Accent Group Limited

ABN 85 108 096 251

Appendix 4E
Preliminary Final Report

Appendix 4E

1. COMPANY DETAILS

Name of entity:	Accent Group Limited
ABN:	85 108 096 251
Reporting period:	For the year ended 28 June 2020 (52 weeks)
Previous period:	For the year ended 30 June 2019 (52 weeks)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Percentage change %	Amount $'000
Revenue from ordinary activities	up 4.2%	to 829,805
Profit after income tax for the period	up 3.3%	to 55,682
Profit for the period attributable to the owners of Accent Group Limited	up 3.4%	to 55,682

Dividends

	Amount per security Cents	Franked amount per security Cents
2019 Final dividend	3.75	3.75
2020 Interim dividend	5.25	5.25
2020 Final dividend	4.00	4.00

Dividend payment date:

- 2019 Final dividend	26 September 2019
- 2020 Interim dividend	19 March 2020
- 2020 Final dividend	24 September 2020

3. NET TANGIBLE ASSETS PER SECURITY

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	9.34	9.32

Net tangible assets are calculated by deducting intangible assets from the net assets of the Group. Following the adoption of AASB 16 Leases on 1 July 2019, the net assets at 28 June 2020 include the right-of-use assets, lease receivables and corresponding lease liabilities recognised under the new standard.

4. OTHER INFORMATION

This report is based on the consolidated financial statements which have been audited by Deloitte.

For further explanation of the figures above please refer to the ASX Announcement dated 26 August 2020 on the results for the year ended 28 June 2020 and the notes to the financial statements.

Accent Group Limited

ABN 85 108 096 251

Annual Report
28 June 2020

Contents

28 June 2020

Chairman and Chief Executive Officers Report

26 August 2020

Dear fellow Shareholders

This has been a year like no other. The results that the Group has delivered, notwithstanding the significant headwinds we faced as a result of the COVID-19 pandemic, are a testament to the strength, resilience and talent of the Accent Group team and culture.

The Board acknowledges the remarkable persistence, flexibility and agility of the entire Accent team which, along with the support of our loyal customers, landlords and supplier partners, enabled the Group to continue to operate and deliver another year of record profit, despite the extremely challenging operating environment in the second half.

FINANCIAL REVIEW

The Group's net profit after tax for FY20 was $58 million, an increase of 7.50% over the prior year. Your Board has declared a final fully franked dividend of 4.0 cents per share, which brings the total dividends declared during the year to 9.25 cents per share which represents an 86% payout ratio for the year.

Financials[1] ($ millions)	***FY20 (Statutory)***	**FY20 (pre AASB 16)**	**FY19 (pre AASB 16)**	**Growth (pre AASB 16)**
Total Sales (incl. TAF)[2]	*948.9*	**948.9**	935.3	**Up 1.5%**
Accent Group Sales (company owned)	*807.1*	**807.1**	772.5	**Up 4.5%**
EBITDA	*203.4*	**121.7**	108.9	**Up 11.8%**
EBIT	*94.8*	**87.2**	80.6	**Up 8.2%**
NPAT	*55.7*	**58.0**	53.9	**Up 7.5%**
EPS (cents per share)	*10.31*	**10.73**	10.02	**Up 7.1%**
Dividends (cents per share)	*9.25*	**9.25**	8.25	**Up 12.1%**

1. Due to the material impact of the adoption of AASB 16, all financials in this Chairman and Chief Executive Officers Report are presented on a pre AASB 16 basis (unless stated otherwise) which adjusts for the impact of the AASB 16 and subsequently presents the financials on the most comparable basis with the prior year reported results also pre AASB16. A reconciliation of the impact of AASB 16 is provided in the appendix to Accent Group's full year results presentation released on 26 August 2020.
2. Includes The Athlete's Foot franchise store sales.

COVID-19 UPDATE

With the onset of COVID-19, the operating environment in H2 became extremely challenging and, in this context, the Board considers that the strong results delivered were a direct outcome of the response of the management team in successfully navigating a raft of complex issues and implementing new initiatives to drive the business through this period.

COVID-19 had a significant impact on the business, including:

- in order to safeguard the health and safety our team and customers, a Company-wide operations shutdown implemented from 25 March for a then unknown duration; and
- all Group owned stores closing to customers for the month of April and part of May and a resultant decline in total sales in March and April of $55.7 million (or –58%) compared to the prior year.

These events required an immediate range of actions by the management team to both manage the impacts and to continue to drive financial performance, including:

- the implementation of hard cost out measures and inventory initiatives to right size the Company's costs and inventory;
- a proposal brought to the Board by Management to take an 80% cut in their remuneration if required;
- the acceleration of digital sales, leveraging the Group's best in class omnichannel capability, to offset the impact of store closures and reduced customer foot traffic in shopping centres;
- the development of COVID safe operating protocols including PPE (personal protective equipment), training and relevant signage and in store fittings;
- good faith negotiation of rental abatements with landlords to cover the reduced foot traffic in shopping centres, anticipated for the period from April 2020 until at least December 2020; and
- securing additional liquidity through an additional debt facility of $30 million with the Company's existing banking group. This additional facility was not drawn and remains undrawn.

Given the collapse in sales, the Company qualified for $23.9 million in Government wage subsidies across Australia and New Zealand from April to June. These subsidies were announced after the Company's decision to shut down its stores. In accordance with the Government requirements, $10.7 million of these subsidies were passed directly through to team members while they were not working or did not work sufficient hours to be otherwise paid more than the subsidy received. The subsidies also allowed the Company to retain the team through the period of shutdown.

Once it was safe to reopen stores, the balance of the wage subsidies supported the return to full employment for permanent team members and the reopening of the Accent Group business through May and June, including standing up all permanent team members from 1 June to full hours and full pay. Sales in May and June recovered strongly, driven by digital growth.

Given the improved performance of the business, we do not expect to apply for wage subsidies from September. We remain committed to our team, and they will continue to be fully remunerated notwithstanding the ongoing second round of Melbourne and Auckland lockdowns in August 2020 which has resulted in the temporary closure to customers of more than 20% of the Company's owned stores.

OPERATING REVIEW

Digital

The most significant driver of the Group's outstanding financial results in FY20 was the rapid acceleration of digital sales during the period of extreme retail turbulence.

Digital sales grew 100% in the second half and were up 69% for the full year with a run rate of more than 20% of retail sales. This digital growth was facilitated by the infrastructure that Accent Group had built over the last three years, which ensured that a record number of customers and deliveries could be managed from our digital platform with significant additional capacity and scalability still available.

During the last quarter of FY20, more than 50% of customers shopping with us online were new customers and we believe that there has been a seismic and most likely enduring shift in consumer behaviour to shopping online. Accent Group is well placed to capitalise on this trend with its market leading digitally integrated consumer business comprising 19 websites, 16 owned and distributed brands, more than 500 points of distribution and nearly 7 million contactable customers.

The Group is aiming to drive digital sales to be at least 30% of total retail sales, by leveraging its existing best in class digital capability and continuing to invest in digital initiatives, including virtual sales channels, CRM tools, express delivery capability and loyalty programs.

Core retail

Accent Group remains committed to a long-term strategy of delivering customers a best in class integrated digital and instore experience. Store sales in Platypus, Hype DC, Skechers, Vans and Dr Martens continued to grow in FY20, and the Group's margin expansion is expected to continue through driving a higher mix of distributed brands and growth in vertical brands and products.

During the second half, in line with the Government code of conduct for commercial leasing arrangements, the Group reached agreement with the vast majority of its landlords on rent abatements that cover the period from April 2020 to December 2020, and the Board acknowledges the spirit of partnership in which landlords approached these negotiations.

In FY21, the Company will continue to open and renew store leases where its targeted return on investment can be achieved, taking into account the shift to the digital channel and projected lower foot traffic in shopping centres. The Group plans to open 30 to 50 new stores next year across Skechers, Platypus, Hype DC, Dr Martens, Vans, Merrell, CAT and The Trybe.

Accent Performance

In order to capitalise on the market trend to active and performance wear, management of The Athlete's Foot (**TAF**), Stylerunner and Saucony have been consolidated under a dedicated group executive. TAF and Stylerunner experienced strong growth in sales and gross margin, benefiting from consumer demand in these categories which accelerated in the last 3 months of the year.

The TAF business is focussed on accelerating digital sales through a new endless aisle initiative offering a full range of products, including the introduction of apparel. TAF will also grow its existing and new distributed, exclusive and vertical brands including Saucony, On Running, MBT and Alpha to deliver continued margin expansion.

In November 2019, Accent Group acquired Stylerunner, the cult online destination for women's multi-branded activewear and sneakers. This business presents a great opportunity for the Group to get a foothold in the activewear market in Australia and New Zealand, which is estimated to be valued at more than $4 billion. The first bricks and mortar store is scheduled to open in Armadale (VIC) in November 2020 with up to 5 stores and significant growth in digital sales planned for FY21.

Wholesale

Wholesale had a strong start to the FY20 financial year and, whilst sales were impacted in April and May consistent with broader retail demand, it bounced back strongly in June. The forward sales pipeline for wholesale is strong with Skechers, Vans and Dr Martens all completing record sell-ins for the second half of FY21.

Vertical brands and products

Sales of the Group's vertical products and brands continued to gain momentum, more than doubling in FY20 to $13 million and delivering strong gross profit margin.

In FY21, the Company will continue its focus on margin expansion through driving a higher mix of distributed brands and growth in vertical brands and products, including the launch of a new vertical brand, ITNO ("In The Name Of") in Platypus in the first half of FY21.

New business

The Group's new sports and lifestyle banner, PIVOT, opened its first store in Shellharbour (NSW) in May 2020 with performance to date ahead of plan. Up to 12 stores are planned for FY21 along with the launch of the PIVOT website.

PIVOT operates in the value sports and lifestyle market, with an estimated size of more than $4 billion, representing a significant market share growth opportunity for Accent Group through a store network of up to 100 stores and rapid digital sales growth.

CONCLUSION

Your Board acknowledges the resilience and performance of the entire Accent Group team through what has been and remains a very challenging environment. The dividend is in line with the growth in profits and signals the confidence of the Board in the performance and financial strength of the Company.

We remain committed to our team and will continue to invest in them and their well-being.

Accent Group investors are part of a market leading digitally integrated consumer business and this has translated into compelling shareholders returns with EPS growth of 12.3% per annum over the past 10 years and compound dividend per share growth of 14% per annum since FY16.

And with the exciting and meaningful future growth initiatives outlined above, the Board is confident that Accent Group will continue to be defined by strong cash conversion and the consistently strong returns it delivers on shareholders' funds.

FY20 DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the consolidated entity (the 'Consolidated Entity' or 'Group') consisting of Accent Group Limited (the 'Company' or 'Accent Group') and its controlled entities for the year ended 28 June 2020.

1. DIRECTORS

The following persons were Directors of Accent Group during the whole of the financial year and up to the date of this report, unless otherwise stated:

- David Gordon – Chairman
- Daniel Agostinelli – Chief Executive Officer
- Stephen Goddard
- Michael Hapgood
- Donna Player
- Joshua Lowcock (appointed 28 November 2019)
- Brett Blundy (resigned 12 May 2020)
- Nico van der Merwe – alternate Director for Brett Blundy (resigned 12 May 2020)
- Stephen Kulmar (resigned 28 November 2019)

2. PRINCIPAL ACTIVITIES

Accent Group is a leading digitally integrated consumer business in the retail and distribution sectors of branded performance and lifestyle footwear, with over 500 stores and 19 websites across 14 different retail banners and exclusive distribution rights for 12 international brands across Australia and New Zealand.

The combined Group's brands include The Athlete's Foot ('TAF'), Platypus Shoes, Hype DC, Skechers, Merrell, CAT, Vans, Dr. Martens, Saucony, Timberland, Sperry, Palladium, Stance, Supra, Subtype, The Trybe, PIVOT and Stylerunner.

3. DIVIDENDS

Dividends paid or declared by the Company during, and since the end of, the financial year are set out in Note 25 to the Financial Statements and summarised below:

	FY20 final	FY20 interim	FY19 final	FY19 interim
Cents per ordinary share	**4.00**	**5.25**	3.75	4.50
Total amount ($'000)	**21,675**	**28,464**	20,297	24,356
Payment date	**24 September 2020**	**19 March 2020**	26 September 2019	21 March 2019

The total dividend for the financial year ended 28 June 2020 of 9.25 cents per share is an increase of 12.1% on the previous year.

4. OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review of the Group for the financial year ended 28 June 2020 is provided in the Chairman and Chief Executive Officer's Report on page 2 and forms part of this Directors' Report.

5. IMPACT OF COVID-19

With the onset of COVID-19 in early 2020, the operating environment in H2 became extremely challenging. In this context, the Board considers that the strong results delivered were a direct outcome of the response of the management team in successfully navigating a raft of complex issues and implementing new initiatives to drive the business through this period.

COVID-19 had a significant impact on the business, including:

- In order to safeguard the health and safety of our team and customers, a Company-wide operations shutdown was implemented from 25 March for a then unknown duration.
- All Group owned stores closed to customers for the month of April and part of May with a resultant decline in total sales in March and April of $55.7 million (or –58%) compared to the prior year.

- These events required an immediate range of actions by the management team to both manage the impacts and to continue to drive financial performance, including:
  - the implementation of hard cost out measures and inventory initiatives to right size the Company's costs and inventory;
  - a proposal brought to the Board by Management to take an 80% cut in their remuneration if required;
  - the acceleration of digital sales, leveraging the Group's best in class omnichannel capability, to offset the impact of store closures and reduced customer foot traffic in shopping centres;
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  - good faith negotiation of rental abatements with landlords to cover the reduced foot traffic in shopping centres, anticipated for the period from April 2020 until at least December 2020; and
  - securing additional liquidity through an additional debt facility of $30 million with the Company's existing banking group. This additional facility was not drawn and remains undrawn.
- Given the collapse in sales, the Company qualified for $23.9 million in Government wage subsidies across Australia and New Zealand from April to June. These subsidies were announced after the Company's decision to shut down its stores.
- In accordance with the Government requirements, $10.7 million of these subsidies were passed directly through to team members while they were not working or did not work sufficient hours to be otherwise paid more than the subsidy received. The subsidies also allowed the Company to retain the team through the period of shutdown.
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- Given the improved performance of the business, the Company does not expect to apply for wage subsidies from September. We remain committed to our team, and they will continue to be fully remunerated notwithstanding the ongoing second round of Melbourne and Auckland lockdowns in August 2020 which has resulted in the temporary closure to customers of more than 20% of the Company's owned stores.

The Company expects that COVID-19 will continue to impact its operations and consumer sentiment and behaviour for the foreseeable future and has strong contingency plans to mitigate the potential risks of ongoing store closures and subdued customer sentiment.

6. PEOPLE AND SAFETY

We recognise that our team members are our most valuable asset. During the year, the Company invested in a number of areas of employee engagement and support to ensure that the Group attracts, develops and retains the best team members in the industry. Accent Group's comprehensive employee benefits program includes:

- A retail incentive program
- An employee referral program
- An employee assistance program
- Novated leasing
- Affiliation program with BUPA Health insurance
- Corporate gym membership affiliation program
- Paid parental leave scheme

The Company has also developed improved systems of reporting on key metrics via a 'People Dashboard' that provides regular updates to the Board and senior management team in relation to headcount, gender diversity, recruitment and workplace health and safety. The implementation of a new Human Resources Information System will provide a world class people experience, designed to positively influence all elements of the employee life cycle.

We are committed to creating a culture within the workplace that is diverse and inclusive, enables employees to feel safe and supported to excel in their roles, and this is reflected in the Company's Diversity Policy and Code of Conduct. Employees are encouraged to speak up about conduct that is inconsistent with the Accent Group policies, including under Whistleblower Policy which is aimed at ensuring that individuals feel supported to come forward if they have information about serious misconduct as it relates to Accent Group.

The Company is focussed on promoting and improving workplace gender equality. The current breakdown of gender representation in the Group, as reported in accordance with the *Workplace Gender Equality Act 2012* during the year, is as follows:

Level	**Total number**	**% of women**	**% of men**
Board	6	17%	83%
Senior managers*	71	61%	39%
Other managers	513	64%	36%
Other employees	4,609	53%	47%
Total	**5,199**	**55%**	**45%**

* Senior managers are those individuals who collectively participate in determining and implementing major operational and strategic initiatives at the business unit level and who are responsible for the results of their respective business units.

During the year, the Company continued its focus on providing a healthy and safe work environment for all its team members, contractors, customers and visitors. In FY20, the Group's recorded Lost Time Injury Frequency Rate (LTIFR) was 3.75, and we have an ongoing target for continuous improvement of this measure year on year.

During FY20, we focused on building a holistic end to end safety plan, with a key aim of reducing ladder related incidents. A ladder audit was conducted across our entire store portfolio, resulting in 112 ladders being replaced, an improvement in compliance and a 50% reduction in the number of ladder related incidents compared to the previous year.

We also implemented a number of initiatives to support mental health and wellbeing, including the introduction of an Employee Assistance Program and Critical Incident support. Mental health will continue to be a key priority for the Group in FY21.

7. SUPPLY CHAIN

Accent Group is committed to operating responsibly and ensuring that no person who is involved in our operations (including employees, customers and community members) are subject to any situation of exploitation were that person cannot refuse or leave work because of threats, violence, coercion, abuse of power or deception. We recognise that Australia is not immune from such modern slavery practices, and we are in the process of developing and implementing a system for engaging with our suppliers to identify and manage the risks of such practices in our supply chain. Further details of this program will be set out in Accent Group's modern slavery statement that will be published later this year.

8. COMMUNITY

In a year where many communities and businesses were impacted by major events such as the bushfires and COVID-19, we are incredibly proud to have continued our support for a number of causes over the last year.

In January 2020, following the devastating impact of the bushfires across Australia, Accent Group partnered with the Australian Red Cross and donated $100,000 to their Disaster Relief and Recovery fund as well as setting up a Go Fund Me Page where team members contributed a further $8,500. We are delighted that these funds will contribute to the Red Cross' activities to help the affected communities.

In August this year, Skechers partnered again with Guide Dogs Australia for their annual 'Pawgust' campaign, challenging all Aussies and their dogs to walk 30 minutes a day for 30 days, with the event aligning with the launch of the new Skechers GOwalk Smart shoes.

Platypus was once again the proud sponsor of Videos for Change, a powerful platform for young people to share their voice and drive social change. Students from grades 7-12 were invited to submit a one-minute video on a social issue they feel passionate about. Bullying, domestic violence, body issues and racism are some of the many issues faced by young people today and Videos for Change provides a platform for them to amplify their voices to a global audience. Platypus donated cash prizes for the competition and also awarded a very special prize for one entrant to spend a day with the creative team on a shoot.

TAF has been a proud partner of Parkrun Australia for the last three years and now in New Zealand as well. The partnership aligns with our values of supporting the community by encouraging people to keep healthy, fit and active through free weekly events that are easily accessible to all.

TAF also continues its partnership with Netfit supporting netballers of all ages in Australia and New Zealand. With TAF's support, Netfit provides weekly fitness videos, plans and coaching drills and also engages with local communities by running empowering events and workshops.

