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dusk

ANNUAL REPORT

2021





2021 ANNUAL GENERAL MEETING

**FRIDAY, 12 NOVEMBER 2021
10.00AM**

Due to continuing developments in relation to COVID-19, this year's AGM will be held as a virtual meeting, using technology to facilitate shareholder participation.

Full details will be provided to all shareholders in the Notice of Meeting.



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PERFORMANCE HIGHLIGHTS

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RECORD SALES PERFORMANCE

+47.4%

- Sales to \$148.6m

OMNI-CHANNEL STRATEGY DELIVERING

+27.0%

- Online sales to \$11.2m
- Represents 7.5% of total sales

PRO FORMA EBIT¹ TO \$38.4M

+224.7%

1. Pro forma EBIT is unaudited and excludes IPO related costs, the net benefit of JobKeeper, rental concessions and is pre-AASB 16.



EXCEPTIONAL GROSS MARGIN

+54.4%

Gross margin to \$101.3m
(up 308 bps to 68.2%)

OUTSTANDING CASHFLOW GENERATION

- Net cash position of \$21.4m at period end (no debt)

DUSK REWARDS

+31%

Active members grew to over 688,000

TEN NEW STORES WERE SUCCESSFULLY OPENED DURING FY21

CHAIRMAN'S LETTER



Dear Shareholder

I am pleased to present the 2021 Annual Report of Dusk Group Limited.

A Year of Change

FY21 was like no other for the retail industry and for dusk:

- The business continued to adapt and manage severe and ongoing disruptions to our team, operations, customers and business partners, caused by the COVID-19 pandemic.
- Our entire team showed determination and tenacity to work through the challenges. Our store teams have been on the 'front line' and maintained outstanding service to our customers in circumstances which have at times been very challenging. Our leaders have shown great resilience, nous and adaptability to navigate the ongoing changes to the trading environment.

- The Company reported a record year for both sales and earnings, with our major growth strategies continuing to deliver strong results.

In November 2020, dusk reached an important milestone in successfully listing its shares on the ASX. We have welcomed many new shareholders to our Company, and we are pleased to have rewarded them with strong results, and an attractive dividend yield. We are confident that the years ahead will continue to reward our shareholders.

Our "Customer First" approach has enabled us in this particularly challenging year to deliver exceptional top and bottom line growth. The Board and Management are focused on continuing to:

- Grow our store network. We opened 10 new stores in FY21 and have plans to continue this momentum into the year ahead.
- Expand, innovate and differentiate our product range with particular focus on the wellness product trends and the use of technology to broaden our range of home fragrance products.



- Invest in our online channel with additional skills and expertise and further upgrades to technology and technical capability.
- Utilise our dusk Rewards program and associated database of over 688,000 active members for targeted marketing and promotional activity.
- Evaluate overall market conditions to explore and assess opportunities in overseas markets, which have been more challenging during lockdown.
- Manage risks, and improve the systems and governance that enhance and protect our business.

Strong Financial Results

Despite the very challenging market and trading conditions, dusk continues to have a strong balance sheet. FY21 has delivered a record sales and profit result in its inaugural year on the ASX. These results have enabled the declaration of dividends totalling 25 cents per share since our IPO, including a fully franked final dividend of 10 cents per share.

Sales growth of 47.4% and LFL sales growth of 32.7% was driven by our differentiated product, offering superior value for money for our growing customer cohort. In addition to this, online sales grew 27% for the year and now represents 7.5% of total sales. Total pro forma EBIT¹ grew to \$38.4 million up 224.7% with cash at bank closing FY21 at \$21.4 million.

Our First Class Team

On behalf of the Board I would like to thank all our team members for their continued dedication and commitment to our business during the very difficult time of store closures and lockdowns. Our success has been in no small part due to their outstanding hard work and talent. I would also like to thank the newly formed Board of Directors who have been agile and responsive with counsel and guidance during these extraordinary times. Finally, I would also like to recognise the ongoing support provided by the shareholders and thank them for their trust.

We are confident that we have the right strategies in place to continue to deliver strong returns for the benefit of all shareholders. Our focus is on the consistent execution of sustainable strategies, and in doing so plan to deliver pleasing outcomes for our employees, shareholders, customers and other stakeholders.

John Joyce
Chairman

¹ Pro forma EBIT is unaudited and excludes IPO related costs, the net benefit of JobKeeper, rental concessions and is pre-AASB 16

MANAGING DIRECTOR AND CEO'S REPORT



Dear Shareholder,

FY21 was a year of achievement for the dusk business. Following a rapid and robust re open in the final quarter of FY20, dusk continued to trade strongly into FY21, allowing the Board to pursue a successful IPO in November 2020. The entire dusk team has worked together executing our customer centric strategies to deliver a strong set of operational and financial results for FY21.

Financial and Operational Performance

FY21 revenue growth of 47.4% to \$148.6 million is a direct result of offering highly differentiated fragrance products at great value for money to our growing customer base.

We have undoubtedly enjoyed a favourable environment for retailing of homewares and home fragrance products, together with our “health and wellbeing” product offering. We expect this favourable demand environment to continue for so long as the factors below remain in place:

- our customers’ homes are of elevated importance as places of work, recreation, entertaining and sanctuary; and
- our customers capacity and/or willingness to spend in other areas of household expenditure (e.g. travel) are restricted.

The importance of connection with family and friends has become even more clear in the last 18 months. We see this manifest in the gifting choices made by our customers. Our focus is on how we maximise performance and capture enduring benefits from this period of elevated demand in our category.

Total like-for-like (LFL) sales growth was 32.7%. Store LFL sales grew 32.9% and online grew 27.0%. The 3rd quarter of FY21 was dusk’s 17th consecutive quarter of LFL sales and gross margin growth.

At a product level, the continued sales growth of ultrasonic diffusers and associated oils and accessories has been a highlight. In FY21, sales of these categories exceeded 30% of our total sales for the first time.



The strong LFL sales increases were complemented by a material lift in our Gross Margin rate, increasing by 308 basis points to 68.2%. Recalibrating the duration and depth of promotional activity, combined with targeted pricing adjustments, more than offset short-term currency and supply chain challenges. These outcomes and learnings will underpin our trading strategy for FY22.

Strong operating leverage was achieved with cost of doing business (CODB) as a percentage of sales declining 1006 basis points from 50.4% to 40.3%. Outstanding growth in sales and gross margin, combined with this operating leverage delivered pro forma EBIT¹ growth of 224.7% to \$38.4 million representing an EBIT margin of 25.9% (up from 11.7% in FY20).

dusk continued to invest in our online channel. We also took steps to more fully integrate our stores and digital assets to create a more fluid and engaging omni channel shopping experience for our customers. We continue to invest in team, tools, functionality, content, marketing, and capacity to support the growth of our digital channel. Our new website built on the Magento 2.3 platform went live in August 2021. We expect to continue to invest in this fast-growing channel for the foreseeable future.

dusk opened 6 new stores in the first half of FY21 to maximise trading in the Christmas sales period and an additional 4 stores in the second half prior to Mother's Day. These 10 stores have successfully opened in a cross section of locations where we have targeted outer suburban and super regional centres. These catchments were under-served for quality Home Fragrance products and gifting solutions. dusk will continue to seek out new store opportunities in similar catchments in FY22.

dusk undertook 3 store refurbishments, reducing the number of stores remaining in our older legacy store fit out to 35. Sales in all refurbished stores have increased post these improvements, from a combination of enhanced floor space utilisation and the addition of our Health and Wellbeing bays at the front of these stores. We will continue to look for opportunities to convert our older stores either at lease expiry or in cooperation with our landlords where it makes economic sense to do so.

A driver of our success in FY21, as in preceding years, has been the expanding dusk Rewards program. A revamped version of this program was introduced in FY16, offering member only access to every day offers, events and various other benefits. At the end of FY21, the program has grown to have 688,000 active members. Rewards members now represent 52% of all transactions and 60% of total sales with both measures having grown sharply in FY21.

At dusk we undertake all product and packaging design and development in-house, generating a sustainably differentiated offer to our customers. Our vertical sourcing model, absent of agents or wholesalers, provides dusk with speed to market combined with exclusive, lower cost, and higher quality products. Importantly, we also have more flexibility in our supply chain and more control over our product pricing in the market.

The growth in sales and earnings has been delivered by the dusk store and customer support office teams. Within the retail leadership team of state and area managers we have over 130 years of experience at dusk and an average tenure of 8 years. The wealth of experience from these high performing team members ensures our culture of

customer focus is hard wired into our business operations.

It is timely to mention our core suppliers. These long-term business partners located in Australia and internationally, have allowed us to work flexibly and quickly to achieve our mutual financial goals, while delivering great products to our customers. Our third party logistics partners and landlords have proactively worked with the management team to navigate choppy waters. The result of an expanding dusk business into new catchments is proof of the success of these relationships.

In closing this report, it is appropriate to offer a sincere thank you to our customers right across Australia. In FY21, our store network has expanded into catchments diverse as Burleigh Heads in Queensland through to Glenorchy in Tasmania. In doing so we have been able to offer dusk's great home fragrance products to a growing customer base while delivering profitable growth for our shareholders.

dusk shareholders are part of a market leading digitally integrated Home Fragrance business. We are proud of the returns we have delivered to our shareholders. We are focused on our dual task of delighting our customers and delivering attractive returns on shareholders' funds over the long-term.

Peter King
Chief Executive Office and
Managing Director

1. Pro forma EBIT is unaudited and excludes IPO related costs, the net benefit of JobKeeper, rental concessions and is pre-AASB 16

CORPORATE SOCIAL RESPONSIBILITY



GATHER MY CREW

Gather My Crew is an Australian charity helping people to help people.

dusk has proudly supported Gather My Crew since 2017.

What we do

Gather My Crew enables friends and family to build support networks that provide the right help, at the right time to people in need.

Our freely available web app makes it easy to coordinate meaningful help while our education and information supports people to change the way they ask for, offer and accept help.

Launched in 2017, Gather My Crew's tools and resources empower all of us to become 'changemakers' – the kind of people who gather around those in need to offer care, connection and support.

