Accent Group Limited

ABN 85 108 096 251

Appendix 4D
Half-year Report

Appendix 4D

1. COMPANY DETAILS

Name of entity:	Accent Group Limited
ABN:	85 108 096 251
Reporting period:	For the half-year ended 1 January 2023 (27 weeks)
Previous period:	For the half-year ended 26 December 2021 (26 weeks)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Percentage change %	Amount $'000
Revenue from ordinary activities	up 41.3%	to 758,072
Profit after income tax for the period	up 295.2%	to 58,327

Dividends

	Amount per security Cents	Franked amount per security Cents
2022 Final dividend	4.00	4.00
2023 Interim dividend	12.00	12.00

Dividend payment date:

– 2022 Final dividend	15 September 2022
– 2023 Interim dividend	9 March 2023

3. NET TANGIBLE ASSETS PER SECURITY

	1 Jan 2023 Cents	26 Dec 2021 Cents
Net tangible assets per ordinary security	17.06	10.79

Net tangible assets are calculated by deducting intangible assets from the net assets of the Group.

4. OTHER INFORMATION

This report is based on the consolidated financial statements which have been reviewed by PricewaterhouseCoopers.

For further explanation of the figures above please refer to the ASX Announcement dated 23 February 2023 outlining the results for the half-year ended 1 January 2023 and the notes to the financial statements.

Accent Group Limited

ABN 85 108 096 251

Interim Financial Report
1 January 2023

Contents

1 January 2023

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of Accent Group Limited (referred to hereafter as the 'Company' or 'Accent Group') and the entities it controlled at the end of, or during, the half-year ended 1 January 2023.

The Group has adopted a 27-week half-year period, for financial reporting purposes, which ended on 1 January 2023. The prior half-year period was a 26-week period ended on 26 December 2021.

DIRECTORS

The following persons were directors of Accent Group Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

David Gordon - Chairman

Daniel Agostinelli - Chief Executive Officer

Stephen Goddard

Michael Hapgood

Donna Player

Joshua Lowcock

Brett Blundy

Timothy Dodd – alternate Director for Brett Blundy

PRINCIPAL ACTIVITIES

Accent Group is a leading digitally integrated consumer business in the retail and distribution sectors of branded performance and lifestyle footwear, apparel and accessories with over 800 stores across 24 different retail banners and exclusive distribution rights for 17 international brands across Australia and New Zealand.

The Group's banners and brands include The Athlete's Foot (TAF), Platypus Shoes, Hype DC, Skechers, Merrell, CAT, Vans, Dr. Martens, Saucony, Timberland, HOKA, Superga, Kappa, Palladium, Supra, Subtype, The Trybe, Stylerunner, Glue Store, UGG and Autry.

DIVIDENDS

Dividends paid during the half-year were as follows:

	Consolidated	
	1 Jan 2023 $'000	**26 Dec 2021 $'000**
Final dividend for the year ended 26 June 2022 of 4.00 cents (2021: 3.25 cents) per ordinary share	**21,675**	17,611
	21,675	17,611

In respect of the half-year ended 1 January 2023, the directors recommended the payment of an interim fully franked dividend of 12.00 cents per share to be paid on 9 March 2023.

The Group remains in a strong position with a flexible and resilient business model, a strong balance sheet and conservative gearing levels.

REVIEW OF OPERATIONS

Following a challenging FY22, with trading conditions stabilised and much improved, the Group delivered total sales (including TAF franchise sales) of $825 million, up 39% on the prior year for the half-year ended 1 January 2023.

Net profit after tax for the half-year was $58.3 million, delivered through the Group's continued focus on customers, offerings of sought after product, and full-priced, full-margin sales.

Owned sales (excluding TAF franchise sales) were $746.5 million. Gross margin of 55.2% represents an increase of 190 basis points. The reported gross margin rate was impacted in the half by currency and clearance activity in discontinued brands.

Digital sales of $134 million contributed 18.9% of total retail sales. Contactable customers grew by 300,000 to a total of 9.6 million customers, with loyalty program membership now at 7.4 million across TAF, Hype DC, Platypus, Merrell and Skechers.

Sales of vertical owned brands and products grew to over $50 million and represent circa 7% of total sales.

The Group opened 53 new stores during H1, transitioned 13 stores and closed 10 stores where required rent outcomes could not be achieved. The Group expects to open a further 20 new stores in H2 FY23.