9. INFORMATION ON DIRECTORS

Name	Particulars
David Gordon Non-Executive Chairman	David has over 20 years' experience as a director of both public and private companies and has spent more than 30 years working in corporate advisory roles to Australian and international organisations. He brings extensive knowledge of mergers and acquisitions, as well as capital raisings, IPOs and joint ventures. David also has a proven track record in guiding businesses to harness their digital asset capability to successfully explore and grow new markets. David has held a number of senior roles with Freehills (Partner) and boutique investment bank Wentworth Associates (acquired by Investec in 2001). In addition, he founded independent corporate advisory and investment firm, Lexicon Partners in 2001, where he still serves as Founding Principal. David is a non-executive Director of nib Holdings Limited and its health fund subsidiary, nib Health Funds Limited. He is also the Chairman of Ordermentum Pty Ltd and General Homecare Holdings Pty Ltd and a Non-Executive Director of Genesis Capital Investment Management Pty Ltd, General Medical Holdings Pty Ltd, Stilmark Holdings Pty Ltd and international not-for-profit organisation, High Resolves Pty Ltd. David has been a Non-Executive Director of Accent Group since October 2006 and was appointed Non-Executive Chairman in November 2017. David is also the Chairman of Remuneration and Nomination Committee and a member of the Audit and Risk Committee.
Daniel Agostinelli Chief Executive Officer	Daniel oversees the day to day operations of Accent Group. He has over 30 years of retail experience and was formerly the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business. Daniel has been with Accent Group since 2006 and CEO of Accent Group since March 2015.
Stephen Goddard Non-Executive Director	Stephen is currently the Chairman of the Board and the Remuneration and Nomination Committee of JB Hi-Fi Limited and a non-executive Director and Chairman of the Audit and Risk Committee of both GWA Group Limited and Nick Scali Limited. Stephen was formerly the Finance Director and Operations Director for David Jones Limited and the founding Managing Director of Officeworks. Stephen is the Chairman of the Audit and Risk Committee and a member of the Remuneration and Nomination Committee and he has extensive retail, finance, and board experience. Stephen was appointed Non-Executive Director in November 2017.
Michael Hapgood Co-Founder and Non-Executive Director	A founding Director and shareholder of Accent Group, Michael has extensive knowledge of the processes required to effectively launch, source and manage global brands within the Australasian market. From Accent Group's inception, Michael has been intimately involved in the development of all major strategic initiatives for the business initially from 1988 as marketing director before becoming CEO in 1998 until the sale to RCG Group in May 2015. Michael then became Accent Group's Chairman until August 2016 when all ongoing executive roles were relinquished. He continues as a Non-Executive Director and shareholder of Accent Group.
Donna Player Non-Executive Director	Donna has over 35 years' experience in retail including senior executive positions in merchandising, planning and marketing with Big W and David Jones. Donna is currently a non-executive Director of Baby Bunting Group Limited and the Merchandise Director of Camilla Australia. Donna has a proven track record in developing and delivering retail strategy and business transformation. Donna was appointed Non-Executive Director in November 2017 and is a member of the Remuneration and Nomination Committee.
Joshua Lowcock Non-Executive Director	Joshua is the New York based Chief Digital Officer for Universal McCann, a global media and advertising agency. Joshua brings Accent Group proven retail expertise in the intersection of digital, data and privacy. His retail experience includes Woolworths (Australia), Walmart and CVS Health as well as companies such as P&G, Sony and Coca Cola. In his career, Joshua has lived and worked in Australia, China and the USA in senior roles and was named as one of the 50 most indispensable people in media in the US by AdWeek (2018). Joshua was appointed Non-Executive Director in November 2019 and is a member of the Audit and Risk Committee.

10. COMPANY SECRETARIES

The following persons were Company Secretaries of Accent Group during the whole of the financial year and up to the date of this report:

Name	Particulars
Matthew Durbin	Matthew is Group Chief Financial Officer and joint Company Secretary. Matthew is a qualified accountant (FCPA) with 30 years' experience in retail. Prior to joining Accent Group, he was the CFO and COO of The PAS Group and has also held executive roles with David Jones in strategy, financial services and merchandise planning. Matthew joined Accent Group in November 2017 and was appointed as the joint Company Secretary in January 2018.
Celesti Harmse	Celesti is General Counsel and joint Company Secretary with over 16 years' experience practicing law across a range of industries. Celesti started her career at Minter Ellison and, prior to joining Accent Group, she held senior legal positions in the retail, distribution and technology industries. Celesti joined Accent Group and was appointed as the joint Company Secretary in May 2018.

11. BOARD COMPOSITION AND INDEPENDENCE

The Board recognises the importance of having Directors who possess the combined skills, expertise and experience to facilitate constructive decision making and follow good governance processes and procedures.

The table below outlines the mix of skills and experience considered by the Board to be important for its Directors to collectively possess. The Board considers that collectively it has an effective blend of these skills to enable it to discharge its duties and effectively govern the business and add value in driving the Group's strategy.

Skill	Description
Strategy and planning	Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions.
Operations	A broad range of commercial and business experience in business systems, practices, improvements, risk and compliance, sales, technology and human resources.
Capital markets and M&A	Expertise in considering and implementing efficient capital management including alternative capital sources and distributions, yields and markets. Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments.
Finance	The ability to analyse financial statements and reporting, critically assess the financial performance of the group, contribute to budget planning and efficient use of capital and resources.
Sales and marketing	Clear understanding of retail selling and marketing, developing and implementing sales and marketing teams and strategies, recruiting, running and incentivising sales teams, and setting sales budgets and targets.
Retail experience (physical and digital)	Experience and broad understanding of the physical and online retail footwear and apparel industry, including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework.
People and performance	Appreciation for the best practices in HR planning and management with familiarity in employment legislation and labour relations, recruitment, compensation, performance reviews and conflict management.
Technology, data and privacy	Expertise in the area of technology that the group should be aware of and utilising, including keeping abreast of new and emerging technology.
Governance, compliance and risk management	Ability to identify key risks to the group in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems. Knowledge and experience in best practice ASX and Corporations Act, governance structures, policies and processes.

Director independence

Daniel Agostinelli is a full-time executive and therefore not considered independent.

Of the remaining five non-executive Directors, four are considered by the Board to be independent – David Gordon, Donna Player, Stephen Goddard and Joshua Lowcock.

Notwithstanding the tenure of Mr Gordon, the Board considers him to be independent and the Company is well served by Mr Gordan's deep understanding of Accent Group and its business as a result of his longer tenure. Given Mr Gordon's tenure of over 10 years, the Board regularly assesses whether he has become too close to management to be considered independent. The Board recently conducted such an assessment and reconfirmed Mr Gordon's independence, on the basis that he is non-executive, not a substantial shareholder, conducts himself at arm's length in his engagement with the Company and brings his considerable skills and knowledge to bear on matters before the Board. Mr Gordon's approach to matters of the Board is always independent in both appearance and in fact.

Mr Hapgood is a substantial shareholder in the Company and is therefore not considered to be independent. In addition, he is related to two of the senior executives of the Company. However, as a non-executive director, Mr Hapgood is completely independent from the day to day operations of the business and therefore able to bring clarity and independent thought to matters before the Board. Due to his familial links, Mr Hapgood does not participate in any Board matters relating to management remuneration other than the CEO.

12. MEETINGS OF DIRECTORS

The following table sets out the number of Directors' meetings (committee meetings) held during the year ended 28 June 2020 and the number of meetings attended by the members of the Board or the relevant committee. During the financial year, 13 Board Meetings, 9 Audit and Risk Committee meetings and 5 Remuneration and Nomination Committee meetings were held.

Directors have a standing invitation to attend meetings of Board committees of which they are not members. All Directors receive copies of the agendas, papers and minutes of each Board committee meeting.

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
David Gordon	13	13	9	9	5	5
Daniel Agostinelli	13	13	–	–	–	–
Stephen Goddard	13	13	9	9	3	3
Michael Hapgood	13	13	–	–	–	–
Donna Player	13	13	–	–	5	5
Joshua Lowcock	11	11	2	2	–	–
Brett Blundy	11	10	7	6*	–	–
Nico van der Merwe	–	–	7	6*	–	–
Stephen Kulmar	2	2	–	–	2	2

Held: represents the number of meetings held during the time the Director held office.

* Audit and Risk Committee meetings were attended by Nico van der Merwe as alternate Director for Brett Blundy

During the second half of the financial year, the Company's operations were significantly impacted by the COVID-19 outbreak and the unprecedented and uncertain market conditions it created. During the COVID-19 impacted period, the commitment from the Directors increased significantly with a number of additional Board meetings scheduled to enable the Board to guide the Company and management with decision making during that uncertain period.

13. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the Directors' opinion, there have been no significant changes in the state of affairs of the Group during the year.

14. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 5 August 2020, per the Victorian Government directive, the Company closed all its Melbourne metropolitan stores to customers for a minimum period of six weeks. These stores continue operating as 'dark stores', fulfilling online orders.

The New Zealand Government re-introduced level 3 restrictions in Auckland resulting in stores temporarily closing for a period of two weeks from 12 August 2020. These stores continue operating as 'dark stores', fulfilling online orders.

The health and wellbeing of our team and customers remains paramount, and the Company will continue to follow Government health guidelines over the coming weeks and months. This could involve further restrictions in Australia and New Zealand impacting the Group's operations.

There remains significant ongoing environmental uncertainty due to COVID-19, increasing risk and volatility and making future outcomes hard to predict. Whilst the Company is well placed to respond to a range of potential COVID-related circumstances and impacts, the extent and duration of these impacts is unknown.

Apart from the dividend declared as disclosed in Note 25, no other matter or circumstance has arisen since 28 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

15. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

All relevant future developments are outlined in the Chairman and Chief Executive Officer's Report on page 2.

16. ENVIRONMENTAL REGULATION

The Group is not involved in any activities that have a significant influence on the environment within which it operates. The Directors are not aware of any material breaches of any particular or significant environmental regulation affecting the Group's operations during the financial year.

17. INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

18. PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with the leave of the court under section 237 of the *Corporations Act 2001*. 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.

19. AUDITOR

Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the *Corporations Act 2001*.

20. INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

21. NON-AUDIT SERVICES

As set out in Note 29 to the financial statements, the auditor did not provide any non-audit services to the Company during the financial year.

22. OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF DELOITTE TOUCHE TOHMATSU

There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

23. ROUNDING OF AMOUNTS

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

24. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 28.

FY20 REMUNERATION REPORT

Letter from the Chair of the Remuneration and Nomination Committee

Dear Shareholders,

On behalf of Accent Group, I am pleased to present the FY20 remuneration report outlining the Group's remuneration strategy and framework. This report sets out how the Board has approached remuneration in light of the challenging operating and economic conditions resulting from the COVID-19 pandemic.

Over the past five years, Accent Group has gone through significant growth and transformation to become a regional leader in the retail and distribution of performance and lifestyle footwear. The Group operates over 500 stores across 14 different retail banners with exclusive distribution rights for 12 international brands across Australia and New Zealand. Over this period, EPS has grown by 11.1% per annum compounding, and dividends have grown by 68% from 5.5 to 9.25 cents per share.

As discussed earlier in the Annual Report, the second half of the past financial year was impacted by the health, social and economic consequences of the COVID-19 pandemic. The pandemic significantly altered the market conditions and business environment. While the Group was on track to achieve the performance targets set at the start of the year, the impacts of the pandemic were almost immediately reflected in our revenues and other financial indicators, particularly in the months of February to April.

The Board acknowledges the persistence and rapid and effective response by management which has enabled the Group to continue to operate and report above budget results for the financial year, despite the extremely challenging operating environment.

These efforts resulted in underlying EBIT[1] growing to $90 million, up 11.7% on the prior year along with strong progress on our strategic objectives including the launch of our first PIVOT store during COVID, opening 57 new stores, digital growth of 69% over the prior year and growth in The Trybe.

These strong results have also translated into shareholder returns, with total dividends for the year increasing by 12.1% to 9.25 cents per share. In addition to the strong dividend growth, share price growth was also achieved. The share price grew from an opening price of $1.39 at the start of FY20 to peak at over $2.00 in February 2020 before falling rapidly after the COVID-19 pandemic hit to a low of $0.56 in March 2020 as the whole market tumbled due to the panic created by COVID-19. The efforts of the management team to manage the impact and to drive financial performance has seen the market respond with a share price recovery to close the FY20 financial year at $1.47.

The vesting of STI and LTI awards resulting from these strong results, is discussed further in sections 2.4 and 2.5 of this Report.

Response to first strike

At the 2019 AGM, 62.05% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. This excluded key management personnel, which represented 34.44% of the total issued capital.

The Company received important feedback from investors and proxy advisors regarding more specific disclosures on the performance measures of the STI and LTI programs and the remuneration outcomes against those measures. The Board has considered the concerns raised by investors and proxy advisors and has taken action to increase the level of detail and transparency provided in the Remuneration Report for FY20 and going forward. Specifically:

- Enhanced disclosure regarding the objectives and structure of the Company's remuneration strategy and the nexus between remuneration outcomes and shareholder value creation;
- Enhanced disclosure regarding remuneration, particularly around the STI KPIs and how these are measured, with reviews resulting in the introduction of strategic non-financial KPIs (20% of award) for FY21;
- Reviewed the appropriateness of cliff-vesting, with the Board introducing scaled vesting for the STI award in FY21, with scaled vesting for the next LTI grant also under consideration;
- The Board continues to review the LTI plan annually and considers alternative metrics and structures each year in order to best align the Company's performance with shareholder value creation; and
- With regard to the effectiveness of the current EPS measure in driving performance and the Company's strategic objectives over the last 3 years, the Board still considers the EPS measure as the best applicable performance hurdle for aligning management performance with shareholder value creation.

The Board will continue to review executive remuneration to ensure that it aligns with our strategy, motivate management, reflect market best practice and support the delivery of sustainable long-term returns to shareholders. As part of the review process, we will continue to engage with major shareholders and proxy advisors.

1. Underlying EBIT excludes a $2.8 million one off non-cash impairment relating to the revaluation of certain assets due to the future uncertainty arising from COVID-19

FY21 Remuneration

For FY21, there will be no increases in fixed annual remuneration for the CEO or CFO and the fees for Non-Executive Directors will remain at the levels set from 1 December 2019.

The structure of the FY21 STI incentive scheme has been substantively changed to reflect feedback received from stakeholders. The Board determined to introduce strategic non-financial KPIs, as well as scaled vesting of the financial KPI as follows:

- The introduction of strategic non-financial KPIs to account for 20% of the award achievement; and
- The remaining 80% to be linked to financial performance measures with a sliding scale of vesting.

Further disclosure on the strategic non-financial KPIs will be disclosed in the FY21 Remuneration Report, detailing the level of achievement against these metrics.

In conclusion, we are pleased to present the Company's FY20 Remuneration Report which includes significant additional disclosure to prior years. The results the Company has achieved in the last 12 months are outstanding and the executive remuneration set out in this report is considered by the Board to be reflective of this performance.

Regards

David Gordon
Chairman of the Remuneration and Nomination Committee
26 August 2020

FY20 REMUNERATION REPORT

1. REMUNERATION OVERVIEW

1.1. Details of Management personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entire entity, directly or indirectly, including all Directors.

Executive Director	
Daniel Agostinelli	Group Chief Executive Officer
Senior Executives	
Matthew Durbin	Chief Financial Officer
Non-Executive Directors	
David Gordon	Chairman
Michael Hapgood	Director
Stephen Goddard	Director
Donna Player	Director
Joshua Lowcock	Director (appointed 28 November 2019)
Brett Blundy	Director (resigned 12 May 2020)
Nico van der Merwe	Alternate Director – alternate Director for Brett Blundy (resigned 12 May 2020)
Stephen Kulmar	Director (resigned 28 November 2019)

1.2. Remuneration and Nomination Committee

The Board has an established a Remuneration and Nomination Committee **(RNC)** which operates under the delegated authority of the Board of Directors. The following Non-Executive Directors are members of the RNC:

Mr D Gordon	Independent Non-Executive Committee Chair
Mr S Goddard	Independent Non-Executive Director
Ms D Player	Independent Non-Executive Director

The RNC is authorised by the Board to obtain external professional advice, and to secure the attendance of advisers with relevant experience and expertise when it considers this necessary.

The Group's remuneration strategy is designed and implemented on behalf of the Board by the RNC. The RNC makes recommendations to the Board on matters relating to remuneration for the entities within the Group. The RNC considers recruitment, retention and termination policies and procedures, non-executive Directors' remuneration, executive Directors and senior management remuneration and incentive policy and awards, and contractual arrangements with senior managers and executives.

More detail on the Company's remuneration policy is provided in the Corporate Governance Statement.

1.3. Use of Remuneration Consultants

Where the RNC determines it may benefit from external advice, it may engage directly with a remuneration consultant, who reports directly to the Committee. In selecting a suitable consultant, the Committee considers potential conflicts of interest and requires independence from the Group's KMP as part of their terms of engagement.

The Company did not engage independent consultants to provide information on remuneration matters during the year.

1.4. Board Policies for Determining Remuneration

The Board understands that the performance of the Group is driven through the quality and motivation of its people, including the CEO and executive team and the approximately 5,000 team members of the Group across Australia and New Zealand. The Group's remuneration strategy is designed to attract, motivate and retain high quality and high performing employees, while ensuring that the interests of employees are in line with the interests of shareholders. Our strategy is guided by our vision to be the leader in the performance and lifestyle footwear market across Australia and New Zealand, by delivering world-class customer experiences, harnessing the power of our people, brands and products. The Board aims to achieve this by setting market competitive remuneration packages that consist of a mix of fixed remuneration, short term incentives to reward annual performance and long-term incentives that align to long term financial performance and shareholder value creation.

Our remuneration framework is guided by the key principles of alignment with:

- Delivery of long-term returns to shareholders through the delivery of sustainable sales and profit growth across the business
- Delivery of sustainable and growth in dividends flowing from the strong cash flows from its defensible and desirable business
- Maintaining a strong, conservatively geared balance sheet
- Adherence to the Group's code of conduct and company values

The Group's remuneration reviews take place within three months of the end of each financial year. Prior to these reviews, the CEO makes recommendations to the RNC regarding the remuneration of each of his direct reports and the overall remuneration framework for all employees. The RNC meets to discuss the remuneration of the Chief Executive Officer.

2. REMUNERATION COMPONENTS

The key features of the Executive remuneration structure are outlined below:

	Total executive remuneration		
	Fixed	At risk	
Type of remuneration	**Fixed remuneration**	**Short term incentive**	**Long term incentive**
How is it set	Fixed remuneration is set with reference to market competitive rates in comparative ASX listed companies for similar positions, adjusted to account for the experience, ability and productivity of the individual employee	Senior executives participate in the Group's STI plan which is tied directly to the achievement of profit growth, either for the Group as a whole or a relevant business unit or both (as the case may be). Refer to section 2.4 for further details	The Company has established a Performance Rights Plan. There have been a number of tranches of performance rights issued under the plan, each requiring the achievement of 10% compounding earnings per share growth over the relevant performance period. Refer to section 2.5 for further details.
How is it delivered	– Base salary – Superannuation – Other benefits (eg motor vehicle)	– 100% cash	– Performance rights that vest at the end of the performance period if vesting conditions are met
What is the objective	– Attract and retain key talent – Be competitive	– Drive annual profit growth and shareholder returns – Reward value creation over a one-year period whilst supporting the long-term strategy – Incentivise desired behaviours in line with the Groups' risk appetite	– Support delivery of the business strategy and growth objectives – Incentivise long-term value creation – Drive alignment of employee and shareholder interests

2.1. Link between financial performance, shareholder wealth and remuneration

The Group's executive remuneration is directly related to the performance of the Group, through the linking of incentives to certain financial measures as detailed previously and shown below.

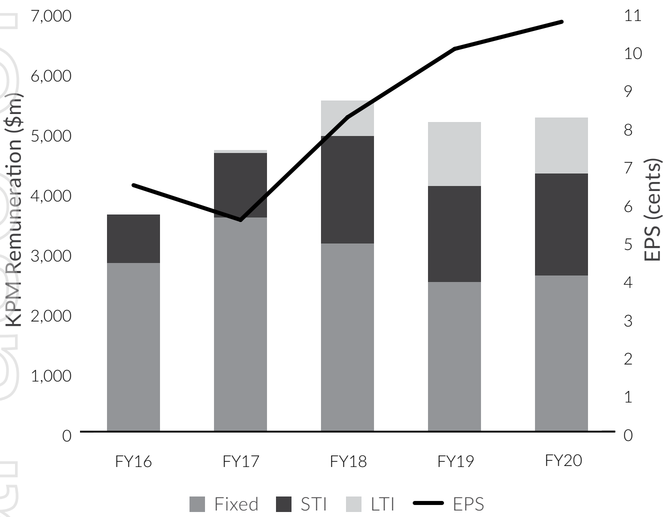
The financial performance of the Group and shareholder value creation over the last 5 years is summarised in the table below.