Dr Susan Palmer

CEO
Gather My Crew

OUR IMPACT



165k

Hours of support provided



15

Average size of support network



60

Hours of support provided per month (average)



4MTHS

Average length of time active

TOP 5 TASKS

- Meals
- Childcare
- Social visits
- Grocery shopping
- Transport

MOST COMMON REASON

- Cancer
- Accident
- Sudden death
- Premature baby



“Gather My Crew was a life saver. I could not have got through my cancer treatment without it”

Kat

Who we help

Our technology and educational resources have been used to build support networks around:

- cancer patients
- grieving families
- traffic accident victims
- stroke patients
- victims of bushfires and floods
- parents of premature babies
- ageing family members
- dialysis patients and more.

Wherever a need exists for the coordinated care and support of friends and family – Gather My Crew is there.

Why we exist

During a crisis, people rarely activate their personal networks of family, friends and neighbours in the most powerful way. This means that they do not get the help and support they really need.

This happens because those going through a crisis become overwhelmed and they just don't know who to ask, how to ask, and how to coordinate all of the help they need.

Compounding the issue, personal networks of friends and family are not always aware that help is needed or what help is required, do not know how to initiate a discussion about offering help, and do not know the best way to coordinate help.

A lack of support leads to poorer outcomes for those in crisis – including avoidable complications in physical health, mental health, speed of recovery and relationship problems.

With the support of dusk, Gather My Crew is changing this.

dusk and Gather My Crew

dusk has proudly been supporting Gather My Crew since 2017 with regular Mothers' Day and Christmas promotions that have included instore marketing materials to spread the word about Gather My Crew to dusk customers.

dusk has also provided Gather My Crew to all staff as part of their Wellness offer with many dusk employees engaging with the charity over the COVID period.

With the ongoing support of dusk, Gather My Crew will be launching new technology and resources later this year as we continue to improve the resources and tools available to help people, help people.

You can learn more at www.gathermycrew.org.au

CORPORATE GOVERNANCE STATEMENT

dusk has followed the recommendations of the ASX Corporate Governance Council's Principle and Recommendations (4th Edition) (except where noted) during the reporting period.

Further details are set out in the Group's Appendix 4G and Corporate Governance Statement, authorised for issue by the Directors on 27 September 2021, which are available to be viewed on the Group's investor relations website at www.investors.dusk.com.au

DUSK GROUP LIMITED

ACN 603 018 131

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DIRECTORS' REPORT

The Directors present their report, together with the consolidated financial statements on Dusk Group Limited and its controlled entities (referred to hereafter as “dusk”, “the Group” or “the Company”) for the 52 weeks ended 27 June 2021 (“FY21” or “2021”).

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

DIRECTORS

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

Names	Position	Appointed/Resigned
John Joyce	Independent Chair, Non-Executive Director	
Trent Peterson	Non-Executive Director	
David MacLean	Non-Executive Director	
Tracy Mellor	Non-Executive Director	Appointed on 16 September 2020
Katherine Ostin	Non-Executive Director	Appointed on 16 September 2020
Peter King	Managing Director, Chief Executive Officer	
Gregory Milne	Non-Executive Director	Resigned on 29 September 2020

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Group for the 52 weeks ended 27 June 2021 comprised of retailing of scented and unscented candles, home decor, home fragrance and gift solutions.

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

DIVIDENDS

A pre initial public offer (IPO) dividend of \$5.8 million was declared and provided for on 3 March 2020 and was paid on 20 July 2020. This dividend was adjusted for in retained earnings as at 28 June 2020.

A second pre-IPO dividend of \$4.0 million was declared and provided for on 2 October 2020 and was paid on 21 December 2020.

In respect to the period post ASX listing on 2 November 2020, an interim dividend of 15.0 cents was paid to the holders of fully paid ordinary shares on 26 March 2021. The Directors also declared a final dividend of 10.0 cents per share, which was paid to the holders of fully paid ordinary shares on 24 September 2021.

This takes the total post ASX listing dividend to 25.0 cents per share, with dividends franked to 100% at the 30% corporate income tax rate.

2021 OPERATIONAL AND FINANCIAL REVIEW

The net profit after tax (NPAT) of the Group for the 52 weeks ended 27 June 2021 was \$21.9 million (28 June 2020: \$9.5 million).

The Directors' Report includes references to pro forma results. The pro forma results have been derived from dusk's statutory accounts and adjusted to a pro forma basis to reflect the ongoing operations of dusk more appropriately, and its balance sheet and capital structure following the IPO. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS measures contained within this report are not subject to audit. Other companies may calculate such measures in a different manner to the Group.

Pro forma earnings before interest and tax ("EBIT") was \$38.4 million for the 52 weeks ended 27 June 2021 which is reconciled to statutory EBIT as follows (with comparatives):

	2021 \$'000's	2020 \$'000's
Statutory profit before income tax	31,263	13,575
Add/(deduct):		
Finance costs	1,582	1,478
Finance income	-	(11)
Statutory EBIT	32,845	15,042
Add/(deduct) the following items:		
Impact of AASB 16 ⁽ⁱ⁾	(700)	35
IPO costs ⁽ⁱⁱ⁾	6,641	719
Net JobKeeper benefit ⁽ⁱⁱⁱ⁾	-	(2,265)
Rental concessions received ^(iv)	(346)	(1,023)
Public company costs ^(v)	-	(669)
Pro forma EBIT	38,440	11,839

(i) Adjustment is reflective of management measuring and reviewing company performance prior to any AASB 16 adjustments.

(ii) The Group incurred certain non-recurring transaction costs and similar items for the IPO.

(iii) Net JobKeeper benefit reflects the removal of the non-recurring benefit to earnings of the JobKeeper Payment received from the Australian Government. It reflects the amount of subsidy received by the Group to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Group.

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

(v) This adjustment reflects the incremental costs associated with being a publicly listed company assuming these costs were incurred over the FY20 period.

RESULTS SUMMARY

Despite continued challenges and uncertainties created by COVID-19, dusk delivered another record year in revenue and earnings. Total revenue was up 47.4% to \$148.6 million and total like-for-like (LFL) sales increased by 32.7%. This result was driven by dusk's strong levels of market demand for homewares and related products, together with dusk's differentiated product range, offering superior value for money to our growing customer cohort.

Store LFL sales growth of 32.9% provided a solid return on the investments made in training and development of our store teams and vindicates the decision by Management to invest in core inventory for Q2 FY21 sales. Online sales grew by 27.0% to \$11.2 million and now represents 7.5% of total sales.

Average Transaction Value (ATV) at \$51 was 12% higher than FY20. This increase was driven by the continued shift to higher price point products in the Home Fragrance product area, and refinement of our range to offer larger pack size products across the core candle category.

dusk Rewards, our pay to join membership program, signed up and renewed a record 413,000 members in FY21 representing an increase of 49% compared to last year. dusk Rewards members now represent 60% of sales and 52% of transactions. dusk Rewards members continue to spend more, and shop more often than non-members.

Ten new stores were opened during FY21: Yamanto (QLD), Winston Hills (NSW), Glenorchy (TAS), Burleigh Heads (QLD), Munno Para (SA), Tarneit (VIC), Indooroopilly (QLD), Marrickville (NSW), Ellenbrook and Warwick Grove (WA).

The combined impact of strong sales growth and further gross margin expansion resulted in gross profit growth of 54.4% to \$101.3 million. The gross margin rate increased 308 basis points to 68.2% driven through careful price point management together with more disciplined use of promotional discounting to drive sales.

Cost of doing business (CODB) reduced by 1,006 basis points from 50.4% in FY20 to 40.3% in FY21. Increased investment in digital, technology and talent made during the year will drive growth into FY22 and beyond.

Pro forma EBIT increased by 224.7% to \$38.4 million and pro forma NPAT increased 225.5% to \$26.8 million.

In February 2021, the Board determined that based on the performance of the Group it was appropriate to repay the net JobKeeper wage subsidy benefit of \$2.8 million received during 1H FY21 to the Australian Government. This was repaid and recognised in the Group's financial results in 2H FY21.

DIRECTORS' REPORT CONTINUED

CAPITAL MANAGEMENT

Net cash closed the year at \$21.4 million with no drawn debt. All bank covenants were complied with and there remains significant headroom.

Inventory closed the year broadly in line with plan and 67% higher than FY20, noting we were \$2.6 million below plan at the end of FY20 due to COVID-19 impacts. This increase in inventory is concentrated in high turn core products in Candle and Home Fragrance.

STRATEGIC UPDATE

The Company believes its existing strategies remain appropriate and that its performance both operationally and financially in FY21 despite numerous challenges are evidence of this. The Company continues to focus on the importance of building operational agility given the likelihood of continued volatility in market and operational conditions. The Company will continue to pursue its vertically integrated model which it believes will deliver significant growth in shareholder value over the long-term.

Set out below are the key drivers of this growth:

OUR PROVEN, RESILIENT AND AGILE BUSINESS MODEL

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

dusk does not sell its products to other retailers or retail its products on third-party platforms. Management believes dusk's vertical model enables it to provide customers with superior value for money, consistent quality, knowledgeable staff in store, product newness that excites, fragrances they know and love, and product specifically developed for the preferences of the dusk customer.

DUSK REWARDS

The dusk Rewards program is the centrepiece of dusk's marketing activities and promotional events; and dusk is continuously refining how this member database is used and segmented to grow customer shopping frequency and loyalty to the brand.

We have a large and loyal customer base with over 688,000 paid up current members of our loyalty program. Membership numbers continue to grow strongly with a CAGR of 22% over the last 3 years. Members are more highly engaged - they shop more often and spend more each transaction than non-members (accounting for 60% of total sales), and are more likely to shop across our channels.

STORE ROLLOUT AND UPGRADES

Although dusk has a strong national presence, it believes there is still significant room for expansion in the domestic market.

dusk also has 35 stores yet to be upgraded to the new store fit out model. The store redesign and refit began in 2014 replacing the original 'legacy' stores with the original 'Glow' design and has since transitioned to the 'Glow 2' format.

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

All our stores are profitable and attractive new store opportunities remain. The cohort of stores opened in both FY20 and FY21 are performing well (when open and trading) and contributing to growth.

