Accent Group Limited

ABN 85 108 096 251

Appendix 4D
Half-year Report

Appendix 4D

1. COMPANY DETAILS

Name of entity:	Accent Group Limited
ABN:	85 108 096 251
Reporting period:	For the half-year ended 27 December 2020 (26 weeks)
Previous period:	For the half-year ended 29 December 2019 (26 weeks)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Percentage change %	Amount $'000
Revenue from ordinary activities	up 5.3%	to 478,052
Profit after income tax for the period	up 57.3%	to 52,799

Dividends

	Amount per security Cents	Franked amount per security Cents
2020 Final dividend	4.00	4.00
2021 Interim dividend	8.00	8.00

Dividend payment date:

- 2020 Final dividend	24 September 2020
- 2021 Interim dividend	18 March 2021

3. NET TANGIBLE ASSETS PER SECURITY

	27 Dec 2020 Cents	29 Dec 2019 Cents
Net tangible assets per ordinary security	14.72	9.60

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 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 reviewed by Deloitte.

For further explanation of the figures above please refer to the ASX Announcement dated 23 February 2021 on the results for the half-year ended 27 December 2020 and the notes to the financial statements.

Accent Group Limited

ABN 85 108 096 251

Interim Report
27 December 2020

Contents

27 December 2020

Directors' Report

27 December 2020

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of Accent Group Limited (referred to hereafter as the 'Company' or 'Accent Group') and the entities it controlled at the end of, or during, the half-year ended 27 December 2020.

DIRECTORS

The following persons were directors of Accent Group Limited during the whole of the half-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

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 550 stores and 21 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.

DIVIDENDS

Dividends paid during the half-year were as follows:

	Consolidated	
	27 Dec 2020 $'000	**29 Dec 2019 $'000**
Final dividend for the year ended 28 June 2020 of 4.00 cents (2019: 3.75 cents) per ordinary share	21,675	20,297
	21,675	20,297

In respect of the financial year ending 27 June 2021, the directors recommended the payment of an interim fully franked dividend of 8.00 cents per share to be paid on 18 March 2021.

The Group ended the half year in a strong cash position of $72,781,000 and Earnings Per Share increased by 56.9% to 9.76 cents per share.

REVIEW OF OPERATIONS

The Group delivered a record profit for the half year ended 27 December 2020 through its integrated digital and stores operating model, coupled with an unrelenting focus on VIP, Vertical and Virtual.

Total sales (including TAF franchise sales) grew to $541.3 million, an increase of 6.6% on the prior year. Digital sales represented 22.3% of retail sales and increased by 110% to $108.1 million, and the Group is on track to grow digital sales to 30% of retail sales over time. The Group continues to invest in its Virtual sales capability through various channels, and its customer experience team, as well as growing its contactable customer database.

Accent Group delivered strong retail sales in Platypus, Hype DC, Subtype, Skechers, Vans and Dr Martens, while TAF experienced outstanding growth in sales and gross margin, continuing to benefit from consumer demand in the active and performance categories. Wholesale sales were ahead of expectations with a strong forward pipeline of orders into H2 and FY2022.

The Group opened 50 new stores during H1 and closed 5 stores where required rent outcomes could not be achieved, and expects to open at least 90 stores in FY2021 across all banners.

All of the Group's multi-brand banners now have well established vertical development programs, delivering $9.7 million in vertical sales in H1, up almost 50% on the prior year. This included the introduction and roll out of new vertical products including Shubar (Hype), Alpha (TAF), ITNO (Platypus) and Stylerunner accessories and apparel. The Group is on track to exceed $20m in vertical sales in FY2021 and will continue to invest in vertical products and brands to drive margin improvement.

The Group received JobKeeper wage subsidy payments for the period from July 2020 to September 2020 and did not apply for, nor was it eligible to receive, JobKeeper extension 1 beyond the end of September. Consistent with its people first approach, all of the Group's permanent employees continued to receive full pay both during mandated store closures and in other locations where store customer traffic was significantly down on prior years. In addition to maintaining all permanent employees on full pay, the Group continues to open stores and to grow employment, with over 50 new stores opened and more than 500 new jobs created since January 2020.

Accent Group's priority is the safety and wellbeing of its team and customers. At different times during H1, based on government mandated requirements, the Group temporarily closed stores in Melbourne, regional Victoria, Auckland, Adelaide and Brisbane. The impact on owned retail sales compared to the prior year from these closures was $39 million.