	FY16	FY17	FY18	FY19	FY20 (pre AASB 16)[2]	Growth YoY[3]	CAGR Last 5 years	*FY20 (post AASB 16)*
Revenues ($'m) (inc Franchisees and Other Income)	442.9	636.1	703.2	796.8	830.1	4.2%	17.0%	*830.1*
EBITDA ($'m)	59.7	75.9	88.8	108.9	121.7	11.8%	19.5%	*203.4*
EBIT ($'m)	45.4	44.5	64.7	80.6	87.2	8.2%	17.7%	*94.8*
Net profit attributable to the owners of the Company ($'m)	29.9	29.2	44.0	53.9	58.0	7.6%	18.0%	*55.7*
EPS (cents)	6.45	5.54	8.23	10.02	10.73	7.1%	13.6%	*10.31*
Shareholder value created:								
Market capitalisation ($'m)	712.7	466.4	894.8	749.6	797.0	6.3%	2.8%	*797.0*
Enterprise value[4]	718.4	524.0	929.7	799.1	828.2	3.6%	3.6%	*828.2*
Movement in enterprise value during the financial year	99.6	(194.4)	405.7	(130.6)	29.1			
Dividends paid during the financial year	23.5	32.6	32.6	44.7	48.8	9.0%	20.0%	
Closing Share Price	1.42	0.86	1.65	1.39	1.47	6.1%	1.0%	
DPS (cents)	5.5	6.00	6.75	8.25	9.25	12.1%	13.9%	
Shareholder value creation:								
Per annum	123.1	(161.9)	438.3	(85.9)	77.9			
Cumulative	123.1	(38.8)	399.5	313.7	391.6	24.8%	33.5%	

2. Due to the material impact of the adoption of AASB16, these results are presented on a pre AASB 16 basis which adjusts for the impact of the AASB 16 and subsequently presents the results on the most comparable basis with the prior year reported results also Pre AASB16.
3. Variance YoY represents variance% between FY20 and FY19
4. Enterprise value is measured as the sum of market capitalisation and net debt

KMP remuneration and EPS over the last 5 financial years

The graph below shows the relationship between total KMP remuneration and EPS over the past 5 years and the relationship between KMP remuneration and Company performance.



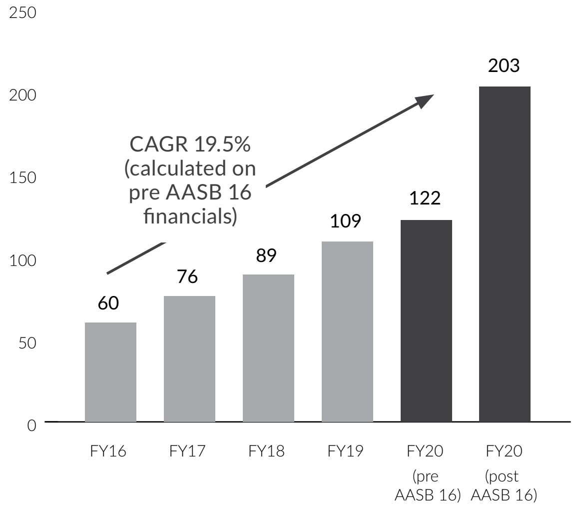
Notes:

- The graph shows the aggregate total remuneration of the KMP team for each year from FY16 to FY20, as set out in the Remuneration Report each year (excluding payments made in FY18 in relation to one-off retirement payments to a former CEO and CFO Group).
- EPS in FY20 is presented on a pre AASB 16 basis in order to present it on a comparable basis with prior years.

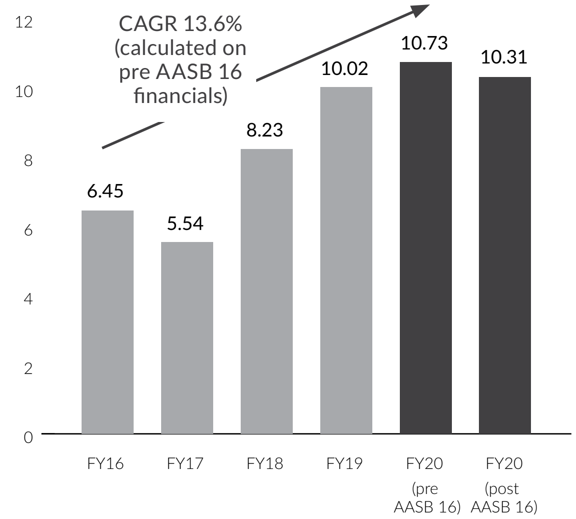
Company financial performance and share price

The effectiveness of the Company's performance related remuneration strategy is demonstrated by the strong compound annual growth delivered in revenue, profit, EPS and dividends over the last 5 years, and the relative outperformance of the Company's share price over the last 10 years, as shown below.

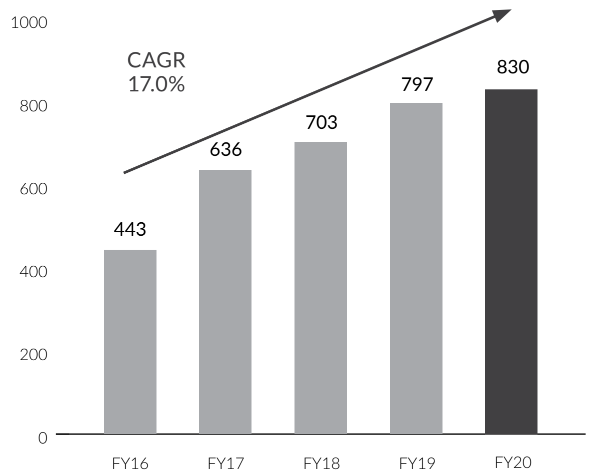
FY16 to FY20 EBITDA ($m)



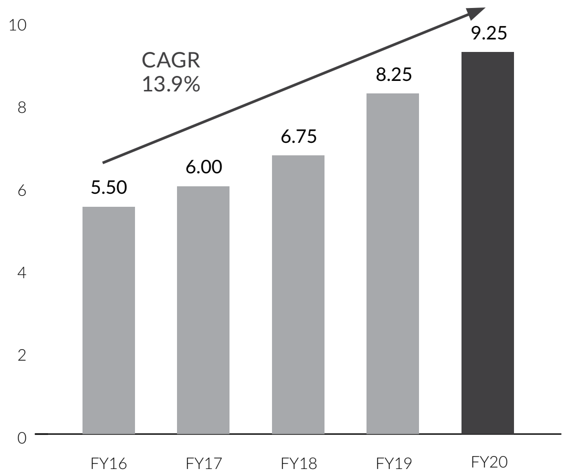
FY16 to FY20 EPS (Cents)



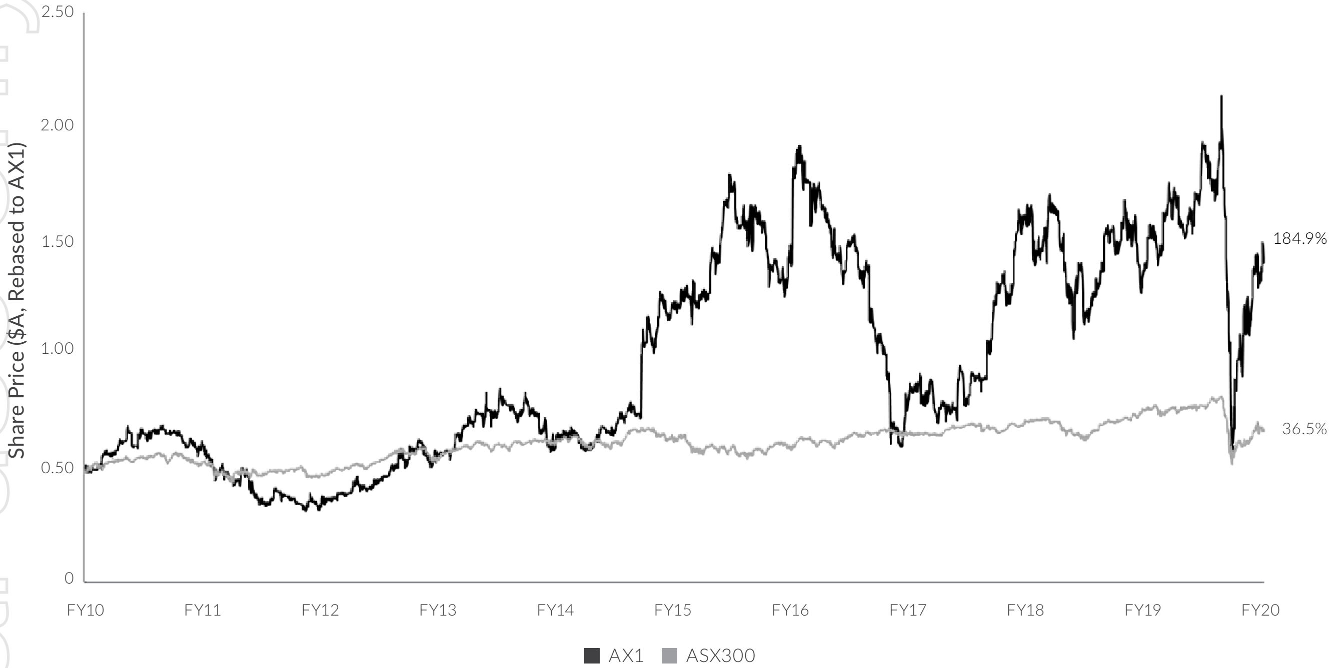
FY16 to FY20 Revenues ($m)



FY16 to FY20 DPS (Cents)



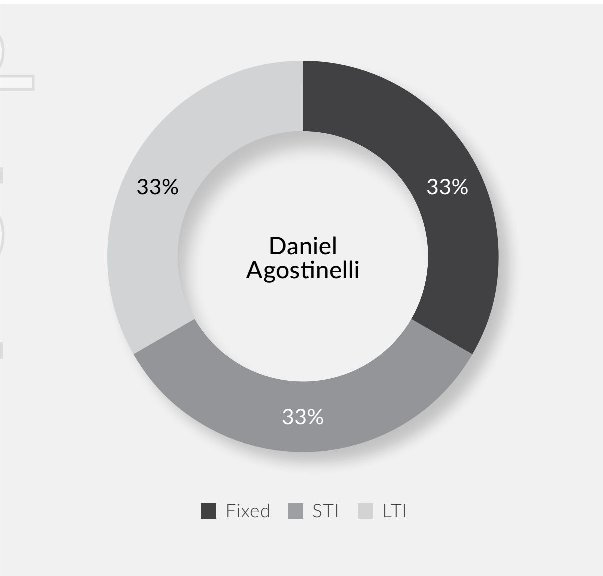
The following chart demonstrates the outperformance of the Company's share price relative to the ASX300.

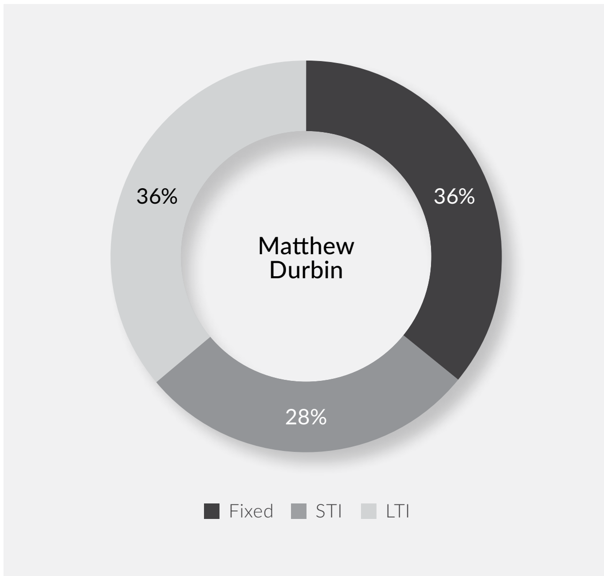


2.2. Remuneration Mix

The total remuneration for the executives KMPs comprises both fixed remuneration and at-risk components in STI and LTI. The mix shown below indicates the potential remuneration based on the current remuneration as at 30 June 2020 with STI and LTI presented at maximum or stretch opportunities.

Executive KMP	Fixed Remuneration	STI	LTI	Total
Daniel Agostinelli	33%	33%	33%	100%
Matthew Durbin	36%	28%	36%	100%





2.3. Fixed Remuneration

Fixed remuneration is set with reference to market competitive rates in comparative ASX listed companies for similar positions, adjusted to account for the experience, ability and productivity of the individual employee. Fixed remuneration includes base salary along with any fringe benefits to the employee and statutory superannuation contributions.

To ensure appropriate and competitive remuneration for the FY20 year, the RNC considered the remuneration levels and structures for the CEO and CFO with reference to external remuneration benchmarks from comparative listed companies along with the surrounding market conditions and sentiment, the trajectory of the company's growth, strategic objectives, competency and skillset of the individuals, scarcity of talent, changes in role complexities and geographical spread of the Company. Consideration was given to the significant growth experienced by the Group in FY19 which delivered a 22% increase in earnings per share.

As a result of the review, fixed remuneration for the CEO increased by 6.7% and 10% for the CFO. The CFO also had added accountability for the IT and supply chain functions of the business effective from the beginning of the 2020 calendar year.

There will be no increases in fixed annual remuneration for the CEO or CFO for FY21.

2.4. STI Plan

Purpose and Objectives

The Group's STI program is designed to drive the Company's objective of delivering profit growth and shareholder returns, whilst ensuring satisfaction of strategic objectives are aligned with the success of profit growth. Senior executives have a significant proportion of their STI tied directly to the achievement of profit growth, either for the Group as a whole or a relevant business unit or both (as the case may be). All STI payments are also subject to an assessment by the RNC of individual non-financial performance measures related to strategy implementation, leadership and behaviours consistent with the Group's values and corporate philosophy.

The Group believes that by implementing the STI program, KMP are best positioned to effectively carry out their duties in achieving the strategic objectives of the company. The Group also expects KMP to continue to drive the values engrained within our culture, acting in the best interests of shareholders and in turn resulting in greater success for the Group and aligning Group and shareholder value creation moving forward.

Structure

The STI program in FY20 was structured as follows:

	FY20 STI Plan Structure
Performance period	12 months
Opportunity	CEO – 100% of fixed remuneration CFO – 75% of fixed remuneration
How the STI is paid	Cash
Performance measures/KPIs	1. Underlying EBIT growth – 100% 2. Aged inventory – downward modifier 3. Non-financial strategic objectives – downward modifier
Performance conditions	The Group's EBIT growth for the year must be above 10% for the STI awards to vest. The STI award is also subject to achieving aged inventory of less than 3% and achievement of non-financial strategic objectives. A negative multiplier is applied depending on the extent of the final results for these two metrics.
How is STI assessed?	The Chairman of the Board reviews the CEO's performance against the performance targets and objectives set for that year. The CEO assesses the performance of the senior executive team, with the CEO having oversight of his direct reports and the day to day functions of the Company. The performance assessment of the CEO and other senior executives are reviewed by the RNC and then recommended for Board approval.
What happens when a senior executive ceases employment?	If the senior executive's employment is terminated for cause, no STI will be paid. If the senior executive resigns or is considered a good leaver prior to the completion of the performance period, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the senior executive.

	FY20 STI Plan Structure
Malus and Clawback	In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board may cancel the STI payment and may also claw back STI payments paid in previous financial years, to the extent this can be done in accordance with the law.
Is there any STI deferral?	The STI awards are currently delivered fully in cash and vest at the end of the one-year period, subject to the achievement of the performance conditions. The Board reviewed the appropriateness of a deferral of a portion of the STI into equity during the year. The Board determined that a deferral is currently not appropriate for the Group in light of the size of the Group and the KMP team, as well as the CEO's current equity ownership in the Company consisting of 17,838,224 shares which represent 3.3% of issued capital and an interest in a further 6,295,031 performance rights through the PRP. The Board is of the view the that objectives of a deferral (i.e. retention and risk management) are currently satisfied through the KMPs' participation in the PRP which vests progressively between FY22-FY24 and existing share ownership.

STI outcomes FY20[5]

Despite the challenging market conditions, the FY20 financial year has been a successful year for the Group with management delivering record revenue (up 4.5%), EBITDA (up 11.8%), underlying EBIT (up 11.7%)[6] and EPS (up 10.7%).

The underlying EBIT growth achieved of 11.7% was in excess of the 10% growth required for the payment of 100% of the STI award, and in assessing the payment of STIs, the Board also considered the impact of COVID-19.

With the onset of COVID-19, the operating environment in H2 became extremely challenging and, in this context, the Board considers that the strong results delivered were a direct outcome of the response of the management team in successfully navigating a raft of complex issues and implementing new initiatives to drive the business through this period.

COVID-19 had a significant impact on the business, including:

- in order to safeguard the health and safety our team and customers, a Company-wide operations shutdown implemented from 25 March for a then unknown duration; and
- all Group owned stores closing to customers for the month of April and part of May and a resultant decline in total sales in March and April of $55.7 million (or –58%) compared to the prior year.

These events required an immediate range of actions by the management team to both manage the impacts and to continue to drive financial performance, including:

- the implementation of hard cost out measures and inventory initiatives to right size the Company's costs and inventory;
- a proposal brought to the Board by Management to take an 80% cut in their remuneration if required;
- the acceleration of digital sales, leveraging the Group's best in class omnichannel capability, to offset the impact of store closures and reduced customer foot traffic in shopping centres;
- the development of COVID safe operating protocols including PPE (personal protective equipment), training and relevant signage and in store fittings;
- good faith negotiation of rental abatements with landlords to cover the reduced foot traffic in shopping centres, anticipated for the period from April 2020 until at least December 2020; and
- securing additional liquidity through an additional debt facility of $30 million with the Company's existing banking group. This additional facility was not drawn and remains undrawn.

Given the collapse in sales, the Company qualified for $23.9 million in Government wage subsidies across Australia and New Zealand from April to June. These subsidies were announced after the Company's decision to shut down its stores. In accordance with the Government requirements, $10.7 million of these subsidies were passed directly through to team members while they were not working or did not work sufficient hours to be otherwise paid more than the subsidy received. The subsidies also allowed the Company to retain the team through the period of shutdown.

Once it was safe to reopen stores, the balance of the wage subsidies supported the return to full employment for permanent team members and the reopening of the Accent Group business through May and June, including standing up all permanent team members from 1 June to full hours and full pay. Sales in May and June recovered strongly, driven by digital growth.

Given the improved performance of the business, the Company does not expect to apply for wage subsidies from September. We remain committed to our team. Permanent team members will continue to be fully remunerated notwithstanding the ongoing second round of Melbourne and Auckland lockdowns in August 2020 which has resulted in the temporary closure to customers of more than 20% of the Company's owned stores.

5. Financial results presented on a comparable Pre AASB16 basis consistent with the approved FY20 budgets used to measure FY20 financial performance.
6. Underlying EBIT used for the purpose of measuring operating performance, excludes a $2.8 million one off non-cash impairment relating to the revaluation of certain assets due to the future uncertainty arising from COVID-19.

Management's efforts (as detailed above) enabled the business to recover from the impact of closing stores, retain jobs, continue trading and ultimately deliver a record financial result and an increased dividend on the prior year.

On this basis, the Board determined that the payment of STI relating to the achieved performance measures was appropriate, resulting in a payment of 100% of the award.