ONLINE SALES

Online sales have grown at a CAGR of 67% from FY17 to FY21. Online sales are expected to continue to grow strongly, driven largely by a number of online focused initiatives which are supported and enabled by the investment in a new eCommerce platform which went live in August 2021.

The key initiatives below are aimed to provide online customers a faster, more flexible, and more engaging and personalised customer experience;

- improved online order fulfilment and customer service via third-party logistics partners;
- click and collect and click and despatch functionality;
- addition of new payment options;
- addition of new delivery options;
- targeted online marketing and personalisation; and
- further growth in dusk Rewards member numbers.

CONTINUED PRODUCT INNOVATION AND PRODUCT IMPROVEMENT

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

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

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

Due to dusk's market position and vertical retail model, Management believes the Company is well placed to be a pioneer and market leader in the sale of cannabidiol ('CBD') related essential oils, should regulatory changes allow for the sale of such products. dusk has recently formed a supply arrangement with US based Plant Therapy, allowing dusk to stock and sell Plant Therapy essential oils in Australia. Through this partnership, dusk is establishing a supply chain with a producer of CBD related essential oils. dusk is monitoring this market and plans to be an early mover in offering a range of CBD related products in the Australian market if and when the necessary regulatory changes permit.

INTERNATIONAL EXPANSION

dusk continues to explore medium-term opportunities to expand into international markets through both physical store roll-out and the launch of a website which can readily accommodate sales outside Australia. New Zealand has been identified as an initial market for dusk to enter in the medium term.

dusk continues to research and monitor opportunities for an initial store trial in New Zealand. The Company expects to launch in New Zealand in FY22 or FY23 subject to further COVID-19 developments. dusk expects to open 2-3 stores as an initial trial. If successful, dusk sees the capacity to ultimately open up to 10-12 stores in New Zealand over the long-term. dusk sees New Zealand as a territory in which to learn lessons and refine processes for deploying and managing a business in an international market. This is an important precursor to a launch in a larger and more geographically distant international market.

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

Any international opportunities will be assessed with a 'test and learn' methodology and a disciplined approach to risk management and capital allocation, and subject to further developments in the COVID-19 pandemic.

KEY BUSINESS RISKS

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

THE AUSTRALIAN RETAIL ENVIRONMENT AND GENERAL ECONOMIC CONDITIONS MAY DETERIORATE

dusk's performance is sensitive to the current state of and future changes in the retail environment and general economic conditions in Australia, and more specifically those that impact consumer demand for homewares and related home fragrance products. There is little doubt that the trading environment in FY21, while volatile, has been favourable for dusk. If Australian economic conditions worsen, there is a risk that the retail environment will deteriorate as consumers reduce their level of consumption or redirect their spending to cheaper products or discount stores. A reduction in consumer spending or a change in spending patterns which is adverse to dusk is likely to result in a reduction in revenue and may have a material adverse effect on the Company's future financial performance and financial position.

dusk's performance can also be adversely affected by trading disruptions that require prolonged periods of store closures. A specific example of this are the store closures persisting at the date of this report across the company's stores in a number of key markets on the Eastern Seaboard of Australia due to COVID-19. The duration, breadth and specific timing and conditions of any store closures could have a materially adverse effect on the company's sales, earnings and cashflow. Further, store closures and other circumstances related to COVID-19 could also adversely impact the company's supply chain, staffing and operations in a manner that causes deterioration to the performance or prospects of the business.

CUSTOMER BUYING HABITS OR SEASONAL TRADING PATTERNS MAY CHANGE

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

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

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

dusk's sales have historically been subject to seasonal patterns, with a disproportionate amount of annual sales being generated over the Christmas trading period, and to a lesser extent Mother's Day.

An unexpected decrease in sales over those traditionally high-volume trading periods may impact dusk's revenue during the relevant period, and could also result in abnormally large amounts of surplus inventory, which dusk would typically seek to sell before it becomes too old or obsolete. Sale of out of season or old stock would be affected through higher discounting which is likely to reduce dusk's revenue and earnings, and in turn adversely affect its financial performance.

COMPETITION MAY INCREASE AND CHANGE

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

dusk faces competition from homewares and specialty retailers, department stores, discount department stores, supermarkets and independent retailers (such as pharmacies and boutique specialty retailers), as well as online only retailers. Shifts in spending patterns in FY21 also highlight that dusk competes generally for customers discretionary spending capacity. Competition is based on a variety of factors including merchandise range, quality, price, advertising (including SEO and SEM), store location, store presentation, product presentation and customer service.

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

DUSK MAY EXPERIENCE SUPPLY CHAIN DISRUPTION

dusk does not manufacture the products which it sells and currently has relatively informal supply arrangements with in excess of 25 manufacturers of candles, diffusers, and other related products, with the top eight representing approximately 80% of dusk's purchases in FY21. However, dusk sources the majority of its products from five suppliers, representing in excess of 70% of purchases in FY21.

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

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

DUSK MAY LOSE KEY MANAGEMENT PERSONNEL

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

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

THERE MAY BE ADVERSE EXCHANGE RATE MOVEMENTS

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

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

THERE MAY BE ADVERSE MOVEMENT IN INPUT COSTS OF UNDERLYING RAW MATERIALS

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

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

DUSK ALSO MUST COMPLY WITH MULTIPLE COMPLEX AWARDS FOR THE PAYMENT OF ITS EMPLOYEES, AND MAY FAIL TO DO SO

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

CYBER SECURITY AND IT INFRASTRUCTURE

dusk has access to a significant amount of customer information, including through its database of over 680,000 dusk Rewards members. The dusk Rewards program is a significant component of dusk's business and therefore the protection of customer data is critical. A significant breach of customer data could attract regulatory action, negative media attention or brand damage and result in lost memberships, sales, fines or litigation, which could have a material adverse effect on dusk's future financial performance and financial position. dusk does not store payment or credit card or bank account information of customers.

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

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

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

AVAILABILITY OF FUNDING AND LIQUIDITY

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

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

DUSK MAY EXPERIENCE PRODUCT RECALLS

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

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

DUSK MAY BE INVOLVED IN DISPUTES OR LITIGATION

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

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

LAWS AND REGULATIONS MAY CHANGE AND ANY BREACH OF LAW MAY NEGATIVELY IMPACT DUSK

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

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

With effect from 25 September 2020, the name of the Company changed from Dusk Retail Group Holdings Pty Limited to Dusk Group Limited and converted from a large proprietary company to an unlisted public company limited by shares. On 2 November 2020, the Company then became a publicly listed company on the Australian Securities Exchange (ASX).

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

EVENTS AFTER THE REPORTING DATE

On 26 August 2021, the Directors declared a final dividend on ordinary shares in respect of the 2021 financial year. The total amount of the dividend is \$6.23 million which represents a fully franked dividend of 10.0 cents per share. The dividend has not been provided for in the 27 June 2021 financial statements.

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

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Given the uncertainty that persists due to COVID-19, the Board does not have a reasonable basis to provide FY22 revenue and earnings guidance at this time.

While the duration of the pandemic and current lockdowns is unknown, we expect it to ultimately represent a temporary disruption to the retail environment. Our FY20 and FY21 results tell us that when stores re-open after significant closure periods, sales 'boom', especially in periods where the importance of our customer's homes as personal sanctuaries remains elevated, and travel remains restricted.

Due to seasonality, our 1H and FY22 earnings will be most determined by how we trade in November and December, and therefore the prevailing trading conditions at this time (not today). Our strategy and focus on strong execution and remaining nimble is unchanged.

ENVIRONMENTAL REGULATION

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

INFORMATION ON DIRECTORS

The Directors of Dusk Group Limited in office are listed below together with details of their relevant interests in the securities of the Company as at 27 June 2021.

John Joyce <i>Independent Chair, Non-Executive Director</i>	
Expertise and Experience	John has over 30 years' experience in senior management roles across a range of retailers and supermarkets. John previously held positions as CEO at Rebel Group and Managing Director at ALDI and currently runs his own independent advisory (Business Improvement Solutions) focused on retail and related businesses.
Other Current Listed Directorships	None
Former Listed Directorships in Last 3 Years	None
Special Responsibilities	Chair of the Board Member of the Remuneration Committee
Interests in Shares and Options	Ordinary Shares – Dusk Group Limited 2,275,000
Trent Peterson <i>Non-Executive Director</i>	
Expertise and Experience	Trent has over 20 years' investment and private equity experience, focused primarily on businesses operating in consumer, retail and media sectors. Trent is Managing Director of Catalyst Investment Managers and the founder and Managing Director of Catalyst Direct Capital Management.
Other Current Listed Directorships	Adairs Limited Universal Store Holdings Limited Shaver Shop Group Limited
Former Listed Directorships in Last 3 Years	None
Special Responsibilities	Chair of the Remuneration Committee Member of the Audit and Risk Committee
Interests in Shares and Options	Ordinary Shares – Dusk Group Limited 278,500 (Trent also has an indirect interest in the shares owned by funds managed or advised by Catalyst Investment Managers Pty Ltd)
David MacLean <i>Non-Executive Director</i>	
Expertise and Experience	David was the Chief Executive Officer and Managing Director of Adairs for 14 years from 2002–2016, having previously held the role of General Manager from 1989–2002. David now runs his family investment office and holds minority interests in a number of private retail businesses.
Other Current Listed Directorships	Adairs Limited Universal Store Holdings Limited
Former Listed Directorships in Last 3 Years	None
Special Responsibilities	Member of the Audit and Risk Committee
Interests in Shares and Options	Ordinary Shares – Dusk Group Limited 949,227
Tracy Mellor <i>Non-Executive Director</i>	
Expertise and Experience	Tracy brings over 30 years of global experience in leadership roles across a number of different sectors including Pharma, Technology and Retail. Tracy is currently a consultant specialising in leadership effectiveness and company culture. Prior to this, she has held roles as Global People and Culture Director for GreenLight Clinical, Managing Director and Global People Director for Reward Gateway, and Executive General Manager of People and Development at Rebel.
Other Current Listed Directorships	None
Former Listed Directorships in Last 3 Years	None
Special Responsibilities	Member of the Remuneration Committee
Interests in Shares and Options	Ordinary Shares – Dusk Group Limited 25,000

DIRECTORS' REPORT CONTINUED

	Katherine Ostin <i>Non-Executive Director</i>
Expertise and Experience	Katherine was an audit partner at KPMG between 2005 and 2017, during which time she established and led KPMG's New South Wales Health, Ageing and Human Services Practice.
Other Current Listed Directorships	Capral Limited Swift Media Limited 3P Learning Limited
Former Listed Directorships in Last 3 Years	None
Special Responsibilities	Chair of the Audit and Risk Committee
Interests in Shares and Options	Ordinary Shares – Dusk Group Limited 20,804

	Peter King <i>Managing Director, Chief Executive Officer</i>
Expertise and Experience	Peter has over 25 years' experience in senior leadership positions including General Manager Australia/New Zealand and Head of Global New Product Development and Sourcing at Skins Australia and New Zealand, General Manager at Colorado Group, General Manager at Tabcorp, Marketing Director at Maxxium Australia and Marketing Director at Levi Strauss.
Other Current Listed Directorships	None
Former Listed Directorships in Last 3 Years	None
Special Responsibilities	Managing Director, Chief Executive Officer
Interests in Shares and Options	Ordinary Shares – Dusk Group Limited 2,275,000 Unvested LTI Shares 450,000

COMPANY SECRETARY

Kate Sundquist held the position of Company Secretary during the whole of the financial year and up to the date of this report.

