City Chic Collective Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	City Chic Collective Limited
ABN:	43 057 569 169
Reporting period:	For the 52-week period ended 27 June 2021
Previous period:	For the 52-week period ended 28 June 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	32.9%	to	258,477
Profit for the period attributable to the owners of City Chic Collective Limited	up	123.2%	to	21,556

Comments
Reconciliation of net profit after income tax from continuing operations to Underlying EBITDA (Earnings before interest, taxation, depreciation, amortisation, impairment and other adjustments) from continuing operations is provided as follows:

	Consolidated 2021 $'000	2020 $'000
Net profit after tax from continuing operations	21,556	9,160
Net interest expense (excluding AASB 16 impact)	395	535
Tax expense from continuing operations	9,916	7,532
Depreciation, amortisation, and impairment expense (excluding AASB 16 impact)	6,405	5,845
Transition costs[1]	2,298	778
US logistics consolidation[2]	-	921
Transaction costs[3]	1,008	1,599
Share issue costs[4]	184	-
Other[5]	(233)	-
Net AASB 16 impact[6]	838	149
Underlying EBITDA from continuing operations - pre-AASB 16	**42,367**	**26,519**
Redemption/Repayment of lease liabilities	7,845	12,320
Underlying EBITDA from continuing operations - post-AASB 16	**50,212**	**38,839**

Refer to 'Operating and financial review' in the Director's Report for detailed commentary in relation to the results for the reporting period.

[1] FY2021 Transition costs related to costs to integrate Evans; FY2020 Transition costs related to costs to integrate Avenue.
[2] These prior year costs are in relation to the consolidation of the US logistics operations.
[3] FY2021 Transaction costs related to executing the acquisition of Evans; FY2020 costs related to executing the acquisition of Avenue.
[4] Current year share issue costs relate to the July-August 2020 equity raise, to the extent not allocated to equity.
[5] Includes realised foreign currency gains from settling intercompany balances within the Group and the settlement and subsequent release of provision for cure costs previously recognised in respect of the acquisition of Avenue.
[6] Net impact of the AASB16 Lease adjustments to reflect pre-AASB16 rent expense in Underlying EBITDA.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security[7]	50.3	9.9

4. Control gained over entities

City Chic Collective UK Limited was incorporated and registered in England and Wales on 16 December 2020.

5. Loss of control over entities

Avenue Online LLC was merged into City Chic Collective USA Incorporated, and no longer exists as a standalone entity.

6. Dividends

Current period
There were no dividends paid, recommended or declared with respect to the current financial period.

Previous period
In the previous corresponding financial period (in September 2019), a final fully franked ordinary dividend of 1.5 cents per ordinary share was paid for the 2019 financial year; the total amount paid was $2.9m.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

[7] The value of right-of-use assets is excluded from this calculation.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The audited annual financial report of City Chic Collective Limited for the period ended 27 June 2021.

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12. Signed

Phil Ryan
Chief Executive Officer and Managing Director

26 August 2021
Sydney

City Chic Collective Limited
Directors' report
27 June 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group', 'consolidated entity' or 'City Chic') consisting of City Chic Collective Limited (referred to hereafter as the 'company', 'parent entity' or 'CCX') and the entities it controlled at the end of, or during, the 52-week period ended 27 June 2021.

Directors

The following persons were directors of City Chic Collective Limited during the whole of the financial period and up to the date of this report:

Michael Kay
Michael Hardwick
Megan Quinn
Phil Ryan

The following persons were appointed as directors of City Chic Collective Limited after the financial period but prior to the date of this report:
Neil Thompson (appointed 5 August 2021)
Natalie McLean (appointed 5 August 2021)

Company Secretary and Other Key Management Personnel

Marta Kielich (Company Secretary, appointed 7 July 2020)
Mark Ohlsson (Company Secretary, appointed 10 May 2019 and resigned 6 July 2020)
Munraj Dhaliwal (Chief Financial Officer)

Principal activities

City Chic Collective is a global omni-channel retailer specialising in plus-size women's apparel, footwear and accessories. It is a collective of customer-led brands including City Chic, Avenue, Evans, CCX, Hips & Curves and Fox & Royal. City Chic and CCX appeal to fashion forward women and its omni-channel model comprises of a network of 89 stores across Australia and New Zealand (ANZ) and websites operating in ANZ, the US and the UK. Avenue (US-based) and Evans (UK-based) target a broad customer base across conservative and fashion segments, both with a long history and significant online customer following. Hips & Curves in the US, and Fox & Royal in ANZ and the UK are online intimates brands. City Chic Collective owns European-based online marketplace Navabi (as outlined in the matters subsequent to the end of the financial period section), and also sells its collective of brands through third-party marketplace and wholesale partners in the US, Canada, UK and Europe.

There was no significant change in the nature of the activities of the Group during the period.

Dividends

There were no dividends paid, recommended or declared with respect to the current financial period.

In the previous corresponding financial period (in September 2019), a final fully franked ordinary dividend of 1.5 cents per ordinary share was paid for the 2019 financial year; the total amount paid was $2.9m.

Operating and financial review

The Group achieved revenue from continuing operations of $258.5m (28 June 2020: $194.5m), representing growth of 32.9%. Net profit after tax for continuing operations was $21.6m (28 June 2020: $9.2m), representing growth of 135.3%.

The Group ended the year with net cash of $71.5m at 27 June 2021 (28 June 2020: net cash of $3.9m). The cash balance includes the proceeds from the July-August 2020 equity raise net of payment for the acquisition of Evans, both as detailed below.

The normalised operating cash flow generated for the year is $24.2m (28 June 2020: $20.9m). Normalisation adjustments of $9.1m include the reclassification of rental payments to financing cash flows in relation to AASB 16, JobKeeper grant received relating to the prior year, repayment of deferred tax from the prior year, cash outflows relating to transaction costs incurred for the July-August 2020 equity raise as well as costs incurred for the Evans acquisition, working capital adjustments and finalisation of income tax associated with the 2018 divestment and cash outflows for building Evans' working capital to commercial levels.

The Underlying EBITDA from continuing operations post-AASB 16 was $50.2m (28 June 2020: $38.8m) and pre-AASB 16 was $42.4m (28 June 2020: $26.5m). The Underlying EBIT from continuing operations post-AASB 16 was $35.8m (28 June 2020: $21.3m) and pre-AASB 16 was $36.0m (28 June 2020: $20.7m). The Underlying NPAT from continuing operations post-AASB 16 was $24.0m (28 June 2020: $13.7m) and pre-AASB 16 was $24.9m (28 June 2020: $13.8m).

Equity raise

On 24 July 2020, City Chic completed a fully underwritten $80.0m Placement of new fully paid ordinary shares to eligible institutional investors. The Placement was conducted at $3.05 per share, resulting in 26.2 million new shares being issued, representing 13.1% of City Chic's existing issued capital. New shares issued under the Placement settled on 30 July 2020 and commenced trading on 31 July 2020.

Following the completion of the Placement, City Chic offered all eligible shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP). City Chic raised $31.1m through the SPP, which closed on 18 August 2020. The SPP was conducted at $3.05 per share, resulting in 10.2 million shares being issued. The Placement and the SPP together raised $111.1m and resulted in 36.4 million new shares being issued.

Evans acquisition

On 23 December 2020, the Group completed the acquisition of the Evans brand, and the eCommerce and wholesale businesses for £22.7m (A$40.2m) in cash. Evans is a UK-based retailer of women's plus-size clothing with a longstanding customer base and strong market position. The acquisition gives the Group an excellent foundation in a new geography and is part of the Group's strategy to expand the global customer base through the digital channel.

Other

On 24 July 2020, in combination with the equity raise, City Chic also informed the market that it had been nominated as the Stalking Horse Bidder for the eCommerce assets of Catherines, which was subject to the completion of an auction process. On 16 September 2020, that auction took place in the United States, and City Chic was not the highest bidder and therefore unsuccessful in the acquisition. Notwithstanding the strategic merits of the transaction, the winning bid of US$40.8m (A$55.5m) was above City Chic's assessment of the value of the assets.

During the reporting period, the Group repaid its $17.5m of debt in full, with the $40.0m available debt facility maturing in February 2023.

FY22 Outlook

In the early part of FY22, City Chic is pleased to advise that the company has continued to deliver strong positive top-line and comparable sales growth.

- Australia has been impacted by temporary store closures, however stores which have been open and the online channel have delivered growth on the prior corresponding period. There continues to be uncertainty relating to the duration of the lockdowns in Australia and the aggregate impact on FY22
- Avenue continues to trade strongly, materially above pre-acquisition levels
- Evans has rebounded strongly and is now trading above pre-acquisition levels
- Navabi is trading ahead of expectations and above FY21 levels, although noting the limited period since acquisition.

Heading into FY22, City Chic is focused on the strategy of delivering its significant product range to the global plus-size market through its global digital and physical storefronts. The strategy includes the execution of various initiatives:

- Drive market share growth and customer acquisition in the US
- Gain market share in ANZ through the introduction of our conservative value product stream (Evans and Avenue)
- Introduce the collective's full assortment to the Evans customer base, building on the initial deliveries in 2H FY21, to drive greater market penetration
- Integrate Navabi (as outlined in the matters subsequent to the end of the financial period section) and introduce the collective's brands to the customer base, as well as to further develop the current product and lifestyle offering
- Expand and execute on marketplace partnerships in all regions
- Rotate store portfolio into new fit-outs and conversion to larger format stores; enhance in-store experiences and store environments
- Further develop the World of Curves social community.

Material business risks

The Group operates in an environment of change and uncertainty. There are a range of factors, both specific to the Group and general in nature which may impact the operating and financial performance of the Group. The impact of these risks is regularly reviewed for their possible impact.

COVID-19 pandemic

The ongoing COVID-19 pandemic continues to have a significant impact on the global and Australian economy and the ability of businesses, individuals and governments to operate. Emergency powers and restrictions have been enacted, which amongst other things, has restricted travel and the ability of many individuals to leave their homes and travel to places of work.

A number of aspects of City Chic's business may continue to be directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including disruption to City Chic's supply chain and workforce, particularly the availability of products and logistics (including shipping of products) and government-imposed shutdowns of manufacturing and distribution centres affecting the supply of products to customers.

Management takes confidence in its ability to trade profitably during the height of the pandemic in 2020, but continues to closely manage the ongoing uncertainty with lockdowns in Australia and supply chain impacts globally. This is further supported by the strength of the Group's business model, with high online penetration and geographic diversity, and the flexibility of its supply chain, helping manage stock levels and production times. In addition, having significant liquidity headroom and a strong balance sheet gives flexibility to continue operating the business, maintaining key relationships with suppliers and ensuring the right, long term strategic decisions are being made.

Competition and Consumer discretionary spending

The Group operates in a retail environment where quality and value for money are critical to the customers it services. The retail fashion market continues to consolidate and feel the effects of globalisation. City Chic is in a unique situation of having high online penetration, a global footprint and a nimble and fast supply chain that adapts to changes within customer buying patterns.

Exchange rates and duties

The Group relies significantly on imported products (directly sourced or via local or overseas wholesalers) and as a result the cost of the product may be subject to movements in the exchange rate of the Australian dollar. The Group also has significant operations in the USA which provide a natural hedge against currency movements on purchases. Any additional risk in exchange rate movement is monitored and can be mitigated through the use of forward hedging. However it is noted that no hedges have been put in place in FY2021.

Workplace Health and Safety (WHS)

The Group has over 640 employees as well as the customers who visit physical stores across ANZ. The Group has a high focus on WHS with investment in training and development of its employees a high priority.

Environmental changes

The Group is exposed to risks arising from environmental changes, scarcity of natural resources and the continuing global development of legislation and regulations in this area. Many of these risks are greatest in the Group's supply chain activities and these activities and the related risks are largely managed through the principals laid out in the Corporate Social Responsibility report. The Group manages environmental risks, such as droughts and floods by diversifying its vendors and material sourcing. The Group has dedicated resources to ensure continued compliance across all regulatory requirements in the markets operated in by the Group.

Significant changes in the state of affairs

COVID-19 Pandemic

During the reporting period, the pandemic has had a significant and broad impact across the Group's global operations. The health crisis and government-directed restrictions caused disruption to labour, logistics and consumer spending. The timing of restrictions being eased and the recovery in mobility and activity has varied by region, but broadly ANZ rebounded in late 2020, the US in early 2021 and the UK in mid-2021. Specific impacts of the pandemic on operations include:

- In FY21, the ANZ store network was impacted by several periods of closures in response to government direction. Over the financial year, there were approximately 3,655 equivalent store days closed (over 10% of total equivalent store days in FY21) including 2,910 in Victoria, 177 in NSW, 176 in Queensland, 147 in Western Australia, 49 days in Northern Territory, 34 in South Australia, 12 in ACT, 7 in Tasmania and 143 in New Zealand. The Group also received $3.5m relating to JobKeeper subsidy in Australia for the first three months of the reporting period, which was paid in its entirety to team members
- Significant disruption to labour in US warehousing and fulfilment and large surcharges imposed by freight carriers, in particular during peak seasonal trade in November 2020 to January 2021. Aligned with the acceleration of the vaccine roll-out in early 2021, restrictions were eased which resulted in a rebound in consumer spending from March 2021 onwards
- At the time of the acquisition of Evans, the UK was in heavy government-imposed lockdowns. There has been an impact on logistics and labour, but less severe than that experienced in the US in 1H FY21
- Wholesale and marketplace business was largely paused throughout the period while partners addressed their own challenges caused by the pandemic.

During the financial reporting period, the Directors continued to monitor COVID-19 related developments and worked closely with management to assess and navigate through the potential implications for team members, suppliers, customers and operations.

Evans Acquisition

As noted in the Operating and Financial review section, on 23 December 2020, the Group completed the acquisition of the Evans brand, and the eCommerce and wholesale businesses for £22.7m (A$40.2m) in cash. Evans is a UK-based retailer of women's plus-size clothing with a longstanding customer base and strong market position. The acquisition gives the Group an excellent foundation in a new geography and is part of the Group's strategy to expand the global customer base through the digital channel.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

Covid-19 related matters
The Covid-19 pandemic continues to have an impact globally in the new financial period. The Directors continue to monitor COVID-19 related developments and are closely working with management to assess and navigate through the potential implications for team members, suppliers, customers, and operations. The focus is to maintain production and supply of products and services whilst minimising the risk of spread of COVID-19 amongst our team members, our customers, and the societies in which the Group operates.