Significant changes in the state of affairs

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

Following the consent of the Australian Securities and Investment Commission to the resignation of Deloitte Touche Tohmatsu as the Group's auditor, PricewaterhouseCoopers has been appointed as auditor. In accordance with section 327C of the Corporations Act 2001, a resolution will be put before shareholders at the Company's 2023 Annual General Meeting to ratify the appointment of PricewaterhouseCoopers as the Company's external auditor.

Rounding of amounts

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

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

On behalf of the directors

David Gordon
Chairman

23 February 2023

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Auditor's Independence Declaration

As lead auditor for the review of Accent Group Limited for the half-year ended 1 January 2023, I declare that 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 review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Alison Tait Milner

Alison Tait Milner
Partner
PricewaterhouseCoopers

Melbourne
23 February 2023

PricewaterhouseCoopers, ABN 52 780 433 757
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Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 1 January 2023

	Note	Consolidated 1 Jan 2023 $'000	Consolidated 26 Dec 2021 $'000
Revenue	5	**758,072**	536,490
Interest revenue		**508**	421
Expenses			
Cost of sales		**(334,086)**	(245,112)
Distribution		**(32,341)**	(27,136)
Marketing		**(26,700)**	(25,240)
Occupancy		**(11,682)**	(6,671)
Employee expenses	6	**(147,351)**	(106,082)
Other		**(35,753)**	(26,704)
Depreciation and amortisation		**(78,992)**	(69,244)
Finance costs		**(9,857)**	(8,599)
Profit before income tax expense		**81,818**	22,123
Income tax expense		**(23,491)**	(7,364)
Profit after income tax expense for the period		**58,327**	14,759
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		**(1,237)**	6,625
Foreign currency translation		**(5,781)**	(4,619)
Other comprehensive income for the period, net of tax		**(7,018)**	2,006
Total comprehensive income for the period		**51,309**	16,765
Profit for the period is attributable to:			
Owners of Accent Group Limited		**58,327**	14,759
		58,327	14,759
Total comprehensive income for the period is attributable to:			
Owners of Accent Group Limited		**51,309**	16,765
		51,309	16,765
		Cents	**Cents**
Basic earnings per share	18	**10.70**	2.73
Diluted earnings per share	18	**10.50**	2.62

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

Statement of Financial Position

As at 1 January 2023

	Note	Consolidated 1 Jan 2023 $'000	Consolidated 26 Jun 2022 $'000
Assets			
Current assets			
Cash and cash equivalents		**85,601**	49,734
Trade and other receivables		**47,484**	47,303
Inventories	7	**267,372**	241,631
Lease receivable		**8,796**	8,349
Derivative financial instruments		**7,956**	13,569
Other current assets		**6,225**	8,592
Current tax receivable		**111**	6,011
Total current assets		**423,545**	375,189
Non-current assets			
Property, plant and equipment		**145,568**	139,188
Right of use asset		**312,291**	299,884
Lease receivable		**11,158**	12,346
Intangibles	8	**380,431**	374,741
Derivative financial instruments		**–**	1,383
Net deferred tax assets		**10,062**	13,103
Total non-current assets		**859,510**	840,645
Total assets		**1,283,055**	1,215,834
Liabilities			
Current liabilities			
Trade and other payables	10	**168,293**	143,148
Deferred revenue		**15,614**	11,089
Provisions		**19,850**	15,595
Borrowings	11	**–**	19,884
Lease liabilities		**131,630**	123,406
Total current liabilities		**335,387**	313,122
Non-current liabilities			
Provisions		**830**	857
Deferred revenue		**5,413**	4,593
Borrowings	12	**149,160**	149,132
Lease liabilities		**317,582**	307,904
Total non-current liabilities		**472,985**	462,486
Total liabilities		**808,372**	775,608
Net assets		**474,683**	440,226
Equity			
Issued capital	13	**390,926**	390,926
Reserves		**34,458**	36,653
Retained earnings		**49,299**	12,647
Total equity		**474,683**	440,226

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

Statement of Changes in Equity

For the half-year ended 1 January 2023

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 28 June 2021	390,616	9,512	(1,797)	18,309	12,340	428,980
Profit after income tax expense for the half-year	–	–	–	–	14,759	14,759
Other comprehensive income for the half-year, net of tax	–	(4,619)	6,625	–	–	2,006
Total comprehensive income for the half-year	–	(4,619)	6,625	–	14,759	16,765
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	2,571	–	2,571
Dividends paid (note 14)	–	–	–	–	(17,611)	(17,611)
Balance at 26 December 2021	390,616	4,893	4,828	20,880	9,488	430,705