The table below sets out the performance of the CEO and CFO in relation to the STI program:

	Performance target	Performance outcome	Maximum STI available	Achievement* FY19	Achievement* FY20
CEO – Daniel Agostinelli	Target underlying Group EBIT Growth >10%	Underlying EBIT growth of 11.9%	100% of fixed remuneration	100%	100%
CFO – Matthew Durbin	Target underlying Group EBIT Growth >10%	Underlying EBIT growth of 11.9%	75% of fixed remuneration	100%	100%

* Achievement represents the amount achieved as a percentage of the maximum available

In FY20, there were also two downward modifiers applicable to the STI award as follows:

1. Aged inventory less than 3%; aged inventory for FY20 was 1.3%
2. Achievement of the non-financial strategic objectives (all achieved):
   a. Successful launch of PIVOT
   b. Growth in The Trybe
   c. Opened 57 new stores against a target of 54, all achieving required sales targets
   d. Digital sales growth of 69% against a target of 30%

In addition, the Group delivered shareholder value in the following areas:

- Growth on every key performance metric, including sales, NPAT and EPS as outlined above.
- Growth in dividends of 12.1% on the previous year for the financial year ended 28 June 2020. Total FY20 dividends 9.25 cents per share fully franked.
- Management successfully secured additional finance facilities of $30 million which, whilst it was not required to be drawn, provided significant incremental liquidity and a buffer against the then unknown duration and impact of COVID-19.

Based on the achievement of the applicable performance measures for the FY20 year and shareholder value created, there was no modification of the STI awards by the Board in FY20, and the CEO and CFO earned 100% of the of the potential STI reward in FY20.

2.5. LTI Plan

Purpose and Objectives

The Company has implemented an LTI program through the Performance Rights Plan **(PRP)**. The objectives of this plan are:

- to drive long term value creation for shareholders and ensure KMP continues to deliver on commitments made to shareholders; and
- to attract, motivate and retain key employees, and for them to share in the ownership of the Company.

The PRP operates under the rules approved by shareholders at the Company's 2016 Annual General Meeting. As at 28 June 2020, 29,062,116 rights issued under the PRP were outstanding.

The current Tranches 2-4 of the PRP have a single performance measure and require the achievement of 10% compounding earnings per share growth over the relevant performance period. The Board periodically evaluates the impact and relevance of this performance measure and considers it to be effective in achieving the stated objectives since the plan has been successful in driving outstanding performance since its inception in FY17, with compounding EPS growth p.a. of 13.6% achieved over the last 4 years.

Structure

During FY20, a new issue of Performance Rights was made (Tranche 4) with the structure set out below:

	FY20 LTI Plan (Tranche 4) Structure
Performance/vesting period	4 years from FY20-FY23 plus a one-year retention period to the end of FY24 following the completion of the performance period
Opportunity	CEO – 100% of fixed remuneration CFO – 100% of fixed remuneration
Instrument	Performance Rights
Performance metric	Compound earnings per share growth over 4 years
Vesting condition	No portion of an award will vest if compound EPS growth is less than 10%. Awards are also subject to a service condition requiring the participant to remain employed by the Group until the end of the vesting period (five years in total).
Rationale for the performance metric and condition	In consultation with shareholders, advisors and other market participants and based on a benchmark review of relevant ASX listed companies, the Board has determined that ESP growth is a widely used and well understood indicator of company performance and a long term driver of shareholder value creation through the link to share price and dividend growth. Earnings per share growth represents a transparent and well understood metric for both shareholders and management that is not subject to market outcomes but rather is a direct outcome of the strategic and operational efforts of the management team over time. EPS also incorporates all the aspects of the Company's financial performance that is withing management's control. The Board has further determined that long term EPS growth above 10% is in the top quartile of historic performance for ASX200/300 companies over the last 10 years and is likely to be a strong proxy for top quartile company performance for comparable companies.
What happens when a KMP ceases employment?	If the KMP's employment is terminated for cause, or due to resignation, all unvested Performance Rights will lapse, unless the Board determines otherwise. In all other circumstances, unless the Board decides otherwise, a pro-rata portion of the KMP's, calculated in accordance with the proportion of the performance period that has elapsed, will remain on foot, subject to the performance condition as set by the Board. If and when the Performance Rights vest, shares will be allocated in accordance with the plan rules and any other condition of the grant.
Malus and clawback	In the event of fraud, dishonesty, gross misconduct, acts of harassment or discrimination or a material misstatement or omission in the Company's financial statements, the Board may deem any unvested Performance Rights and/or any vested and unexercised Performance Rights of the participant to have lapsed.
Dividends and voting rights	Performance rights do not confer on the holder any entitlement to any dividends or other distributions by the Group or any right to attend or vote at any general meeting of the Group.
Re-testing	Awards are tested once, at the end of the performance period of four years. There is no further retesting of the performance conditions.
Change of Control provision	In the event of a Change of Control (including a takeover scheme or arrangement or winding up of the company), Performance Rights automatically and immediately vest from the date of the event in proportion that the Group's share price has increased since the date of grant of the Performance Rights. The Board may determine that all or a specified amount of the participant's remaining unvested Performance Rights automatically and immediately vest.

LTI Outcomes FY20

CEO & CFO FY20 Remuneration Packages

The RNC recommended the issuance of Performance Rights under the PRP to the CEO and CFO with a performance date of September 2023 and a retention condition to September 2024 (Tranche 4 detailed above). This new issuance of Performance Rights to the CEO was approved by Shareholders at the company's Annual General meeting on 28 November 2019.

CEO and CFO Long Term Incentive

Tranche 1 FY17-FY19 of the PRP

The FY17 -FY19 Tranche 1 Performance Rights issue was tested on 9 September 2019 after the release of the FY19 annual results. This plan had 2 components:

50% of the Performance Rights were subject to an Earning per share ("EPS") performance condition with a straight-line sliding scale as follows:

	Compound EPS growth	% of Performance Rights to vest	Result for FY17-FY19	Vesting
Below threshold	Less than 15%	0%	18%	100%
Threshold	15%	25%		
Target	16.5%	50%		
Stretch	18%	100%		

The other 50% of the Performance Rights were subject to a Total Shareholder Return ("TSR") performance against a specified comparator group, with a straight-line sliding scale of vesting as follows:

TSR Ranking	% of Performance Rights to vest	Result for FY17-FY19	Vesting
Less than 50th percentile	0%	61st percentile of the comparator group	72%
Equal to 50th percentile	50%		
Greater than 50th and up to 75th percentile	Straight line pro rate vesting from 50% to 100%		
At or above 75th percentile	100%		

For the CEO, the vesting of the Tranche 1 Performance Rights based on the performance outcomes outlined above resulted in the issuance of 86% of the total potential award or 319,512 Accent Group shares being issued out of a total opportunity of 371,526 shares. This issuance was announced to the ASX on 10 October 2019.

The CFO commenced with the Company in December 2017 after the establishment of the Tranche 1 Performance Rights offer and therefore did not participate in Tranche 1.

Tranche 2 FY18-FY22 of the PRP

The FY18-FY22 rights plan (Tranche 2, issued in December 2017), included the following performance and retention conditions:

- a performance condition that at least 10% compound EPS growth per annum be achieved over the performance period FY18-FY22; and
- a retention condition that the participant had to be employed at the testing date immediately post release of the FY22 financial results.

The Tranche 2 PRP allocation has been extremely effective to date in driving shareholder value over the period FY18-FY22 with the company achieving 20.8% compound EPS growth over the first 2.5 years of the plan.

With the impact of COIVD-19, as part of its annual review of the ongoing effectiveness of the Company's LTI plans in achieving the stated objectives, the RNC reviewed the performance and vesting conditions of Tranche 2. The factors outlined below were considered as part of this review:

- the financial performance of the Company for the first 2.5 years of the plan;
- achievement of the plan objectives in FY22 given the ongoing uncertainty surrounding the short and long-term impact of the COVID-19 pandemic;
- alignment with the creation of long-term shareholder value;
- the broader objectives to retain and incentivise KMP to achieve long term performance that rewards shareholders; and
- concerns raised by stakeholders in relation to cliff vesting.

The compound EPS growth per annum achieved for the first 2.5 years of Tranche 2 to 29 December 2019 was 20.8%. This was significantly ahead of the required growth of 10% representing a considerable achievement by KMP in reaching this level of growth over this period. In addition, based on management accounts for the 2019 calendar year, the business had achieved EPS equal to the level required to trigger vesting in 2022.

In consideration of this, along with the unknown future impacts arising from the COVID-19 pandemic and in response to concerns around cliff vesting, the Board exercised its discretion and determined that the EPS performance condition for 50% of the Tranche 2 Performance Rights had been deemed as met. These Performance Rights are still subject to all the relevant plan rules including malus and clawback and a retention condition that requires participants in the plan to be employed with the Company when the full year FY22 results are approved and released to the market and subsequently when the Performance Rights vest.

The remaining 50% of the Tranche 2 Performance Rights still require the achievement of 10% compounding EPS growth over the 5-year performance period to the end of FY22 which the Board considers to be an achievable objective albeit with some remaining uncertainty in relation to the impacts of COVID-19.

The Board determined that deeming that the performance measure for 50% of the Performance Rights had been met was a powerful retention incentive in an uncertain environment to encourage retention of the management team along with the additional outcome of mitigating the risk for cliff vesting of 100% of the Performance Rights. The Board considers the value of the Tranche 2 rights to be still at risk through until FY22. This is due to 50% of the rights remaining subject to the 10% EPS condition, and 100% of the value of the rights fluctuating based on the share price, providing sufficient incentive for management to continue to drive EPS growth for the remainder of the 5 year performance period.

The impact of the performance condition change for Tranche 2 is outlined in the table below:

Executive KMP	Total Tranche 2 – Performance Rights (Issued December 2017)	50% of Tranche 2 rights – performance condition met; retention hurdle still on foot until August 2022	50% of Tranche 2 rights – performance conditions & retention hurdle still on foot until August 2022
Daniel Agostinelli	5,500,000	2,750,000	2,750,000
Matthew Durbin	3,000,000	1,500,000	1,500,000

Employee Share Scheme (ESS)

The PRP replaced the Employee Share Scheme **(ESS)**, which was implemented during the 2013 financial year. As at 28 June 2020, 1,350,002 shares issued under the ESS were outstanding.

2.6. Other Information

Key terms of executive employment contracts

The remuneration and other terms of employment of the CEO and CFO are set out in individual employment contracts that are not fixed term contracts.

Name	Notice period/termination payment
Daniel Agostinelli	12 months' notice by either party (or payment in lieu)
Matthew Durbin	6 months' notice by either party (or payment in lieu)

2.7. Non-Executive Directors Remuneration

On an annual basis, the RNC considers the fees payable to non-executive Directors. When considering the level of fees, the Committee undertakes a review of benchmark fees paid by similar organisations and may access independent advice as well as drawing on the knowledge and experience of its members. The RNC makes recommendations on non-executive Director fees to the Board. Non-executive Directors can choose, subject to certain restrictions, the amount of their fees allotted to superannuation.

Directors fees were renewed by the RNC in August 2019 and a 10% increase in Directors fees was awarded effective from 1 December 2019. The increase was considered appropriate and awarded within the approved non-executive Directors fee pool. The aggregate fee limit of $1,200,000 was approved by shareholders at the 2019 AGM. This was based on a market review of Directors' fees in comparative listed companies and the significant growth in the size of the Group since the last Director fee increase, which was 4 years ago in FY2016. During the period since the last increase, Accent Group's revenue grew by 87.4% and EPS by 66.4%.

During the COVID 19-impacted period (April 2020 to May 2020) the Directors elected to reduce their fees by 25% for these months.

There will be no increase to Non-Executive Directors' remuneration in FY21 and the fees will remain at the levels set from 1 December 2019.

3. REMUNERATION OF KEY MANAGEMENT PERSONNEL

3.1. Table of remuneration to KMP

		Short-term benefits				Post employment benefits	Share-based payments	
	Year	Cash salary and fees $	Cash bonuses* $	Other monetary $	Leave benefits $	Super-annuation $	Equity-settled** $	Total $
Non-executive Directors								
D Gordon	2020	231,164	–	–	–	21,961	–	253,125
	2019	228,311	–	–	–	21,690	–	250,000
S Goddard	2020	99,401	–	–	–	9,443	–	108,844
	2019	98,174	–	–	–	9,327	–	107,500
M Hapgood	2020	99,382	–	–	–	–	–	99,382
	2019	98,663	–	–	–	–	–	98,663
D Player	2020	96,802	–	–	–	4,446	–	101,248
	2019	100,000	–	–	–	–	–	100,000
J Lowcock (appointed 28 November 2019)	2020	59,583	–	–	–	–	–	59,583
	2019	–	–	–	–	–	–	–
Former non-executive Directors								
B Blundy (resigned 12 May 2020)	2020	78,333	–	–	–	–	–	78,333
	2019	100,000	–	–	–	–	–	100,000
S Kulmar (resigned 28 November 2019)	2020	40,906	–	–	–	3,886	–	44,792
	2019	98,174	–	–	–	9,327	–	107,500
Executive Directors and other KMP								
D Agostinelli	2020	1,063,322	1,280,000[7]	31,946	191,678	25,000	629,237	3,221,183
	2019	1,063,643	1,200,000	33,057	111,357	25,000	758,201	3,191,258
M Durbin	2020	475,221	412,500[8]	–	49,779	25,000	310,666	1,273,166
	2019	459,979	397,831	–	15,021	25,000	310,396	1,208,227

* Cash bonuses relate to STI bonuses issued on the basis of the achievement of relevant performance measures for the year ended 28 June 2020 and were approved by the Remuneration and Nomination Committee in August 2020.

** Share based payments represent performance rights. The fair value of performance rights is measured at grant date and progressively allocated to profit and loss over the vesting period. The amount included in remuneration above may not be indicative of the benefit (if any) that key management personnel may ultimately realise should the performance rights vest.

7. Mr Agostinelli's cash bonus is equal to 100% of his fixed pay, comprising cash salary and fees, superannuation and leave benefits
8. Mr Durbin's cash bonus is equal to 75% of his fixed pay, comprising cash salary and fees, superannuation and leave benefits

3.2. Performance Rights Plan (PRP)

The table below sets out the details of all Performance Rights issued under the Company's PRP:

Issue	Number of Rights	Grant Date	Vesting Date	Vesting condition	% Achieved	Number of rights exercised	Number of rights cancelled	Current balance
Tranche 1 (TSR)	1,059,664	11 January 2017	9 November 2019	TSR hurdle[1]	72%	387,419	672,245[5]	0
Tranche 1 (EPS)	1,059,651	11 January 2017	9 November 2019	EPS hurdle[2]	100%	538,072	521,579[6]	0
Tranche 2	32,050,000	3 October 2017 to 20 June 2018	30 October 2022	EPS hurdle[3]	To be determined	–	8,250,000[6]	23,800,000
Tranche 3	1,684,863	30 November 2019	30 November 2022	EPS hurdle[4]	To be determined	–	–	1,684,863
Tranche 4	3,577,253	30 November 2019	30 November 2024	EPS hurdle[3]	To be determined	–	–	3,577,253
Total	**39,431,431**							**29,062,116**

1. The TSR hurdle for Tranche 1 was measured over a 3-year period
2. The EPS hurdle for Tranche 1 was measured over a 3-year period
3. The EPS hurdle for Tranches 2 and 4 is an annual growth in adjusted diluted earnings per share of at least 10% p.a. over the relevant performance period
4. Tranche 3 was issued in FY20 and did not include any rights issued to KMPs. Tranche 3 participants were not included in Tranche 2, and the EPS hurdles and vesting of these two tranches are aligned.
5. Number of rights cancelled includes unvested portion and rights of departed employees
6. Number of rights cancelled represents rights of departed employees

Performance rights of the CEO and CFO

The Performance Rights of the CEO and CFO under the PRP are set below:

	Balance as at 1 July 2019	Granted during the year	Vested during the year	Forfeited during the year	Balance as at 28 June 2020	Value at grant date
CEO – Daniel Agostinelli						
Tranche 1	**371,526**	–	**319,512**	52,014	**–**	
Tranche 2	**5,500,000**	–	**–**	–	**5,500,000**	$3,060,156
Tranche 3	**–**	–	**–**	–	**–**	
Tranche 4	**–**	795,031	**–**	–	**795,031**	$1,056,119
TOTAL					**6,295,031**	$4,116,275
CFO – Matthew Durbin						
Tranche 1	**–**	–	**–**	–	**–**	
Tranche 2	**3,000,000**	–	**–**	–	**3,000,000**	$1,583,750
Tranche 3	**–**	–	**–**	–	**–**	
Tranche 4	**–**	341,615	**–**	–	**341,615**	$453,801
TOTAL	**8,871,526**	1,136,646			**3,341,615**	$2,037,551

Refer to section 2.2 above for the proportion of the CEO and CFO's remuneration that represents the PRP allocation for the year ended 28 June 2020.

3.3. Employee Share Scheme (ESS)

Unvested ordinary shares of Accent Group Limited under the ESS at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
27/05/2015	30/09/2020	$0.73	666,667
27/05/2015	30/09/2020	$1.01	166,666
28/08/2015	30/08/2020	$1.14	316,669
13/05/2016	28/02/2021	$1.49	200,000
			1,350,002

4. SHAREHOLDINGS OF KMP

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Group, including their related parties, is set out below:

Name	Balance at start of year*	Additions	Disposals	Balance at end of year
Daniel Agostinelli	17,318,712	519,512	–	17,838,224
Matthew Durbin	50,000	40,000	–	90,000
David Gordon	2,599,034	–	–	2,599,034
Stephen Goddard	50,000	–	–	50,000
Donna Player	50,000	–	–	50,000
Michael Hapgood	14,000,000	–	(4,000,000)	10,000,000
Joshua Lowcock	3,105	–	–	3,105
TOTAL	**34,070,851**	**559,512**	**(4,000,000)**	**30,630,363**

* 'Balance at the start of the year' is balance as at date of appointment for Directors appointed during the financial year and excludes the balance of Directors who resigned during the year (see below).

Stephen Kulmar resigned from the Board effective 28 November 2019. Mr Kulmar held 900,000 shares at the start of the financial year and did not dispose of any shares prior to his resignation.

Brett Blundy resigned from the Board effective 12 May 2020. Mr Blundy held 97,539,693 shares at the start of the financial year, acquired 1,003,058 shares during the year, and held 98,452,751 shares when he resigned.

This Directors' Report and Remuneration 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 Directors

David Gordon
Chairman
26 August 2020
Melbourne

Deloitte.

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The Board of Directors
Accent Group Limited
2/64 Balmain Street
Richmond, Victoria 3121

26 August 2020

Dear Board Members,

Auditor's Independence Declaration to Accent Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Accent Group Limited.