Subsequent to the end of the financial year, the Australian store network was impacted by varying periods of temporary closures in response to government direction on restrictions and lockdowns. During the first 8 weeks of FY22, there were approximately 1,646 equivalent store days closed (c.33% of total equivalent store days over the period) including 764 in NSW, 565 in Victoria, 178 in Queensland, 40 in Western Australia, 32 in South Australia, 20 in ACT, 7 in Northern Territory and 40 in New Zealand. Stores in NSW (18), Victoria (21), ACT (2) and New Zealand (8) remain temporarily closed as of the date of this report. However, the Group continues to trade profitably with the benefit of the geographic and channel diversification. City Chic is well capitalised to deliver on its strong organic growth pipeline and well positioned for future inorganic opportunities to expand the global customer base.

Navabi acquisition
On 23 July 2021, the Group signed and completed a share purchase agreement to acquire 100% of the shares in JPC United GmbH ("Navabi') for €6.0m (A$9.6m) in cash, from the co-founders of Navabi. Navabi's assets include €2.1m of cash net of tax liabilities, as well as inventory and immaterial other working capital. In 2009, Navabi was established as an online marketplace selling hundreds of third-party women's plus-size brands. Navabi has also developed its own brands exclusively sold on the marketplace, which have grown to become the majority of sales in recent years. Navabi's loyal customer base are focused on size, fit and quality, and are based predominantly in Germany. Navabi's websites had 5.8m customer visits in 2020, generating €10.4m (A$16.6m) in sales revenue, and pre-pandemic traffic exceeded 10m visits.

No other matter or circumstance has arisen since 27 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations
Certain likely developments in the operations of the consolidated entity and the expected results of operations in financial years subsequent to the period ended 27 June 2021 are referred to in the preceding operating and financial review and outlook.

Environmental regulation
The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law. The Group has dedicated resources to ensure continued compliance across all regulatory requirements in the markets operated in by the Group.

Information on directors

Michael Kay

Title:	Chairman and non-executive director
Qualifications:	B.LLB
Experience and expertise:	Michael Kay joined the City Chic Collective Board on 1 October 2018 as an independent non-executive director and was subsequently appointed Chairman on 9 November 2018. Mr. Kay has significant listed company experience, as detailed more fully below, and is also a non-executive director of Royal Automobile Club Insurance (WA) and a non-executive director of the Pharmacy Guild of Australia (and its various subsidiaries). A qualified lawyer, Mr. Kay brings a broad range of commercial experience to the Board. Mr. Kay was Chief Executive Officer and Managing Director of McMillan Shakespeare Limited (ASX: MMS) for six years and previously held a number of senior executive roles at AAMI including Chief Executive Officer. He also spent 12 years in private legal practice specialising in commercial law.
Other current directorships:	Mr. Kay is currently Chairman of Omni Bridgeway Ltd (ASX: OBL) (formerly called IMF Betham Limited (ASX: IMF).
Former directorships (last 3 years):	Mr. Kay was Chairman of Lovisa Holdings Limited (ASX:LOV) until his retirement on 30 October 2018 where he led the Board during a period of substantial growth. He was previously Chairman and non-executive director of ApplyDirect Limited (ASX:AD1) until 19 March 2019.
Special responsibilities:	Chairman of the Board; Member of the Audit and Risk Committee (ARC); Member of the People, Culture and Remuneration Committee (PCRC)
Interests in shares:	700,000 ordinary shares
Interests in options:	None
Interests in rights:	None

Michael Hardwick

Title:	Non-executive director
Qualifications:	B.Comm
Experience and expertise:	Michael Hardwick joined the City Chic Collective Limited Board in May 2012. He is an independent, non-executive director. Mr. Hardwick is a director and the Chief Financial Officer of the Cotton On Group, and a director of the Cotton On Foundation. Mr. Hardwick is also a non-executive director of the Grill'd Group of Companies which includes Australia's largest privately-owned chain of Burger Restaurants and also Koko Black, a premium branded Australian chocolatier. Mr. Hardwick is a Chartered Accountant and member of the AICD. He spent 10 years at PwC in both Melbourne and New York in the transaction advisory practice and also spent 10 years as a partner with the New-York based private equity firm Hudson Valley Capital Partners.
Other current directorships:	Mr. Hardwick does not hold any other listed company directorships.
Former directorships (last 3 years):	Mr. Hardwick has not held any other listed company directorships in the last three years.
Special responsibilities:	Chairman of the ARC; Member of the PCRC
Interests in shares:	504,836 ordinary shares
Interests in options:	None
Interests in rights:	None

Megan Quinn

Title:	Non-executive director
Qualifications:	GAICD
Experience and expertise:	Megan Quinn joined the City Chic Collective Limited Board in October 2012 as an independent non-executive director. She is a specialist consultant working across a broad range of industries including financial and professional services, healthcare, consumer and digital, and is an international speaker. Ms. Quinn has more than 25 years' experience working internationally with organisations including Harrods, Dell and Westpac. Ms Quinn was also a Board and National Committee member of UNICEF Australia. Her strong strategic, operational, supply chain and financial expertise is complemented by her capabilities around brand, marketing, innovation, transformation, digital, and customer service and experience across all channels. She is recognised as a global brand expert for her game-changing role as a co-founder of NET-A-PORTER. Known for her creative, energetic and disruptive thinking, Ms. Quinn has the unique ability to define gaps in the market and develop market-leading business strategies for commercial and creative outcomes.
Other current directorships:	Ms. Quinn is currently a non-executive director at Reece Limited (ASX:REH) and InvoCare Limited (ASX:IVC).
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the PCRC; Member of the ARC
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

Neil Thompson

Title:	Non-executive director (appointed 5 August 2021)
Qualifications:	B.Ec
Experience and expertise:	Neil Thompson joined the City Chic Collective Limited Board on 5 August 2021 as an independent, non-executive director. Mr. Thompson has over thirty years of financial, operational and strategic experience from a broad range of roles and industries with global reach, including freight and logistics, industrial products and software sectors. Mr. Thompson was most recently Chief Financial Officer of Ascender HCM (a payroll software and services company) and is a director of the Australian World Orchestra. He has previously worked at Alesco, Amatek, TNT and Elders IXL.
Other current directorships:	Mr. Thompson does not hold any other listed company directorships.
Former directorships (last 3 years):	Mr. Thompson has not held any other listed company directorships in the last three years.
Special responsibilities:	Member of the ARC; Member of the PCRC
Interests in shares:	1000 ordinary shares
Interests in options:	None
Interests in rights:	None

Natalie McLean

Title:	Non-executive director (appointed 5 August 2021)
Qualifications:	B.Bus
Experience and expertise:	Natalie McLean joined the City Chic Collective Limited Board on 5 August 2021 as an independent, non-executive director. Mrs. McLean has over 25 years of retail experience having worked in senior positions domestically in Australia and internationally with companies including Giordano, Rip Curl and the Cotton On Group. Mrs McLean has extensive experience across operations, product, marketing and commercial areas of the retail sector including partnership strategies and geographic growth. Mrs. McLean is currently a director and the Chief Retail Officer of the Cotton On Group, a director of the Cotton On Foundation and is a board member of the Geelong Racing Club.
Other current ASX directorships:	Mrs. McLean does not hold any other listed company directorships.
Former ASX directorships (last 3 years):	Mrs. McLean has not held any other listed company directorships in the last three years.
Special responsibilities:	Member of the ARC; Member of the PCRC
Interests in shares:	10,900 ordinary shares
Interests in options:	None
Interests in rights:	None

Phil Ryan

Title:	Chief Executive Officer and Managing Director
Qualifications:	MBA, B.Bus
Experience and expertise:	Phil Ryan is the original Brand Director of City Chic. In 2006, Mr. Ryan led a team of six people that created the City Chic brand. He is responsible for the strategic direction and operational leadership that has seen CCX take a market leading position in the global plus size industry, with a collective of customer-led brands including City Chic, Avenue, Hips & Curves and Evans. Under Mr. Ryan's leadership, CCX now has more than 85 stores in Australia and New Zealand with online sales representing more than 70% of total sales globally and in the US, UK and Europe, CCX trades exclusively in a digital capacity. Mr. Ryan has driven successful partnerships with Nordstrom, Macy's, and Bloomingdale's in the USA; ASOS in the UK, Alshaya in the Middle East and Zalando in Germany. Mr. Ryan is a global authority in the plus size consumer. He has over 25 years' experience in senior and strategic retail apparel management. Mr. Ryan's family had a fashion manufacturing, wholesale and retail business called Ambition in the 1980's and 1990's and from this he knows all areas of a rag trade business; from the cutting table to the retail shop floor.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer; Managing Director
Interests in shares:	133,836 ordinary shares
Interests in options:	2,161,235 ordinary shares issued under CCX's 2019 Employee Share Plan and escrow provisions
Interests in rights:	2,640,740 performance rights over ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Marta Kielich joined City Chic as General Counsel and Company Secretary on 7 July 2020. Ms. Kielich has held company secretarial and senior legal positions for several ASX-listed companies. Ms. Kielich also has broad international experience across various sectors.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the period ended 27 June 2021, and the number of meetings attended by each director were:

	Full Board		PCRC		ARC	
	Attended	Held	Attended	Held	Attended	Held
Michael Kay	28	28	4	4	4	4
Michael Hardwick	28	28	4	4	4	4
Megan Quinn	28	28	4	4	4	4
Phil Ryan[8]	28	28	N/A	N/A	N/A	N/A

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Neil Thompson and Natalie McLean joined the Board after the end of the reporting period.

Retirement, election and continuation in office of directors

At the 20 November 2020 Annual General Meeting ("AGM"), 99.88% of the votes received supported the re-election of director Megan Quinn as part of the company's constitution that specifies all directors must stand for re-election every three years.

Remuneration report (audited)

The remuneration report, which has been audited as required by section 308(3C) of the *Corporations Act 2001*, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

The remuneration report is set out under the following main headings:

(a) Introduction
(b) Remuneration strategy and policy
(c) Remuneration framework
(d) Remuneration outcomes for key management personnel
(e) Service agreements
(f) Disclosures relating to share options and performance rights
(g) Additional disclosures relating to key management personnel

a. Introduction

This report outlines the remuneration strategy, framework, and other conditions of employment for key management personnel and details the role and accountabilities of the Board and relevant Committees that support the Board on these matters. Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

Key management personnel of the consolidated entity were also the key management personnel of City Chic Collective Limited (the parent entity) for the years ended 27 June 2021 and 28 June 2020. The key management personnel consisted of the following directors and senior executives of City Chic Collective Limited:

[8] Phil Ryan is not a member of either the PCRC or the ARC, but was invited to attend these meetings and his attendance was noted in the minutes.

Name	Role
Non-executive directors:	
Michael Kay	Chairman and non-executive director
Michael Hardwick	Non-executive director
Megan Quinn	Non-executive director
Executive directors:	
Phil Ryan	Chief Executive Officer and Managing Director
Other key management personnel:	
Munraj Dhaliwal	Chief Financial Officer

b. Remuneration strategy and policy

The People, Culture and Remuneration Committee (referred to hereafter as the "PCRC" or the 'Committee') is responsible for assisting and advising the Board in relation to remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract and retain talented and motivated executives who can enhance the Group's performance through their contributions and leadership.

Principles used to determine the nature and amount of remuneration

The objectives of the Group's executive remuneration framework are as follows:
- competitiveness and sustainability;
- acceptability to the Group's strategic and business objectives and the creation of shareholder value;
- performance linkage/alignment of executive compensation;
- transparency and acceptability to shareholders.

The reward framework is designed to align executive reward to the Company's interests. The Board have considered that it should seek to enhance the Company's interests by:
- including economic profit as a core component of plan design; and
- attracting and retaining high calibre executives.

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for profitable growth; and
- provides a clear structure for earning rewards.

Remuneration policies are developed to provide market competitive remuneration arrangements that support the attraction, engagement and retention of talented team members, and that are aligned with the Company's interests.

c. Remuneration framework

In accordance with best practice corporate governance, the structures of non-executive directors and executive remuneration are separate.

(i) Non-executive directors' remuneration

Non-executive directors receive fees and do not receive share-based payments or other incentives. The Chairman's fees are determined independently to the fees of other non-executive directors and are based on comparable roles in the external market. The Chairman does not participate in any discussions relating to determination of his own remuneration. The PCRC review non-executive directors' fees and payments annually. The PCRC may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 21 November 2019, where the shareholders approved a maximum annual aggregate remuneration of $1,000,000. The PCRC has reviewed the fee and deemed the maximum annual aggregate remuneration is still appropriate.

Non-executive chairman and non-executive directors' fees increased with effect from 1 April 2021 as reflected below:

Role	Remuneration (per annum, exclusive of superannuation) $
Base fee for Non-Executive Chairman	240,000
Base fee for Non-Executive Director	120,000
Additional fee for Chair of the ARC	20,000
Additional fee for Chair of the PCRC	10,000

The increase followed a review of benchmarking data and considered a range of factors including the time commitment required, scale, complexity and growth of the business and was undertaken in conjunction with the search for new non-executive directors in order to attract the appropriate calibre of candidates.

(ii) Executive directors and other key management personnel

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration that has both fixed and variable components, as well as a blend of short and long-term incentives. Executive remuneration comprises base pay and benefits, short-term incentives, long-term incentives, and superannuation contributions.

Fixed Remuneration	Short-term Incentives	Long-term Incentives
Executives receive a base pay and benefits which reflect their roles, experience and level of responsibility. This is reviewed annually to ensure the executive's pay is competitive with the market. Other benefits include car and travel allowances.	The PCRC reviews the short-term incentives (STI) for executives and employees annually. If the PCRC determines that STI should be made available for executives and/or employees, the cash incentives (bonuses) are payable should the Group achieve pre-determined targets following finalisation and announcement of the full year audited results. Using value creation targets ensures variable awards are only available when value has been created for shareholders and when profit is consistent with the business plan. The PCRC considers the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI. For the year ended 27 June 2021, the PCRC determined that executives will not be eligible for the STI plan, as their incentives would be solely in relation to the long term incentives, detailed below.	The Group's long-term incentives rewards executives for high performance and ongoing commitment over a three to five-year horizon and recognises the important role executives play in delivering the long-term growth of the Group.