MEETINGS OF DIRECTORS

During the financial year, 12 meetings of Directors were held, 1 meeting of the Audit and Risk Committee was held, and 1 meeting of the Remuneration Committee was held. Attendances by each Director who was a member of the Board and relevant committee during the year were as follows:

	Board of Directors Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
John Joyce	12	12	–	–	1	1
Trent Peterson	12	12	1	1	1	1
David MacLean	12	12	1	1	–	–
Tracy Mellor	9	9	–	–	1	1
Katherine Ostin	9	9	1	1	–	–
Peter King	12	12	–	–	–	–
Gregory Milne	3	3	–	–	–	–

The Board did not have an Audit and Risk Committee or a Remuneration Committee prior to the IPO in November 2020.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

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

INDEMNIFICATION OF AUDITOR

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

NON AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non audit services provided during the financial year by the auditor are outlined in Note 25 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in Note 25 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF ERNST & YOUNG (AUSTRALIA)

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

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 for the year ended 27 June 2021 has been received and can be found on page 32 of the consolidated financial report.

AUDITOR

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

REMUNERATION REPORT (AUDITED)

The Directors of Dusk Group Limited present the Remuneration Report for the Group for the 52 week period from 29 June 2020 to 27 June 2021. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the Corporations Act 2001.

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

All Non-Executive Directors and Senior Executives have held their positions for the entire duration of the reporting period unless otherwise indicated.

Name	Position
Non-Executive Directors	
John Joyce	Independent, Non-Executive Chair
David MacLean	Independent, Non-Executive Director
Tracy Mellor	Independent, Non-Executive Director (appointed 16 September 2020)
Katherine Ostin	Independent, Non-Executive Director (appointed 16 September 2020)
Trent Peterson	Non-Executive Director
Greg Milne	Independent, Non-Executive Director (resigned 29 September 2020)
Executive Directors	
Peter King	Chief Executive Officer (CEO) and Managing Director
Other Key Management Personnel	
Kate Sundquist	Chief Financial Officer (CFO) and Company Secretary

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SECTION 1: REMUNERATION OVERVIEW

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

FY21 saw the transition of the Company from a proprietary company to a publicly listed company on the ASX on 2 November 2020 (Listing). This transition is reflected in the mix of remuneration arrangements in place for the reporting period, which consists of new and legacy remuneration arrangements for Senior Executives.

The financial results of FY21 were characterised by outstanding underlying financial performance notwithstanding the uncertainties and disruptions of COVID-19. Total revenue increased by 47.4% to \$148.6 million in FY21 compared to FY20. Pro forma EBIT for the year was \$38.4 million, up 224.7% on FY20. Pro forma EBIT is unaudited and excludes IPO related costs, the net benefit of JobKeeper, rental concessions and is pre-AASB 16. These results materially exceeded the financial results necessary to trigger the maximum entitlement of the short-term incentive (STI) plan for participants.

The Board is proud of the results that the team have delivered. We would like to recognise the hard work, dedication and sacrifices of all our employees. They have aligned around a common cause, and through their steadfast commitment, they have remained safe and healthy, continued to support their communities, and enabled dusk to generate outstanding results for all stakeholders. The Board believes the remuneration outcomes for FY21 achieved a balance and appropriate alignment between pay and performance during the year and are also fair in terms of the context in which decisions have been made and the returns achieved by shareholders.

SECTION 2: REMUNERATION STRATEGY AND POLICY

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

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



Reward for outcomes and performance;



Strengthen capabilities by attracting and retaining high calibre talent;



Align the interest of executives to those of the shareholders;



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



Reflect sound risk management and drive the right behaviours;



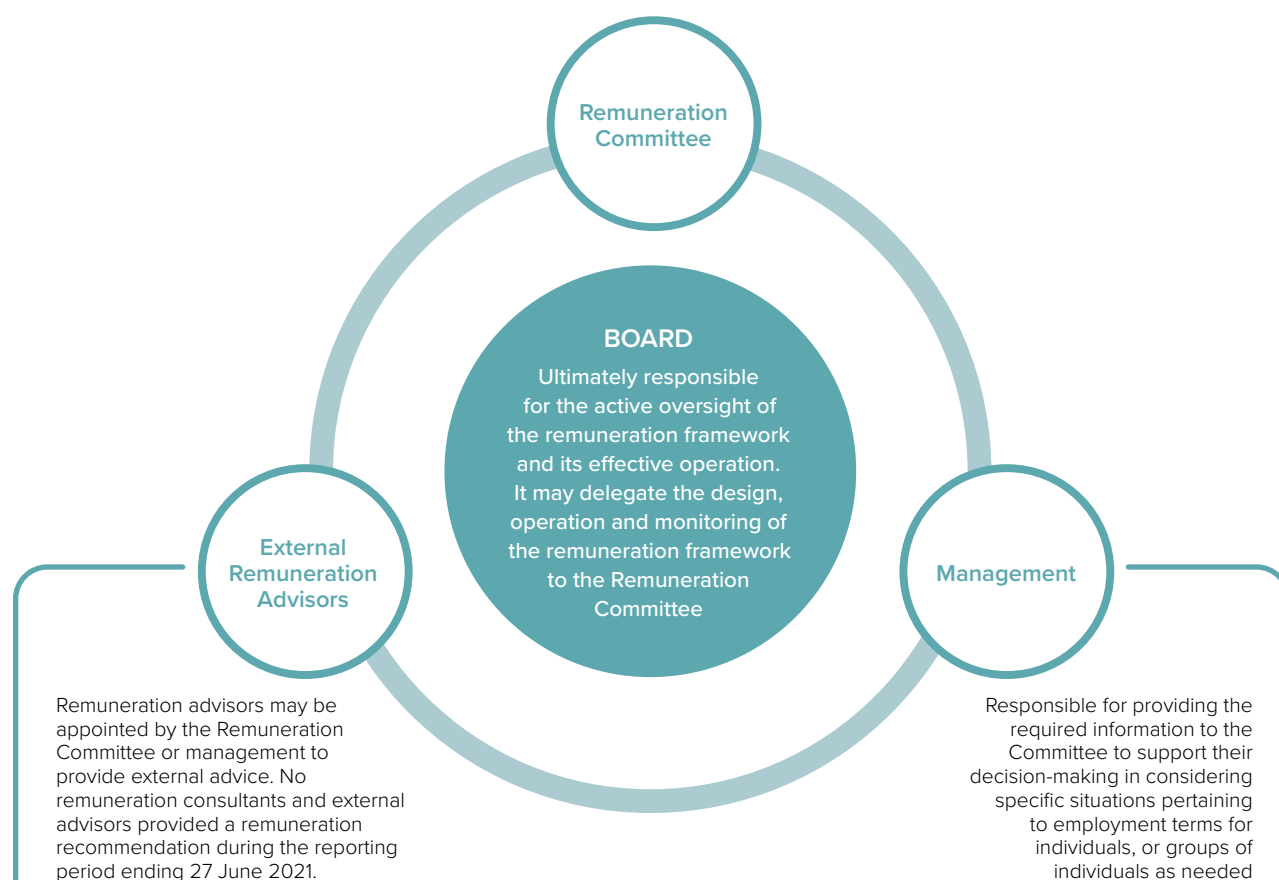
Be simple and transparent.

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

SECTION 3: ROLE OF THE REMUNERATION COMMITTEE AND EXTERNAL ADVISORS

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

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



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

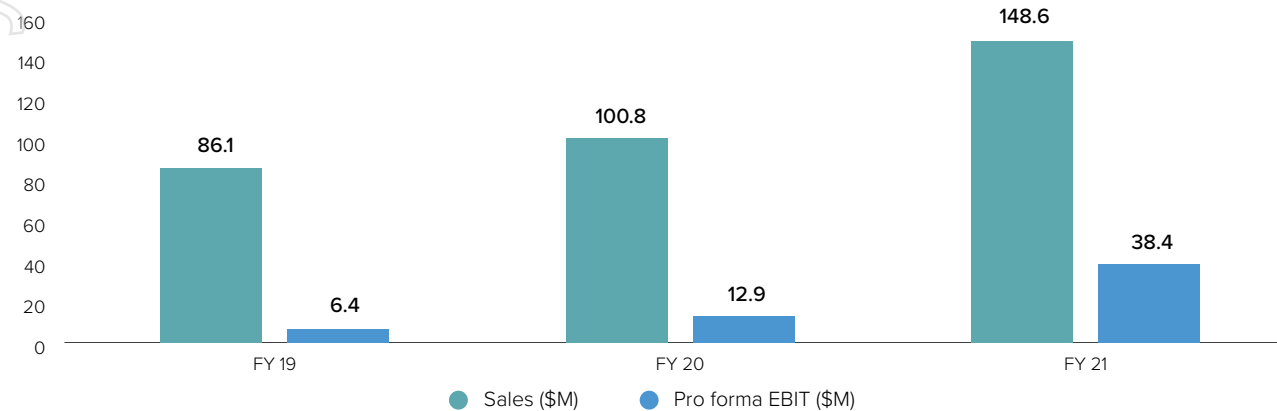
SECTION 4: COMPANY PERFORMANCE – RELATIONSHIP BETWEEN FINANCIAL PERFORMANCE AND REMUNERATION

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

The FY21 STI plan for Senior Executives is based on the achievement of pre-determined targets and performance criteria. The primary performance condition is the pro forma EBIT of the business (see chart below).