As lead audit partner for the audit of the financial report of Accent Group Limited for the year ended 28 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

DR White

David White
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 28 June 2020

	Note	Consolidated 28 Jun 2020 $'000	30 Jun 2019 $'000
Revenue	6	829,805	796,263
Other income		–	116
Interest revenue		1,251	469
Expenses			
Cost of sales		(356,419)	(339,341)
Distribution		(31,085)	(27,495)
Marketing		(32,615)	(28,011)
Occupancy	7	(13,349)	(92,746)
Employee expenses	7	(153,103)	(162,192)
Other		(39,853)	(37,741)
Depreciation, amortisation and impairment	7	(108,608)	(28,268)
Finance costs	7	(15,696)	(4,034)
Profit before income tax expense		80,328	77,020
Income tax expense	8	(24,646)	(23,134)
Profit after income tax expense for the year		55,682	53,886
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		2,692	(1,408)
Foreign currency translation		628	(579)
Other comprehensive income/(loss) for the year, net of tax		3,320	(1,987)
Total comprehensive income for the year		59,002	51,899
Profit for the year is attributable to:			
Non-controlling interest		–	17
Owners of Accent Group Limited		55,682	53,869
		55,682	53,886
Total comprehensive income for the year is attributable to:			
Non-controlling interest		–	17
Owners of Accent Group Limited		59,002	51,882
		59,002	51,899
		Cents	Cents
Basic earnings per share	38	10.31	10.02
Diluted earnings per share	38	9.93	9.54

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

Statement of Financial Position

as at 28 June 2020

	Note	Consolidated 28 Jun 2020 $'000	30 Jun 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		**54,912**	36,698
Trade and other receivables	9	**33,264**	29,797
Inventories	10	**129,106**	131,470
Lease receivable	11	**8,811**	–
Derivative financial instruments	12	**–**	3,769
Other current assets	13	**4,507**	2,023
Total current assets		**230,600**	203,757
Non-current assets			
Property, plant and equipment	14	**97,732**	86,167
Right-of-use assets	15	**232,998**	–
Lease receivable	11	**17,074**	–
Intangibles	16	**358,583**	352,893
Net deferred tax	17	**19,248**	13,236
Total non-current assets		**725,635**	452,296
Total assets		**956,235**	656,053
Liabilities			
Current liabilities			
Trade and other payables	18	**93,735**	99,459
Deferred revenue	19	**4,228**	3,633
Provisions	20	**14,217**	13,389
Borrowings	21	**15,000**	30,000
Lease liabilities	22	**78,461**	–
Derivative financial instruments	12	**3,627**	925
Provision for income tax		**25,311**	11,808
Deferred lease incentives		**–**	7,890
Total current liabilities		**234,579**	167,104
Non-current liabilities			
Provisions	20	**1,575**	2,465
Deferred revenue	19	**2,864**	2,683
Borrowings	21	**71,125**	56,125
Lease liabilities	22	**236,882**	–
Deferred lease incentives		**–**	24,339
Total non-current liabilities		**312,446**	85,612
Total liabilities		**547,025**	252,716
Net assets		**409,210**	403,337
Equity			
Issued capital	23	**389,600**	388,756
Reserves	24	**18,472**	13,147
Retained earnings		**1,138**	1,434
Total equity		**409,210**	403,337

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

Statement of Changes in Equity

for the year ended 28 June 2020

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Accumulated losses/ Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 2 July 2018	386,973	2,738	3,399	6,014	(8,184)	973	391,913
Profit after income tax expense for the year	–	–	–	–	53,869	17	53,886
Other comprehensive income for the year, net of tax	–	(579)	(1,408)	–	–	–	(1,987)
Total comprehensive income for the year	–	(579)	(1,408)	–	53,869	17	51,899
Transactions with owners in their capacity as owners:							
Share-based payments	–	–	–	2,983	–	–	2,983
Treasury share payments	1,783	–	–	–	–	–	1,783
Buy-back of non-controlling interest	–	–	–	–	402	(901)	(499)
Dividends paid (Note 25)	–	–	–	–	(44,653)	(89)	(44,742)
Balance at 30 June 2019	388,756	2,159	1,991	8,997	1,434	–	403,337

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2019	388,756	2,159	1,991	8,997	1,434	–	403,337
Transition adjustment on adoption of AASB 16 (Note 4)	–	–	–	–	(7,217)	–	(7,217)
Balance at 1 July 2019 - restated	388,756	2,159	1,991	8,997	(5,783)	–	396,120
Profit after income tax expense for the year	–	–	–	–	55,682	–	55,682
Other comprehensive income for the year, net of tax	–	628	2,692	–	–	–	3,320
Total comprehensive income for the year	–	628	2,692	–	55,682	–	59,002
Transactions with owners in their capacity as owners:							
Share-based payments	–	–	–	2,005	–	–	2,005
Treasury share payments	844	–	–	–	–	–	844
Buy-back of non-controlling interest	–	–	–	–	–	–	–
Dividends paid (Note 25)	–	–	–	–	(48,761)	–	(48,761)
Balance at 28 June 2020	389,600	2,787	4,683	11,002	1,138	–	409,210

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

Statement of Cash Flows

for the year ended 28 June 2020

	Note	Consolidated 28 Jun 2020 $'000	Consolidated 30 Jun 2019 $'000
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		899,704	865,374
Payments to suppliers and employees (inclusive of GST)		(733,194)	(766,944)
Interest received		258	469
Interest and other finance costs paid		(4,834)	(4,580)
Cash received from settlement of derivative financial instruments		17,061	–
Income taxes paid		(12,323)	(28,632)
Net cash from operating activities	37	166,672	65,687
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	34	(8,953)	(11,804)
Payments for property, plant and equipment		(23,836)	(24,840)
Net cash used in investing activities		(32,789)	(36,644)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		844	1,783
Proceeds from borrowings		115,000	35,125
Repayment of borrowings		(115,000)	(22,625)
Repayment of lease liabilities		(67,307)	–
Dividends paid		(48,761)	(44,742)
Net cash used in financing activities		(115,224)	(30,459)
Net increase/(decrease) in cash and cash equivalents		18,659	(1,416)
Cash and cash equivalents at the beginning of the financial year		36,698	38,772
Effects of exchange rate changes on cash and cash equivalents		(445)	(658)
Cash and cash equivalents at the end of the financial year		54,912	36,698

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

NOTE 1. GENERAL INFORMATION

The financial statements cover Accent Group Limited ('Company', 'parent entity' or 'Accent') as a Group consisting of Accent Group Limited and the entities it controlled at the end of, or during, the year ('Group'). The financial statements are presented in Australian dollars, which is Accent's functional and presentation currency.

Accent is a listed public company limited by shares, listed on the Australian Securities Exchange ('ASX'), incorporated and domiciled in Australia. Its registered office and principal place of business is:

2/64 Balmain Street
Richmond VIC 3121

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 August 2020. The directors have the power to amend and reissue the financial statements.

NOTE 2. BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements have been prepared under the historical cost convention, except for, where applicable, derivative financial instruments and share-based payments which have been measured at fair value at grant date.

Net current liabilities

As at 28 June 2020, the Group has net current liabilities of $3,978,457 (30 June 2019: net current assets of $36,653,000). This is primarily due to the adoption of AASB16 Leases from 1 July 2019 onwards which has resulted in the recognition of $315,343,566 of lease liabilities, of which $78,461,275 has been classified within current liabilities based on the timing of future lease payments. If the Group had not adopted AASB16 in the current financial period it would be in a net current asset position of $55,439,400. The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group's cash position as at 28 June is $54,911,914. In addition, the Group has undrawn finance facilities of $95,700,000 as disclosed in Note 21. The Group generated net cash from operating activities of $166,672,047 and net profit after taxation of $55,681,669 for the year ended 28 June 2020. Taking into account all of the above factors, the directors are confident that the Group will be able meet its liabilities as they fall due.

Critical accounting estimates

The preparation of consolidated financial statements requires the Group to make estimates and judgements that affect the application of policies and reported amounts. The estimates which could cause a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 12 months are disclosed in the following notes:

- Note 10 Inventories
- Note 15 Right-of-use-assets
- Note 16 Intangibles
- Note 34 Business combinations
- Note 39 Share based payments

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Accent Group Limited as at 28 June 2020 and the results of all subsidiaries for the year then ended. A list of subsidiaries at year end is contained in Note 35. Supplementary information about the parent entity is disclosed in Note 33.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intragroup transactions have been eliminated. Subsidiaries are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

If the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

NOTE 2. BASIS OF PREPARATION (CONTINUED)

Foreign operations

The functional currencies of overseas subsidiaries are listed in Note 35. The assets and liabilities of overseas subsidiaries are translated into Australian dollars at the rate as at reporting date and the income statements are translated at the average exchange rates for the year. The exchange differences arising on the retranslation are taken directly to a separate component of equity.

Rounding of amounts

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

Comparatives have been reclassified where appropriate to ensure consistency and comparability with the current period.

NOTE 3. ACCOUNTING POLICIES

Significant and other accounting policies adopted in the preparation of the financial statements are provided throughout the notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTE 4. NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

In the current year, the Group has adopted all of the following new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and mandatory for the current annual reporting period.

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

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

AASB 16 Leases

The Group applied AASB 16 *Leases* for the first time in the year ended 28 June 2020. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

The Group adopted AASB 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under the previous accounting standards AASB 117 *Leases* and Interpretation 4 *Determining whether an Arrangement contains a Lease*. The new standard had a material impact on the Group's financial statements.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principals of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Groups incremental borrowing rate. 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 or a change in the lease payments (e.g. changes to future payments resulting from a change in an index rate).

The associated right-of-use assets ('ROU') for property leases were measured on a retrospective basis as if the new rules had always been applied. Adjustments to the ROU asset were made for any lease accrual or incentive on the balance sheet as at 1 July 2019. The ROU asset is depreciated over the lease term on a straight-line basis. In determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Most of the Groups leases do not contain renewal or extension options.

The Athlete's Foot ('TAF') has operating lease commitments with landlords in its capacity as head lessor for stores operated by franchisees. The franchisees have simultaneously undertaken to meet the rental commitments through back-to-back licence agreements. These license agreements are classified as finance leases. Consequently, the ROU assets for these leases were derecognised and replaced with a lease receivable. The lease receivable is measured at amortised cost, with interest income arising in the profit and loss.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard where applicable:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases for lease terms of 12 months or less;
- The accounting for operating leases for leases that are in holdover; and
- Applying the Groups onerous lease assessment under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative to performing an impairment review.

The Group has elected to present right-of-use assets separately from property, plant and equipment in the statement of financial position.

At the date of adoption, the Group had 421 property leases for retail outlets and head offices. The Group recognised an additional $254,218,075 of right-of-use assets and $331,840,190 of lease liabilities, recognising the difference in retained earnings.

The effect of adoption of AASB 16 is as follows:

NOTE 4. NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED (CONTINUED)

Reconciliation of Operating Lease Commitments at 30 June 2019 to Lease Liabilities at 1 July 2019

	1 July 2019 $'000
Operating lease commitment at 30 June 2019 as disclosed in the Group's financial statements	371,883
Add: Finance lease liabilities recognised as at 30 June 2019	36,026
Discounted using the incremental borrowing rate at 1 July 2019	368,572
Recognition exemption for:	
– Short-term leases, holdover leases and outgoings not included in lease liability	(36,732)
Lease liabilities recognised at 1 July 2019	**331,840**
Of which are:	
Current lease liabilities	87,617
Non-current lease liabilities	244,223

COVID-19 related rent concessions

During the year, the Group received COVID-19 related rental concessions. The Group has adopted the practical expedient for rental concessions allowing the Group to elect not to account for changes in leases payments as a lease modification where the following conditions were met:

- The change in lease payments were substantially the same or less than the payments prior to the rental concession;
- The reductions only affect payments which fall due before 30 June 2021; and
- There has been no substantive change in the terms and conditions of the lease.

The practical expedient has been applied to leases that have executed agreements in place as at 28 June 2020. For independent landlords, the Group has applied the practical expedient to written agreements in conjunction with the lessor's acceptance of a lower rent payment. The Group considers the amendment to the lease contract as enforceable as both parties were committed to performing their obligations as at 28 June 2020.

The treatment of the rental concessions was dependent on the events that trigger the concession. The Group had rent concessions which were entirely unconditional and rent concessions which remained conditional on other factors, predominantly future sales. For unconditional rent concessions, the Group recognised the present value of the rent concession in the profit and loss on the date the change in terms was agreed. For conditional rent concessions the group recognised the benefit in the profit and loss and the corresponding reduction in the lease liability on the date the trigger for the conditional rent concession occurred.

NOTE 5. OPERATING SEGMENTS

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's). The CODM's have been identified as the Board of Directors on the basis they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

Key internal reports received by the CODM's, primarily the management accounts, focus on the performance of the Group as a whole. The CODM's assess the performance of the Group based on a measure of EBIT (earnings before interest and tax) prior to the impact of AASB 16 *Leases* and non-operating intercompany charges.

The Group has considered its internal reporting framework, management and operating structure and the Directors' conclusion is that the Group has one operating segment.

During the year, the Group's New Zealand operations generated revenue in excess of 10% of the total Groups revenue. As a result, the Group now recognises two geographical areas, Australia and New Zealand.

As the Group now has two geographical areas, the comparative information has been restated.

The following is an analysis of the Group's revenue and non-current assets. The geographical split for intangible assets is not available and has not been disclosed.

	28 June 2020			30 June 2019		
	Australia $'000	New Zealand $'000	Group $'000	Australia $'000	New Zealand $'000	Group $'000
Sales to customers	720,504	86,588	807,092	702,983	69,483	772,466
Other geographical information						
Additions to property, plant and equipment	32,908	8,191	41,099	32,889	5,296	38,185

NOTE 6. REVENUE

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Sales revenue		
Sales to customers	807,092	772,466
Royalties and other franchise related income	12,200	14,364
	819,292	786,830
Other revenue		
Marketing levies received from TAF stores	7,620	7,610
Other revenue	2,893	1,823
	10,513	9,433
Revenue	829,805	796,263

Recognition and measurement

The major sources of the Group's revenue are from sales to customers, royalties and other franchise related income received from TAF stores. The Group's revenue is principally generated on a 'point in time' basis.

Sales to customers

Sales to customers of goods comprise the sale of branded performance and lifestyle footwear to customers outside the Group less discounts, markdowns, loyalty scheme vouchers and an appropriate deduction for actual and expected returns. Sales to customers is stated net of tax. Revenue is recognised when performance obligations are satisfied, goods are delivered to the customer and the control of goods is transferred to the buyer.

Gift cards are considered a prepayment for goods to be delivered in the future. The Group has an obligation to transfer the goods in the future, creating a performance obligation. The Group recognises deferred revenue when the gift card is purchased and recognises revenue when the customer redeems the gift card and the Group fulfills the performance obligation.

Royalties and other franchise related income

Franchise royalty fee income is generally earned based upon a percentage of sales that has occurred and is recognised on an accrual basis.

Franchise establishment fees are recognised as income over the term of the Franchise Agreement. Franchise establishment fees are recognised on an 'over time' basis.

Marketing levies

Marketing levies are recognised in the period the sales are recorded by TAF stores. Marketing levies are collected by the Group for specific use within the TAF Marketing Fund, which is operated on behalf of the TAF network. Expenses in relation to the marketing of TAF stores are recorded within advertising and promotion expenses in profit or loss. In any given year, a deficit in the marketing fund will need to be recouped in the following year and any surplus in the marketing fund will need to be spent in the subsequent year.

NOTE 7. EXPENSES

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Right of use assets	74,169	–
Plant and equipment	29,062	25,552
Total depreciation	103,231	25,552
Amortisation		
Licence fee	32	31
Distribution rights	2,323	2,323
Re-acquired rights	258	74
Other intangible assets	–	288
Total amortisation	2,613	2,716
Impairment of assets		
Impairment charge – right of use assets	2,584	–
Impairment charge – property, plant and equipment*	180	–
	2,764	–
Total depreciation, amortisation and impairment	108,608	28,268
Finance costs		
Interest and finance charges paid/payable on borrowings	3,920	4,034
Interest and finance charges paid/payable on lease liabilities	11,776	–
Finance costs expensed	15,696	4,034
Leases		
Variable lease payments	23,833	–
During the year, the Group recognised $7,630,788 of COVID-19 related rental concessions from landlords. These concessions are included as a reduction in occupancy expense in the statement of profit or loss.		
Share-based payments expense	2,005	2,983

* In the prior year, other expenses includes impairment of assets on the statement of profit or loss.

Employee expenses

During the year, the Group was eligible for Government wage subsidies across Australia and New Zealand as a direct result of COVID-19. In order to safeguard the health and safety of team members and customers on 25 March 2020, the Group announced the shut-down of all its physical stores and support offices. With all stores closed from the 27 March 2020, the company qualified for the wage subsidy programs in Australia and New Zealand. Total group sales across March and April were down $55,684,496 or 58.2% on the prior year.

In Australia, the Group was eligible for $21,358,014 of which $13,720,000 was received by 28 June 2020. In respect of the New Zealand wage subsidy, the Group received a 12-week lump sum payment of $2,543,050.

Of the total amount claimed across Australia and New Zealand, $10,713,756 was passed directly to employees who were either not working or did not work sufficient hours to be otherwise remunerated more than the subsidy. The remaining $13,187,308 was paid to employees who were otherwise remunerated up to or more than the subsidy. The wage subsidies supported the return to full employment for permanent team members and the reopening of the Accent Group business during the months of May and June.

The Government wage subsidies are recorded as a reduction in employee expenses on the statement of profit or loss.

NOTE 8. INCOME TAX EXPENSE

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Income tax expense		
Current tax	29,752	29,367
Deferred tax	(4,523)	(6,706)
Adjustment recognised for prior periods	(583)	473
Aggregate income tax expense	24,646	23,134
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	80,328	77,020
Tax at the statutory tax rate of 30%	24,098	23,106
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	35	61
Share-based payments	601	226
Impairment	723	–
Sundry items	30	(484)
	25,487	22,909
Adjustment recognised for prior periods	(583)	473
Difference in overseas tax rates	(258)	(248)
Income tax expense	24,646	23,134
Amounts recognised directly to equity		
Adoption of AASB 16 Leases	3,145	–
Tax effect of hedges in reserves	1,941	(604)
	5,086	(604)
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Capital losses	7,199	7,199
Total deferred tax assets not recognised	7,199	7,199

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

Recognition and measurement

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities at the tax rates and tax laws enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is accounted for using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities under financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the period in which the liability is settled or asset realised, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit or in relation to the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTE 8. INCOME TAX EXPENSE (CONTINUED)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Tax consolidation

Accent Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary 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 tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

NOTE 9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Trade receivables	23,828	27,851
Less: Allowance for expected credit losses	(1,101)	(584)
	22,727	27,267
Other receivables	10,537	2,530
	33,264	29,797

Movement in the allowance for credit losses were as follows:

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Carrying value at beginning of year	(584)	(1,229)
Allowance for credit losses recognised	(637)	(90)
Receivables written of during the year as uncollectable	120	50
Unused amount reversed	–	685
Allowances for expected credit losses at year end	(1,101)	(584)

NOTE 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

Set out below is the information about the credit risk exposure on the Group's trade receivables.

	Carrying amount $'000	Expected credit loss rate %	Expected credit loss $'000
Current	20,002	2%	400
Under one month	1,380	4%	55
One to two months	791	11%	87
Two to three months	588	17%	100
Over three months	1,067	43%	459
	23,828		1,101

Recognition and measurement

Trade receivables

Trade receivables generally have terms of between 30 to 60 days. They are recognised at amortised cost less allowance for expected credit losses ('ECL'). Customers who wish to trade on credit terms are subject to extensive credit verification procedures. Receivable balances are monitored on an ongoing basis and the ECL recognised is based on management's expectation of losses without regard to whether an impairment event exists.

Other receivables

Other receivables include rebates receivable from suppliers, fit-out contributions from landlords and Government wage subsidy grants which are considered fully recoverable and therefore no allowance has been made.

Impairment of trade receivables

Collectability and impairment of trade receivables is assessed on an ongoing basis at an individual customer level by a centralised accounts receivable function. The Group has established a provision matrix that is based on average write-offs as a proportion of average debt over a period of 24 months. The historical loss rates are adjusted for current and forward-looking information where significant.

NOTE 10. INVENTORIES

	Consolidated	
	28 Jun 2020 $'000	30 Jun 2019 $'000
Finished goods (net of provision for obsolescence)	115,979	109,921
Goods in transit	13,127	21,549
	129,106	131,470

Recognition and measurement

Finished goods are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business. Cost comprises of the purchase price on a weighted average basis and logistic expenses incurred in bringing the inventories to their present location and condition.

Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement. An inventory provision is booked for cases where the realisable value from the sale of inventory is estimated to be lower than the inventory carrying value. Management's estimate of the inventory provision is based on historical finished goods sold below cost over a 24 month period and inventory write-off transactional data over a 12 month period. In the current year, management considered the impacts of COVID-19, taking into account the period of trading disruption, current sales and optimal stock holding levels. The review concluded that there was no need to provide for an incremental write down of inventory due to strong digital sales, an increase in mark down activity in the last quarter enabling seasonal product to be sold and the cancellation of inventory purchases permitting the Group to right size its inventory levels at year end.

The provision for write-down of inventories to net realisable value amounted to $5,963,211 (2019: $5,700,000) at 28 June 2020.

NOTE 11. LEASE RECEIVABLE

	Consolidated	
	28 Jun 2020 $'000	30 Jun 2019 $'000
Current		
Lease receivable	8,811	–
Non-Current		
Lease receivable	17,074	–

NOTE 11. LEASE RECEIVABLE (CONTINUED)

The group sub-leases property leases to TAF franchises. The Group has classified these sub-leases as a finance lease, because the sub-lease is substantially on the same terms as the head lease.

The following table sets out the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Consolidated	$'000
Less than one year	10,285
One to five years	17,633
More than five years	195
Total undiscounted lease payments	**28,113**
Discounted using the Group's incremental borrowing rate	(2,228)
Total lease receivable	**25,885**
Of which are:	
Current lease receivables	8,811
Non-current lease receivables	17,074

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Forward foreign exchange contracts – receivable	–	3,769
Forward foreign exchange contracts – payable	3,627	417
Interest rate swap contracts – payable	–	508
	3,627	925

Foreign exchange forward contracts are held as hedging instruments against forecast purchases in USD. The notional amount for the contracts held at 28 June 2020 totalled $USD63,500,000. The average rate of the forward contracts is 0.66 (2019: 0.72).

The net gain or loss recognised as other comprehensive income is equal to the change in fair value of the hedging instruments. There is no ineffectiveness recognised in profit or loss.

On 31 March 2020, the Group settled all outstanding foreign exchange forward contracts of $USD93,876,465. The average rate of these forward contracts was 0.69. The cash received from the settlement of these contracts was $17,061,462.

Recognition and measurement

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including foreign exchange forward contracts and interest rate swaps. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

When a cash flow hedge is discontinued, any cumulative gain or loss on the hedging instrument recognised in other comprehensive income is retained in equity until the forecast transaction occurs.

NOTE 13. OTHER CURRENT ASSETS

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Prepayments	4,304	1,995
Other current assets	203	28
	4,507	2,023

Prepayments represent general prepaid expenses, largely insurance premiums and license fees for the Group's eCommerce platforms.

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 28 Jun 2020 $'000	Consolidated 30 Jun 2019 $'000
Plant and equipment - at cost	220,683	182,183
Less: Accumulated depreciation	(126,589)	(98,935)
	94,094	83,248
Assets under construction - at cost	3,638	2,919
	97,732	86,167

Reconciliations

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

Consolidated	Plant and equipment $'000	Assets under construction $'000	Total $'000
Balance at 2 July 2018	72,987	1,677	74,664
Additions	35,010	2,919	37,929
Transfer	1,677	(1,677)	–
Additions through business combinations (Note 34)	256	–	256
Disposals	(273)	–	(273)
Exchange differences	193	–	193
Impairment charge	(1,050)	–	(1,050)
Depreciation expense	(25,552)	–	(25,552)
Balance at 30 June 2019	83,248	2,919	86,167
Additions[1]	37,357	3,638	40,995
Transfer	2,919	(2,919)	–
Additions through business combinations (Note 34)	104	–	104
Disposals	(117)	–	(117)
Exchange differences	(175)	–	(175)
Impairment charge	(180)	–	(180)
Depreciation expense	(29,062)	–	(29,062)
Balance at 28 June 2020	**94,094**	**3,638**	**97,732**

[1] Landlord contributions to store fit-out costs have been netted off against actual fit-out costs incurred for cash flow disclosure purposes.

Recognition and measurement

The carrying value of property, plant and equipment is measured as the cost of the asset, less accumulated depreciation, and impairment.

Depreciation and amortisation

Items of property, plant and equipment are depreciated on a straight-line basis over the expected useful lives. Most of the property, plant and equipment represents leasehold improvements which are amortised over the period of the lease. As at 28 June 2020, the average lease term is 5 years. Assets under construction are not depreciated.

Derecognition

An item of property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits. Any gain or loss between the carrying amount and the disposal proceeds are included in the income statement in the period the item is derecognised.

Impairment

Refer to Note 15 for details on impairment testing.

NOTE 15. RIGHT-OF-USE ASSETS

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Buildings – right-of-use	307,045	–
Less: Accumulated depreciation	(74,047)	–
	232,998	–

Reconciliations

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

Consolidated	Buildings $'000
Balance at 2 July 2018	–
Balance at 30 June 2019	–
Recognised as assets on first-time adoption of AASB 16	254,218
Additions	55,439
Additions through business combinations (Note 34)	7,222
Disposals	(6,563)
Exchange differences	(565)
Impairment of assets	(2,584)
Depreciation expense	(74,169)
Balance at 28 June 2020	**232,998**

Recognition and measurement

A right-of-use asset is recognised at the commencement date of a lease. The Group leases land and buildings for its offices and retail stores under agreements with an average term of 5 years. The right-of-use asset is measured initially at cost based on the value of the associated lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received and any initial direct costs incurred.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred within occupancy expense.

Impairment of property, plant and equipment and right-of-use assets

For impairment testing purposes the Group has determined that each store is a separate CGU. Click and collect and click and dispatch sales are included in the cash flows of the relevant CGU. Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified with the exception of Outlet stores which are used for the predominant purpose of clearing aged inventory. For this reason, management anticipate that Outlet stores may be loss making.

The value in use of each CGU is calculated based on the Group's latest Board approved half year forecast which reflected a significant impact on the 2020/21 store generated revenue and associated profit as a result of the COVID-19 pandemic. Cash flows beyond year one is a combination of the Groups five-year strategy which was presented to the Board on 24 June 2020 and the CGU's financial performance prior to any trading disruption (12 months rolling financial data up to February 2020).

The key assumptions in the value in use calculations are the growth rates of store generated sales and growth rates of click and dispatch and click and collect sales. Gross profit margins were assumed to remain in line with 2019/20 reported margins and all operating expenses of each CGU were considered variable to sales. The value in use calculations make no assumptions for government assistance and rental concessions. Cash flows were discounted to present value using a mid-point pre-tax discount rate of 8.0%.

The assumptions adopted in the value in use calculations reflect an appropriate balance between the Groups experience to date and the uncertainty associated with the COVID-19 pandemic. Temporary store closures arising from Government restrictions may impact short term results, however, these closures are not expected to impact the long-term performance of each CGU.

The Group has recognised an impairment charge of $2,764,324 as at 28 June 2020. Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions. Reasonable possible changes do not lead to a significant increase in the impairment charge.

NOTE 16. INTANGIBLES

	Consolidated 28 Jun 2020 $'000	Consolidated 30 Jun 2019 $'000
Goodwill – at cost	311,227	304,154
Brands and trademarks – at cost	44,825	44,825
Less: Accumulated impairment	(9,714)	(9,714)
	35,111	35,111
Licence fees – The Athlete's Foot – at cost	7,832	7,832
Less: Accumulated amortisation	(328)	(296)
	7,504	7,536
Distribution rights – at cost	16,800	16,800
Less: Accumulated amortisation	(13,336)	(11,013)
	3,464	5,787
Re-acquired rights	1,610	379
Less: Accumulated amortisation	(333)	(74)
	1,277	305
Other intangible assets – The Athlete's Foot – at cost	720	720
Less: Accumulated amortisation	(720)	(720)
	–	–
	358,583	352,893

Reconciliations

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

Consolidated	Goodwill $'000	Brands and trademarks $'000	Licence fees $'000	Distribution rights $'000	Re-acquired rights $'000	Other intangible assets $'000	Total $'000
Balance at 2 July 2018	295,015	35,111	7,567	8,110	–	288	346,091
Additions through business combinations (Note 34)	9,139	–	–	–	379	–	9,518
Amortisation expense	–	–	(31)	(2,323)	(74)	(288)	(2,716)
Balance at 30 June 2019	304,154	35,111	7,536	5,787	305	–	352,893
Additions	–	–	–	–	–	–	–
Additions through business combinations (Note 34)	7,073	–	–	–	1,230	–	8,303
Disposals	–	–	–	–	–	–	–
Exchange differences	–	–	–	–	–	–	–
Impairment charge	–	–	–	–	–	–	–
Amortisation expense	–	–	(32)	(2,323)	(258)	–	(2,613)
Balance at 28 June 2020	**311,227**	**35,111**	**7,504**	**3,464**	**1,277**	**–**	**358,583**

Recognition and measurement

Goodwill

Goodwill acquired in a business combination is initially measured at cost. Cost is measured as the cost of the business combination minus the net fair value of the acquired and identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTE 16. INTANGIBLES (CONTINUED)

Brands and trademarks

Brands and trademarks are recognised at cost in a business combination. Brands and trademarks have indefinite useful lives. This assessment reflects management's intention to continue to utilise these intangible assets in the foreseeable future. Each period, the useful life of these assets is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets.

Other intangible assets

Intangible assets with finite lives are amortised on a straight-line basis over their useful lives and tested for impairment whenever there is an indication that they may be impaired. The amortisation period and method is reviewed at each financial year-end.
A summary of the useful lives of other intangible assets is as follows:

Other intangible assets	**Useful life**
License fees	Finite (up to 249 years)
Distribution rights	Finite (up to 7 years)
Re-acquired rights	Finite (up to 8 years)

Impairment testing of goodwill

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired.

The impairment test at 28 June 2020 was carried out based on value in use calculations for the Group's one operating segment. The recoverable amount was determined using estimated cash flows that were based on the Groups five-year strategic plan which was presented to the Board of Directors on 24 June 2020. The strategic plan included calculations and assumptions on sales growth, gross margin and cost of doing business ('CODB'). The assumptions were based on past experience and the Company's forecast operating and financial performance taking into account current market and economic conditions and placing caution on the recovery of the Australian economy given the global uncertainty resulting from COVID-19. The cash flows beyond the five-year period have been extrapolated using a steady state 2.0% long term growth rate (2019: 3.0%). Cash flows were discounted to present value using a mid-point after-tax discount rate of 10.5% (2019: 12.4%). The discount rate was derived from the Group's weighted average cost of capital.

Management has performed sensitivity analysis on the key assumptions used in the impairment model. Management has considered possible changes in key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

There is no indication of impairment at balance date.

Brand names and trademarks

The Group recognises the following brands and trademarks as indefinite life intangible assets:

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Carrying amount of brand names and trademarks:		
The Athlete's Foot	**3,466**	3,466
Platypus	**11,100**	11,100
Hype DC	**20,545**	20,545
Brands and trademarks	**35,111**	35,111

Impairment testing of brands and trademarks

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount was determined independently using the Relief from Royalty ('RFR') valuation method at acquisition date. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and expected useful life.

The five-year revenue forecast was based on the Group's five-year strategic plan which was presented to the Board of Directors on 24 June 2020. The five-year strategic plan was based on past experience and the Company's forecast operating and financial performance, taking into account current market and economic conditions. As part of the impairment test, management has considered the shift in consumer behaviour to digital and online shopping as a consequence of COVID-19, anticipating that the current trend of greater online demand will continue to be embedded into consumer spending patterns going forward. Consequently, revenue beyond the five-year period applied a terminal growth rate to bricks and mortar and a terminal growth rate to digital revenue.

NOTE 16. INTANGIBLES (CONTINUED)

The royalty rates used in the valuation model were brand specific and based on rates observed in the market. The royalty rates across all brands ranged between 3.5% to 5.25%. The TAF brands royalty rate was in line with current franchise agreements.

The tax rate applied in the valuation model is based on the corporate tax rate in Australia of 30.0%. The after tax discount rate of 13.0% (2019: 12.4%) is derived from the Group's weighted average cost of capital.

The Hype DC brand is most sensitive to changes in key assumptions. The Group assessed the impact of the following changes to key assumptions (all other assumptions were held constant):

- Sensitivity analysis on store generated sales from years 2 to 4 indicates that head room continues to be present if the sales growth rate was reduced by 2%.
- Sensitivity analysis on online growth rates indicates that head room continues to be present. Changes to online growth rates does not result in a significant decrease in the recoverable amount calculated.
- Sensitivity analysis on changes to the royalty rate indicates a potential impairment when the rate drops by 30 basis points. The rate applied as at 28 June 2020 is consistent with the prior year and in line with rates adopted by other market participants.

The assumptions adopted in the value in use calculations for each brand reflect an appropriate balance between the Group's experience to date and the uncertainty associated with the COVID-19 pandemic.

Accordingly, the Group has concluded that no impairment is required however a material change in market and economic conditions may increase the risk of impairment for the Hype DC brand carrying value in future periods.

NOTE 17. NET DEFERRED TAX

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Net deferred tax comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	–	41
Allowance for expected credit losses	309	170
Provision for shrinkage and stock obsolescence	1,837	1,717
Provision for employee entitlements	4,144	3,873
Other provisions and accrued expenses	2,025	683
Business capital expenditure	–	61
Difference in accounting and tax depreciation	5,641	7,648
Borrowing costs	–	38
Landlord and supplier contributions	11,632	11,147
Net lease liability/(right-of-use asset)	1,153	–
Trademarks, brand names and distribution rights	(11,784)	(12,270)
Other	58	981
	15,015	14,089
Amounts recognised directly to equity		
Adoption of AASB 16 Leases	3,145	–
Tax effect of hedges in reserves	1,088	(853)
	4,233	(853)
Net Deferred tax asset	19,248	13,236

NOTE 18. TRADE AND OTHER PAYABLES

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Trade payables	24,504	57,081
Goods and services tax payable	7,171	4,340
Accrued expenses	44,939	24,615
Other payables	17,121	13,423
	93,735	99,459

Trade payables and accruals represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Other payables represent goods receipted that have not been invoiced as at 28 June 2020. Trade and other payables are stated at amortised cost. The amounts are unsecured and are usually settled within 30 to 60 days of recognition.

NOTE 19. DEFERRED REVENUE

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Current		
Gift cards	3,121	2,628
Other deferred revenue	1,107	1,005
	4,228	3,633
Non-current		
Other deferred revenue	2,864	2,683
	7,092	6,316

Deferred revenue relates to unredeemed gift cards and unused supplier contributions for fixtures, fittings and point of purchase. These contributions will be utilised for future store openings and refurbishments.

NOTE 20. PROVISIONS

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Current		
Employee benefits	12,027	11,168
Other provisions	2,190	2,221
	14,217	13,389
Non-Current		
Employee benefits	664	580
Other provisions	911	1,885
	1,575	2,465
	15,792	15,854

NOTE 20. PROVISIONS (CONTINUED)

Recognition and measurement

Employee benefits
Liabilities for annual leave, bonuses and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 currency that match, as closely as possible, the estimated future cash outflows.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date.

NOTE 21. BORROWINGS

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Current		
Secured		
Bank loans	5,000	10,000
Working capital facility	10,000	20,000
	15,000	30,000
Non-Current		
Secured		
Bank loans	71,125	56,125
	86,125	86,125

Movements in borrowings

Movements in current borrowings during the current financial year is set out below:

	Borrowings $'000
Carrying amount at start of the year	86,125
Repayments	(115,000)
Additional loans	115,000
Carrying amount at end of the year	86,125

The majority of the Group's financing facilities with National Australia Bank ('NAB') and Hongkong and Shanghai Banking Corporation ('HSBC') were extended to mature in August 2023 (previously a combination of August 2021 and August 2023 maturity dates). The weighted average interest rate on these financing facilities is 2.02%.

On the 18 August 2020, the Group entered into an interest rate swap contract to mitigate the risk of changing interest rates on the variable rate debt held. The interest rate swap contract matures in line with the Group's financing facilities.

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date and intends to do so.

The Group monitors compliance with its financial covenants on a monthly basis and reports compliance on a monthly basis to the banks. The Group has complied with all such requirements.

NOTE 21. BORROWINGS (CONTINUED)

Assets pledged as security

The senior bank debt made available by NAB and HSBC is secured by cross-guarantees and all assets of Accent Group Limited and each of its wholly-owned subsidiaries. Total secured assets amounted to $694,276,904 at 28 June 2020 (30 June 2019: $669,048,000). Total secured assets exclude the impact of the adoption of AASB 16 *Leases*.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Total facilities		
Bank overdraft	5,700	8,800
Bank loans	76,125	66,125
Working capital facility	100,000	35,000
Bank guarantee and letters of credit	16,900	13,800
	198,725	123,725
Used at the reporting date		
Bank overdraft	–	–
Bank loans	76,125	66,125
Working capital facility	10,000	20,000
Bank guarantee and letters of credit	15,200	11,375
	101,325	97,500
Unused at the reporting date		
Bank overdraft	5,700	8,800
Bank loans	–	–
Working capital facility	90,000	15,000
Bank guarantee and letters of credit	1,700	2,425
	97,400	26,225

NOTE 22. LEASE LIABILITIES

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Current		
Lease liability	78,461	–
Non-current		
Lease liability	236,882	–

NOTE 22. LEASE LIABILITIES (CONTINUED)

Consolidated	$'000
Less than one year	95,374
One to five years	238,204
More than five years	21,773
Total undiscounted lease liabilities	**355,351**
Total Liabilities included in the statement of financial position	**315,343**
Current lease liabilities	78,461
Non-current lease liabilities	236,882

Recognition and measurement

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the Group's incremental borrowing rate. Leases are entered into for varying terms and rent reviews are based on CPI increases or fixed increases. Variable lease payments are expensed in the period in which they are incurred.

The carrying amount of a lease liability is remeasured if there is a change in the lease payments arising from a change in an index or a rate used and a change in lease term. Most of the Groups leases do not contain renewal or extension options. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

NOTE 23. EQUITY – ISSUED CAPITAL

	Consolidated			
	28 Jun 2020 Shares	**30 Jun 2019 Shares**	**28 Jun 2020 $'000**	**30 Jun 2019 $'000**
Ordinary shares – fully paid	**541,866,715**	541,241,224	**390,926**	391,338
Less: Treasury shares	**(1,350,002)**	(2,756,670)	**(1,326)**	(2,582)
	540,516,713	538,484,554	**389,600**	388,756

Ordinary shares

Ordinary shares are classified as equity and 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.

Treasury shares

No shares were issued to employees under the Employee Share Scheme (30 June 2019: nil). During the year, employee loan repayments reduced the number of treasury shares under the Employee Share Scheme. Details of the scheme are set out in Note 39.

Share buy-back

There is no current on-market share buy-back.