Long term incentives

The Group's long-term incentives are comprised of the Long-Term Incentive Plan (LTIP) and the Loan Funded Share Plan (LFSP). The following share-based payment arrangements were in existence during the current year:

Tranche	Grant date	Performance period end date	Share price at grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the period
1	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	781,848	-	-	-	781,848
2A	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2B	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2C	13/11/2018	30/06/2023	$1.17	35.00%	3.50%	2.12%	2,475,000	-	-	-	2,475,000
Total Performance Rights							5,731,848	-	-	-	5,731,848
3	21/11/2019	30/06/2024	$2.68	35.00%	N/A	2.12%	7,533,448	-	-	-	7,533,448
3	03/03/2020	30/06/2024	$2.79	35.00%	N/A	2.12%	667,464	-	-	-	667,464
3	16/09/2020	30/06/2024	$3.33	35.00%	N/A	2.12%	-	474,576	-	-	474,576
Total Loan Funded Shares							8,200,912	474,576	-	-	8,675,488

(i) LTIP Tranches

Vesting conditions of the LTIP tranches are set out below.

Tranche 1

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's earnings per share before tax (EPS) during the three years to June 2021 in accordance with the following schedule:

EPS CAGR across the Tranche 1 Performance Period	Proportion of Tranche 1 Performance Rights held that will satisfy Vesting Condition 2
Below 5.0%	Nil
5.0%	25%
5.0% ≤ EPS CAGR ≤ 20.0%	Straight line pro-rata vesting between 25% and 100% (inclusive)

Tranche 2A

Vesting Condition	Continued service to 27 August 2021, with no holding lock on resulting shares.

Tranche 2B

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares.
Vesting Condition 2	Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2021	Proportion of Tranche 2B Performance Rights held that will satisfy Vesting Condition 2
Below $0.0975 (1.3 x FY202018 EPS)	Nil
$0.0975 ≤ EPS < $0.1050 (1.4 x FY202018 EPS)	50%
EPS ≥ $0.1050	100%

Tranche 2C

Vesting Condition 1	Continued service to August 2023, with no holding lock on resulting shares.
Vesting Condition 2	Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2023	Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2
Below $0.1125 (1.5 x FY202018 EPS)	Nil
$0.1250 ≤ EPS < $0.1200 (1.6 x FY202018 EPS)	50%
$0.1200 ≤ EPS < $0.1275 (1.7 x FY202018 EPS)	75%
EPS ≥ $0.1275	100%

LFSP Tranche

The key terms of the LFSP are listed as follows:

- Loan Funded ("LF") shares are issued at the Company's share price on the ASX at the time of issue.
- The Company advances money to pay for the subscription price of the LF Shares (Loan).
- The Loan has an interest payable of 1.9% and is repayable on the earlier of cessation of employment (6 or 12 month grace periods may be applied) or 7 years from the agreement by the Board to issue LF Shares under the Plan (Vesting Period is 5 years to 30 June 2024).
- The Company's recourse in the event it seeks to recover the Loan is limited to the LF Shares. Where a Participant does not repay the Loan by the repayment date, the Participant is deemed to have agreed to sell to the Company pursuant to an employee share scheme buy-back, that number of LF shares required to repay the Loan to the Company.
- The Company will apply the after-tax amount of any dividends payable in respect of a Participant's LF Shares towards repayment of the outstanding balance of the Loan.
- The LF Shares offered are subject to Vesting Conditions, which if not met, the unvested LF Shares will be forfeited and bought back by the Company at the issue price and the Loan will be deemed repaid.

Vesting conditions of the LF Shares are set out below:

Tranche 3

Vesting Condition 1	Continued service to 30 June 2024.
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's earnings per share after tax (AEPS) prescribed by the Board over the 3 year period commencing on 1 July 2019, in which case (subject to satisfaction of Vesting Period Condition), the LF shares held will vest in accordance with the following scale:

AEPS 3-year CAGR from 1 July 2019	Proportion of Tranche 3 LF shares that will satisfy Vesting Condition 2
12.5%	25%
20%	100%
12.5% ≤ EPS CAGR ≤ 20.0%	Straight-line pro rata vesting between 25% and 100% (inclusive)

The LF shares issued under the Plan have been treated as 'in substance options' which have been valued using a Modified Binomial Lattice option pricing model which allows for varying exercise price. The resulting value is amortised over the vesting period on a probability adjusted basis. The probability is assessed with consideration of management's expectation of future earnings and the financial hurdles for vesting.

Use of remuneration consultants

There were no remuneration consultants engaged by the Group, through the PCRC, to review existing remuneration policies for the current reporting period.

Voting and comments made at the company's 20 November 2020 AGM

At the 20 November 2020 AGM, 99.00% of the votes received supported the adoption of the remuneration report for the year ended 28 June 2020. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

d. Remuneration outcomes for key management personnel

(a) Payments and benefits

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

2021	Cash salary & fees $	Allowances $	Total short-term $	Post employment Super-annuation $	Other long-term leave benefits (A) $	Share-based payments (B) $	Total $	Proportion of performance related remuneration %
Non-executive directors:								
Michael Kay	186,617	-	**186,617**	17,729	-	-	**204,346**	0%
Michael Hardwick	93,577	-	**93,577**	8,890	-	-	**102,467**	0%
Megan Quinn	91,385	-	**91,385**	8,682	-	-	**100,067**	0%
Executive directors:								
Phil Ryan	700,354	-	**700,354**	21,694	66,528	1,114,669	**1,903,245**	59%
Other key management personnel:								
Munraj Dhaliwal	399,632	-	**399,632**	21,694	38,547	285,458	**745,331**	38%
	1,471,565	**-**	**1,471,565**	**78,689**	**105,075**	**1,400,127**	**3,055,456**	

(A) In accordance with *AASB 119 Employee Benefits*, accrued annual leave and long service leave is classified as other long-term employee benefit.
(B) The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award multiplied by probability of vesting. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

2020	Cash salary & fees $	Allowances (A) $	Total short-term $	Post employment Super-annuation $	Other long-term leave benefits (B) $	Share-based payments (C) $	Total $	Proportion of performance related remuneration %
Non-executive directors:								
Michael Kay	150,598	-	**150,598**	14,307	-	-	**164,905**	0%
Michael Hardwick	70,673	-	**70,673**	6,714	-	-	**77,387**	0%
Megan Quinn	70,673	-	**70,673**	6,714	-	-	**77,387**	0%
Executive directors:								
Phil Ryan	699,039	6,300	**705,339**	21,003	59,984	1,037,153	**1,823,478**	57%
Other key management personnel:								
Munraj Dhaliwal	399,231	4,500	**403,731**	21,003	30,850	277,829	**733,413**	38%
Total	**1,390,214**	**10,800**	**1,401,014**	**69,741**	**90,834**	**1,314,982**	**2,876,570**	

(A) This comprises car and travel allowances.
(B) In accordance with *AASB 119 Employee Benefits*, accrued annual leave and long service leave is classified as other long-term employee benefit.
(C) The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award multiplied by probability of vesting. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting period date less amounts already recognised in previous periods.

The proportion of remuneration linked to performance and the fixed proportion assuming full STI is received and that the LTI fully vests are as follows:

	Fixed Remuneration		At Risk - STI		At risk - LTI		Cash bonus paid/payable		Cash bonus forfeited	
Name	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive director										
Phil Ryan	37%	38%	N/A	N/A	63%	62%	N/A	N/A	N/A	N/A
Other key management personnel										
Munraj Dhaliwal	54%	55%	N/A	N/A	46%	45%	N/A	N/A	N/A	N/A

e. Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Phil Ryan	
Title:	Chief Executive Officer and Managing Director
Term of agreement:	None
Details:	• Notice period of 6 months • Remuneration review at board discretion • Eligible for short-term incentives • Eligible for long-term incentives • No severance period • No termination benefits (except for statutory entitlements) • No other benefits

Munraj Dhaliwal	
Title:	Chief Financial Officer
Term of agreement:	None
Details:	• Notice period of 3 months • Remuneration review period every 12 months • Eligible for short-term incentives • Eligible for long-term incentives • No severance period • No termination benefits (except for statutory entitlements) • No other benefits

All non-executive directors stand for re-election at least every 3 years and have no notice period, no annual remuneration review, no eligibility for short-term incentives, no eligibility for long-term incentives, no severance period, no termination benefits and no other benefits.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

f. Disclosures relating to share options and performance rights

Issue of share options and performance rights

There were no options issued to key management personnel as part of compensation during the period ended 27 June 2021.

There were no performance rights issued to key management personnel as part of compensation during the periods ended 28 June 2020 and 27 June 2021.

There were no loan funded shares issued to key management personnel as part of compensation during the period ended 27 June 2021. The number of loan funded shares issued as part of the Company's 2019 Employee Share Plan to key management personnel as part of compensation during the period ended 28 June 2020 is set out below:

	Loan funded shares			
	Granted during the period		Vested during the period	
Name	2021	2020	2021	2020
Phil Ryan	-	2,161,235	-	-
Munraj Dhaliwal	-	1,234,991	-	-
Total	**-**	**3,396,226**	**-**	**-**

The number of performance rights over ordinary shares and loan funded shares held by key management personnel as at 27 June 2021 are shown below:

	Performance rights					Loan funded shares
Tranche	1	2A	2B	2C	Total	3
Name						
Phil Ryan	240,740	600,000	600,000	1,200,000	2,640,740	2,161,235
Munraj Dhaliwal	133,333	87,500	87,500	175,000	483,333	1,234,991
Total	**374,073**	**687,500**	**687,500**	**1,375,000**	**3,124,073**	**3,396,226**

Additional information
The following earnings information reflects the basis for which financial hurdles are considered for the share-based payments and measure executive performance in delivering long term growth of the Group:

	2021	2020	2019	2018
Profit before income tax for continuing underlying operations	$35.6m	$20.1m	$21.3m	$14.4m
EPS (underlying before income tax) - Tranche 1	15.8 cents	10.5 cents	11.1 cents	7.5 cents
Profit before income tax for continuing underlying operations (before share-based payments)	$38.8m	$22.9m	$22.4m	-
EPS (underlying before income tax and share-based payments) - Tranches 2B and 2C	17.3 cents	11.9 cents	11.6 cents	-
Profit after income tax for continuing underlying operations	$24.9m	$13.8m	$15.7m	-
EPS (underlying after income tax) - Tranche 3	11.1 cents	7.2 cents	8.2 cents	-

g. Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Net Additions	Balance at the end of the period
Directors				
Michael Kay	609,914	-	90,086	700,000
Michael Hardwick	495,000	-	9,836	504,836
Phil Ryan	124,000	-	9,836	133,836
Other key management personnel				
Munraj Dhaliwal	80,000	-	19,672	99,672
Total	**1,308,914**	**-**	**129,430**	**1,438,344**

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Vested	Expired/ forfeited	Balance at the end of the period
Phil Ryan	2,640,740	-	-	-	2,640,740
Munraj Dhaliwal	483,333	-	-	-	483,333
Total	**3,124,073**	-	-	-	**3,124,073**

Loan funded shareholding

The number of loan funded shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Vested	Expired/ Forfeited	Balance at the end of the period
Phil Ryan	2,161,235	-	-	-	2,161,235
Munraj Dhaliwal	1,234,991	-	-	-	1,234,991
Total	**3,396,226**	**-**	**-**	**-**	**3,396,226**

Other transactions with key management personnel and their related parties
The following transactions occurred with key management personnel and their personally related parties:

	Consolidated	
	2021 $'000	2020 $'000
Payment for other expenses:		
Services provided by Southern Cross Shopfitting, a company that is associated with the Cotton on Group, of which Michael Hardwick is a Director and the CFO[9]	2,356,173	2,552,160
Services provided by International Southern Cross Shopfitting (NZ), a company that is associated with the Cotton On Group, of which Michael Hardwick is a Director and the CFO[10]	9,360	67,386
Total related party transactions	**2,365,533**	**2,619,546**

All transactions were made on normal commercial terms and conditions and at market rates.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021 $'000	2020 $'000
Current payables		
Trade payables to Southern Cross Shopfitting, a company that is associated with the Cotton Group, of which Michael Hardwick is a Director and the CFO[9]	841,580	-

This concludes the remuneration report, which has been audited.

[9] Michael Hardwick was not involved in the decision making relating to Southern Cross Shopfitting and its dealings with the Group.
[10] Michael Hardwick was not involved in the decision making relating to International Southern Cross Shopfitting (NZ) and its dealings with the Group.

Shares under option
There were no unissued ordinary shares of City Chic Collective Limited under option outstanding at the date of this report.

Shares under performance rights
There were no unissued ordinary shares of City Chic Collective Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of City Chic Collective Limited issued on the exercise of options during the period ended 27 June 2021 and up to the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of City Chic Collective Limited issued on the exercise of performance rights during the period ended 27 June 2021 and up to the date of this report.

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 period, 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.

Indemnity and insurance of auditor
The company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

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

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

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in Note 27 to the financial statements.

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

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.

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.

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.

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

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

On behalf of the directors

Michael Kay
Chairman

Phil Ryan
Chief Executive Officer and Managing Director

26 August 2021
Sydney

Deloitte.

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The Board of Directors
City Chic Collective limited
151-163 Wyndham Street
Alexandria, NSW 2015

26 August 2021

Dear Board Members

Auditor's Independence Declaration to City Chic Collective 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 City Chic Collective Limited and its subsidiaries.