Given the continuation of COVID-19 and the likelihood of ongoing lockdowns, the Group will continue applying JobKeeper funds to keep our team members employed. It remains our position that no JobKeeper funds have or will be used in the calculation or payment of management bonuses or dividends.

Given the ongoing uncertainty relating to COVID-19, the Company has determined not to provide guidance for the full FY2021 year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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.

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors

David Gordon
Chairman

23 February 2021
Melbourne

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

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

23 February 2021

Dear Directors

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 review of the financial statements of Accent Group Limited for the half-year ended 27 December 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 review; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants

Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 27 December 2020

	Note	Consolidated 27 Dec 2020 $'000	Consolidated 29 Dec 2019 $'000
Revenue	5	478,052	454,183
Interest revenue		501	631
Expenses			
Cost of sales		(195,644)	(192,130)
Distribution		(18,453)	(14,903)
Marketing		(20,608)	(15,580)
Occupancy		(3,704)	(12,219)
Employee expenses	6	(79,998)	(91,026)
Other		(21,196)	(20,970)
Depreciation and amortisation		(56,615)	(51,807)
Finance costs		(7,116)	(7,779)
Profit before income tax expense		75,219	48,400
Income tax expense		(22,420)	(14,837)
Profit after income tax expense for the period		52,799	33,563
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		(12,473)	(2,526)
Foreign currency translation		2,984	1,872
Other comprehensive income for the period, net of tax		(9,489)	(654)
Total comprehensive income for the period		43,310	32,909
Profit for the period is attributable to:			
Owners of Accent Group Limited		52,799	33,563
		52,799	33,563
Total comprehensive income for the period is attributable to:			
Owners of Accent Group Limited		43,310	32,909
		43,310	32,909
		Cents	Cents
Basic earnings per share	18	9.76	6.22
Diluted earnings per share	18	9.37	5.94

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 27 December 2020

	Note	Consolidated 27 Dec 2020 $'000	Consolidated 28 Jun 2020 $'000
Assets			
Current assets			
Cash and cash equivalents		72,781	54,912
Trade and other receivables		29,552	33,264
Inventories	7	172,906	129,106
Lease receivable		8,996	8,811
Other current assets		5,245	4,507
Total current assets		289,480	230,600
Non-current assets			
Property, plant and equipment		109,822	97,732
Right of use asset		246,646	232,998
Lease receivable		18,277	17,074
Intangibles	8	355,965	358,583
Net deferred tax assets		27,194	19,248
Total non-current assets		757,904	725,635
Total assets		1,047,384	956,235
Liabilities			
Current liabilities			
Trade and other payables	10	138,693	93,735
Deferred revenue		8,683	4,228
Provisions		13,653	14,217
Borrowings	11	5,000	15,000
Lease liabilities		91,775	78,461
Derivative financial instruments		11,469	3,627
Provision for Income tax		14,221	25,311
Total current liabilities		283,494	234,579
Non-current liabilities			
Provisions		563	1,575
Deferred revenue		3,898	2,864
Borrowings	12	66,125	71,125
Lease liabilities		256,966	236,882
Derivative financial instruments		630	–
Total non-current liabilities		328,182	312,446
Total liabilities		611,676	547,025
Net assets		435,708	409,210
Equity			
Issued capital	13	390,407	389,600
Reserves		13,039	18,472
Retained earnings		32,262	1,138
Total equity		435,708	409,210

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

Statement of Changes in Equity

For the half-year ended 27 December 2020

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve – cash flow hedges $'000	Share-based payments reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2019	388,756	2,159	1,991	8,997	1,434	403,337
Transition adjustment on adoption of AASB 16	–	–	–	–	(7,217)	(7,217)
Balance at 1 July 2019	388,756	2,159	1,991	8,997	(5,783)	396,120
Profit after income tax expense for the half-year	–	–	–	–	33,563	33,563
Other comprehensive income for the half-year, net of tax	–	1,872	(2,526)	–	–	(654)
Total comprehensive income for the half-year	–	1,872	(2,526)	–	33,563	32,909
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	1,460	–	1,460
Treasury share payments	672	–	–	–	–	672
Dividends paid (Note 14)	–	–	–	–	(20,297)	(20,297)
Balance at 29 December 2019	389,428	4,031	(535)	10,457	7,483	410,864