The FY21 long-term incentive (LTI) plan offered Senior Executives share options over the ordinary shares of Dusk Group Limited. The share options issued for nil consideration, are subject to the satisfaction of both performance and service conditions, with both aspects ending on the 30 June 2023. Key details of the LTI are summarised in Section 5 of this report. Approval of the FY21 LTI plan for Senior Executives was adopted by the Board on the 2 October 2020.

Short-term Measures



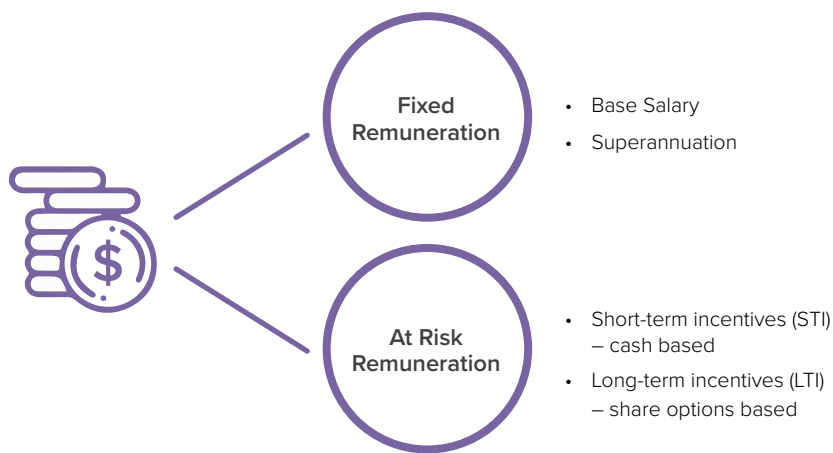
STI and LTI Outcomes

	FY21
STI	100%
LTI	Not Applicable

FY21 pro forma EBIT growth of > 35% versus FY20 pro forma EBIT as disclosed in the Prospectus triggered 100% STI payment. Therefore, full payment of the STI for FY21 was triggered at a pro forma EBIT level of \$17.8 million (after providing for the relevant bonus amounts).

SECTION 5: SENIOR EXECUTIVE REMUNERATION STRUCTURE

The FY21 Senior Executive remuneration structure consists of two components:



The combination of fixed and at-risk components for each Senior Executive as a percentage of total on target remuneration for FY21 is as follows:

Senior Executive	Fixed Remuneration	At Risk Remuneration
Peter King	66.7%	33.3%
Kate Sundquist	72.7%	27.3%

Note: The above assumes that each Senior Executive receives their maximum STI in the relevant period.

REMUNERATION REPORT (AUDITED) CONTINUED

Fixed Remuneration

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

The remuneration policy provides Senior Executives a base salary package that reflects the base salary for a comparable role in similarly sized companies operating in the retail industry, having regard to the experience and expertise of the Senior Executive, their performance and history with the Company, and other relevant factors. From 1 October 2020 the fixed remuneration is set at \$520,000 for the CEO and \$355,000 for the CFO.

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

Short-term Incentive

Under the STI Plan participants are entitled to receive a cash bonus subject to the achievement of company performance hurdles as determined by the Board. The performance hurdles can include financial and non-financial performance measures. The frequency, quantum and maximum payments under the STI Plan will be determined by the Board.

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

For FY21, the maximum incentive (Maximum STI) that may be awarded to Management was set as a fixed dollar amount which when expressed as a percentage of annual total fixed remuneration (TFR) equated to the CEO at 50%, and the CFO at 37.5%.

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

In FY21, the sole measure upon which the STI entitlement is determined is pro forma EBIT and was set based on stretch targets materially above the FY20 pro forma EBIT level. Pro forma EBIT for FY21 shall be calculated consistent with the manner in which pro forma EBIT for FY20 was calculated and presented in the Prospectus. Using pro forma EBIT as the sole KPI ensures that variable rewards are only paid when value is created for shareholders and profitability meets or exceeds a level approved by the Board.

Actual results materially exceeded the stretch target, hence the maximum bonus amount was earned by the participants. The Board approved the FY21 STI award and it was paid 100% in cash during September 2021.

Senior Executives	Target STI (\$)	Actual STI awarded (\$)	Actual STI awarded as a % of maximum STI	% of maximum STI forfeited
Peter King	\$260,000	\$260,000	100%	0%
Kate Sundquist	\$133,125	\$133,125	100%	0%

IPO bonus payments

As outlined in the Prospectus the Company paid certain KMP a one-off cash payment to reward their efforts in relation to achieving listing on the ASX. These payments are detailed in the table in Section 8. These amounts were disclosed in the Prospectus and treated as a one-off transaction cost. They are non-recurring.

Long-term Incentive

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

Offers may be made at the Board's discretion to certain Senior Executives. The CEO is the only Director who is eligible to receive an LTI award. The CEO has been allocated 450,000 Options under his FY21 LTI award. The CEO's Options have a fair value of \$196,759. The CFO has been allocated 250,000 Options under her FY21 LTI award. The CFO's Options have a fair value of \$109,311. These options were granted on 30 October 2020.

Performance Conditions

The performance period for LTI awards will generally be three years. As Listing occurred after the commencement of FY21, the TSR performance conditions for the FY21 award will be measured over a period from Listing on 2 November 2020 to 30 June 2023 (Performance Period). The EPS conditions are based on pro forma FY20 EPS and FY23 EPS.

The options will be measured against two performance hurdles as detailed below. 50% of a participant's Options will be tested against the CAGR of the Company's total shareholder return (TSR CAGR Hurdle), and the remaining 50% will be tested against the CAGR of the Company's underlying earnings per share (EPS CAGR Hurdle). The Board believe these measures are transparent, well understood by shareholders, and effective in aligning the interests of management and shareholders over the longer term.

TSR CAGR Hurdle

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

Level of Achievement	Percentage of participants options subject to the TSR CAGR Hurdle that vest
Less than 4% p.a.	Nil
4% p.a. (threshold performance)	20%
Between 4% p.a. and 15% p.a.	Straight line pro-rata vesting between 20% and 100%
15% p.a. or above (stretch performance)	100%

The base for TSR is the IPO Price and the end is the volume weighted average price for the five trading days following the announcement of the FY23 full year audited results. The TSR CAGR hurdle has been chosen because it provides a direct link between executive reward and shareholder return.

EPS CAGR Hurdle

The Board currently expects that costs associated with the IPO will be removed from earnings per share (EPS) calculations to arrive at an appropriate underlying EPS figure. The percentage of options that vest, if any, will be determined by reference to the following vesting schedule:

Level of Achievement	Percentage of participants options subject to the EPS CAGR Hurdle that vest
Less than 4% p.a.	Nil
4% p.a. (threshold performance)	20%
Between 4% p.a. and 15% p.a.	Straight line pro-rata vesting between 20% and 100%
15% or above (stretch performance)	100%

The base for EPS CAGR is based on the FY20 pro forma NPAT and pro forma EPS as disclosed in the Prospectus and the end point is the EPS reported in the FY23 full year audited results. If considered appropriate this can be adjusted by the Board to ensure the plan operates fairly and as intended. The EPS CAGR hurdle has been chosen as it provides evidence of dusk's growth in profitability and is linked to shareholder returns.

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

Treatment on cessation of employment

Unless otherwise determined by the Board, if a Senior Executive's employment is terminated for cause or a participant resigns (or gives notice of their resignation) prior to the vesting date, all of their unvested options will lapse.

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

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

Treatment on change of control

In the event of a takeover bid for the Company or the Board considers a change of control is likely to occur, the Board has the discretion to accelerate vesting of some or all of a participant's unvested Options. Where only some of the Options vest, the remainder will lapse, unless the Board determines otherwise. Any vested but unexercised Options will be exercisable for a period of 60 days or otherwise for a period notified by the Board and will lapse after the end of that period if they are not exercised.

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

REMUNERATION REPORT (AUDITED) CONTINUED

Senior Executive Service Agreements

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

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

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

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

SECTION 6: NON-EXECUTIVE DIRECTORS REMUNERATION STRUCTURE

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

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

Non-Executive Directors' Fees

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

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

- base fee of \$110,000 per annum to the Chair;
- base fee of \$70,000 per annum to each other Non-Executive Director;
- fee of \$10,000 per annum to the Audit and Risk Committee Chair;
- fee of \$5,000 per annum to the Remuneration Committee Chair;
- fee of \$2,000 per annum for each of the members of the Audit and Risk Committee; and
- fee of \$1,000 per annum for each of the members of the Remuneration Committee.

The Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of Committees of the Board. Such amounts will not form part of the aggregate remuneration amount approved by shareholders. In FY21 and beyond, any Directors' fees payable to Trent Peterson shall be paid to Catalyst Investment Managers Pty Ltd for so long as Catalyst has a substantial shareholding in the Company. To maintain the independence of Directors, Non-Executive Directors do not receive shares as part of their remuneration from the Company.

Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. Any amount paid will not form part of the aggregate remuneration amount approved by shareholders.

SECTION 7: KMP DISCLOSURES

Material Contracts with the Company

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

Loans with the Company

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

SECTION 8: DETAILS OF REMUNERATION

The below table shows the total remuneration of the Directors and KMP of the Company for 2021 and 2020.