As lead audit partner for the audit of the financial report of report City Chic Collective Limited and the entities it controlled for the 52 week period ended 27 June 2021, 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

Annalisa Amiradakis
Partner
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Independent Auditor's Report to the Members of City Chic Collective Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report City Chic Collective Limited (the "Company") and the entities it controlled (the "Group") which comprises the consolidated statement of financial position as at 27 June 2021, 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 52 week period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 27 June 2021 and of its financial performance for the 52 week period 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 and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

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
Evans Acquisition On 23 December 2020, the Group completed the acquisition of the Evans brand, and the e-commerce and wholesale businesses ("Evans Assets") for cash consideration of £23.1m (A$40.2m) in cash. During the 52-week period ending 27 June 2021, the accounting for the acquisition of Evans assets was finalised. In accordance with Australian Accounting Standards the assets and liabilities of the acquired business are initially recognised at fair value. The fair value of the net assets acquired is $17.1m with a residual goodwill balance identified of $23.1m. Accounting for the acquisition of a business includes the determination of whether the transaction is the acquisition of a business or the acquisition of assets in accordance with AASB 3 Business Combinations as the accounting consequences are different. Identifying and determining the fair value of acquired assets, particularly intangible assets, can be complex and involves the significant use of assumptions. In finalising the accounting for the business combination, management engaged an external valuation expert to assist. Management's accounting for the acquisition included: • Determining that the transaction is the acquisition of a business. • Identification of all assets acquired, and liabilities assumed. • Appropriate measurement at fair value of the assets acquired, and liabilities assumed at acquisition. • The appropriate recognition of deferred tax consequences relating to the assets acquired and liabilities assumed. • The expensing of transaction costs associated with the business combination.	Our procedures included, but were not limited to: • Reading the Purchase Agreement to understand the terms and conditions of the transaction and identify the date that CCX acquired control of Evans. • Evaluating management's assessment that the acquisition should be accounted for as the acquisition of a business in accordance with the requirements of the accounting standards. • Assessing the completeness of the assets acquired and liabilities assumed in management's workings, including the recognition of assets and liabilities that had not previously been recognised by Evans, including customer relationships and brand. • Assessing the competence, independence and objectivity of the external valuation expert engaged by management. • Obtaining, reading, and understanding the finalised Purchase Price Allocation (PPA) report as prepared by management's external valuation expert. • In conjunction with our own internal valuation specialists, assessing management's procedures and assumptions in determining the fair value of the assets acquired and liabilities assumed. This was done by performing a benchmark analysis over assumptions including discount rate, long term growth rates, contributory asset charges and royalty relief rates by comparing management's assumptions to data from other independent sources to assess the appropriateness of key financial assumptions applied in the PPA. This permitted an independent challenge to the assumptions in the PPA. • Assessment of the cash flows included within the valuation model for customer relationships and brand, by considering the cash flows previously incurred by the seller, evaluating City Chic management ability to achieve the forecast cash flows since acquisition and considering cash flows subsequent to year end, to form an independent assessment over the reasonability of management's ability to forecast. • Considering the tax consequences of the various assets acquired and liabilities assumed and recalculating the deferred tax balances as part of the net assets acquired. • Recalculating the goodwill recognised as the residual balance, being the difference between the consideration paid and the fair value of the net assets acquired; and • Testing the acquisition costs incurred were appropriately expensed and valid by selecting a sample of invoices. We also assessed the appropriateness of the disclosures in Notes 1, 2, 12 and 32 to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of inventory obsolescence allowance As at 27 June 2021, the carrying value of inventory totalled $66.9m and represents 25.0% of total assets. Inventory is located in retail stores and also at central warehouses for distribution through online website, online marketplace and wholesale. Inventory is subject to risk of obsolescence. Management establishes an obsolescence allowance by reference to recent sales, ageing of inventories, seasonal ageing, and other factors such as product category. Of particular attention in the current year, for Evans and Avenue inventory, was: • understanding the sell through of inventory acquired at-acquisition and post-acquisition and reasonability of management's obsolescence allowance for inventory. • understanding significant judgments applied by management due to limited historical sales information available. • understanding management's ability to optimise margins using various sales channels. • understanding discounting strategies being applied during a volatile retail environment in the prior year and current year which have resulted in significant judgement and estimation being required to assess the appropriateness of the allowance for obsolescence at year end. In all cases, including assessment over the net realisable value for the CC brand, where contradictory information is identified from multiple data points across the business and externally, this information creates uncertainty thereby increasing the extent of judgement required to evaluate the appropriateness of the Group's net realisable valuation policy.	Our procedures for all inventory unless stated otherwise, included but were not limited to: • Understanding the processes relating to inventory valuation. • Performing tests to evaluate the design and effectiveness of controls over the existence and valuation of inventory. • Assessing the performance of each brand relative to each season in the financial year by inspecting sales listing and margin analysis per month. • Making inquiries of the Chief Executive Officer, finance team and product planners to validate the assumptions applied in estimating the allowances and to understand the current market conditions and strategy of the relevant brands that impacts the inventory on hand available to sell. Where possible supporting evidence was inspected to validate explanations regarding sell through, discounting and decisions taken by management. • Recalculating the mathematical accuracy of the inventory obsolescence and net realisable value allowances. • In respect of Evans and Avenue related inventory: o Obtaining an understanding of the various categories of inventory. o Evaluating management's analysis over the ageing of the inventory and challenging the inputs and assumptions used to further support and justify the allowance percentages used. o Understanding the sell through of the stock since acquisition and the clearance rates of inventory which can no longer be sold online. o Understanding the cost vs benefit to sell the inventory through clearance stores in Australia, global wholesale partners or by marketing campaigns online. o Selecting a sample of items for testing and understanding the discount rates applied to sale prices; and o Developing an independent estimate of inventory obsolescence allowance using sell through trends and consideration of costs to sell. • In respect of City Chic related inventory: o Performing a retrospective review of the allowance balance from FY20 to FY21 to assess the historical accuracy of management's ability to determine the inventory obsolescence allowance.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of inventory obsolescence allowance (cont)	o Developing independent estimates of the inventory obsolescence allowance, including: ▪ actual inventory losses incurred in the current financial year, and ▪ the net realisable value with reference to the last selling price of inventory on hand. We also assessed the appropriateness of the disclosures in Notes 1, 2 and 9 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the 52-week period ended but does not include the financial report and our auditor's report thereon. Included in other information is the Corporate Directory, the Directors' Report, the Corporate Governance Statement and Shareholder information and also includes the following information which will be included in the Group's annual report: The Overview; Message from Our Chairman and CEO; Board of Directors; City Chic Annual Recap; 2022 Outlook; Diversity and Corporate Social Responsibility.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above 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 on the other information, in this case the Directors Report, that we obtained prior to the date of this auditor's report, 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 Overview; Message from Our Chairman and CEO; Board of Directors; City Chic Annual Recap; 2022 Outlook; Diversity and Corporate Social Responsibility, Corporate Governance Statement, Corporate Directory and Shareholder information, 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 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.

Deloitte.

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 11 to 20 of the Directors' Report for the 52-week period ended 27 June 2021.

In our opinion, the Remuneration Report of City Chic Collective Limited for the 52-week period ended 27 June 2021, 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

Annalisa Amiradakis
Partner
Chartered Accountants
Parramatta, 26 August 2021

City Chic Collective Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 27 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue from continuing operations	4	258,477	194,492
Interest and other revenue	4	1,386	934
Expenses			
Purchase and inbound-related costs of inventory[11]	5	(98,694)	(82,155)
Fulfilment costs[11]		(30,657)	(18,864)
Cost of sales		(129,351)	(101,019)
Employee benefits expense	5	(37,345)	(30,340)
Depreciation, amortisation and impairment expense	5	(14,379)	(17,568)
Rental-related recoveries, concessions and expenses	5,13	(3,551)	(1,173)
Other expenses	5	(42,418)	(27,298)
Finance costs	5,13,18	(1,347)	(1,336)
Profit before income tax expense from continuing operations		**31,472**	**16,692**
Income tax expense	6	(9,916)	(7,532)
Profit after income tax expense from continuing operations		**21,556**	**9,160**
Profit after income tax expense from discontinued operations		-	497
Profit after income tax expense for the period attributable to the owners of City Chic Collective Limited	22	**21,556**	**9,657**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(4,967)	(369)
Other comprehensive income for the period, net of tax		(4,967)	(369)
Total comprehensive income for the period attributable to the owners of City Chic Collective Limited		**16,589**	**9,288**
Total comprehensive income for the period is attributable to:			
Continuing operations		16,589	8,791
Discontinued operations		-	497
		16,589	**9,288**

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

[11] Cost of goods sold represents the purchase and inbound-related costs of inventory. Fulfilment costs (net) represent warehousing and freight costs to deliver online sales. In the prior period, Cost of goods sold and Fulfilment costs were together presented as Cost of sales. The additional disclosure in the current period and going forward is appropriate with the growth of the online business.

	Notes	Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of City Chic Collective Limited			
Basic earnings per share	23	9.6	4.8
Diluted earnings per share	23	9.4	4.7
Earnings per share for profit from discontinued operations attributable to the owners of City Chic Collective Limited			
Basic earnings per share	23	-	0.3
Diluted earnings per share	23	-	0.3
Earnings per share for profit attributable to the owners of City Chic Collective Limited			
Basic earnings per share	23	9.6	5.1
Diluted earnings per share	23	9.4	5.0

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

City Chic Collective Limited
Consolidated statement of financial position
As at 27 June 2021

	Note	Consolidated 2021 $'000	2020 $'000
Assets			
Current assets			
Cash and cash equivalents	7	71,457	21,382
Trade and other receivables	8	5,606	5,073
Inventories	9	66,996	38,073
Other	10	6,870	2,262
Total current assets		**150,929**	**66,790**
Non-current assets			
Plant and equipment	11	10,191	8,944
Right-of-use assets	13	22,442	22,252
Intangibles	12	75,602	39,193
Deferred tax	6	7,808	8,661
Total non-current assets		**116,043**	**79,050**
Total assets		**266,972**	**145,840**
Liabilities			
Current liabilities			
Trade and other payables	14	41,896	37,528
Lease liabilities	13	9,286	9,193
Income tax	6	1,818	2,530
Provisions	16	8,070	6,350
Other	17	3,072	77
Total current liabilities		**64,142**	**55,678**
Non-current liabilities			
Lease liabilities	13	18,768	17,998
Provisions	16	459	775
Borrowings	15	-	17,500
Other	17	701	-
Total non-current liabilities		**19,928**	**36,273**
Total liabilities		**84,070**	**91,951**
Net assets		**182,902**	**53,889**
Equity			
Issued capital	20	158,368	49,139
Reserves	21	417	2,189
Retained profits	22	24,117	2,561
Total equity		**182,902**	**53,889**

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

City Chic Collective Limited
Consolidated statement of changes in equity
For the period ended 27 June 2021

Consolidated	Issued capital $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	(Accumulated losses)/ Retained profits $'000	Total equity $'000
Balance at 1 July 2019	49,139	1,141	(1,389)	(4,625)	44,266
Adjustment for change in accounting policy (AASB 16)	-	-	-	413	413
Balance at 1 July 2019 - restated	49,139	1,141	(1,389)	(4,212)	44,679
Profit after income tax expense for the period	-	-	-	9,657	9,657
Other comprehensive income for the period, net of tax	-	-	(369)	-	(369)
Total comprehensive income for the period	-	-	(369)	9,657	9,288
Transactions with owners in their capacity as owners:					
Share-based payments (Note 19)	-	2,806	-	-	2,806
Issue of loan funded shares (Note 20)	22,052	-	-	-	22,052
Loan funded shares held in trust (Note 20)	(22,052)	-	-	-	(22,052)
Dividends paid (Note 24)	-	-	-	(2,884)	(2,884)
Balance at 28 June 2020	**49,139**	**3,947**	**(1,758)**	**2,561**	**53,889**

Consolidated	Issued capital $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Retained profits $'000	Total equity $'000
Balance at 29 June 2020	49,139	3,947	(1,758)	2,561	53,889
Profit after income tax expense for the period	-	-	-	21,556	21,556
Other comprehensive income for the period, net of tax	-	-	(4,967)	-	(4,967)
Total comprehensive income for the period	-	-	(4,967)	21,556	16,589
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (Note 20)	109,229	-	-	-	109,229
Share-based payments (Note 19)	-	3,195	-	-	3,195
Issue of loan funded shares (Note 20)	1,580	-	-	-	1,580
Loan funded shares held in trust (Note 20)	(1,580)	-	-	-	(1,580)
Balance at 27 June 2021	**158,368**	**7,142**	**(6,725)**	**24,117**	**182,902**
Note reference	20	19	21	22	

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

City Chic Collective Limited
Consolidated statement of cash flows
For the period ended 27 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		281,722	208,984
Payments to suppliers and employees (inclusive of GST)		(262,258)	(181,540)
Government grants received		4,964	2,510
Interest received		243	55
Other revenue		352	246
Interest and other finance costs paid		(638)	(590)
Income taxes paid		(9,232)	(4,440)
Net cash from operating activities	18	**15,153**	**25,225**
Cash flows from investing activities			
Payments for plant and equipment	11	(5,034)	(3,283)
Payments for intangibles	12	(1,542)	(2,247)
Payment for purchase of business	32	(40,208)	(25,658)
Net cash used in investing activities		**(46,784)**	**(31,188)**
Cash flows from financing activities			
Net proceeds from the issue of shares	20	108,618	-
Repayment of lease liabilities		(7,845)	(11,588)
Proceeds from borrowings		-	22,500
Repayment of borrowings		(17,500)	(5,000)
Dividends paid	24	-	(2,884)
Net cash from financing activities		**83,273**	**3,028**
Net increase/(decrease) in cash and cash equivalents from continuing operations		**51,642**	**(2,935)**
Net increase in cash and cash equivalents from discontinued operations		-	1,072
Cash and cash equivalents at the beginning of the financial period		21,382	23,214
Effects of exchange rate changes on cash and cash equivalents		(1,567)	31
Cash and cash equivalents at the end of the financial period	7	**71,457**	**21,382**

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

The financial statements cover City Chic Collective Limited as a consolidated entity consisting of City Chic Collective Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is City Chic Collective Limited's functional and presentation currency.

City Chic Collective Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

151-163 Wyndham Street
Alexandria, NSW 2015
Sydney, Australia
Telephone: (+61) 2 9059 4300

A description of the nature of the consolidated entity'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 2021. The directors have the power to amend and reissue the financial statements.

Note 1. Significant accounting policies

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').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the valuation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income.

Critical accounting estimates and judgements
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2. Critical accounting judgements, estimates and assumptions.

Offsetting financial assets and liabilities
Financial assets and financial liabilities have been offset and the net amount presented in the statement of financial position where the consolidated entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Parent entity information
In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 31. Parent entity disclosures.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of City Chic Collective Limited ('company' or 'parent entity') as at 27 June 2021 and the results of all subsidiaries for the period then ended. City Chic Collective Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity 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 consolidated entity 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.

Note 1. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is City Chic Collective Limited's functional and presentation currency.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

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 consolidated entity'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 consolidated entity'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.

Financial assets

Financial assets are initially measured at fair value. Financial assets and financial liabilities are recognised in the Group’s statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Note 1. Significant accounting policies (continued)

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Refer to Note 8. Trade and other receivables for detail.

Impairment of non-financial assets
Goodwill and other 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. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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

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.

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 1. Significant accounting policies (continued)

Comparative amounts

Where management has considered appropriate to achieve more relevant and reliable presentation of the entity's financial performance, the presentation of certain items in the financial statements has changed since the prior year. Where this re-presentation of results requires reclassification of comparative amounts, the comparatives have been re-presented to achieve more relevant and reliable presentation and comparability.

The principle accounting policies adopted are consistent with those of the previous financial year and corresponding current reporting period, except for the policies stated below.