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve – cash flow hedges $'000	Share-based payments reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 29 June 2020	389,600	2,787	4,683	11,002	1,138	409,210
Profit after income tax expense for the half-year	–	–	–	–	52,799	52,799
Other comprehensive income for the half-year, net of tax	–	2,984	(12,473)	–	–	(9,489)
Total comprehensive income for the half-year	–	2,984	(12,473)	–	52,799	43,310
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	4,056	–	4,056
Treasury share payments	807	–	–	–	–	807
Dividends paid (Note 14)	–	–	–	–	(21,675)	(21,675)
Balance at 27 December 2020	390,407	5,771	(7,790)	15,058	32,262	435,708

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

Statement of Cash Flows

For the half-year ended 27 December 2020

	Note	Consolidated 27 Dec 2020 $'000	Consolidated 29 Dec 2019 $'000
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		537,345	501,681
Payments to suppliers and employees (inclusive of GST)		(377,089)	(384,594)
Interest received		36	110
Interest and other finance costs paid		(1,090)	(2,010)
Income taxes paid		(37,470)	(24,049)
Net cash from operating activities		121,732	91,138
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired		(50)	(7,927)
Payments for property, plant and equipment(1)		(14,386)	(17,504)
Net cash used in investing activities		(14,436)	(25,431)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		807	672
Proceeds from borrowings		–	30,000
Repayment of borrowings		(15,000)	(25,000)
Payment for lease liabilities		(53,933)	(43,613)
Dividends paid	14	(21,675)	(20,297)
Net cash used in financing activities		(89,801)	(58,238)
Net increase in cash and cash equivalents		17,495	7,469
Cash and cash equivalents at the beginning of the financial half-year		54,912	36,698
Effects of exchange rate changes on cash and cash equivalents		374	(95)
Cash and cash equivalents at the end of the financial period		72,781	44,072

(1) Payments for property, plant and equipment are net of cash fitout contributions received from landlords of $12,095,000 (Dec 2019: $13,468,000)

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 half-year ('Group'). The financial statements are presented in Australian dollars, which is Accent's functional and presentation currency.

Accent is a 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 23 February 2021.

NOTE 2. BASIS OF PREPARATION

These general purpose financial statements for the period ended 27 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 28 June 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

The preparation of the Interim Financial Report requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these consolidated interim financial statements are the same as those applied in the Group's 2020 Annual Report.

Adoption of new accounting standards

The following new standards and amendments became effective as at 1 January 2020:

- AASB 2018-6 *Definition of a Business*
- AASB 2018-7 *Definition of Material*
- AASB 2019-1 *Conceptual Framework for Financial Reporting*
- AASB 2019-3 *Interest Rate Benchmark Reform*
- AASB 2019-5 *Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
- AASB 2020-4 *Covid-19 Related Rent Concessions*

Except for the adoption of AASB 2020-4, the above standards and interpretations have not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

COVID-19 related rent concessions

During the half-year, the Group recognised COVID-19 related rental concessions of $7,951,674. These rental concessions partially offset the sales impact of mandated store closures in Melbourne, regional Victoria, Auckland, Adelaide and Brisbane. The sales impact compared to the prior year from these closures was $39,273,566. 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 27 December 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 27 December 2020.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

To date, the Group has successfully negotiated $19,354,103 of COVID-19 rental concessions over the period of trading disruption (March 2020 to March 2021). Of the total, $7,630,788 met the conditions of the practical expedient in the year ended 28 June 2020, with an additional $7,951,674 being recognised in the half-year ended 27 December 2020, as a reduction in occupancy expense. The remaining $3,771,641 will be treated as a lease modification upon execution of new lease agreements and will reduce the lease liability and corresponding right of use asset.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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.

NOTE 4. 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 half 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.

	27 December 2020			29 December 2019		
	Australia $'000	New Zealand $'000	Group $'000	Australia $'000	New Zealand $'000	Group $'000
Sales to customers	407,041	59,852	466,893	398,287	45,883	444,170
Other geographical information						
Additions to property, plant and equipment	25,312	3,236	28,548	25,043	6,286	31,329

NOTE 5. REVENUE

	Consolidated	
	27 Dec 2020 $'000	29 Dec 2019 $'000
Sales revenue		
Sales to customers	466,893	444,170
Royalties and other franchise related income	6,392	5,773
	473,285	449,943
Other revenue		
Marketing levies received from TAF stores	3,554	2,981
Other revenue	1,213	1,259
	4,767	4,240
Revenue	478,052	454,183

NOTE 6. GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

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

During the half year, the Group received government grants under the JobKeeper program of $24,513,000 for the period July 2020 to September 2020. The Group did not apply for, nor was it eligible to receive, the JobKeeper extension for the period beyond the end of September.