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 27 June 2022	**390,926**	**7,709**	**5,567**	**23,377**	**12,647**	**440,226**
Profit after income tax expense for the half-year	**–**	**–**	**–**	**–**	**58,327**	**58,327**
Other comprehensive income for the half-year, net of tax	**–**	**(5,781)**	**(1,237)**	**–**	**–**	**(7,018)**
Total comprehensive income for the half-year	**–**	**(5,781)**	**(1,237)**	**–**	**58,327**	**51,309**
Transactions with owners in their capacity as owners:						
Share-based payments	**–**	**–**	**–**	**4,823**	**–**	**4,823**
Dividends paid (note 14)	**–**	**–**	**–**	**–**	**(21,675)**	**(21,675)**
Balance at 1 January 2023	**390,926**	**1,928**	**4,330**	**28,200**	**49,299**	**474,683**

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

Statement of Cash Flows

For the half-year ended 1 January 2023

		Consolidated	
	Note	**1 Jan 2023 $'000**	**26 Dec 2021 $'000**
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		**846,681**	593,554
Payments to suppliers and employees (inclusive of GST)		**(660,662)**	(508,149)
Interest received		**117**	10
Interest and other finance costs paid		**(3,259)**	(1,874)
Interest on lease liabilities		**(6,207)**	(5,917)
Income taxes paid		**(10,438)**	(5,493)
Net cash from operating activities		**166,232**	72,131
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	17	**(3,668)**	(2,703)
Payments for property, plant and equipment[(1)]		**(16,583)**	(21,055)
Payments for intangibles		**(5,315)**	(487)
Net cash used in investing activities		**(25,566)**	(24,245)
Cash flows from financing activities			
Proceeds from borrowings		**-**	48,875
Repayment of borrowings		**(20,000)**	-
Payments for debt transaction costs		**-**	(1,128)
Payment for lease liabilities		**(62,828)**	(53,654)
Dividends paid	14	**(21,675)**	(17,611)
Net cash used in financing activities		**(104,503)**	(23,518)
Net increase in cash and cash equivalents		**36,163**	24,368
Cash and cash equivalents at the beginning of the financial half-year		**49,734**	34,084
Effects of exchange rate changes on cash and cash equivalents		**(296)**	133
Cash and cash equivalents at the end of the financial period		**85,601**	58,585

(1) Payments for property, plant and equipment are net of cash fitout contributions received from landlords of $12,374,000 (Dec 2021: $23,934,000)

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

NOTE 1. GENERAL INFORMATION

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

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

2/64 Balmain Street

Richmond VIC 3121

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 February 2023.

NOTE 2. BASIS OF PREPARATION

These condensed financial statements for the period ended 1 January 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

These condensed financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 26 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

The current reporting period, 27 June 2022 to 1 January 2023, represents 27 weeks and the comparative reporting period is from 28 June 2021 to 26 December 2021 which represents 26 weeks. From time to time, management may change prior year comparatives to reflect classifications applied in the current year.

NOTE 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these consolidated interim financial statements are the same as those applied in the Group's 2022 Annual Report.

COVID-19 related rent concessions

In April 2021, the AASB issued AASB 2021-3 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021 that extends the practical expedient to apply to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2022.

The Group has recognised $2,225,572 (2022: $3,425,278) of COVID-19 rental concessions in accordance with AASB 2021-3 Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions. These rental concessions met the conditions of the practical expedient in the period ended 1 January 2023.

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

Rounding of amounts

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

NOTE 4. OPERATING SEGMENTS

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

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

NOTE 4. OPERATING SEGMENTS (CONTINUED)

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

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

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

	1 January 2023			26 December 2021		
	Australia $'000	**New Zealand $'000**	**Group $'000**	**Australia $'000**	**New Zealand $'000**	**Group $'000**
Sales to customers	**665,511**	**80,977**	**746,488**	461,404	63,804	525,208
Other geographical information						
Additions to property, plant and equipment	**26,515**	**2,441**	**28,956**	39,955	6,345	46,300

NOTE 5. REVENUE

	Consolidated	
	1 Jan 2023 $'000	**26 Dec 2021 $'000**
Sales revenue		
Sales to customers	**746,488**	525,208
Royalties and other franchise related income	**7,086**	6,894
	753,574	532,102
Other revenue		
Marketing levies received from TAF stores	**3,566**	3,566
Other revenue	**932**	822
	4,498	4,388
Revenue	**758,072**	536,490

NOTE 6. GOVERNMENT GRANTS AND GOVERNMENT ASSISTANCE

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

In the current period, the Group did not receive any wage subsidies and resurgence support payments.