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

- *AASB 2020-4 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions*
- *AASB 2021-3 Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions beyond 30 June 2021*
- *AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business*
- *AASB 2018-7 Amendment to Australian Accounting Standards - Definition of Material*
- *AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*
- *AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework*
- *AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

Note 1. Significant accounting policies (continued)

Impact of the initial application of amended Standards and agenda decisions published by the IFRS Interpretations Committee ("IFRIC") that are effective for the current period

During the current reporting period, the Group had transactions which were affected by the following newly effective standards and IFRIC agenda decisions:

Amendment Standards / IFRIC Agenda Decisions	Description
AASB 2020-4 *Amendments to Australian Accounting Standards - COVID-19-Related Rent Concessions*	The Group early adopted the AASB 2020-4 amendment in the prior reporting period, with its adoption having a material impact on the disclosures and amounts reported in these financial statements and the prior period's financial statements. The amendments introduce a practical expedient into AASB 16. The practical expedient permits a lessee not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election does account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying AASB 16 if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met: -The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change -Any reduction in lease payments affects only payments originally due on or before 30 June 2021 -There is no substantive change to other terms and conditions of the lease. The impact on accounting for changes in lease payments as a result of applying the exemption has been disclosed in Note 13. Right-of-use assets and Lease Liabilities. Given this amendment was early adopted in the prior reporting period, the Group did not have to apply the practical expedient retrospectively to all rent concessions that meet the conditions in AASB16.46B, and therefore has not had to restate prior period figures.
AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*	This Standard amends AASB 3 Business Combinations. The Group has adopted the amendments for the first time in the current reporting period. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets, must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020. The Group has applied this amendment to business combinations whose acquisition dates are on or after 1 January 2020 in assessing whether it had acquired a business or a group of assets. Refer to Note 32. Business Combinations for details of the Group's acquisition of a business during the current reporting period and for details of the Group's accounting policies in relation to business combinations.

Note 1. Significant accounting policies (continued)

Amendment Standards / IFRIC Agenda Decisions	Description
Software-as-a-Service arrangements	The IFRS Interpretations Committee has published two agenda decisions clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service (SaaS), should be accounted for. The agenda decisions do not address the accounting for other components of cloud technology such as Infrastructure-as-a-Service and Platform-as-a-Service: • The first agenda decision, published in March 2019, concludes that SaaS arrangements are likely to be service arrangements, rather than intangible or leased assets. This is because the customer typically only has a right to receive future access to the supplier's software running on the supplier's cloud infrastructure and therefore the supplier controls the intellectual property (IP) of the underlying software code • The second agenda decision, published in April 2021, deals with specific circumstances in relation to configuration and customisation costs incurred in implementing SaaS: - In limited circumstances, certain configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset, where the customer controls the IP of the underlying software code. For example, the development of bridging modules to existing on-premise systems or bespoke additional software capability - In all other instances, configuration and customisation costs will be an operating expense. They are generally recognised in profit or loss as the customisation and configuration services are performed or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided. The Group has assessed the implications of the recent agenda decisions on its SaaS arrangements which were in place during the current financial reporting period and where relevant and applicable, has recognised configuration and customisation costs incurred in implementing SaaS arrangements over the SaaS contract term when access to the cloud application software is provided. Refer to Note. 12 Intangibles for details of the Group's accounting policies in relation to intangible assets.

The other new or revised amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards (AASs) and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 27 June 2021.

Standards in issue but not yet effective New or revised requirement	When effective
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	Effective for annual reporting periods beginning on or after 1 January 2021
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	Effective for annual reporting periods beginning on or after 1 January 2022
AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	Effective for annual reporting periods beginning on or after 1 January 2023

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 addresses issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments complement *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* and focus on the effects on financial statements when an entity replaces the existing interest rate benchmark with an alternative benchmark rate as

Note 1. Significant accounting policies (continued)

a result of the reform. The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted. The Group has completed a preliminary assessment of the impact of this amendment and does not anticipate that it will have a material impact on the Group.

The Group has not yet assessed the impact of the remaining new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates, judgement in accounting policy and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue, and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Additional considerations have been made at 27 June 2021, surrounding the impact of COVID-19 on all areas of critical accounting judgements, estimates and assumptions by considering conservative scenarios to assess sensitivity of judgements and estimations. These have been incorporated into all of the below areas and the corresponding notes to the financial statements.

Allowance for impairment of inventories
The allowance for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by considering the recent sales experience, the ageing of inventories and other factors such as end of life or terminal inventory, that affect inventory obsolescence. Refer to Note 9. Inventories for further information.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 12. Intangibles. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The recoverable amount of brands is determined independently using the Relief from Royalty valuation method. 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. Refer to Note 12. Intangibles for further information.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease or the ability of staying on past lease expiry date (in holdover) if it is reasonably certain to be exercised. The Group has historically always had several lease contracts in holdover. The Group applies judgement in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period. Refer to Note 13. Right-of-use assets and Lease liabilities for further information.

Holdover leases
The Group has historically always had several lease contracts in holdover. The Group applies judgement in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period. A range of 2 to 5 years extension is estimated based on average lease terms. Refer to Note 13. Right-of-use assets and Lease liabilities for further information.

Note 3. Operating segments

Identification of reportable operating segments
The Group's overall strategy remains to operate as a global omni-channel retailer, focused on the plus-size market and as such the consolidated entity is organised into one operating segment, being fashion retail. Despite having numerous brands and geographies, the Chief Executive Officer (who is identified as the Chief Operating Decision Makers ('CODM')) assesses the performance and determines the allocation of resources at a single segment, consolidated level with each part of the business exhibiting similar long-term financial performance and economic characteristics.

The CODM assess the performance of the operating segment based on a measure of EBITDA (Earnings before interest, tax, depreciation, amortisation and impairment, and other adjustments). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis, including daily and weekly reporting on key metrics.

Major customers
There is no revenue that is significant from any particular customer. Segment revenue from external parties, assets and liabilities are all reported to the CODM in a manner consistent with the financial statements.

Revenue by geographical area
The Group operates in the following geographical regions:

- Asia Pacific (APAC) – current operations in Australia and New Zealand. Both regions serviced by stores and website
- Americas – current operations in United States and Canada. US sales are comprised of online (website and marketplace) and wholesale; Canadian business is wholesale and online (marketplace only)
- Europe, Middle East and Africa (EMEA) – current operations in UK and Europe. UK sales are comprised of online (website only) and wholesale; European business is solely wholesale.

Refer to Note 4. Revenue for details on revenue by geographical area.

Note 3. Operating segments (continued)

Reconciliation of net profit to Underlying EBITDA

Reconciliation of net profit after income tax from continuing operations to Underlying EBITDA (Earnings before interest, taxation, depreciation, amortisation, impairment, and other adjustments) from continuing operations is provided as follows:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Net profit after tax from continuing operations	21,556	9,160
Net interest expense (excluding AASB 16 impact)	395	535
Tax expense from continuing operations	9,916	7,532
Depreciation, amortisation and impairment expense (excluding AASB 16 impact)	6,405	5,845
Transition costs[12]	2,298	778
US logistics consolidation[13]	-	921
Transaction costs[14]	1,008	1,599
Share issue costs[15]	184	-
Other[16]	(233)	-
Net AASB 16 impact[17]	838	149
Underlying EBITDA from continuing operations - pre-AASB16	**42,367**	**26,519**
Redemption/Repayment of lease liabilities	7,845	12,320
Underlying EBITDA from continuing operations - post-AASB16	**50,212**	**38,839**

AASB 16 accounts

	Consolidated 2021 $'000	Consolidated 2020 $'000
Depreciation on right-of-use assets	7,974	11,723
Interest expense on lease liabilities and make good provisions	709	746
Redemption/repayment of lease liabilities	(7,845)	(12,320)
Net AASB 16 impact	**838**	**149**

Note 4. Revenue

	Consolidated 2021 $'000	Consolidated 2020 $'000
From continuing operations		
Sale of goods	258,477	194,492
Interest revenue	243	55
Other revenue	1,143	879
	1,386	934
Revenue	**259,863**	**195,426**

[12] FY2021 Transition costs related to costs to integrate Evans; FY2020 Transition costs related to costs to integrate Avenue.
[13] These prior year costs are in relation to the consolidation of the US logistics operations.
[14] FY2021 Transaction costs related to executing the acquisition of Evans; FY2020 costs related to executing the acquisition of Avenue.
[15] Current year share issue costs relate to the July-August 2020 equity raise, to the extent not allocated to equity.
[16] Includes realised foreign currency gains from settling intercompany balances within the Group and the settlement and subsequent release of provision for cure costs previously recognised in respect of the acquisition of Avenue.
[17] Net impact of the AASB 16 Lease adjustments to reflect pre-AASB 16 rent expense in Underlying EBITDA.

Note 4. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2021 $'000	2020 $'000
Timing of revenue recognition		
Goods transferred at a point in time	258,477	194,492
Geographical regions		
APAC	144,460	113,685
Americas	99,600	78,532
EMEA	14,417	2,275
	258,477	**194,492**
Channel		
Online website	184,624	118,671
Stores	66,990	60,232
Online marketplace	4,461	7,970
Wholesale	2,402	7,619
	258,477	**194,492**

Accounting policy for revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Contract liabilities for vendor funded markdown provision
In determining the level of vendor funded markdown provision required, the consolidated entity makes judgements in respect of the expected vendor discounting and the likelihood of the vendor achieving their guaranteed margin. The provision is based on estimates from historical margin achieved by the vendor. As at 27 June 2021, there were no provisions required for vendor funded markdowns.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Note 4. Revenue (continued)

Retail sales
Revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods. Amounts disclosed as revenue are net of sales returns, trade discounts and commission paid. Return policy on sale of goods range from 30 to 90 days and provision is made based on historical return percentage. Please refer to Note 16. Provisions on sales return raised and Note 10. Other assets on corresponding right-of-return assets recognised.

Wholesale revenue
Revenue is recognised at time of delivery less an allowance for estimated customer returns, rebates, and other similar allowances.

Note 5. Expenses

	Consolidated	
	2021 $'000	2020 $'000
Purchase and inbound-related costs of inventory[18]	98,694	82,155
Fulfilment costs[18]	30,657	18,864
Depreciation, amortisation, and impairment expense (excluding AASB16 charges)	6,405	5,845
Depreciation on ROU assets	7,974	11,723
Rental-related expenses	4,595	2,495
Rent concessions	(1,043)	(1,322)
Employee benefits expense excluding superannuation	35,433	29,441
Defined contribution superannuation expenses	2,267	2,026
Share-based payments expense	3,196	2,805
Government grants	(3,551)	(3,932)
	184,627	150,100
Other expenses		
Utility and maintenance expenses	5,292	5,470
Transactional fees and charges	6,048	4,172
Marketing expenses	5,979	3,183
Advertising expenses	15,432	4,332
Professional, consulting and insurance	5,888	4,412
Other	3,779	5,729
	42,418	27,298
Total	**227,045**	**177,398**

The Group has benefitted from the following significant government support packages as a result of COVID-19 during the period:

Support received	Description
JobKeeper Scheme (Australia)	Due to the impact of COVID-19 on the Group's turnover, government subsidies of $3.5m were received relating to the current reporting period (2020: $3.9m) under the Australian Federal Government's JobKeeper Scheme. The entity became eligible for the Scheme from its inception in March 2020. The amounts were paid in full to employees in line with the government's objective of helping businesses to continue paying employees to keep them in their jobs so that businesses can re-start when business conditions improve, for example during the period of Victorian store closures. The grants have been deducted in the reporting period against employee benefits expense. The Australian JobKeeper was paid monthly in arrears in the first three months of the reporting period and concluded on 27 September 2020, after which the Group was no longer eligible.

[18] Cost of goods sold represents the purchase and inbound-related costs of inventory. Fulfilment costs (net) represent warehousing and freight costs to deliver online sales. In the prior period, Cost of goods sold and Fulfilment costs were together presented as Cost of sales. The additional disclosure in the current period and going forward is appropriate with the growth of the online business.

Note 5. Expenses (continued)

Accounting policy for government grants

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in profit or loss of the period in which it becomes receivable, on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Accounting policy for rent concessions

Refer to Note 13. Right-of-use assets and Lease liabilities.

Accounting policy for Advertising and Marketing expenses

Advertising and Marketing expenses have been disclosed separately in the current financial reporting period, with the corresponding balances for the prior financial reporting period updated for comparative purposes. Advertising Expenses include costs associated with driving customer acquisition and re-engagement, such as digital advertising and direct mail campaigns. All other marketing costs, such as photoshoots and content development, are reflected in Marketing Expenses.

Note 6. Income tax

	Consolidated	
	2021 $'000	2020 $'000
a) Income tax expense		
Current tax	8,344	2,152
Deferred tax - origination and reversal of temporary differences	1,508	5,261
Prior year current tax over/ (under) provisions	88	46
Foreign exchange	(24)	73
Aggregate income tax expense	9,916	7,532
Income tax expense is attributable to:		
Profit from continuing operations	9,916	7,532
Profit from discontinued operations (Note 6(c))	-	2,143
Aggregate income tax expense	9,916	9,675
b) Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax from continuing operations	31,472	16,692
Tax at the statutory tax rate of 30%	9,442	5,007
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	-	2
LTIP and LFSP	958	841
Sundry items	-	264
	10,400	6,114
Difference in overseas tax rates	6	(489)
Prior year deferred tax over/(under) provisions	(356)	46
Prior year current tax over/(under) provisions	88	-
Adjustment in US effective tax rate	-	1,861
Foreign exchange	(222)	-
Income tax expense from continuing operations	9,916	7,532

Note 6. Income tax (continued)

c) Capital losses
Unused tax losses related to capital losses of $147.2m (2020: $147.2m) carried forward for which no deferred tax asset has been recognised. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The settlement of the NBL divestment in February 2020 has crystalised the tax revenue and capital gains in the prior year. The NBL settlement did not have any impact in the current financial period from a taxation perspective.

d) Income tax losses

As at 27 June 2021, the consolidated entity had carried forward income tax losses of $10.8m from its US, UK and New Zealand businesses (2020: $12.3m).

e) Tax consolidation legislation
City Chic Collective Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

f) Deferred tax assets

	Consolidated	
	2021 $'000	2020 $'000
Deferred tax asset comprises temporary differences attributable to:		
Tax losses	1,687	2,733
Property, plant and equipment	(2,615)	(630)
Employee benefits	1,253	857
Leases	2,154	1,543
Other provisions and accruals	3,995	4,144
Inventories	696	(3)
Other	26	17
	7,196	8,661
Amounts recognised in equity	612	-
Deferred tax asset	7,808	8,661
Movements:		
Opening balance	8,661	12,057
Foreign exchange on opening balance	(353)	111
(Charged)/Credited to profit or loss - continuing	(1,508)	(5,261)
(Charged)/Credited to profit or loss – discontinued	-	(836)
(Charged)/Credited to Business Combination and Retained Earnings	1,008	2,590
Closing balance	7,808	8,661

	Consolidated	
	2021 $'000	2020 $'000
Provision for income tax	1,818	2,530

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Note 6. Income tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

City Chic Collective 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.