NOTE 23. EQUITY – ISSUED CAPITAL (CONTINUED)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	2 July 2018	535,751,224		386,973
Employee Share Scheme - loans repaid	3 July 2018	166,667	$0.490	82
Employee Share Scheme - loans repaid	9 August 2018	150,000	$0.490	74
Employee Share Scheme - loans repaid	21 August 2018	400,000	$0.490	196
Employee Share Scheme - loans repaid	24 August 2018	150,000	$0.490	74
Employee Share Scheme - loans repaid	30 August 2018	130,000	$0.590	77
Employee Share Scheme - loans repaid	30 August 2018	66,666	$1.140	76
Employee Share Scheme - loans repaid	6 September 2018	220,000	$0.590	130
Employee Share Scheme - loans repaid	7 September 2018	26,666	$0.490	13
Employee Share Scheme - loans repaid	24 September 2018	33,333	$1.140	38
Employee Share Scheme - loans repaid	5 October 2018	50,000	$0.590	30
Employee Share Scheme - loans repaid	10 October 2018	50,000	$0.590	30
Employee Share Scheme - loans repaid	11 January 2019	66,666	$0.690	46
Employee Share Scheme - loans repaid	11 January 2019	83,333	$0.590	49
Employee Share Scheme - loans repaid	25 February 2019	250,000	$0.730	183
Employee Share Scheme - loans repaid	27 February 2019	100,000	$1.010	101
Employee Share Scheme - loans repaid	28 February 2019	250,000	$0.730	183
Employee Share Scheme - loans repaid	4 March 2019	33,333	$0.730	24
Employee Share Scheme - loans repaid	11 March 2019	66,667	$1.010	67
Employee Share Scheme - loans repaid	4 April 2019	73,333	$0.730	54
Employee Share Scheme - loans repaid	4 April 2019	250,000	$0.730	183
Employee Share Scheme - loans repaid	30 May 2019	33,333	$0.730	24
Employee Share Scheme - loans repaid	12 June 2019	83,333	$0.590	49
Balance	30 June 2019	538,484,554		388,756
Employee Share Scheme - loans repaid	27 August 2019	250,000	$0.730	183
Employee Share Scheme - loans repaid	29 August 2019	100,000	$1.010	101
Employee Share Scheme - loans repaid	05 September 2019	33,333	$1.140	38
Employee Share Scheme - loans repaid	10 September 2019	66,666	$1.140	76
Employee Share Scheme - loans repaid	2 October 2019	50,000	$0.590	30
Employee Share Scheme - loans repaid	3 October 2019	83,334	$0.590	49
Employee Share Scheme - loans repaid	3 October 2019	83,334	$0.590	49
Employee Share Scheme - loans repaid	8 October 2019	50,000	$0.590	30
Shares issued during the period (i)	9 October 2019	925,491	$0.000	–
Employee Share Scheme - loans repaid	15 October 2019	66,667	$1.010	67
Employee Share Scheme - loans repaid	24 December 2019	16,667	$0.730	12
Employee Share Scheme - loans repaid	24 December 2019	33,333		38
Employee Share Scheme - loans repaid	20 February 2020	66,667		39
Employee Share Scheme - loans repaid	20 February 2020	66,667	$0.590	39
Employee Share Scheme - loans repaid	20 February 2020	66,667	$0.590	39
Employee Share Scheme - loans repaid	15 May 2020	73,333	$0.730	54
Balance	**28 June 2020**	**540,516,713**		**389,600**

(i) A total of 925,491 ordinary shares were issued in relation to the performance rights plan.

NOTE 24. EQUITY – RESERVES

	Consolidated	
	28 Jun 2020 $'000	30 Jun 2019 $'000
Foreign currency translation reserve	2,787	2,159
Hedging reserve – cash flow hedges	4,683	1,991
Share-based payments reserve	11,002	8,997
	18,472	13,147

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Hedging reserve – cash flow hedges
Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised in other comprehensive income with the remaining change in fair value recognised in the hedging reserve. Any ineffective portion is recognised immediately in the statement of profit and loss.

Share-based payments reserve
The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration.

NOTE 25. EQUITY – DIVIDENDS

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	28 Jun 2020 $'000	30 Jun 2019 $'000
Final dividend for the year ended 30 June 2019 of 3.75 cents (2018: 3.75 cents) per ordinary share	20,297	20,297
Interim dividend for the year ended 28 June 2020 of 5.25 cents (2019: 4.5 cents) per ordinary share	28,464	24,356
Dividends paid to non-controlling interests	–	89
	48,761	44,742

In respect of the financial year ended 28 June 2020, the directors recommended the payment of a final fully franked dividend of 4.00 cents per share to be paid on 24 September 2020 to the registered holders of fully paid ordinary shares as at 10 September 2020.

Franking credits

	Consolidated	
	28 Jun 2020 $'000	30 Jun 2019 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	17,067	30,138

New Zealand imputation credits available to New Zealand residential shareholders amount to NZ$5,381,585 (30 June 2019: NZ$1,863,000).

NOTE 26. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge foreign currency exposures and interest rate swaps to hedge interest rate exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a periodic basis.

Market risk

Foreign currency risk

The Group has transactional foreign currency exposures arising from the purchase of inventory denominated in US dollars. To minimise the impact of changes in the Australian Dollar/US Dollar exchange rate on profit and loss, the Group enters into forward exchange contracts in accordance with its Board-approved foreign exchange hedging policy.

The Group's exposure to foreign currency risk as at the end of the reporting period, expressed in Australian dollars, is shown below:

	28 Jun 2020		30 Jun 2019	
Consolidated	**US dollar transactional exposure $'000**	**Australian dollar equivalent $'000**	**US dollar transactional exposure $'000**	**Australian dollar equivalent $'000**
Forward contracts	63,500	96,098	102,909	142,787
Foreign currency trade payables	8,896	12,554	20,966	29,895
Transactional foreign exchange risk	72,396	108,652	123,875	172,682

The sensitivity of the Group's transactional foreign currency risk exposure is estimated by assessing the impact that a 10% increase and 10% decrease in the Australian Dollar/US Dollar exchange rate would have on profit and equity of the Group at the reporting date.

	28 Jun 2020			30 Jun 2019		
	Movement in Australian dollar US dollar exchange rate %	**Increase/ (decrease) in profit or loss $'000**	**Increase/ (decrease) in other comprehensive income $'000**	**Movement in Australian dollar US dollar exchange rate %**	**Increase/ (decrease) in profit or loss $'000**	**Increase/ (decrease) in other comprehensive income $'000**
Forward Contracts	10%	–	(9,066)	10%	–	(6,570)
	(10%)	–	3,867	(10%)	–	14,181
Trade Payables	10%	210	932	10%	287	2,431
	(10%)	(256)	(1,139)	(10%)	(351)	(2,971)

In management's opinion, the above sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

As noted above the Group manages its foreign currency risk through forward currency contracts.

The maturity, settlement amounts and the average contractual exchange rates of the Group's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian dollars		Average exchange rates	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**	**28 Jun 2020**	**30 Jun 2019**
Buy US dollars				
Maturity:				
0 – 3 months	37,338	42,597	0.6562	0.7374
3 – 6 months	17,601	37,346	0.6534	0.7230
6 – 12 months	41,159	62,845	0.6681	0.7081

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Translational Foreign Currency Risk

The Group includes certain subsidiaries whose functional currencies are different to the Group's presentation currency of Australian Dollars. As stated in Note 2, on consolidation the assets and liabilities of these entities are translated into Australian dollars at exchange rates prevailing on the balance date. The income and expenses of these entities are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and are transferred to a foreign exchange translation reserve. The main operating entities outside of Australia are based in New Zealand. The Group's future reported profits could therefore be impacted by changes in rates of exchange between the Australian Dollar and the New Zealand Dollar.

	28 Jun 2020		30 Jun 2019	
	NZ dollar translational exposure $'000	Australian dollar equivalent $'000	NZ dollar translational exposure $'000	Australian dollar equivalent $'000
New Zealand dollar net assets	17,570	16,354	19,471	18,610

The sensitivity of the Group's translational foreign currency risk exposure is estimated by assessing the impact that a 10% increase and 10% decrease in the Australian Dollar/NZ Dollar exchange rate would have on profit and equity of the Group at the reporting date.

	28 Jun 2020		30 Jun 2019	
	Movement in Australian dollar NZ dollar exchange rate %	Increase/ (decrease) in other comprehensive income $'000	Movement in Australian dollar NZ dollar exchange rate %	Increase/ (decrease) in other comprehensive income $'000
New Zealand dollar net assets	10%	(1,414)	10%	(1,692)
	(10%)	1,906	(10%)	2,068

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the 18 August 2020, the Group entered into an interest rate swap contract to mitigate the risk of changing interest rates on the variable rate debt held. The interest rate swap contract matures in line with the Group's financing facilities.

As at the reporting date, the Group had the following cash and cash equivalents, variable rate borrowings and interest rate swap contracts outstanding:

	28 Jun 2020		30 Jun 2019	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	2.02%	(86,125)	2.78%	(86,125)
Interest rate swap	–	–	4.31%	32,750
Net exposure to cash flow interest rate risk		(86,125)		(53,375)

Sensitivity impact of interest rate changes has not been shown as a 0.5% change in interest rates would have an immaterial profit or loss impact based on the net exposure to cash flow interest rate risk at balance date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Bank overdraft	5,700	8,800
Working capital facility	90,000	15,000
Bank guarantee and letters of credit	1,700	2,425
	97,400	26,225

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, and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 28 Jun 2020	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade payables	–	24,504	–	–	–	24,504
Other payables	–	17,121	–	–	–	17,121
Lease liabilities	–	95,374	84,091	154,113	21,773	355,351
Interest-bearing – variable						
Term loans	2.02%	5,000	10,000	61,125	–	76,125
Working capital facility	1.96%	10,000	–	–	–	10,000
Total non-derivatives		151,999	94,091	215,238	21,773	483,101
Derivatives						
Interest rate swaps net settled	–	–	–	–	–	–
Forward foreign exchange contracts net settled	–	(3,627)	–	–	–	(3,627)
Total derivatives		(3,627)	–	–	–	(3,627)

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Consolidated - 30 Jun 2019	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	–	57,081	–	–	–	57,081
Other payables	–	13,423	–	–	–	13,423
Interest-bearing - variable						
Term loans	2.76%	10,000	56,125	–	–	66,125
Working capital facility	2.86%	20,000	–	–	–	20,000
Total non-derivatives		100,504	56,125	–	–	156,629
Derivatives						
Interest rate swaps net settled	4.31%	508	–	–	–	508
Forward foreign exchange contracts net settled	–	(3,352)	–	–	–	(3,352)
Total derivatives		(2,844)	–	–	–	(2,844)

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

Capital risk management

The Group manages its capital to ensure that all the entities within the Group are able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, trade and other receivables, inventories, intangibles and net working capital. The equity attributable to equity holders of the parent entity comprises issued capital, reserves and accumulated losses.

Management effectively manage the Group's capital by assessing the Group's financial risks and adjusting the Group's capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

None of the Group entities are subject to externally-imposed capital requirements.

The capital risk management policy has not changed since the 30 June 2019 year.

NOTE 27. FAIR VALUE MEASUREMENT

The only financial assets or financial liabilities carried at fair value in the current year are foreign currency forward contracts. All these instruments are Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

The fair value was obtained from third party valuations derived from discounted cash flow forecasts of forward exchange rates at the end of the reporting period and contract exchange rates.

The interest rate swaps presented in the prior year was obtained from third party valuations derived from discounted cash flow forecasts of interest rates from observable yield curves at the end of the reporting period and contract interest rates.

There were no transfers between levels during the year.

The carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Consolidated	
	28 Jun 2020 $	**30 Jun 2019 $**
Short-term employee benefits	**4,210,018**	4,004,210
Post-employment benefits	**89,735**	90,344
Share-based payments	**939,903**	1,068,597
	5,239,656	5,163,151

NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	Consolidated	
	28 Jun 2020 $	**30 Jun 2019 $**
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	**540,010**	473,000
Other services - Deloitte Touche Tohmatsu		
Other consulting services	**–**	69,190
	540,010	542,190

NOTE 30. CONTINGENT LIABILITIES

The Group has bank guarantees outstanding as at 28 June 2020 of $2,757,387 (30 June 2019: $1,393,974). The Group also has open letters of credit of $12,501,817 (30 June 2019: $9,981,463). These guarantees and letters of credit are in favour of international stock suppliers and landlords where parent guarantees cannot be negotiated.

NOTE 31. COMMITMENTS

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	**10,295**	12,970

NOTE 32. RELATED PARTY TRANSACTIONS

Parent entity
Accent Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 35.

Key management personnel
Disclosures relating to key management personnel are set out in Note 28 and the remuneration report included in the directors' report.

Entities associated with key management personnel
Rivan Pty Limited, a shareholder, is a company associated with David Gordon.
2 Como Pty Ltd, a shareholder, is a company associated with Daniel Agostinelli.
Retail Oasis Pty Limited, a company associated with Stephen Kulmar.
BBRC International Pte Ltd, a shareholder, is a company associated with Brett Blundy.
Placed Pty Ltd, a company associated with Daniel Agostinelli.
Aventus Kotara South Pty Ltd, a company associated with Brett Blundy.
Musician Pty Ltd, a shareholder, is a company associated with Matthew Durbin.

Transactions with related parties
The following transactions occurred with related parties:

Placed Pty Ltd, a company associated with Daniel Agostinelli, provided recruitment services to the Group amounting to $241,684 (30 June 2019: $706,356).

Aventus Kotara South Pty Ltd, a company associated with Brett Blundy, is the landlord of the Skechers Kotara outlet.

Retail Oasis Pty Limited, a company associated with Stephen Kulmar, provided business strategy & planning services to the Group amounting to $117,416.

Retail Reality Pty Ltd, a company associated with Daniel Agostinelli, provided mystery shopping services to the Group amounting to $196,369 (30 June 2019: $229,032).

Loans to/from related parties
There were no loans to/from related parties outstanding at the reporting date.

NOTE 33. PARENT ENTITY INFORMATION
Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Profit after income tax	57,666	52,397
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income	57,666	52,397

NOTE 33. PARENT ENTITY INFORMATION (CONTINUED)

Statement of financial position

	Parent	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Total current assets	107,445	71,381
Total non-current assets	376,074	375,733
Total assets	483,519	447,114
Total current liabilities	35,413	23,911
Total non-current liabilities	82,817	69,669
Total liabilities	118,230	93,580
Net assets	365,289	353,534
Equity		
Issued capital	389,600	388,756
Share-based payments reserve	11,002	8,997
Accumulated losses	(35,313)	(44,219)
Total equity	365,289	353,534

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised in the parent entity's profit or loss.

NOTE 34. BUSINESS COMBINATIONS

28 June 2020

During the year to 28 June 2020, the Group completed the acquisition of 14 TAF stores. In addition to this, the Group acquired the assets of the Stylerunner business, a premium digital business in the fast-growing women's athleisure segment, out of administration. The total consideration transferred for these acquisitions was $8,887,201. Goodwill of $7,072,803 was recognised on acquisition.

Details of the provisional assets and liabilities acquired are as follows:

	Fair value $'000
Cash and cash equivalents	3
Inventories	2,197
Other current assets	9
Property, plant and equipment	104
Right-of-use assets	7,222
Net deferred tax	(264)
Provisions	(170)
Deferred revenue	(836)
Other current liabilities	(85)
Lease liability	(7,596)
Net assets acquired	584
Reacquired rights	1,230
Goodwill	7,073
Acquisition-date fair value of the total consideration transferred	8,887
Representing:	
Cash paid or payable to vendor	8,818
Outstanding debts	69
	8,887

NOTE 34. BUSINESS COMBINATIONS (CONTINUED)

Details of the cash flow movement relating to the acquisition are as follows:

	Fair value $'000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	8,887
Add: outstanding debts	69
Less: cash and cash equivalents	(3)
Net cash used	8,953

The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

30 June 2019

During the year to 30 June 2019, the Group completed the acquisition of 30 TAF stores. This included the reacquisition of the New Zealand Master Franchise License, representing 6 Corporate stores, 2 Franchise Stores and 1 Online store. In addition to this, the Group acquired the Subtype business, a sneaker and fashion boutique from Zanerobe Global Holdings Pty Ltd. The total consideration transferred for these acquisitions was $12,124,057. Goodwill of $9,138,571 was recognised on acquisition and represents the expected synergies to be realised from merging this business into the existing Group.

Details of the business combination are as follows:

	Fair value $'000
Cash and cash equivalents	9
Inventories	4,146
Other current assets	119
Property, plant and equipment	256
Deferred tax asset	103
Trade and other payables	(21)
Employee benefits	(285)
Other current liabilities	(1,047)
Lease liability	(674)
Net assets acquired	2,606
Re-acquired right	379
Goodwill	9,139
Acquisition-date fair value of the total consideration transferred	12,124
Representing:	
Cash paid or payable to vendor	11,813
Outstanding debt/loans forgiven	311
	12,124

Details of the cash flow movement relating to the acquisition are as follows:

	Fair value $'000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	12,124
Less: cash and cash equivalents	(9)
Less: outstanding debt/loans forgiven	(311)
Net cash used	11,804

NOTE 35. 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/Country of incorporation	Ownership interest 28 Jun 2020 %	Ownership interest 30 Jun 2019 %
The Athlete's Foot Australia Pty Ltd	Australia	100%	100%
TAF Constructions Pty Ltd[a]	Australia	100%	100%
RCG Brands Pty Ltd	Australia	100%	100%
RCG Retail Pty Ltd	Australia	100%	100%
TAF eStore Pty Ltd[a]	Australia	100%	100%
TAF Partnership Stores Pty Ltd[a]	Australia	100%	100%
TAF Rockhampton Pty Ltd[b]	Australia	100%	100%
TAF Eastland Pty Ltd[b]	Australia	100%	100%
TAF The Glen Pty Ltd[b]	Australia	100%	100%
TAF Hornsby Pty Ltd[b]	Australia	100%	100%
TAF Hobart Pty Ltd[b]	Australia	100%	100%
TAF Booragoon Pty Ltd[b]	Australia	100%	100%
Accent Group Ltd[c]	New Zealand	100%	100%
Platypus Shoes Ltd[d]	New Zealand	100%	100%
Accent Footwear Ltd[d]	New Zealand	100%	100%
Hype DC Ltd[d]	New Zealand	100%	100%
TAF New Zealand Ltd[d]	New Zealand	100%	100%
Accent Brands Pty Ltd[c]	Australia	100%	100%
Platypus Shoes (Australia) Pty Ltd[c]	Australia	100%	100%
42K Pty Ltd[e]	Australia	100%	100%
RCG Grounded Pty Ltd	Australia	100%	100%
RCG Accent Group Holdings Pty Ltd	Australia	100%	100%
Hype DC Pty Ltd	Australia	100%	100%
Subtype Pty Ltd	Australia	100%	100%
Pivot Store Pty Ltd	Australia	100%	–
Cremm Pty Ltd	Australia	100%	–
Accent Stylerunner Pty Ltd	Australia	100%	–
Subtype Limited[d]	New Zealand	100%	–
Accent Group Pte Ltd	Singapore	–	100%

(a) Indirectly held through The Athlete's Foot Australia Pty Ltd
(b) Indirectly held through TAF Partnership Stores Pty Ltd
(c) Indirectly held through RCG Accent Group Holdings Pty Ltd
(d) Indirectly held through Accent Group Ltd (New Zealand)
(e) Indirectly held through Accent Brands Pty Ltd

NOTE 36. 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:

Accent Group Ltd	(ACN 108 096 251)
RCG Brands Pty Ltd	(ACN 125 433 972)
The Athlete's Foot Australia Pty Ltd	(ACN 001 777 582)
RCG Retail Pty Ltd	(ACN 144 955 117)
RCG Accent Group Holdings Pty Ltd	(ACN 613 017 422)
Hype DC Pty Limited	(ACN 081 432 313)
TAF Partnership Stores Pty Ltd	(ACN 164 791 048)
TAF eStore Pty Ltd	(ACN 158 031 040)
T.A.F Constructions Pty Ltd	(ACN 097 684 430)
Accent Group Pty Ltd	(ACN 001 742 552)
Platypus Shoes (Australia) Pty Ltd	(ACN 122 726 907)
42K Pty Ltd	(ACN 169 043 145)
RCG Grounded Pty Ltd	(ACN 611 621 482)
Subtype Pty Ltd	(ACN 628 866 419)
Pivot Store Pty Ltd	(ACN 634 893 691)
Cremm Pty Ltd	(ACN 636 815 284)
Accent Stylerunner Pty Ltd	(ACN 637 053 028)

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.

The above subsidiaries and Accent Group Limited together referred to as the 'Closed Group' either originally entered the Deed on 23 February 2017 or have subsequently joined the Deed.

