty Ltd	Dormant	Australia	100.00%	Australia *
Dusk New Zealand Limited	Trading	New Zealand	100.00%	New Zealand

* Dusk Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime.

Dusk Group Limited
Directors' declaration
For the year ended 30 June 2024

In accordance with a resolution of the Directors of Dusk Group Limited, we state that:

In the Directors' opinion:

- a) the consolidated financial statements and notes of Dusk Group Limited for the 52 weeks ended 30 June 2024 are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2024 and of its performance for the 52 weeks ended on that date, and
 - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- d) the information disclosed in the attached consolidated entity disclosure statement is true and correct.

This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the 52 weeks ended 30 June 2024.

On behalf of the Directors



John Joyce
Chairman

Sydney
29 September 2024

Independent auditor's report to the members of Dusk Group Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Dusk Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 52 weeks then ended, notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2024 and of its consolidated financial performance for the 52 weeks ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Inventory Valuation

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2024 the Group's consolidated statement of financial position includes inventories with a carrying value of \$15.5 million, representing 17.7% of total assets.</p> <p>As detailed in Note 2 of the financial report, inventories are valued at the lower of cost and net realisable value.</p> <p>The cost of inventories includes components relating to the cost of freight, certain warehousing costs, customs duties and other charges. Judgement was involved in the process of allocating these costs to inventories.</p> <p>There is also judgement involved in estimating the value of inventory which may be sold below cost and determining the net realisable value of the inventory. Such judgements include expectations for future sales and inventory clearance plans.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ➤ Assessed the application of the Group's inventory costing methodology specially in relation to freight, customs duties, and warehousing charges, and whether this was consistent with Australian Accounting Standards. ➤ Assessed the basis by which the Group determined that inventory was recorded at the lower of cost and net realisable value, including the rationale for recording specific adjustments to value inventory below cost, where required. In doing so, we examined sales margins achieved, the Group's process for identifying specific slow-moving inventories, historical inventory turnover and expected future sales. ➤ Considered the adequacy of the related financial report disclosures.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- a. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and;
- b. The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i. The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii. The consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 25 of the directors' report for the 52 weeks ended 30 June 2024.

In our opinion, the Remuneration Report of Dusk Group Limited for the 52 weeks ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Yvonne L Barnikel
Partner
Sydney
29 August 2024

Dusk Group Limited
Shareholder information
For the year ended 30 June 2024

ASX Additional Information

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 16 August 2024.

Substantial shareholders

There are no substantial shareholders and their associates.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

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.

Options and Performance Rights

Options and performance rights do not carry a right to vote.

Distribution of equity security holders

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 - 1,000	1,867	1.40
1,001 - 5,000	1,372	5.78
5,001 - 10,000	464	5.74
10,001 - 100,000	573	26.91
100,001 and over	69	60.17
	<hr/>	<hr/>
	4,345	100.00
	<hr/> <hr/>	<hr/> <hr/>

There were 535 holders of less than a marketable parcel of ordinary shares.

Dusk Group Limited
Shareholder information
For the year ended 30 June 2024

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
CITICORP NOMINEES PTY LIMITED	4,297,068	6.90
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,431,832	5.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	3,179,511	5.11
BNP PARIBAS NOMS PTY LTD	2,859,791	4.59
BB RETAIL CAPITAL PTY LTD (THE BLUNDY FAMILY)	2,699,458	4.34
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	2,490,647	4.00
JOHN JOYCE	2,335,000	3.75
BNP PARIBAS NOMINEES PTY LTD (IB AU NOMS RETAILCLIENT)	1,612,728	2.59
SWINTON PARK PTY LTD	1,036,430	1.66
DAVID MACLEAN INVESTMENTS PTY LTD (DAVID MACLEAN ARG)	949,227	1.52
MR ANTHONY WHITE	925,434	1.49
UBS NOMINEES PTY LTD	820,485	1.32
ZACOB PTY LTD (R & M BIANCARDI ACCOUNT)	430,000	0.69
MSSMD PTY LTD (MSDHALIWAL FAMILY A/C)	425,000	0.68
B & R JAMES INVESTMENTS PTY LIMITED (JAMES SUPERANNUATION A/C)	400,000	0.64
P & M MULLER HOLDINGS PTY LTD (MULLER INVESTMENT A/C)	389,857	0.63
LISSY PTY LTD (JASSA FAMILY A/C)	360,000	0.58
MARSIL HOLDINGS PTY LIMITED (MARSIL HLD SUPERFUND A/C)	320,017	0.51
ZACOB PTY LTD (R&L BIANCARDI SUPER FUND A/C)	310,000	0.50
MR DAVID RONALD MCLAREN + MRS ROSEMARY PHYLLIS MCLAREN	300,000	0.48
MR ROLAND ELMAR TOIME	300,000	0.48
	<u>29,872,485</u>	<u>47.97</u>
	Number on issue	Number of holders
Unquoted equity securities		
Options over ordinary shares issued	208,824	2
Performance rights over ordinary shares issued	726,324	4

Dusk Group Limited
Shareholder information
For the year ended 30 June 2024

Directors	John Joyce Trent Peterson David MacLean Tracy Mellor Katherine Ostin Vlad Yakubson (appointed 9 October 2023) Peter King (resigned 19 July 2023)
Company secretaries	Gordon Squire (appointed 1 July 2024) Kate Sundquist (resigned 27 June 2024)
Registered office	Building 1, Level 3, 75 O'Riordan Street, Alexandria, NSW 2015
Principal place of business	Building 1, Level 3, 75 O'Riordan Street, Alexandria, NSW 2015
Auditor	Ernst & Young (Australia)
Legal adviser	Herbert Smith Freehills
Share register	Computershare Investor Services Pty Limited GPO Box 2975 Melbourne, VIC 3001 Phone: 1300 850 505
Corporate website	dusk.com.au
Investor relations website	investors.dusk.com.au