The amount receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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 7. Cash and cash equivalents

	Consolidated	
	2021 $'000	2020 $'000
Current assets		
Cash at bank	71,457	21,382

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 8. Trade and other receivables

	Consolidated	
	2021 $'000	2020 $'000
Current assets		
Trade receivables	2,432	2,670
Less: Allowance for expected credit losses	(202)	(354)
Other receivables	3,376	2,757
Total trade and other receivables	**5,606**	**5,073**

Past due but not impaired

As at 27 June 2021, trade receivables of $0.3m (2020: $0.6m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2021 $'000	2020 $'000
30 to 60 days	133	278
60 to 90 days	-	300
90 days and over	150	60
Trade receivables - past due but not impaired	**283**	**638**
Current	2,149	2,032
Total trade receivables	**2,432**	**2,670**

Allowance for expected credit losses
The Group has recognised a gain of $0.1m (2020: loss of $0.3m) in profit of loss in respect of the expected credit losses for the year ended 27 June 2021. The recoverability of trade and other receivables at 27 June 2021 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues were noted. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Note 8. Trade and other receivables (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current	83	12
30 to 60 days	44	30
60 to 90 days	-	252
90 days and over	75	60
Allowance for expected credit loss	202	354

Movement of allowance for expected credit loss

	Consolidated 2021 $'000	Consolidated 2020 $'000
Carrying amount at the start of the period	354	82
Additional allowance recognised	-	324
Allowance derecognised	(118)	-
Amount used	(34)	(52)
Carrying amount at the end of the period	**202**	**354**

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 9. Inventories

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current assets		
Inventories on hand at lower of cost and net realisable value	66,996	38,073

The increase in inventory is aligned with the growth of the business globally and is driven primarily by the acquisition of Avenue and Evans in the prior year and current year respectively.

Accounting policy for inventories
Finished goods are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method and include purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of fulfilment and the estimated costs necessary to make the sale. The allowances against inventory are recognised to account for obsolescence, the expected sales below cost and inventory expected to be lost through shrinkage. In recognising the allowance for inventory, judgement has been applied by considering a range of factors including historical loss-making sales, historical inventory shrinkage trends, inventory ageing, seasonality, and product lifecycle.

Note 10. Other assets

	Consolidated	
	2021 $'000	2020 $'000
Current assets		
Prepayments	5,564	800
Right of return assets	1,306	1,462
Total other assets	**6,870**	**2,262**

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

Note 11. Plant and equipment

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Plant and equipment - at cost	24,508	23,070
Less: Accumulated depreciation	(14,317)	(14,126)
Total plant and equipment	**10,191**	**8,944**

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

Consolidated	Total plant and equipment $'000
Balance at 1 July 2019	**9,306**
Additions	3,283
Depreciation expense	(2,966)
Accelerated depreciation	(948)
Exchange differences	(14)
Impairment write-back	283
Balance at 28 June 2020	**8,944**
Additions	5,034
Depreciation expense	(2,926)
Accelerated depreciation	(976)
Exchange differences	115
Balance at 27 June 2021	**10,191**

Accelerated depreciation
During the current and prior reporting periods, the Group closed a number of stores. The carrying value of these stores was extinguished to nil through accelerated depreciation.

Note 11. Plant and equipment (continued)

Accounting policy for property, plant and equipment
Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives, which range from 2 to 10 years.

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

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Impairment of assets
Plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Management has performed an impairment assessment on all stores (excluding clearance outlets, new stores and newly refurbished stores per the Group's impairment methodology) at year-end and the calculations confirmed that there was no impairment (2020: nil).

Note 12. Intangibles

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Goodwill - at cost	45,199	22,466
Brand Value - at cost	26,001	12,691
Other intangible assets - at cost	7,421	6,085
Less: Other intangible assets - accumulated amortisation	(4,795)	(3,154)
	2,626	**2,931**
Customer relationships - at cost	2,757	1,453
Less: Customer relationships - accumulated amortisation	(981)	(348)
	1,776	**1,105**
Total intangibles	**75,602**	**39,193**

Note 12. Intangibles (continued)

Reconciliations

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

Consolidated	Goodwill $'000	Brand Value $'000	Other intangibles $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2019	**10,095**	**2,547**	**2,511**	-	**15,153**
Additions through business combinations (Note 32)	12,601	10,319	-	1,453	24,373
Additions	-	-	2,247	-	2,247
Amortisation expense	-	-	(1,867)	(348)	(2,215)
Exchange differences	(230)	(175)	40	-	(365)
Balance at 28 June 2020	**22,466**	**12,691**	**2,931**	**1,105**	**39,193**
Additions through business combinations (Note 32)	23,087	14,007	-	1,418	38,512
Additions	-	-	1,542	-	1,542
Amortisation expense	-	-	(1,834)	(669)	(2,503)
Exchange differences	(354)	(697)	(13)	(78)	(1,142)
Balance at 27 June 2021	**45,199**	**26,001**	**2,626**	**1,776**	**75,602**

Accounting policy for intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Brand

Brand is recognised on acquisition of brand assets. Brand assets have been determined to be indefinite life intangibles and is not amortised. Brand is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on brand are taken to profit or loss and are not subsequently reversed.

Note 12. Intangibles (continued)

Customer relationships
Acquired customer relationships are carried at original cost based on independent valuation obtained at the date of acquisition less accumulated amortisation. They are amortised on a straight-line basis over a useful life of 3 years. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

Other intangible assets
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Significant costs associated with software are deferred and amortised on a diminishing value basis over the period of their expected benefit, being their finite life of 2-4 years.

Configuration and customisation costs incurred in implementing SaaS arrangements are recognised in profit or loss as the customisation and configuration services are performed, or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided.

Impairment
Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether there are any indicators of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units.

Goodwill assessment
Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units (CGUs) to which the goodwill has been allocated. These calculations reflect an estimated cash flow projection based on a five-year forecast and requires the use of assumptions, including estimated discount rates; growth rates of estimated future cash flows; and terminal growth rates. The CGU for goodwill is assessed at a consolidated Group level, in line with the one operating segment used in its reporting. This is consistent with the prior year assessment.

The discounted cash flow valuations were calculated using projected five-year future cash flows based on Board approved business plans. Business plans are modelled assuming like for like sales growth based on historical performance considering changing market conditions.

Note 12. Intangibles (continued)

The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

(i) Forecast sales growth rates

Forecast sales growth rates are based on past experience adjusted for sales/market trends and the strategic decisions made in respect of the CGU.

(ii) Operating profits

Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of changes to product and fulfilment costs and cost saving initiatives.

(iii) Cash conversion

Cash conversion is the ratio of operating cash flow to operating profit. Management forecasts cash conversion rates based on historical experience.

The discount rates used in the value-in-use calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGU. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rate applied in the current year value-in-use model: 10.7% (2020: 9.7%). A terminal growth rate of 2.5% (2020: 2.0%) has been assumed in the value-in-use calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculations confirmed that there was no impairment of goodwill (2020: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amount to exceed its recoverable amount.

Brand assessment

(i) Avenue Brand

The recoverable amount of the Avenue Brand was determined independently using the Relief from Royalty ('RFR') valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life.

(ii) Hips & Curves Brand

The other Brand intangible is related to Hips & Curves. In FY2019 the Group acquired select assets of CMI Enterprises LLC trading as Hips & Curves, a US based plus-size online retailer, for cash consideration of US$2.0m. Brand value of A$2.5m was recognised per management assessment. The recoverable amount of the Hips & Curves brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discounted rates and an assumed indefinite useful life.

(iii) Evans Brand

In the current financial year, the Group completed the acquisition of the Evans brand, and the e-commerce and wholesale businesses, for cash consideration of $40.2m. Brand value of $14.0m was recognised per management assessment. The recoverable amount of the Evans brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life.

(iv) Assessment process

The five-year revenue forecast used in independently determining the recoverable amount of each brand using the RFR valuation method was based on Board approved business plans. Business plans are modelled

Note 12. Intangibles (continued)

assuming like for like sales growth based on historical performance taking into account changing market conditions. The royalty rates used in the valuation model were based on rates observed in the market.

Determining whether brand is impaired requires an estimation of the value-in-use of the CGUs to which the brand has been allocated. These calculations reflect an estimated cash flow projection based on a five-year forecast and requires the use of assumptions, including estimated discount rates; growth rates of estimated future cash flows; and terminal growth rates.

The discount rates used in the value-in-use calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGUs. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rate applied in the current year value-in-use model: 10.7% (2020: 9.7%). A terminal growth rate of 2.5% (2020: 2.0%) has been assumed in the value-in-use calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculation confirmed that there was no impairment of any of the Brands (2020: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID-19, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amount to exceed its recoverable amount. The expected continued promotion and marketing of the various brands supports the assumption that each brand has an indefinite life.

Note 13. Right-of-use assets and Lease liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Non-current assets		
Right-of-use assets	34,620	31,535
Less: Accumulated depreciation	(12,178)	(9,283)
Total Right-of-use assets	**22,442**	**22,252**
Current liabilities		
Lease liabilities	9,286	9,193
Non-current liabilities		
Lease liabilities	18,768	17,998
Total lease liabilities	**28,054**	**27,191**

The consolidated entity leases land and buildings for its office and retail outlets under agreements of between 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group has applied practical expedient per *COVID-19-Related Rent Concessions (Amendment to AASB 16)* and recognised the effect of the rent concession in the profit and loss statement where applicable and have not accounted for COVID-19 related rent concessions as lease modifications. Rent concessions received for the current reporting period amounted to $1.0m (2020: $1.3m).

The lease liability recognised by the Group represents the present value of future lease payments owing to the lessor.

The Group leases office equipment under agreements of less than 5 years. These leases are either short-term or low value, so have been expensed as incurred and not capitalised as ROU assets.

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

Consolidated	Total right-of-use asset $'000
Balance at 1 July 2019	**30,129**
Additions	6,638
Disposals	(5,232)
Depreciation expense	(11,723)
Accumulated depreciation on disposals	2,440
Balance at 28 June 2020	**22,252**
Additions	14,692
Disposals	(11,578)
Accumulated depreciation on disposals	5,125
Depreciation expense	(7,974)
Exchange differences	(75)
Balance at 27 June 2021	**22,442**

Note 13. Right-of-use assets and Lease liabilities (continued)

	Consolidated	
	2021 $'000	2020 $'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	7,974	11,723
Interest expense on lease liabilities	692	733
Expenses relating to leases not recognised under *AASB 16*	2,292	-

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link rental payments to store cash flows and reduce the fixed component of the store cost base.

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Accounting policy for lease liabilities

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 interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. 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 14. Trade and other payables

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Trade creditors	13,395	7,388
Sundry creditors	11,744	8,349
Other payables	16,757	21,791
Total trade and other payables	**41,896**	**37,528**

Refer to Note 25 for further information on financial instruments.

Note 14. Trade and other payables (continued)

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

Note 15. Borrowings

	Consolidated	
	2021 $'000	2020 $'000
Non-current liabilities		
Bank loans	-	17,500

Refer to Note 25. Financial Instruments for further information.

During the reporting period, the Group repaid its $17.5m of debt in full, with the $40.0m available debt facility maturing in February 2023.

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

	Consolidated	
	2021 $'000	2020 $'000
Total facilities		
Corporate credit card	944	1,007
Bank loans	39,950	40,000
Letter of credit	50	-
	40,944	**41,007**
Used at the reporting date		
Corporate credit card	463	72
Bank loans	-	17,500
Letter of credit	50	-
	513	**17,572**
Unused at the reporting date		
Corporate credit card	481	935
Bank loans	39,950	22,500
Letter of credit	-	-
	40,431	**23,435**

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 16. Provisions

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Employee benefits	2,899	2,203
Lease make good	731	501
Onerous contracts	267	559
Sales return provision	3,476	3,087
Restructuring provision	697	-
Total provisions - current	8,070	6,350
Non-current liabilities		
Employee benefits	459	339
Onerous contracts	-	436
Total provisions - non-current	459	775
Total provisions	8,529	7,125

Movements in provisions

Movements in provisions during the current financial period, other than employee benefits and restructuring provision, are set out below:

Consolidated - 2021	Lease makegood $'000	Onerous contracts $'000	Sales return provision $'000	Total $'000
Current provisions				
Carrying amount at the start of the period	**501**	**559**	**3,087**	**4,147**
Recognised on business combination (Note 32)	-	258	1,091	1,349
Additional provisions recognised	510	83	32,256	32,849
Amounts used	(280)	(633)	(32,958)	(33,871)
Carrying amount at the end of the period	**731**	**267**	**3,476**	**4,474**
Non-current provisions				
Carrying amount at the start of the period	**-**	**436**	**-**	**436**
Recognised on business combinations (Note 32)	-	-	-	-
Additional provisions recognised	-	-	-	-
Amounts used	-	(436)	-	(436)
Carrying amount at the end of the period	-	-	-	-

Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity 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, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Lease makegood

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Onerous contracts

Current year balance represents onerous contracts entered into on the acquisition of the Evans brand and, e-commerce and wholesale businesses. The prior year balance represented onerous contracts entered into on the acquisition of Avenue online assets.

Note 16. Provisions (continued)

Sales return provision
The sales return provision represents managements' best estimate of the future outflow of economic benefits in respect of products sold. The provision is estimated based on historical sales claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Restructuring provision
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave 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.

Other long-term employee benefits
The liability for annual leave and long service leave 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 using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 17. Other liabilities

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Deferred income	3,040	-
Deferred revenue - customer loyalty points	32	77
	3,072	77
Non-current liabilities		
Deferred income	701	-
Total other liabilities	**3,773**	**77**

Accounting policy for contract liabilities – customer loyalty points
The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to convert points into gift certificates to use on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed when they expire after 12 months.

Note 17. Other liabilities (continued)

Accounting policy for deferred income
Deferred income relates mainly to unredeemed gift cards, income received in advance from customers and deferred lease incentives.

Gift cards are considered a prepayment for goods and services to be delivered in the future. The Group has an obligation to transfer the goods or services in the future, creating a performance obligation. The Group recognises deferred revenue for the amount of the prepayment and recognises revenue when the customer redeems the gift card and the Group fulfils the performance obligation related to the transaction or when the likelihood of the gift card being redeemed by the customer is deemed remote.