Of the total amount received, expenses of $14,890,028 were incurred in the half year, which included payments that were passed directly to employees who were either not working or did not work sufficient hours to be otherwise remunerated more than the subsidy, and the total cost of employees receiving full pay during mandated store closure periods. The remaining $9,622,971 is considered a benefit to the Group in the half year, which the Company will continue to deploy to keep team members employed in the event of any future government mandated store closures due to lockdowns.

NOTE 7. CURRENT ASSETS - INVENTORIES

	Consolidated	
	27 Dec 2020 $'000	**28 Jun 2020 $'000**
Finished goods held at lower of cost and net realisable value	134,763	115,979
Goods in transit	38,143	13,127
	172,906	129,106

Provision for write down of inventories to net realisable value amounted to $6,203,901 (28 June 2020: $5,963,211).

NOTE 8. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	27 Dec 2020 $'000	**28 Jun 2020 $'000**
Goodwill – at cost	310,142	311,529
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	(344)	(328)
	7,488	7,504
Distribution rights – at cost	16,800	16,800
Less: Accumulated amortisation	(14,498)	(13,336)
	2,302	3,464
Re–acquired rights	1,308	1,308
Less: Accumulated amortisation	(386)	(333)
	922	975
Other intangible assets – The Athlete's Foot – at cost	720	720
Less: Accumulated amortisation	(720)	(720)
	–	–
	355,965	358,583

NOTE 8. NON-CURRENT ASSETS - INTANGIBLES (CONTINUED)

Reconciliations

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

Consolidated	Goodwill $'000	Brands and trademarks $'000	Licence fees $'000	Distribution rights $'000	Re-acquired rights $'000	Total $'000
Balance at 29 June 2020	311,529	35,111	7,504	3,464	975	358,583
Other[1]	(1,394)	–	–	–	–	(1,394)
Amortisation expense	–	–	(16)	(1,162)	(53)	(1,231)
Exchange differences	7	–	–	–	–	7
Balance at 27 December 2020	**310,142**	**35,111**	**7,488**	**2,302**	**922**	**355,965**

(1) During the half year ended 27 December 2020, the Group retrospectively adjusted the provisional amounts recognised for a business combination to reflect new information obtained. The retrospective adjustment mainly relates to recognising a deferred tax asset for the termination payments of TAF franchise agreements that were acquired in the last 12 months. The corresponding impact is a reduction to goodwill.

Impairment testing

Goodwill and brand names were subject to a full annual impairment test as at 28 June 2020. No indicators of impairment were identified that would require a full impairment test to be performed as at 27 December 2020. The annual financial report details the most recent annual impairment tests undertaken for all three brand names and goodwill. The key assumptions used for the impairment tests are disclosed in the annual financial report.

NOTE 9. IMPAIRMENT OF ASSETS

The Group is required to assess whether there is any indication that an asset (or CGU) may be impaired. The Group has determined that each store is a separate CGU.

The COVID-19 pandemic has resulted in changes to customer shopping habits, patterns and sources of finance. CBD locations are still heavily enduring the impacts of COVID-19, largely due to declining commuter foot traffic, an increase in people working from home and international border closures presenting challenges to the performance of the Group's CBD locations. For this reason, the Group has recognised an incremental impairment charge of $1,838,442 as at 27 December 2020 which comprises:

	$'000
Impairment of property, plant and equipment	41
Impairment of right of use assets	1,797

The value in use of each CGU is calculated based on the Group's performance to date and the latest Board approved half year forecast. Cash flows beyond year one represent the Groups five-year strategy which was presented to the Board on 18 November 2020. Growth rates were applied to store generated sales and click and dispatch and click and collect sales. Gross profit margins were assumed to remain in line with the forecasted FY21 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 9.0%.

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 or decrease in the impairment charge.