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

Statement of profit or loss and other comprehensive income	**28 Jun 2020 $'000**	**30 Jun 2019 $'000**
Revenue	742,458	716,204
Other income	9,902	26,089
Interest revenue	1,250	463
Cost of sales	(317,987)	(307,251)
Distribution	(27,564)	(25,024)
Marketing	(28,697)	(18,885)
Occupancy	(12,592)	(85,322)
Employee expenses	(144,150)	(153,617)
Other	(32,021)	(31,006)
Depreciation, amortisation and impairment	(99,103)	(26,953)
Finance costs	(14,311)	(4,025)
Profit before income tax expense	77,185	90,673
Income tax expense	(21,035)	(19,451)
Profit after income tax expense	56,150	71,222
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	2,692	(1,408)
Foreign currency translation	484	(1,614)
Other comprehensive income/(loss) for the year, net of tax	3,176	(3,022)
Total comprehensive income for the year	59,326	68,200

NOTE 36. DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position	28 Jun 2020 $'000	30 Jun 2019 $'000
Current assets		
Cash and cash equivalents	39,405	24,417
Trade and other receivables	50,516	30,800
Inventories	112,404	112,595
Lease receivable	8,811	–
Derivative financial instruments	–	3,769
Other current assets	4,204	1,769
	215,340	173,350
Non-current assets		
Property, plant and equipment	83,695	78,288
Right-of-use assets	201,351	–
Lease receivable	17,074	–
Intangibles	358,779	353,918
Net deferred tax	17,096	12,102
	677,995	444,308
Total assets	893,335	617,658
Current liabilities		
Trade and other payables	89,348	83,219
Deferred revenue	3,295	2,498
Provisions	13,439	13,032
Borrowings	15,000	30,000
Lease liabilities	70,560	–
Derivative financial instruments	3,627	925
Provision for income tax	23,390	9,807
Deferred lease incentives	–	8,152
	218,659	147,633
Non-current liabilities		
Provisions	1,451	2,466
Deferred revenue	2,864	
Borrowings	71,125	56,125
Lease liabilities	203,959	–
Deferred lease incentives	–	23,520
	279,399	82,111
Total liabilities	498,058	229,744
Net assets	395,277	387,914
Equity		
Issued capital	389,600	388,756
Reserves	18,328	11,903
Accumulated losses	(12,651)	(12,745)
Total equity	395,277	387,914

NOTE 37. CASH FLOW INFORMATION

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

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Profit after income tax expense for the year	**55,682**	53,886
Adjustments for:		
Depreciation and amortisation	**105,843**	28,268
Share-based payments	**2,005**	2,983
Provision for asset impairment	**2,764**	1,050
Foreign exchange differences	**175**	(78)
Employee expenses	**(2,616)**	–
Other expenses	**(1,334)**	–
Occupancy expenses	**(6,084)**	(9,094)
Change in assets and liabilities, net of the effect from acquisition of businesses		
Receivables	**(5,943)**	(11,741)
Inventories	**4,562**	(32,914)
Trade creditors and provisions	**4,391**	38,826
Tax assets and liabilities	**7,227**	(5,499)
Net cash from operating activities	**166,672**	65,687

NOTE 38. EARNINGS PER SHARE

	Consolidated	
	28 Jun 2020 $'000	**30 Jun 2019 $'000**
Profit after income tax	**55,682**	53,886
Non-controlling interest	**–**	(17)
Profit after income tax attributable to the owners of Accent Group Limited	**55,682**	53,869

	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**539,880,461**	537,379,873
Adjustments for calculation of diluted earnings per share:		
Options and loan funded shares	**1,150,002**	2,356,670
Performance rights	**19,900,000**	24,876,154
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**560,930,463**	564,612,697

	Cents	**Cents**
Basic earnings per share	**10.31**	10.02
Diluted earnings per share	**9.93**	9.54

Recognition and measurement

Basic earnings per share

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

NOTE 38. EARNINGS PER SHARE (CONTINUED)

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

NOTE 39. SHARE-BASED PAYMENTS

Option Plans

Employee Share Scheme

Shares under the Accent Group Employee Share Scheme ('ESS') are held in escrow until certain vesting conditions are met. The shares were issued at market value at the date of the offer and the Company has provided employees with a limited recourse loan to acquire the shares. Interest on the loan is equivalent to the value of franked dividends paid in respect of the shares. The shares are treated as in substance options and accounted for as share-based payments.

Set out below are the outstanding options granted under each plan.

28 Jun 2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
02/10/2014	30/03/2020	$0.590	466,668	–	(466,668)	–	–
30/03/2015	30/09/2020	$0.730	73,334	–	(73,334)	–	–
27/05/2015	30/09/2020	$0.730	933,334	–	(266,667)	–	666,667
27/05/2015	30/09/2020	$1.010	333,333	–	(166,667)	–	166,666
28/08/2015	30/08/2020	$1.140	550,001	–	(133,332)	(100,000)	316,669
13/05/2016	28/02/2021	$1.490	400,000	–	–	(200,000)	200,000
			2,756,670	–	(1,106,668)	(300,000)	1,350,002

30 Jun 2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
28/02/2013	28/08/2018	$0.490	993,333	–	(893,333)	(100,000)	–
03/12/2013	03/06/2019	$0.690	66,666	–	(66,666)	–	–
02/10/2014	30/03/2020	$0.590	1,083,334	–	(616,666)	–	466,668
30/03/2015	30/09/2020	$0.730	146,667	–	(73,333)	–	73,334
27/05/2015	30/09/2020	$0.730	1,750,000	–	(816,666)	–	933,334
27/05/2015	30/09/2020	$1.010	500,000	–	(166,667)	–	333,333
28/08/2015	30/08/2020	$1.140	1,100,000	–	(99,999)	(450,000)	550,001
13/05/2016	28/02/2021	$1.490	400,000	–	–	–	400,000
			6,040,000	–	(2,733,330)	(550,000)	2,756,670

The weighted average share price during the financial year was $0.973 (30 June 2019: $1.395).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.3 years (2019: 1.2 years).

Performance rights

On 14 October 2016, the Board approved a performance rights plan called the RCG Performance Rights Plan ('PRP'). The PRP was introduced following a review by the Board of the existing remuneration arrangements of the Company. The PRP replaces the ESS.

The objective of the PRP is to align the interests of employees of the Group with those of the shareholders and provide employees of the Group who are considered to be key to the future success of the Company with an opportunity to receive shares in order to reward and retain the services of those persons and recognise the employees of the Group for their contribution to the future success of the Company.

NOTE 39. SHARE-BASED PAYMENTS (CONTINUED)

Eligibility and grant of performance rights

The Board may, from time to time, grant performance rights to an employee of the Group who the Board determines to be eligible to participate in the PRP. This may include an executive director of the Company but may not include a non-executive director of the Company. The performance rights granted are under the terms and conditions of the PRP and may include additional terms and conditions, including any performance conditions, as the Board determine. The Board may only grant performance rights where an employee continues to satisfy any relevant conditions imposed by the Board.

Vesting of performance rights

Vesting of performance rights are subject to prescribed performance conditions. The remaining 29,062,116 performance rights are all subject to an EPS performance condition. For the performance rights to vest, the Company's compound annual growth in adjusted diluted earnings per share must equal or exceed 10% p.a. over the vesting period. If the performance condition is met, 100% of the performance rights vest. If the performance condition is not met, none of the performance rights vest unless the Board determines otherwise.

Recognition and measurement

The Group recognises the fair value at the grant date of equity settled shares as an expense with a corresponding increase in equity over the vesting period. Fair value is independently determined using either a Monte Carlo simulation or the Black-Scholes option pricing model, as appropriate, that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. Vesting is also subject to the recipients of the performance rights remaining in employment with the Company.

Lapsing of performance rights

An unvested performance right will lapse in various prescribed circumstances, unless the Board determines otherwise. Such circumstances include:

- the circumstances specified by the Board on or before the grant of the performance right;
- if a participant ceases to be an employee and/or director of a Group company for any reason or they cease to satisfy any other relevant conditions imposed by the Board at the time of the grant of the performance rights;
- failure to meet the performance conditions attaching to the performance right or any performance condition no longer, in the opinion of the Board, being capable of being satisfied in accordance with their terms; and
- if in the opinion of the Board a participant acts fraudulently or dishonestly, is in breach of their material duties or obligations to any Group company, has committed an act of harassment or discrimination or has done any act which has brought the Group or any Group company into disrepute.

Set out below are summaries of the performance rights granted:

28 Jun 2020

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
11/01/2017	09/11/2019	1,076,154	-	(925,491)	(150,663)	-
03/10/2017	30/10/2022	16,700,000	-	-	-	16,700,000
27/12/2017	30/10/2022	6,700,000	-	-	-	6,700,000
20/06/2018	30/10/2022	400,000	-	-	-	400,000
30/11/2019	30/11/2022		1,684,863			1,684,863
30/11/2019	30/11/2024		3,577,253	-	-	3,577,253
		24,876,154	5,262,116	(925,491)	(150,663)	29,062,116

30 Jun 2019

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
11/01/2017	09/11/2019	1,210,552	–	–	(134,398)	1,076,154
03/10/2017	30/10/2022	16,950,000	–	–	(250,000)	16,700,000
27/12/2017	30/10/2022	6,700,000	–	–	–	6,700,000
20/06/2018	30/10/2022	400,000	–	–	–	400,000
		25,260,552	–	–	(384,398)	24,876,154

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 2.6 years (2019: 3.2 years).

NOTE 40. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

If the initial accounting for a business contribution is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for items for which the accounting is incomplete.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a reduction of the expense to which it relates.

Dividends

Dividends are recognised when declared during the financial year.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

NOTE 41. EVENTS AFTER THE REPORTING PERIOD

On 5 August 2020, per the Victorian Government directive, the Company closed all its Melbourne metropolitan stores to customers for a minimum period of six weeks. These stores continue operating as 'dark stores', fulfilling online orders.

The New Zealand Government re-introduced level 3 restrictions in Auckland resulting in stores temporarily closing for a period of two weeks from 12 August 2020. These stores continue operating as 'dark stores', fulfilling online orders.

The health and wellbeing of our team and customers remains paramount, and the Company will continue to follow Government health guidelines over the coming weeks and months. This could involve further restrictions in Australia and New Zealand impacting the Group's operations.

There remains significant ongoing environmental uncertainty due to COVID-19, increasing risk and volatility and making future outcomes hard to predict. Whilst the Company is well placed to respond to a range of potential COVID-related circumstances and impacts, the extent and duration of these impacts is unknown.

Apart from the dividend declared as disclosed in Note 25, no other matter or circumstance has arisen since 28 June 2020 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

for the year ended 28 June 2020

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 28 June 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 36 to the financial statements.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

David Gordon
Chairman

26 August 2020
Melbourne

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Accent Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 28 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 28 June 2020 and of its financial performance for the year then ended; and

(ii) 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 & 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 reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of goodwill and indefinite useful life intangible assets	
Goodwill and indefinite useful life intangible assets (principally brand names) totaling $358.6m have been recognised in the consolidated statement of financial position as a consequence of acquisitions undertaken in the current and past periods. Management conducts impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is performed through value-in-use discounted cash flow models. As disclosed in Note 16, there are a number of key estimates made which require significant judgement in determining the inputs into these discounted cash flow models, which include: • Revenue growth; • Royalty rates (used in the Relief from Royalty brand valuation model); and • Discount rates applied to the projected future cash flows.	Our audit procedures included, but were not limited to: • Evaluating the principles and integrity of the discounted cash flow models used by management to calculate value-in-use of the Group to ensure it complies with the relevant accounting standards; • Challenging management with respect to the revenue growth rates underlying the cash flow forecasts to determine whether they are reasonable and supportable based on historical performance, management's strategic growth plans for the Group, and other known industry factors; • Evaluating the impact of COVID-19 on the Group's future trading performance and the increased level of uncertainty; and • Engaging our valuation specialists to assess the reasonableness of the basis adopted by management in determining the other key inputs and assumptions underlying the calculations in the models including: ○ Evaluating the royalty rates used by comparison to the market data on similar brand's royalty rates; and ○ Evaluating the discount rate used by assessing the cost of capital of the Group comparison to market data. • Performing sensitivity analysis on the key model inputs and assumptions. We also assessed the appropriateness of the disclosures in Note 16 to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Provision for impairment of inventories	

As at 28 June 2020, the Group has recognised $129.1m in inventories in the consolidated statement of financial position as disclosed in Note 10.
 	
Inventories are recognised net of a provision for impairment where the net realisable value of inventories is less than cost. The level of the provision is assessed by taking into account the anticipated level of sales and margins based on recent historical performance, the quality of inventory held at balance sheet date and the broader market conditions.
 	
To the extent that these judgements and estimates prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods.
	Our audit procedures included, but were not limited to:
	
	• Understanding the Group's processes and relevant controls related to the determination of the provision for inventory;
	• Challenging management's estimate of the provision by considering, amongst others, the following sources of information to assess net realisable value:
	  ○ Actual losses incurred in the previous 12 months due to inventory being sold below cost and inventory written off;
	  ○ Inventory not sold during the period; and
	  ○ The likelihood of current inventory becoming impaired in the future based on internal and external factors, including the impact of COVID-19.
	• Assessing the reasonableness of the basis adopted by management in determining the provision calculations;
	• Recalculating the inventory provision to test compliance with the Group's accounting policy.
	
	We also assessed the appropriateness of the disclosures in Note 10 to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Adoption of AASB 16 Leases	
As disclosed in Note 4, the Group adopted AASB 16 *Leases* from 1 July 2019. Under the relevant accounting standard, an entity must recognise a right of use asset and a lease liability arising from leases (with some exceptions), in the consolidated statement of financial position as disclosed in Note 15 and 22 respectively. The Group has applied the modified retrospective approach to adoption. Under the modified retrospective approach, the Group recognised a right of use asset of $254.2m and a lease liability of $331.8m in the balance sheet on 1 July 2019 with no restatement of comparative financial periods. Upon adoption, the Group has been required to make a number of judgements and estimates, including: • Determining the lease term including whether renewal options should be incorporated into the determination of lease term; and • Determining an appropriate incremental borrowing rate to be applied in the calculation of right of use assets and lease liabilities.	Our audit procedures included, but were not limited to: • Understanding the Group's processes and controls related to the adoption of the new accounting standard; • Testing, on a sample basis, the calculation of the right of use asset and lease liability as at 1 July 2019; • Testing the accuracy of the lease data in the Group's lease management system, by agreeing on a sample bases, the data recorded to the underlying lease agreements; • Assessing the completeness of leases included in the determination of the right of use asset and lease liabilities recognised; • Evaluating the estimates and judgements applied by management in determining key assumptions, including the probability of exercising options on lease extensions; • In conjunction with our Treasury specialists, assessing the incremental borrowing rates used by management; • Assessing the mathematical accuracy of management's calculations by recalculating the expected lease liability and right of use asset; and • Testing, on a sample basis, movements in the right of use asset and lease liability balances during the year to 28 June 2020 and recalculating the interest and depreciation charges recognised in the consolidated statement of profit or loss for the year then ended. We also assessed the appropriateness of the disclosures included in Note 15 and Note 22 to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
COVID-19 Rent concessions	
As disclosed in Notes 4 and 7 to the financial statements, the Group has negotiated rent concessions with its landlords. Of these negotiated rent concessions, \$7.6m has been recognised as a reduction of occupancy expenses in the consolidated statement of profit or loss and other comprehensive income. The recognition of COVID-19 rent concessions is significant because: • The rent concessions have a significant impact on profit or loss and, in certain circumstances, lease liabilities; • The Group entered into a number of agreements, each with different terms and conditions; and • The timing of when the agreements were reached could have a significant impact on the profit or loss.	Our audit procedures included, but were not limited: • Understanding the Group's process and relevant controls related to the identification and accounting for rent concessions; • Reviewing agreements and other relevant documentation between the Group and its landlords to identify the terms and conditions of the amended lease agreement and the date at which agreement was reached between the two parties; • Assessing whether any conditions contained within the agreements with the Group's landlords had been met as at 28 June 2020; • Testing on sample basis, the accounting treatment of rent abatements to the underlying agreements; and • Obtaining direct confirmation from a sample of landlords of the timing, nature and amount of rent abatements provided to the Group where agreements had been reached with landlords outside of formal amendments to lease agreements. We also assessed the appropriateness of the disclosures included in Notes 4 and 7 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Shareholder Information which we obtained prior to the date of this auditor's report. The annual report will also include the Chairman and Chief Executive Officer's Report which is expected to be made available to us after that date (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 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.

When we read the Chairman and Chief Executive Officer Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of

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the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 has 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 judgement 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's 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.

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period 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 Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 27 of the Directors' Report for the year ended 28 June 2020.

In our opinion, the Remuneration Report of Accent Group Limited, for the year ended 28 June 2020, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Melbourne, 26 August 2020

Shareholder Information

The shareholder information set out below was applicable as at 12 August 2020.

DISTRIBUTION OF EQUITABLE SECURITIES

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

	Number of holders of ordinary shares
1 to 1,000	2,107
1,001 to 5,000	3,824
5,001 to 10,000	1,909
10,001 to 100,000	2,923
100,001 and over	222
	10,985
Holding less than a marketable parcel	344

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**
BBRC INTERNATIONAL	97,539,693	18.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	75,984,818	14.02
J P MORGAN NOMINEES AUSTRALIA LIMITED	52,452,497	9.68
CITICORP NOMINEES PTY LIMITED	38,118,047	7.03
CRAIG JOHN THOMPSON	32,837,395	6.06
BNP PARIBAS NOMS PTY LTD <DRP>	20,057,865	3.70
JAMES WILLIAM DUELL	12,500,000	2.31
MR DANIEL JOHN GILBERT	11,000,000	2.03
MRS CINDY GILBERT	11,000,000	2.03
NATIONAL NOMINEES LIMITED	10,265,736	1.89
MR MICHAEL JOHN HAPGOOD	9,720,000	1.79
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,987,195	0.55
PITTMAN PTY LIMITED <THE PITT FAMILY A/C>	2,728,000	0.50
RIVAN PTY LTD <DAVID GORDON SUPER FUND A/C>	2,599,034	0.48
MR GEOFFREY WILLIAM WEBSTER	1,295,642	0.24
MR TERRY SPYRIDES	1,150,000	0.21
UBS NOMINEES PTY LTD	1,131,972	0.21
GWYNVILL TRADING PTY LTD	1,084,500	0.20
BBRC INTERNATIONAL PTE LTD <THE BB FAM INTERNATIONAL A/C>	1,003,058	0.19
MR ROBERT THOMAS + MRS KYRENIA THOMAS <ROB THOMAS SUPER FUND A/C>	1,000,000	0.18
	386,455,452	**71.30**

SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
BBRC International	97,539,693	18.00
Craig John Thompson	32,837,395	6.06

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.

There are no other classes of equity securities.

RESTRICTED SECURITIES

Class	**Expiry date**	**Number of shares**
Ordinary shares subject to the RCG Employee Share Scheme restrictions	Various	1,350,002

Corporate Directory

DIRECTORS	David Gordon – Chairman Daniel Agostinelli – Chief Executive Officer Stephen Goddard Michael Hapgood Joshua Lowcock Donna Player
JOINT COMPANY SECRETARIES	Matthew Durbin Celesti Harmse
REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS	2/64 Balmain Street Richmond VIC 3121 Telephone: +61 3 9427 9422 Facsimile: +61 3 9427 9622 Email: investors@accentgr.com.au
SHARE REGISTER	Computershare Investor Services Pty Limited Level 4 60 Carrington Street Sydney NSW 2000 Telephone: 1300 787 272
AUDITOR	Deloitte Touche Tohmatsu 477 Collins Street Melbourne VIC 3000
BANKERS	National Australia Bank Hongkong and Shanghai Banking Corporation
STOCK EXCHANGE LISTING	Accent Group Limited shares are listed on the Australian Securities Exchange (ASX code: AX1)
WEBSITE	www.accentgr.com.au
CORPORATE GOVERNANCE STATEMENT	www.accentgr.com.au/for-investors/corporate-governance