Income received in advance from customers are recognised as revenue at the point of delivery of the goods to the customer. Customer orders are typically completed within a few days and income received in advance is therefore considered short term in nature and is not discounted.

Deferred lease incentives represents operating lease incentives received for those leases not accounted for under *AASB 16 Leases*. The incentives are allocated to profit or loss on a straight-line bases over the lease term.

Note 18. Cash flow information

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit after income tax expense from continuing operations	21,556	9,160
Adjustments for:		
Depreciation, amortisation, and impairment	14,379	17,568
Share-based payments	3,195	2,805
Discontinued operations	-	3,102
Finance costs on lease liabilities and make good provision	709	746
Business combinations	1,696	1,285
Foreign exchange and other differences	(1,927)	774
Change in operating assets and liabilities:		
Increase in trade and other receivables	(533)	(499)
Increase in inventories	(28,923)	(18,720)
Increase in other assets	(4,608)	(939)
Decrease in deferred tax assets	853	3,396
Increase in trade and other payables	4,368	12,007
Decrease in provision for income tax	(712)	(3,014)
Increase in other provisions	1,404	113
Increase/(decrease) in other liabilities	3,696	(2,559)
Net cash from continuing operating activities	**15,153**	**25,225**

Reconciliation of liabilities arising from financing activities:

	2020	Cash flows	Non-cash changes Acquisitions	Non-cash changes New leases	2021
Long-term borrowings	17,500	(17,500)	-	-	-
Lease liabilities	27,191	(7,845)	-	8,708	28,054
	44,691	(25,345)	-	8,708	28,054

Note 19. Share-based payments

The Group's long-term incentives rewards executives for high performance and ongoing commitment over a three to five-year horizon and recognises the important role executives play in delivering the long-term growth of the Group.

The Group's long-term incentives are comprised of the Long-Term Incentive Plan (LTIP) and the Loan Funded Share Plan (LFSP). The following share-based payment arrangements were in existence during the current year:

Tranche	Grant date	Performance period end date	Share price at grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the period
1	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	781,848	-	-	-	781,848
2A	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2B	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2C	13/11/2018	30/06/2023	$1.17	35.00%	3.50%	2.12%	2,475,000	-	-	-	2,475,000
Total Performance Rights							5,731,848	-	-	-	5,731,848
3	21/11/2019	30/06/2024	$2.68	35.00%	N/A	2.12%	7,533,448	-	-	-	7,533,448
3	03/03/2020	30/06/2024	$2.79	35.00%	N/A	2.12%	667,464	-	-	-	667,464
3	16/09/2020	30/06/2024	$3.33	35.00%	N/A	2.12%	-	474,576	-	-	474,576
Total Loan Funded Shares							8,200,912	474,576	-	-	8,675,488

LTIP Tranches

Vesting conditions of the LTIP tranches are set out below:

Tranche 1

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's earnings per share before tax (EPS) during the three years to June 2021 in accordance with the following schedule:

EPS CAGR across the Tranche 1 Performance Period	Proportion of Tranche 1 Performance Rights held that will satisfy Vesting Condition 2
Below 5.0%	Nil
5%	25%
5.0% ≤ EPS CAGR ≤ 20.0%	Straight line pro-rata vesting between 25% and 100% (inclusive)

Tranche 2A

Vesting Condition	Continued service to 27 August 2021, with no holding lock on resulting shares

Tranche 2B

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2021	Proportion of Tranche 2B Performance Rights held that will satisfy Vesting Condition 2
Below $0.0975 (1.3 x FY202018 EPS)	Nil
$0.0975 ≤ EPS ≤ $0.1050 (1.4 x FY202018 EPS)	50%
EPS ≥ $0.1050	100%

Note 19. Share-based payments (continued)

Tranche 2C

Vesting Condition 1	Continued service to August 2023, with no holding lock on resulting shares;
Vesting Condition 2	Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2023	Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2
Below $0.1125 (1.5 x FY202018 EPS)	Nil
$0.1250 ≤ EPS ≤ $0.1200 (1.6 x FY202018 EPS)	50%
$0.1200 ≤ EPS ≤ $0.1275 (1.7 x FY202018 EPS)	75%
EPS ≥ $0.1275	100%

LFSP Tranches

During the period, 474,576 loan funded shares were issued as part of the LFSP. As at 27 June 2021, the Loan Funded (LF) shares issued under the LFSP have been treated as 'in-substance' options which have been valued using a Modified Binomial Lattice option pricing model which allows for varying exercise price. The resulting value is amortised over the vesting period on a probability adjusted basis.

The key terms of the LFSP are listed as follows:

- LF Shares are issued at the Company's share price on the ASX at the time of issue.
- The Company advances money to pay for the subscription price of the LF Shares (Loan).
- The Loan has an interest payable of 1.9% and is repayable on the earlier of cessation of employment (6 or 12 month grace periods may be applied) or 7 years from the agreement by the Board to issue LF Shares under the Plan (Vesting Period is 5 years to 30 June 2024).
- The Company's recourse in the event it seeks to recover the Loan is limited to the LF Shares. Where a Participant does not repay the Loan by the repayment date, the Participant is deemed to have agreed to sell to the Company pursuant to an employee share scheme buy-back, that number of LF Shares required to repay the Loan to the Company.
- The Company will apply the after-tax amount of any dividends payable in respect of a participant's LF Shares towards repayment of the outstanding balance of the Loan.
- The LF Shares offered are subject to Vesting Conditions, which if not met, the unvested LF Shares will be forfeited and bought back by the Company at the issue price and the Loan will be deemed repaid.

Vesting conditions of the LF Shares are set out below:

Tranche 3

Vesting Condition 1	Continued service to 30 June 2024.
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's earnings per share after tax (AEPS) prescribed by the Board over the 3 year period commencing on 1 July 2019, in which case (subject to satisfaction of Vesting Period Condition) the LF Shares held will vest in accordance with the following vesting scale:

AEPS 3-year CAGR from 1 July 2019	Proportion of Tranche 3 LF shares that will satisfy Vesting Condition 2
12.5%	25%
20%	100%
12.5% ≤ AEPS CAGR ≤ 20.0%	Straight-line pro rata vesting between 25% and 100% (inclusive)

Accounting policy for share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Note 19. Share-based payments (continued)

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial model 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, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The probability is assessed with consideration of management's expectation of future earnings and the financial hurdles for vesting. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 20. Issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares - fully paid	237,338,726	200,437,033	183,000	71,191
Less: Loan funded shares	(8,675,488)	(8,200,912)	(23,632)	(22,052)
Total issued capital	**228,663,238**	**192,236,121**	**159,368**	**49,139**

Note 20. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2019	**192,236,121**		**49,139**
Issue of Loan funded shares	21 November 2019	7,533,448	$2.68	20,190
Issue of Loan funded shares	3 March 2020	667,464	$2.78	1,862
Loan funded shares held in trust		(8,200,912)	$0.00	(22,052)
Balance	28 June 2020	**192,236,121**		**49,139**
Institutional Placement	30 July 2020	26,229,509	$3.05	80,000
Share Purchase Plan	24 August 2020	10,197,608	$3.05	31,103
Share issue expenses (net of tax)		-	$0.00	(1,874)
Issue of Loan funded shares	16 September 2020	474,576	$3.33	1,580
Loan funded shares held in trust		(474,576)	$0.00	(1,580)
Balance	27 June 2021	**228,663,238**		**158,368**

In July 20, City Chic completed a fully underwritten $80.0m Placement of new fully paid ordinary shares to eligible professional and sophisticated institutional investors. The Placement was conducted at $3.05 per share, resulting in 26.2 million new shares being issued, representing 13.1% of City Chic's issued capital at the time. New shares issued under the Placement settled on 30 July 2020 and commenced trading on 31 July 2020.

Following the completion of the Placement, City Chic offered all eligible shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP). City Chic raised $31.1m through the SPP, which closed on 18 August 2020. The SPP was conducted at $3.05 per share, resulting in 10.2 million new shares being issued. The Placement and SPP together raised $111.1m and resulted in 36.4 million new shares being issued.

Net proceeds of $109.2m were recorded in the share capital account, after taking into account costs of $1.9m (net of tax of $0.8m). Net cash proceeds of $108.6m was received during the current period and recorded in cash and cash equivalents. A total of 36,427,117 shares were issued and commenced trading on 31 July 2020 and 25 August 2020.

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

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

Loan funded shares
Under the LFSP, the participants are granted a loan by the company to purchase the beneficial interest in shares. These are limited recourse loans to the participants and any dividends received in respect of the loan funded shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. The shares held by the company have been deducted from equity as shares are held in trading lock until vesting in line with accounting standards.

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

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

Note 20. Issued capital (continued)

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

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

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

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

Accounting policy for issued capital
Ordinary shares are classified as equity.

Note 21. Reserves

	Consolidated 2021 $'000	Consolidated 2020 $'000
Foreign currency reserve	(6,725)	(1,758)
Share-based payments reserve	7,142	3,947
Total reserves	**417**	**2,189**

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve
The reserve is used to recognise the cost of share-based payments on the Group's employee incentive schemes.

Movements in reserves
Movements in each class of reserve during the current and previous financial period are set out below:

Consolidated	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Total $'000
Balance at 1 July 2019	**1,141**	**(1,389)**	**(248)**
Foreign currency translation	-	(369)	(369)
Share-based payments expense	2,806	-	2,806
Balance at 28 June 2020	**3,947**	**(1,758)**	**2,189**
Foreign currency translation	-	(4,967)	(4,967)
Share-based payments expense	3,195	-	3,195
Balance at 27 June 2021	**7,142**	**(6,725)**	**417**

Note 22. Retained profits

	Consolidated 2021 $'000	Consolidated 2020 $'000
Retained profits/(accumulated losses) at the beginning of the financial period	2,561	(4,625)
Adjustment for implementation of AASB 16	-	413
Retained profits/(accumulated losses) at the beginning of the financial period – adjusted for the impact of AASB 16	2,561	(4,212)
Profit after income tax expense for the period	21,556	9,657
Dividends paid (Note 24)	-	(2,884)
Retained profits at the end of the financial period	24,117	2,561

	Consolidated 2021 $'000	Consolidated 2020 $'000
Retained earnings at the end of the financial period comprises		
Loss reserve[19]	(10,991)	(10,991)
Retained earnings	35,108	13,552
	24,117	2,561

Note 23. Earnings per share

	Consolidated 2021 $'000	Consolidated 2020 $'000
Earnings per share for profit from continuing operations		
Profit after income tax attributable to the owners of City Chic Collective Limited	21,556	9,160

	Cents	Cents
Basic earnings per share	9.6	4.8
Diluted earnings per share	9.4	4.7

	2021 $'000	2020 $'000
Earnings per share for profit from discontinued operations		
Profit after income tax attributable to the owners of City Chic Collective Limited	-	497

	Cents	Cents
Basic earnings per share	-	0.3
Diluted earnings per share	-	0.3

	2021 $'000	2020 $'000
Earnings per share for profit		
Profit after income tax attributable to the owners of City Chic Collective Limited	21,556	9,657

	Cents	Cents
Basic earnings per share	9.6	5.1
Diluted earnings per share	9.4	5.0

[19] Accumulated losses as at 1 July 2018 of $(11.0m) were transferred to a Loss Reserve.

Note 23. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	224,648,407	192,236,121
Adjustments for calculation of diluted earnings per share:		
Adjustments for performance rights	4,578,118	2,812,659
Adjustments for loan funded shares	569,838	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	229,796,363	195,048,780

Accounting policy for earnings per share

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

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 24. Dividends

Dividends
Dividends paid during the financial period and prior period were as follows:

	Consolidated	
	2021 $'000	2020 $'000
Final dividend for the period (2019: 1.5 cents per ordinary share)	-	2,884

Franking credits

	Consolidated	
	2021 $'000	2020 $'000
Franking credits available at the reporting date based on a tax rate of 30%	58,143	49,083
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	1,888	2,464
Franking credits available for subsequent financial years based on a tax rate of 30%	60,031	51,547

	Consolidated	
	2021 $'000	2020 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	60,031	51,547

Note 24. Dividends (continued)

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

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

Accounting policy for dividends
Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

Note 25. Financial instruments

Financial Assets and Liabilities:
Amounts are accounted for at amortised cost and shown at approximate fair values below:

	Consolidated	
	2021 $'000	2020 $'000
Financial assets		
Cash and cash equivalents	71,457	21,382
Trade and other receivables	5,606	5,073
	77,063	26,455
Financial liabilities		
Trade and other payables	41,896	37,528
Borrowings	-	17,500
Other liabilities	3,773	77
	45,669	55,105

Financial risk management objectives
The consolidated entity'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 consolidated entity'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 consolidated entity. The consolidated entity 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.

The current disruptions to the market caused by the COVID-19 outbreak have also been taken into account while assessing these risks.

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

Note 25. Financial instruments (continued)

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged from the 2020 Annual Report.

In order to maintain or adjust the capital structure, the consolidated entity manages the level of cash and debt that is prudent in light of the operational plan and the growth opportunities for the business.

The consolidated entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. Formal notification of this compliance is confirmed on a quarterly basis.

The capital structure of the consolidated entity consists of net cash (cash and cash equivalents as detailed in Note 7. Cash and cash equivalents, less borrowings as detailed in Note 15. Borrowings) and equity of the consolidated entity (comprising issued capital, reserves and accumulated losses as detailed in Note 20. Issued capital, Note 21. Reserves and Note 22. Retained profits.

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In FY2021 approximately 40% of Group revenue was in USD from its US operations and the consolidated entity was able to source a similar corresponding amount of its inventory in USD. This natural hedge meant the Group was not required to hedge its foreign exchange exposure. Management monitors his natural hedge on an ongoing basis to ensure that the exposure to foreign exchange is acceptable.

In December 2020 the Group acquired UK-based Evans, with revenues received and operating expenses in GBP and stock purchases in both GBP and USD. The first six months from acquisition was a period of low revenue due to the rebuild of inventory and UK-government imposed lockdowns due to COVID-19, as well as elevated expenses due to a transition services agreement. The GBP exposure was therefore not material and no hedge was put in place for the FY2021.

In FY2022 the Group expects the UK business to generate more GBP inflows than outflows, and will put in place appropriate hedges to manage this FX exposure. There is significant ongoing work on the diversification of the supply chain, which will inform whether any material USD exposure exists in FY2022 and thereafter. If the natural hedge for USD the Group has enjoyed to date is no longer in place, the USD exposure will be hedged appropriately.