NOTE 10. TRADE AND OTHER PAYABLES

	Consolidated	
	27 Dec 2020 $'000	28 Jun 2020 $'000
Trade payables	43,516	24,504
Goods and services tax payable	6,758	7,171
Accrued expenses	60,957	44,939
Other payables	27,462	17,121
	138,693	93,735

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 27 December 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 11. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	27 Dec 2020 $'000	28 Jun 2020 $'000
Secured		
Bank loans	5,000	5,000
Trade finance facility	–	10,000
	5,000	15,000

NOTE 12. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	27 Dec 2020 $'000	28 Jun 2020 $'000
Secured		
Bank loans	66,125	71,125

NOTE 13. EQUITY - ISSUED CAPITAL

	Consolidated			
	27 Dec 2020 Shares	28 Jun 2020 Shares	27 Dec 2020 $'000	28 Jun 2020 $'000
Ordinary shares – fully paid	541,866,715	541,866,715	390,926	390,926
Less: Treasury shares	(383,335)	(1,350,002)	(519)	(1,326)
	541,483,380	540,516,713	390,407	389,600

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	28 June 2020	540,516,713		389,600
Employee Share Scheme - loans repaid	30 June 2020	250,000	$0.730	183
Employee Share Scheme - loans repaid	30 June 2020	250,000	$0.730	183
Employee Share Scheme - loans repaid	1 September 2020	100,000	$0.730	73
Employee Share Scheme - loans repaid	2 September 2020	100,000	$1.010	101
Employee Share Scheme - loans repaid	25 September 2020	33,333	$1.140	38
Employee Share Scheme - loans repaid	1 October 2020	33,334	$1.140	38
Employee Share Scheme - loans repaid	14 October 2020	66,666	$1.010	67
Employee Share Scheme - loans repaid	23 October 2020	33,333	$0.730	24
Employee Share Scheme - loans repaid	3 November 2020	33,333	$1.140	38
Employee Share Scheme - loans repaid	24 November 2020	33,334	$0.730	24
Employee Share Scheme - loans repaid	26 November 2020	33,334	$1.140	38
Balance	27 December 2020	541,483,380		390,407

NOTE 14. EQUITY - DIVIDENDS

Dividends paid during the period were as follows:

	Consolidated	
	27 Dec 2020 $'000	**29 Dec 2019 $'000**
Final dividend for the year ended 28 June 2020 of 4.00 cents (2019: 3.75 cents) per ordinary share	21,675	20,297
	21,675	20,297

In respect of the half year ended 27 December 2020, the directors recommended the payment of an interim fully franked dividend of 8.00 cents per share to be paid on 18 March 2021.

NOTE 15. FAIR VALUE MEASUREMENT

The only financial assets or financial liabilities carried at fair value are interest rate swaps and 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.

Valuation techniques for fair value measurements

The fair values are determined using the valuation techniques below. The fair value was obtained from third party valuations.

Forward foreign exchange contracts

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.

Interest rate swap contracts

Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between levels during the half year.

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

NOTE 16. CONTINGENT LIABILITIES

The Group has bank guarantees outstanding as at 27 December 2020 of $2,981,379 (28 Jun 2020: $2,757,387). The Group also has open letters of credit of $11,845,474 (28 June 2020: $12,501,817). These guarantees and letters of credit are in favour of international stock suppliers and landlords where parent guarantees cannot be negotiated.

NOTE 17. BUSINESS COMBINATIONS

2021

During the half-year to 27 December 2020, the Group did not complete any acquisitions, however the Group retrospectively adjusted the provisional amounts recognised for a business combination to reflect new information obtained. The retrospective adjustment mainly relates to recognising a deferred tax asset for the termination payments of TAF franchise agreements that were acquired in the last 12 months. The corresponding impact is a reduction to goodwill.

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.

NOTE 17. BUSINESS COMBINATIONS (CONTINUED)

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

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.

NOTE 18. EARNINGS PER SHARE

	Consolidated	
	27 Dec 2020 $'000	29 Dec 2019 $'000
Profit after income tax attributable to the owners of Accent Group Limited	52,799	33,563

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	541,236,786	539,355,170
Adjustments for calculation of diluted earnings per share:		
Treasury shares	383,335	1,923,336
Performance rights	21,599,863	23,800,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	563,219,984	565,078,506

	Cents	Cents
Basic earnings per share	9.76	6.22
Diluted earnings per share	9.37	5.94

NOTE 19. EVENTS AFTER THE REPORTING PERIOD

Apart from the dividend declared as disclosed in Note 14, no other matter or circumstance has arisen since 27 December 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

27 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 27 December 2020 and of its performance for the period ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

David Gordon
Chairman

23 February 2021
Melbourne

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

Independent Auditor's Review Report to the members of Accent Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Accent Group Limited (the "Company") and its subsidiaries (the "Group"), which comprises the statement of financial position as at 27 December 2020, and the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 6 to 18.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 27 December 2020 and of its performance for the half-year ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 Review of a *Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the annual financial report 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 review report.

Directors' Responsibilities for the Half-year Financial Report

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

Deloitte.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 27 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Melbourne, 23 February 2021