52 weeks ended 27 June 2021	Short-term employee benefits			Post-employment benefits	Share-based payments ²	Total
In AUD	Salary and fees ¹	STI Bonuses	IPO Bonus	Super-annuation		
Non-Executive Directors						
John Joyce ³	\$104,215	—	\$100,000	\$6,733	\$78,693	\$289,641
Trent Peterson ⁴	\$63,004	—	—	—	—	\$63,004
Katherine Ostin	\$52,951	—	\$9,132	\$5,898	—	\$67,981
Tracy Mellor ⁵	\$54,570	—	\$15,000	\$3,791	—	\$73,360
David MacLean	\$52,757	—	—	\$5,713	—	\$58,470
Gregory Milne	\$13,462	—	—	\$1,279	—	\$14,740
Total Non-Executive Directors	\$340,959	—	\$124,132	\$23,413	\$78,693	\$567,197
Executive Directors						
Peter King	\$487,530	\$260,000	\$200,000	\$27,072	\$104,159	\$1,078,761
Other KMP						
Kate Sundquist	\$330,446	\$133,125	\$350,000	\$21,668	\$14,148	\$849,386
Total Executive	\$817,976	\$393,125	\$550,000	\$48,740	\$118,307	\$1,928,148
Total 2021	\$1,158,934	\$393,125	\$674,132	\$72,153	\$197,000	\$2,495,344

1. Inclusive of Committee Fees and exclusive of Super.

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

3. Prior to listing on the ASX Director fees for John Joyce were paid to a related company.

4. The Director fees for Trent Peterson were paid to Catalyst Investment Managers Pty Ltd.

5. Prior to listing on the ASX Director fees for Tracy Mellor were paid to a related company.

52 weeks ended 28 June 2020	Short-term employee benefits			Post-employment benefits	Share-based payments	Total
In AUD	Salary and fees	STI Bonuses	IPO Bonus	Super-annuation	LTI Share Options	
Non-Executive Directors						
John Joyce ¹	\$100,000	—	—	—	\$7,793	\$107,793
Trent Peterson ²	\$35,000	—	—	—	—	\$35,000
Gregory Milne	\$50,000	—	—	\$4,750	—	\$54,750
David MacLean	\$30,646	—	—	\$2,911	—	\$33,558
Total Non-Executive Directors	\$215,647	—	—	\$7,661	\$7,793	\$231,101
Executive Directors						
Peter King	\$468,309	\$294,000	—	\$20,985	\$7,793	\$791,086
Other KMP						
Kate Sundquist	\$305,717	\$125,263	—	\$20,985	—	\$451,965
Total Executive	\$774,026	\$419,263	—	\$41,969	\$7,793	\$1,243,051
Total 2020	\$989,672	\$419,263	—	\$49,631	\$15,586	\$1,474,152

1. The Director fees for John Joyce were paid to a related company.

2. The Director fees for Trent Peterson were paid to Catalyst Investment Managers Pty Ltd.

REMUNERATION REPORT (AUDITED) CONTINUED

SECTION 9: CONSEQUENCES OF PERFORMANCE ON SHAREHOLDERS WEALTH

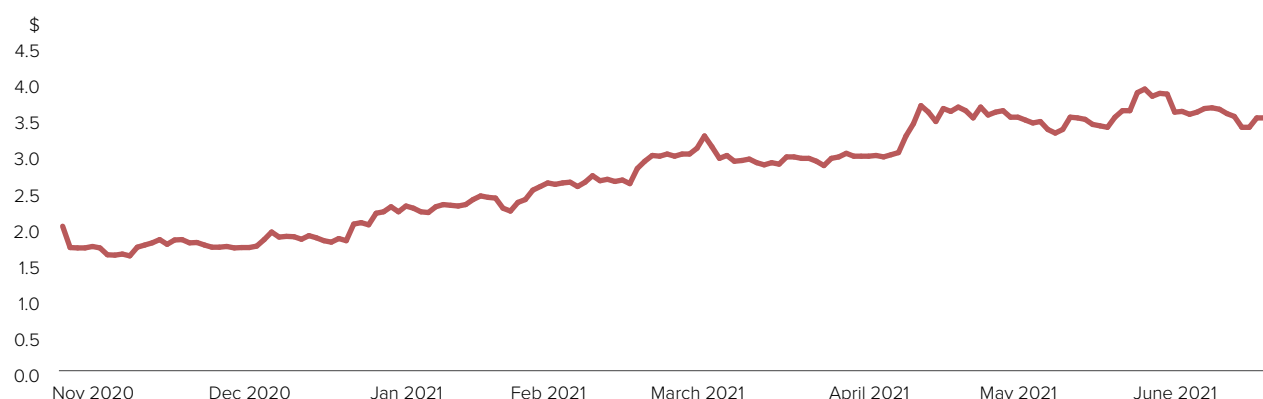
In considering the company's overall performance and the benefits for shareholder wealth, the Remuneration Committee has a range of indicators to consider in respect of Senior Executive remuneration and correlated these to the short and long-term incentives as detailed above.

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

Indicator	FY20	FY21
Pro forma earnings before interest and tax (\$'000)	\$11.8m	\$38.4m
Pro forma net profit after tax (\$'000)	\$8.2m	\$26.8m
Pro forma fully diluted Earnings per share (cents)	12.7 cents	42.4 cents
Dividends paid	16.4 cents per share	25.0 cents per share (incl final FY21 dividend declared)
Share Price	\$2.00 (at IPO 2 November 2020)	\$3.50 (as at 27 June 2021)
Pro forma Earnings per share (cents) 1	14.3 cents	43.1 cents

1 Based on the shares on issue as at 28 June 2020 (57.7 million shares) and 27 June 2021 (62.3 million shares)

DSK share price



KMP Shareholdings

The following table details the ordinary shareholdings and the movements in the shareholdings of Directors and KMP for the year ended 27 June 2021.

No. of Shares	Held at time of Listing	Shares Purchased	Shares Sold	Held at 27 June 2021
Non-Executive Directors				
John Joyce	2,275,000	—	—	2,275,000
David MacLean*	1,249,227	—	(300,000)	949,227
Tracy Mellor	25,000	—	—	25,000
Katherine Ostin	15,000	5,804	—	20,804
Trent Peterson**	250,000	28,500	—	278,500
Executive Directors				
Peter King	2,275,000	—	—	2,275,000
Key Management Personnel				
Kate Sundquist	75,000	—	—	75,000

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

** Trent Peterson also has an indirect investment in the shares held and sold by funds managed or advised by Catalyst Investment Managers Pty Ltd, as a result of his employment with, and minority investment in, Catalyst Investment Managers Pty Ltd and funds managed or advised by them.

Escrowed KMP Shareholders

Both the Chair and CEO of the Company are considered Escrowed shareholders and have entered into a voluntary escrow deed in respect of the shares held. This prevents them from dealing in their shares for the periods set out in the table below (Escrow Period).

Shareholder	Shares held on Completion of the Offer	% of total issued Shares on Completion of the Offer subject to voluntary escrow	End of Escrow Period
John Joyce	2,275,000	3.7%	In respect of the following percentage of the Escrowed Shares held: <ul style="list-style-type: none">• 25% - at the close of trading on ASX on the day of announcement of the Company's unaudited financial results for the financial year ending 30 June 2021;• 25% - at the close of trading on ASX on the day of announcement of the Company's unaudited financial results for the half year ending 31 December 2021; and• 50% - at the close of trading on ASX on the day of announcement of the Company's unaudited financial results for the financial year ending 30 June 2022.
Peter King	2,275,000	3.7%	

End of Audited Remuneration Report

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

On behalf of the Board



Peter King

Chief Executive Officer and Managing Director

Sydney

27 September 2021

AUDITOR'S INDEPENDENCE DECLARATION



Building a better
working world

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Auditor's Independence Declaration to the Directors of Dusk Group Limited

As lead auditor for the audit of the financial report of Dusk Group Limited for the 52 week period ended 27 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Lisa Nijssen-Smith' in a cursive style.

Lisa Nijssen-Smith
Partner
27 September 2021

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the 52 weeks ended 27 June 2021

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

The accompanying notes form part of these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 27 June 2021

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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 52 weeks ended 27 June 2021

	Note	Issued capital \$000's	Retained earnings \$000's	Other capital reserves \$000's	Total equity \$000's
Balance at 28 June 2020		3,415	21,548	112	25,075
Profit for the year		–	21,862	–	21,862
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	21,862	–	21,862
Dividends paid	22	–	(13,340)	–	(13,340)
Cash buyback of options	21	–	–	(4,900)	(4,900)
Deferred tax on cash buyback of options	21	–	–	1,463	1,463
Share-based payments for new options plan	21	–	–	55	55
Issue of shares	21	72	–	(72)	–
Balance at 27 June 2021		3,487	30,070	(3,342)	30,215
Balance at 1 July 2019		3,415	17,823	96	21,334
Profit for the year		–	9,497	–	9,497
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	9,497	–	9,497
Share-based payments	21	–	–	16	16
Dividends provided but not paid	22	–	(5,772)	–	(5,772)
Balance at 28 June 2020		3,415	21,548	112	25,075

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the 52 weeks ended 27 June 2021

	Note	2021 \$000's	2020 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers (inclusive of GST)		166,351	109,419
Payments to suppliers and employees (inclusive of GST)		(125,138)	(79,096)
Interest received		–	11
Interest paid		(1,582)	(1,154)
Income taxes paid		(7,755)	(4,000)
Receipt of government grants – JobKeeper		6,045	2,703
Repayment of government grants – JobKeeper		(2,831)	–
Net cash provided by/(used in) operating activities	32	35,090	27,883
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(3,735)	(4,423)
Purchase of intangible assets		(92)	(24)
Net cash provided by/(used in) investing activities		(3,827)	(4,447)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash buyback of options		(4,900)	–
Dividends paid by parent entity		(19,112)	–
Payment of lease liabilities		(14,197)	(8,953)
Net cash provided by/(used in) financing activities		(38,209)	(8,953)
Net increase/(decrease) in cash and cash equivalents held		(6,946)	14,483
Cash and cash equivalents at beginning of the year		28,354	13,871
Cash and cash equivalents at end of the year	9	21,408	28,354

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the 52 weeks ending 27 June 2021

1. CORPORATE INFORMATION

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

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

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

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

Further information on the nature of the operations and principal activity of the Group is described in the Directors' Report. Information on the Group's structure is provided in Note 30. Information on other related party relationships of the Group is provided in Note 28.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis except derivative financial instruments that have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand (\$000), except when otherwise indicated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The financial report has been prepared on a going concern basis. This basis presumes that funds will be available to finance future operations and the realisation of assets and settlement of liabilities will occur in the ordinary course of business. As such, any financial impact of such unknown future events has not been considered within the Group's going concern assessment or this financial report.