For the current financial period, if AUD to foreign currency rates had changed by +/- 10% from the year-end rates with all other variables held constant, the impact on pre-tax profit for the year would have been $0.3m lower/higher.

Price risk
The consolidated entity is not exposed to any significant price risk.

Note 25. Financial instruments (continued)

Interest rate risk
The Group has exposure to interest rate risk on the 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.

As at the reporting date, the consolidated entity had the following variable rate borrowings:

Consolidated	2021 Weighted average interest rate %	2021 Balance $'000	2020 Weighted average interest rate %	2020 Balance $'000
Cash and cash equivalents	0.229%	71,457	0.790%	21,382
Borrowings	2.732%	-	2.886%	(17,500)
Net exposure to cash flow interest rate risk		71,457		3,882

For the current financial period, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables constant, the impact on post-tax profit for the year would have been $0.6m higher/lower (2020: $0.1m higher/lower), relating to the interest income on the cash at bank.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. 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. The consolidated entity does not hold any collateral.

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The consolidated entity has a credit risk exposure with trade debtors, which as at 27 June 2021 owed the consolidated entity $2.4m (2020: $2.7m). There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with its customers to mitigate risk. The Group has recognised a gain of $0.1m (2020: loss of $0.3m) in profit or loss in respect of the expected credit losses for the year ended 27 June 2021. The recoverability of trade and other receivables at 27 June 2021 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues were noted.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Note 25. Financial instruments (continued)

Liquidity risk
Prudent liquidity risk management requires the consolidated entity 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 consolidated entity 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. Inventory management methods and established supplier relationships assist management to prepare rolling forecasts of the consolidated entity's cash flow requirements to monitor the liquidity position and optimise its cash return on investments. Typically the consolidated entity ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

At balance date, the bank loan facility totalling $40.0m was available to the Group (28 June 2020: $40.0m). Management monitors rolling forecasts of the consolidated entity's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents based on expected cash flows. This is generally carried out at local level in the operating companies of the consolidated entity in accordance with practice and limits set by the consolidated entity. These limits vary by location to consider the liquidity of the market in which the entity operates. In addition, the consolidated entity's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2021 $'000	2020 $'000
Corporate credit card	481	935
Bank loans	39,950	22,500
	40,431	23,435

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

Consolidated - 2021	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 and other payables	-	41,896	-	-	-	41,896
Interest-bearing - variable						
Undiscounted lease liabilities	3.00%	9,393	7,231	11,686	1,413	29,723
Total non-derivatives		51,289	7,231	11,686	1,413	71,619

Note 25. Financial instruments (continued)

Consolidated - 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 and other payables	-	37,528	-	-	-	37,528
Interest-bearing - variable						
Bank loans	2.886%	-	-	17,500	-	17,500
Undiscounted lease liabilities	3.000%	9,310	7,364	10,669	1,072	28,415
Total non-derivatives		46,838	7,364	28,169	1,072	83,443

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

The lease liabilities include holdover assumptions in addition to contractually obligated periods, as disclosed in Note. 13 Right-of-use assets and Lease liabilities.

Fair value of financial instruments
This note provides information about how the consolidated entity determines fair values of various financial assets and financial liabilities.

Fair values of financial instruments are categorised by the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The consolidated entity has financial assets and liabilities which are measured at fair value at the end of each reporting period.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of receivables, trade and other payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of receivables, trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 26. Key management personnel

Directors
The following persons were directors of City Chic Collective Limited during the financial period:

Michael Kay	Chairman and non-executive director
Michael Hardwick	Non-executive director
Megan Quinn	Non-executive director
Phil Ryan	Chief Executive Officer and Managing Director

Note 26. Key management personnel (continued)

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial period:

Munraj Dhaliwal	Chief Financial Officer

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

	Consolidated	
	2021	2020
	$	$
Short-term employee benefits	1,471,565	1,401,013
Post-employment benefits	78,689	69,741
Long-term benefits	105,075	90,834
Share-based payments	1,400,127	1,314,982
	3,055,456	**2,876,570**

Shareholding
The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Net Additions during the period	Balance at the end of the period
Directors' shareholding			
Ordinary shares:			
Michael Kay	609,914	90,086	700,000
Michael Hardwick	495,000	9,836	504,836
Phil Ryan	124,000	9,836	133,836
Total	**1,228,914**	**109,758**	**1,338,672**
Other key management personnel shareholding			
Ordinary shares:			
Munraj Dhaliwal	80,000	19,672	99,672
Total	**80,000**	**19,672**	**99,672**

Note 27. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and its network firms:

	Consolidated 2021 $	Consolidated 2020 $
Auditor of the parent entity		
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	508,578	390,044
Other services - Deloitte Touche Tohmatsu		
Agreed upon procedures including review of covenant calculations	5,460	10,920
	5,460	10,920
Total remuneration - auditor of parent entity	**514,038**	**400,964**
Network firms of the parent entity auditor		
Audit services - network firms		
Audit or review of the financial statements	62,160	-
	62,160	**-**
Other services - network firms		
Tax compliance services including review of company income tax returns	5,380	8,260
Tax advisory services	-	8,740
Total remuneration - network firms of the parent entity auditor	**67,540**	**17,000**
Total remuneration	**581,578**	**417,964**

It is the consolidated entity's policy to employ Deloitte on assignments additional to their statutory audit duties where Deloitte's expertise and experience with the consolidated entity are important. These assignments are principally tax advice and other advisory services, or where Deloitte is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

Note 28. Contingent liabilities

The consolidated entity had contingent liabilities at 27 June 2021 in respect of:

Cross guarantees by and between City Chic Collective Limited and Specialty Fashion Group No.5 Pty Limited. These are described in Note 34. Deed of cross guarantees. No deficiencies of assets exist in any of these companies.

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 29. Commitments

	Consolidated 2021 $'000	2020 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	743	-
One to five years	2,765	-
More than five years	844	-
Total lease commitments - operating	**4,352**	**-**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	166	-

Lease commitments includes contracted amounts for a small number of retail outlets considered short term (expiring within less than one year) and not accounted for under *AASB 16 Leases* as of 27 June 2021 and contracted amounts for leases not yet commenced as of 27 June 2021 to which the Group is committed.

Lease commitments for the leases not yet commenced includes contracted amounts for a small number of retail outlets under non-cancellable operating leases expiring within 1 to 10 years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The lease commitments do not include rental payments which may arise in the event that sales revenue exceeds a pre-determined amount.

Capital commitments includes contracted amounts for fit-out costs (net of landlord fit-out contributions) relating to retail outlets for which the leases have not yet commenced as of 27 June 2021 but to which the Group is committed.

Note 30. Related party transactions

Parent entity
City Chic Collective Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 33.

Key management personnel
Disclosures relating to key management personnel are set out in Note 26. Key management personnel and the remuneration report included in the directors' report.

Note 30. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2021 $	Consolidated 2020 $
Payment for other expenses:		
Services provided by Southern Cross Shopfitting, a company that is associated with the Cotton on Group, of which Michael Hardwick is a Director and the CFO[20]	2,356,173	2,552,160
Services provided by International Southern Cross Shopfitting (NZ), a company that is associated with the Cotton on Group, of which Michael Hardwick is a Director and the CFO[21]	9,360	67,386
Total related party transactions	**2,365,533**	**2,619,546**

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current payables		
Trade payables to Southern Cross Shopfitting, a company that is associated with the Cotton Group, of which Michael Hardwick is a Director and the CFO[20]	841,580	-

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates. Proposals are sought from various suppliers and awarded to the best proposal, i.e. a number of suppliers were engaged for shopfitting services for the period.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity

Statement of profit or loss and other comprehensive income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	136,282	105,877
Expenses	(104,054)	(100,164)
Profit before income tax	32,228	5,713
Income tax expense	(9,772)	(2,712)
Profit after income tax from discontinued operations	-	369
Total profit after income tax for the year from parent entity	22,456	3,370
Other comprehensive income / (loss)	(198)	(369)
Total comprehensive income from parent entity	22,258	3,001

[20] Michael Hardwick was not involved in decision making related to Southern Cross Shopfitting and its dealings with the Group

[21] Michael Hardwick was not involved in decision making related to International Southern Cross Shopfitting (NZ) and its dealings with the Group.

Note 31. Parent entity information (continued)

Statement of financial position

	Parent 2021 $'000	Parent 2020 $'000
Total current assets	88,089	19,307
Total assets	245,675	120,847
Total current liabilities	40,397	33,770
Total liabilities	59,296	69,151
Equity		
Issued capital	158,368	49,139
Foreign currency reserve	(205)	(7)
Share-based payments reserve	7,142	3,947
Dividends paid	(2,884)	(2,884)
Retained profits/(accumulated losses)	23,958	1,502
Total equity	186,379	51,697

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The same guarantee disclosure applies to both parent and consolidated accounts, refer to Note 34. Deed of cross guarantee.

As at 27 June 2021, the parent entity has net current assets of $47.7m (2020: net current liabilities of $14.5m). The net current liabilities position in the prior financial reporting period had arisen due to the classification of intercompany receivables/payables as current/non-current with wholly-owned subsidiaries of the parent entity in accordance with AASB 132 *Financial Instruments: Presentation*. These intercompany balances eliminate on consolidation. In the prior year, it was noted that notwithstanding the classification of these balances, the parent entity is able to control the timing of the payment of these balances by virtue of its control of the respective subsidiary entities. In addition, the parent entity has raised $80m in capital in the current financial reporting period (Refer to Note 20. Issued capital for further information).

Contingent liabilities
The above disclosure does not include contingent rental payments which may arise in the event that sales revenue exceeds a predetermined amount.

Capital commitments - Property, plant and equipment
The parent entity had capital commitments for plant and equipment as at 27 June 2021 of $0.17m (2020: $nil).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Business combinations

On 23 December 2020, the Group completed the acquisition of the Evans brand, and the e-commerce and wholesale businesses ("Evans Assets") for cash consideration of £23.1m (A$41m) in cash.

During the 52-week period ending 27 June 2021, the provisional accounting for the acquisition of the Evans Assets was finalised, with the final cash consideration paid for the acquisition being revised down to £22.7m (A$40.2m).

Details of the purchase consideration, and finalised fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	Fair value $'000
Inventory	3,042
Customer relationships	1,418
Brand	14,007
Deferred tax asset	384
Provisions and payables	(1,447)
Gift cards liabilities	(283)
Net assets acquired	17,121
Goodwill	23,087
Acquisition-date fair value of the total consideration transferred	40,208
Representing:	
Amount settled in cash on acquisition	40,208
Acquisition costs expensed to profit or loss	1,008

The goodwill is attributable to the profitability of the acquired business. It will not be deductible for tax purposes.

Revenue and profit contributions
The acquired business contributed revenues of $14.0m to the Group for the period from 23 December 2020 to 27 June 2021.

Accounting policy for 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 consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Business combinations were initially accounted for on a provisional basis and subsequently finalised for the 52-week period ended 27 June 2021. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 33. 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 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Specialty Fashion Group No. 5 Pty Limited	Australia	100.0%	100.0%
City Chic Collective No. 1 Pty Limited	Australia	80.0%	80.0%
City Chic Collective No. 2 Pty Limited	Australia	100.0%	100.0%
Specialty Fashion Group No. 6 Pty Limited	Australia	100.0%	100.0%
City Chic International Pty Limited	Australia	100.0%	100.0%
City Chic Collective New Zealand Limited	New Zealand	100.0%	100.0%
Specialty Fashion Group South Africa (Pty) Ltd	South Africa	100.0%	100.0%
City Chic Collective USA Incorporated	United States	100.0%	100.0%
Avenue Online LLC[22]	United States	-	100.0%
City Chic Collective UK Limited	England and Wales	100.0%	-

Note 34. 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:

City Chic Collective Limited
Specialty Fashion Group No.5 Pty Limited

The above companies (where incorporated in Australia) represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by City Chic Collective Limited, they also represent the 'Extended Closed Group'.

All companies in the Closed Group are dormant, except for City Chic Collective Limited. The financial results of the Closed Group are the same as the financial results of the parent entity which are disclosed in Note 31. Parent entity information.

[22] Avenue Online LLC was merged into City Chic Collective USA Incorporated, and no longer exists as a standalone entity.

Note 35. Events after the reporting period

Covid-19 related matters

The Covid-19 pandemic continues to have an impact globally in the new financial period. The Directors continue to monitor COVID-19 related developments and are closely working with management to assess and navigate through the potential implications for team members, suppliers, customers, and operations. The focus is to maintain production and supply of products and services whilst minimising the risk of spread of COVID-19 amongst our team members, our customers, and the societies in which the Group operates.

Subsequent to the end of the financial year, the Australian store network was impacted by varying periods of temporary closures in response to government direction on restrictions and lockdowns. During the first 8 weeks of FY22, there were approximately 1,646 equivalent store days closed (c.33% of total equivalent store days over the period) including 764 in NSW, 565 in Victoria, 178 in Queensland, 40 in Western Australia, 32 in South Australia, 20 in ACT, 7 in Northern Territory and 40 in New Zealand. Stores in NSW (18), Victoria (21), ACT (2) and New Zealand (8) remain temporarily closed as of the date of this report. However, the Group continues to trade profitably with the benefit of the geographic and channel diversification. City Chic is well capitalised to deliver on its strong organic growth pipeline and well positioned for future inorganic opportunities to expand the global customer base.

Navabi acquisition

On 23 July 2021, the Group signed and completed a share purchase agreement to acquire 100% of the shares in JPC United GmbH ("Navabi') for €6.0m (A$9.6m) in cash, from the co-founders of Navabi. Navabi's assets include €2.1m of cash net of tax liabilities, as well as inventory and immaterial other working capital. In 2009, Navabi was established as an online marketplace selling hundreds of third-party women's plus-size brands. Navabi has also developed its own brands exclusively sold on the marketplace, which have grown to become the majority of sales in recent years. Navabi's loyal customer base are focused on size, fit and quality, and are based predominantly in Germany. Navabi's websites had 5.8m customer visits in 2020, generating €10.4m (A$16.6m) in sales revenue, and pre-pandemic traffic exceeded 10m visits.

No other matter or circumstance has arisen since 27 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

City Chic Collective Limited
Directors' declaration
27 June 2021

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 1 to the financial statements;

- the attached financial statements and Notes give a true and fair view of the consolidated entity's financial position as at 27 June 2021 and of its performance for the financial period 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 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 34 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

M. D. Kay.

Michael Kay
Chairman

Phil Ryan
Chief Executive Officer and Managing Director

26 August 2021
Sydney