Based on current expectations, the Directors consider that the Group will have sufficient cash available to meet its liabilities as they fall due.

Compliance with International Financial Reporting Standards (IFRS)

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(b) Parent entity information

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

(c) Basis of consolidation

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(d) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

(e) Current and non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current and non-current classifications. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments does not affect its classification.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars, which is also the Company's functional currency. The Group determines the functional currency for each entity, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

(g) Operating segments

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

(h) Cash and cash equivalents

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

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

(i) Trade receivables and other financial assets

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate (EIR) method.

For trade and other receivables, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

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

(j) Right of return assets

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

(k) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Finished goods: cost of product, freight, warehousing, duties and other customs charges

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the seller loses control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(m) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the profit or loss in the period in which the expenditure is incurred.

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

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the seller loses control) or losses when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income.

Computer software

The Group records direct costs associated with the development of computer software for external direct costs of materials and services consumed. Computer software has been determined to have a finite life, and is amortised on a straight-line basis over its useful life, as follows:

Computer software 3 years

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

(n) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term, as follows:

- Property and storage licences 5 to 7 years

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

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2 (o) Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases of property and storage licenses that are considered to be low value. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term. However, the Group has not elected to use the short-term lease recognition exemption to its leases of property and storage licenses (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

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

(o) Impairment of goodwill

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Due to the Group operating only one brand and utilising uniform store formats across one geographic location, we consider the Group as a whole to be a CGU.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples and other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. The Group utilises the 'multiple EBITDA' approach when calculating the terminal value.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(p) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

(q) Provisions and employee benefit liabilities

General

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

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

Refund liabilities

A provision has been made for the Group's obligation to return to customers the consideration paid for the product. The provision is calculated using the historical run-rate data.

Voucher liabilities

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

Make good provisions

A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with returning the premises to its original condition.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave, which are expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The Group does not expect its entire long service leave benefits to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Employee accruals

As the Group utilises a retail year end format of financial reporting, the need to accrue for unpaid or paid in advance retail wages can occur from year to year. In the current financial year, the Group has completed this assessment. This calculation incorporates the various retail award rates and penalty rates across each Australian state jurisdiction, including significant timesheet data for retail staff and estimates at year end of time worked, mandatory break periods and other award conditions.

(r) Issued capital

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Dividends

Dividends are recognised when declared during the financial year.

(t) Share-based payments

Directors and other key management personnel of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in Note 35.

That cost is recognised in employee benefits expense (Note 7), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Groups best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original vesting terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through the profit or loss.

(u) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before revenue transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.

Loyalty Program Membership – dusk Rewards

The Group has a loyalty program, dusk Rewards, which gives rise to a separate performance obligation as they provide a material right to the customer. A portion of membership revenue (2021: 18%; 2020: 21%) is deferred and recognised as a contract liability which is recognised on a straight-line basis over the term of the loyalty card (24 months).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

(v) Finance income

Interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

Government grants received by the Group consist of JobKeeper payments. Where the grant has been voluntarily repaid, it is recognised as an expense item in the same line of the income statement the income for the grant was originally recognised. Refer to Note 7 for further information.

(x) Taxes

Current income tax expense

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Management implements a net approach in presenting deferred tax balances in relation to right-of-use assets and lease liabilities.

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax consolidation legislation

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

The head entity, Dusk Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the consolidated head company also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to a recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable
- When receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(y) Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share is calculated by dividing the profit after tax attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

(z) Comparatives

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

(aa) New or amended Accounting Standards and Interpretations adopted

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

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

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

Conceptual Framework for Financial Reporting (Conceptual Framework)

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

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

This Standard makes amendments to the following Australian Accounting Standards:

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

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

This Standard amends:

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and assumptions

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

Coronavirus (COVID-19) pandemic

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

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on discounted cash flows incorporating known strategies that are reasonable for a market participant to assume or observable market prices less incremental costs for disposing of the asset.

Loyalty program membership

The dusk Rewards Membership fee is recognised as revenue over the term of membership (24 months). Management have recognised 82% (2020: 79%) up-front at the point of sale. This 82% is based on the average discount provided per member store visit and historical data regarding the number of visits, transactions and average transaction value. The remaining 18% (2020: 21%) of the revenue is deferred and recognised on a straight-line basis over the remaining 12 month membership period.

Make good provisions

The calculation of this provision requires assumptions such as expected lease expiry dates and cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each leased premises is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the consolidated statement of financial position by adjusting both the expense or asset (if applicable) and provision.

Long service leave provision

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

Rights-of-return assets

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Voucher liabilities

This calculation is based on the assumption of the percentage of people that will redeem their two separate loyalty program vouchers, the \$10 joining voucher and \$20 birthday voucher, within the specified 30 day time period. Both the \$10 joining voucher and \$20 birthday voucher liability is based on the prior year redemption rate of 24% (2020: 23%) and 19% (2020: 22%) respectively.

Lease term

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

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates (such as the subsidiary's stand-alone credit rating).

Employee equity incentive plan

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

Useful lives of property, plant, and equipment

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

Inventory

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

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

(a) Performance obligations

Information about the Group's performance obligations are summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally received at point of sale or the placement of an online order.

Loyalty Program Membership – dusk Rewards

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

5. OTHER INCOME

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

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

6. FINANCE INCOME

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

7. EXPENSES

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

	2021 \$000's	2020 \$000's
Cost of sales		
Standard cost adjustments	(1,017)	(199)
Cost of inventories recognised as an expense	40,940	29,363
Freight expenses	4,310	3,201
Other expenses	3,077	2,827
	47,310	35,192

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

7. EXPENSES (CONTINUED)

	2021 \$000's	2020 \$000's
<i>Employee benefit expense</i>		
Wages and salaries	31,107	25,666
Defined contribution superannuation expense	2,155	1,665
Share-based payment expense (Note 35)	55	16
Federal Government JobKeeper payments received ⁽ⁱ⁾	(4,405)	(4,343)
Federal Government JobKeeper payments repaid ⁽ⁱⁱ⁾	2,831	–
	31,743	23,004

(i) Federal Government JobKeeper payments received is a government grant which relates to wages and salaries. It is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

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

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

8. INCOME TAX EXPENSE

The major components of income tax expense are:

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

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

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

9. CASH AND CASH EQUIVALENTS

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

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

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

10. TRADE RECEIVABLES AND OTHER FINANCIAL ASSETS

	2021 \$000's	2020 \$000's
Trade receivables	556	362
Other receivables	–	2,544
Financial derivatives	139	–
	695	2,906

Financial Derivatives are foreign exchange contracts that the group enters with the banking institutions and are measured at fair value through Profit and Loss. The Group uses the foreign exchange contracts in forecast transactions and groups commitments to minimise its foreign currency risk. Foreign exchange contracts are valued using valuation techniques, which employ the use of market observable inputs (Level 2).

11. INVENTORIES

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

12. PROPERTY, PLANT AND EQUIPMENT

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

Reconciliations

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

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

13. INTANGIBLE ASSETS

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

13. INTANGIBLE ASSETS (CONTINUED)

Reconciliations

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

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

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

14. DEFERRED TAX ASSETS

Deferred tax relates to the following:

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

Movements:

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the 52 weeks ending 27 June 2021

15. TRADE AND OTHER PAYABLES

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

16. PROVISIONS

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

Movements in provisions

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

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

17. LEASES

Right-of-use assets

The Group has lease contracts for various items of property and storage licenses which makes up its operations. Leases of property and storage licenses generally have lease terms between 5 and 7 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Property \$000's	Storage licences \$000's	Total \$000's
As at 1 July 2019 (on adoption of AASB 16)	27,377	73	27,450
Additions	14,995	83	15,078
Lease modification adjustments	1,142	–	1,142
Depreciation expense	(12,555)	(74)	(12,629)
As at 28 June 2020	30,959	82	31,041
Additions	10,171	67	10,238
Depreciation expense	(12,775)	(53)	(12,828)
As at 27 June 2021	28,355	96	28,451

Lease liabilities

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

	Lease liabilities \$000's
As at 1 July 2019 (on adoption of AASB 16)	29,266
Additions	16,218
Lease modification adjustments	1,162
Accretion of interest	1,403
Payments in accordance with lease agreements	(13,047)
As at 28 June 2020	35,002
Additions	11,643
Accretion of interest	1,482
Payments in accordance with lease agreements	(14,197)
As at 27 June 2021	33,930

	2021 \$000's	2020 \$000's
Current	13,182	10,181
Non-current	20,748	24,821

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

17. LEASES (CONTINUED)

The following are the amounts recognised in profit or loss:

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

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

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

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

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

18. CURRENT TAX LIABILITY

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

19. EMPLOYEE BENEFITS

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

19. EMPLOYEE BENEFITS (CONTINUED)

Amounts not expected to be settled within the next 12 months

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

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

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

20. ISSUED CAPITAL

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

Movements in ordinary share capital

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

Ordinary shares

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

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

Capital Management

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

21. OTHER CAPITAL RESERVES

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

Movements in reserves

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

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

Nature and purpose of reserve

Share-based reserve

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

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

22. DIVIDENDS

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

22. DIVIDENDS (CONTINUED)

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

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

23. FINANCIAL RISK MANAGEMENT

The Group's exposure to market risk, credit risk, and liquidity risk, and the policies in place to address these risks are disclosed below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's exposure to market risk is limited to interest rate risk and foreign currency risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is through its significant cash holdings and is considered immaterial due to current interest rates. The Group maintains a finance facility with a major Australian banking institution, however these facilities are undrawn at year end and no interest rate risk exists thereon.

(ii) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when expenses and inventory purchases is denominated in a foreign currency). Currencies utilised in relation to purchase imported goods are US dollars and Chinese Renminbi. Commercial forward exchange hedges are taken against purchases, however hedge accounting is not applied by the Group.

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

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. As a retailer where all revenue receipts are in the form of immediate cash, electronic funds transfer, credit card and/or buy now pay later providers, the Group is not exposed to a material level of credit risk.

Liquidity risk

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

The Group monitors its risk of a shortage of funds by performing a liquidity planning analysis. Given the Group's current cash reserves and cash flows from operations, the Group is not exposed to a significant level of liquidity risk.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank facilities and lease contracts.

Financing arrangements

Borrowing facilities at the reporting date:

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Remaining contractual maturities

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

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

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

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

As a retailer, the Group avoids excessive concentrations of risk, and the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified product portfolio. Identified concentrations are controlled and managed accordingly.

Other risks

The Group's operating activities require a continuous supply of finished goods. The majority of finished goods are imported from suppliers in China. The Group is exposed to the risk of not being able to receive their finished goods as a result of supplier manufacturing restrictions (e.g. due to factory shutdowns, Chinese New Year, etc.) or restrictions on delivery of finished goods (e.g. due to local travel restrictions).

The Group's exposure increased during the current year as a result of the COVID-19 pandemic. The CODM monitor this risk on an ongoing basis and develop and implement policies based on the level of risk at any point in time.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

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

	2021 \$	2020 \$
Short-term employee benefits	2,226,192	1,408,935
Post employment pensions and medical benefits	72,153	49,631
Share based payment transactions	197,000	15,586
	2,495,345	1,474,152

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

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

The Director fees for Trent Peterson of \$63,004 were paid to Catalyst Investment Managers Pty Ltd (2020: \$35,000). Prior to listing on the ASX Director fees for John Joyce of \$33,333 (2020: \$100,000) were paid to a related company. Prior to listing on the ASX Director fees for Tracey Mellor \$14,668 (2020: nil) were paid to a related company.

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

25. REMUNERATION OF AUDITORS

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

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

26. COMMITMENTS

There are no commitments as at the reporting date which would have a material effect on the Group's consolidated financial statements as at 27 June 2021 (2020: none).

27. CONTINGENCIES

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

28. RELATED PARTIES

Parent entity

Dusk Group Limited is the parent entity.

Key management personnel

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

Transactions with related parties

	2021 \$	2020 \$000's
KMP compensation paid through related companies	111,005	135,000

Loans to/from related parties

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

29. PARENT ENTITY

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

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

Contractual commitments

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

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

Contingent liabilities

The Parent is a guarantor on the Commonwealth Bank of Australia banking facilities held by Dusk Australasia Pty Ltd.

- Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, Dusk Group Limited have entered into a deed of cross guarantee on 9 June 2016. The effect of the deed is that Dusk Group Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that Dusk Group Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

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

Significant accounting policies

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

30. INTERESTS IN SUBSIDIARIES

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

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

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

31. DEED OF CROSS-GUARANTTEE

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
for the 52 weeks ending 27 June 2021

31. DEED OF CROSS-GUARANTTEE (CONTINUED)

	2021 \$000's	2020 \$000's
Retained earnings:		
Retained earnings at the beginning of the year	21,548	17,823
Profit after income tax	21,862	9,497
Dividends paid	(13,340)	(5,772)
Retained earnings at the end of the year	30,070	21,548

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

32. CASH FLOW INFORMATION

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

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

(b) Changes in liabilities arising from financing activities

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

(c) Non-cash financing and investing activities

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

33. EVENTS OCCURRING AFTER THE REPORTING DATE

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

for the 52 weeks ending 27 June 2021

34. EARNINGS PER SHARE

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	2021 \$000's	2020 \$000's
Profit after tax attributable to ordinary equity holders of the parent for basic earnings	21,862	9,497
Basic earnings per share (in cents)	35.1	16.4
Diluted earnings per share (in cents)	34.6	14.7

	2021 Thousands No.	2020 Thousands No.
Weighted average number of ordinary shares for basic EPS	62,268	57,718
Effect of dilution from:		
Share options	1,000	7,000
Weighted average number of ordinary shares adjusted for the effect of dilution	63,268	64,718

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

35. SHARE-BASED PAYMENTS – OPTIONS

FY21 Long-Term Incentive Plan

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

Legacy Option Plan

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

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

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

35. SHARE-BASED PAYMENTS – OPTIONS (CONTINUED)

Movements during the year

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

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

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

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

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

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

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

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

36. SEGMENT INFORMATION

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-makers (CODM). The CODM have been identified as the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Group on the basis that they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

The Group has considered its internal reporting framework, management and operating structure and the Directors' conclusion is that the Group has one operating segment being retail sales in the home fragrances and accessories category, operating in one geographical location, Australia.

37. STATUTORY INFORMATION

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

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

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:
 - a. The financial statement and notes of Dusk Group Limited for the 52 weeks ended 27 June 2021 are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 27 June 2021 and of its performance for the 52 weeks ended on that date; and
 - ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
 - b. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
 - c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the 52 weeks ended 27 June 2021.

On behalf of the Board



John Joyce
Chair

Sydney
27 September 2021



Peter King
Chief Executive Officer and Managing Director

INDEPENDENT AUDITOR'S REPORT



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

Report on the audit of the financial report

Opinion

We have audited the financial report of Dusk Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 27 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the 52 weeks then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 27 June 2021 and of its consolidated financial performance for the 52 weeks ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Key audit matters

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

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

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Inventory Valuation

Why significant	How our audit addressed the key audit matter
<p>As at 27 June 2021 the Group's consolidated statement of financial position includes Inventories with a carrying value of \$14.4 million, representing 17.0% of total assets.</p> <p>As detailed in note 2(k) of the financial report, inventories are valued at the lower of cost and net realisable value. Cost is calculated to include the cost of product, freight, warehousing, duties and other charges. Judgement was involved in the process of allocating these costs to inventories.</p> <p>There is also judgement involved in estimating the value of inventory which may be sold below cost and determining the net realisable value of the inventory. Such judgements include expectations for future sales and inventory clearance plans.</p>	<p>Our audit procedures assessed the valuation of Inventories and the related financial report disclosures. These procedures included the following:</p> <ul style="list-style-type: none"> Assessed the application of the Group's inventory costing methodology, and whether this was consistent with Australian Accounting Standards. Assessed the operating effectiveness of controls in relation to the inventory costing process and tested the accuracy of the key inputs into Group's inventory valuation model, on a sample basis. Assessed the basis by which the Group ensures inventory was recorded at the lower of cost and net realisable value. In doing so examined the ageing profile of inventories, the process for identifying slow-moving inventories, historical inventory turnover, sales margins achieved by product category and, for a sample of inventory items, compared expected future sales prices to cost.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the directors for the financial report

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



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Auditor's responsibilities for the audit of the financial report

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT CONTINUED

for the 52 weeks ending 27 June 2021



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

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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 31 of the directors' report for the 52 weeks ended 27 June 2021.

In our opinion, the Remuneration Report of Dusk Group Limited for the 52 weeks 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Lisa Nijssen-Smith'.

Lisa Nijssen-Smith
Partner
Sydney
27 September 2021

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SHAREHOLDER INFORMATION

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this report is set out below. This information is current as at 16 August 2021.

Substantial shareholders

The number of substantial shareholders and their associates are set out below:

Shareholders	Ordinary shares	
	Number of shares	% of total shares issued
CATALYST BUYOUT FUND 2A PTY LIMITED	4,506,631	7.24
CATALYST BUYOUT FUND 2B PTY LIMITED	4,506,631	7.24

VOTING RIGHTS

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

Ordinary Shares

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

Options

Options do not carry a right to vote.

DISTRIBUTION OF EQUITY SECURITY HOLDERS

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

Shareholders	Ordinary shares	
	Number of holders	% of total shares issued
1 – 1,000	2,188	1.57
1,001 – 5,000	1,471	5.96
5,001 – 10,000	381	4.71
10,001 – 100,000	391	16.60
100,000 and over	39	71.16
	4,470	100.00

There were 341 holders of less than a marketable parcel of ordinary shares.

SHAREHOLDER INFORMATION CONTINUED

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of issued shares
CITICORP NOMINEES PTY LIMITED	8,459,390	13.59
CATALYST BUYOUT FUND 2A PTY LIMITED <CATALYST BUYOUT 2A A/C>	4,506,631	7.24
CATALYST BUYOUT FUND 2B PTY LIMITED <CATALYST BUYOUT 2B A/C>	4,506,631	7.24
BB RETAIL CAPITAL PTY LTD <THE BLUNDY FAMILY A/C>	2,718,755	4.37
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	2,381,643	3.82
BRISQOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	2,365,167	3.80
JOHN JOYCE	2,275,000	3.65
PETER KING	2,275,000	3.65
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,560,126	2.51
NATIONAL NOMINEES LIMITED	1,554,461	2.50
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,450,890	2.33
ABADI INVESTMENTS PTY LTD <VK & ML DATT SUPER A/C>	1,356,326	2.18
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,053,530	1.69
DAVID MACLEAN INVESTMENTS PTY LTD <DAVID MACLEAN ARG RETAIL A/C>	949,277	1.52
UBS NOMINEES PTY LTD	783,057	1.26
CATALYST GENERAL PARTNER 2 LIMITED <CATALYST BUYOUT FUND 2 LP AC>	782,787	1.26
SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	663,963	1.07
MICHAEL CHERUBINO INVESTMENTS PTY LTD <MICHAEL CHERUBINO INV A/C>	445,000	0.71
ZACOB PTY LTD <R & M BIANCARDI ACCOUNT>	401,658	0.65
T3 GLOBAL LLC	400,000	0.64
	40,889,242	65.67
Unquoted equity securities	Number on issue	Number of holders
Options over ordinary shares issued	1,000,000	4

CORPORATE DIRECTORY

ABN 38 603 018 131

Registered office

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

Principal place of business

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

Legal adviser

Herbert Smith Freehills

Level 34, ANZ Tower
161 Castlereagh Street
Sydney NSW 2000

Auditor

Ernst & Young (Australia)

200 George Street
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067

Corporate website

dusk.com.au

Investor Relations website

investors.dusk.com.au

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