During the prior period ended 26 December 2021, the Group recognised wage subsidies and resurgence support payments of $915,528 in New Zealand as a result of COVID-19 mandated store closures.

NOTE 7. CURRENT ASSETS - INVENTORIES

	Consolidated	
	1 Jan 2023 $'000	**26 Jun 2022 $'000**
Finished goods held at lower of cost and net realisable value	**226,533**	193,575
Goods in transit	**40,839**	48,056
	267,372	241,631

Provision for write down of inventories to net realisable value amounted to $11,615,486 (26 June 2022: $11,225,068).

NOTE 8. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated 1 Jan 2023 $'000	Consolidated 26 Jun 2022 $'000
Goodwill – at cost	**320,729**	319,187
Brands and trademarks – at cost	**44,825**	44,825
Less: Accumulated impairment	**(9,714)**	(9,714)
	35,111	35,111
Licence fees – The Athlete's Foot – at cost	**7,832**	7,832
Less: Accumulated amortisation	**(408)**	(392)
	7,424	7,440
Distribution rights – at cost	**16,800**	16,800
Less: Accumulated amortisation	**(16,800)**	(16,800)
	–	–
Re-acquired rights	**2,957**	1,659
Less: Accumulated amortisation	**(1,214)**	(927)
	1,743	732
Software	**29,350**	23,302
Less: Accumulated amortisation	**(13,926)**	(11,031)
	15,424	12,271
	380,431	374,741

Reconciliations

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

Consolidated	Goodwill $'000	Brands and trademarks $'000	License $'000	Re-acquired rights $'000	Software $'000	Total $'000
Balance at 27 June 2022	319,187	35,111	7,440	732	12,271	374,741
Additions	–	–	–	–	5,315	5,315
Additions through business combinations (note 17)	1,528	–	–	1,298	–	2,826
Amortisation expense	–	–	(16)	(287)	(2,164)	(2,467)
Exchange differences	14	–	–	–	2	16
Balance at 1 January 2023	**320,729**	**35,111**	**7,424**	**1,743**	**15,424**	**380,431**

Impairment testing

Goodwill and brand names were subject to a full annual impairment test as at 26 June 2022. No indicators of impairment were identified that would require a full impairment test to be performed as at 1 January 2023.

NOTE 9. IMPAIRMENT OF ASSETS

The Group is required to assess whether there is any indication that an asset (or CGU) may be impaired. The Group has determined that each store is a separate CGU. No indicators of impairment were identified that would require an incremental impairment charge to be recognised for the half-year ended 1 January 2023.

NOTE 10. TRADE AND OTHER PAYABLES

	Consolidated	
	1 Jan 2023 $'000	**26 Jun 2022 $'000**
Trade payables	**65,425**	56,244
Goods and services tax payable	**13,328**	6,810
Accrued expenses	**62,654**	61,415
Other payables	**26,886**	18,679
	168,293	143,148

Trade payables and accruals represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. Other payables represent goods receipted that have not been invoiced as at 1 January 2023. Trade and other payables are stated at amortised cost. The amounts are unsecured and are usually settled within 30 to 60 days of recognition.

NOTE 11. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	1 Jan 2023 $'000	**26 Jun 2022 $'000**
Secured		
Trade finance facility	–	20,000
Capitalised debt transaction costs	–	(116)
	–	19,884

NOTE 12. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	1 Jan 2023 $'000	**26 Jun 2022 $'000**
Secured		
Bank loans	**150,000**	150,000
Capitalised debt transaction costs	**(840)**	(868)
	149,160	149,132

The Group has entered into an interest rate swap contract to mitigate the risk of changing interest rates on the variable rate debt held. The interest rate swap contract matures in August 2023.

NOTE 13. EQUITY - ISSUED CAPITAL

	Consolidated			
	1 Jan 2023 Shares	**26 Jun 2022 Shares**	**1 Jan 2023 $'000**	**26 Jun 2022 $'000**
Ordinary shares - fully paid	**552,459,958**	541,866,715	**390,926**	390,926

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	27 June 2021	541,666,715		390,616
Employee Share Scheme - loans repaid	24 January 2022	200,000	$1.490	310
Balance	**26 June 2022**	**541,866,715**		**390,926**
Shares issued during the period (i)	**18 November 2022**	**10,593,243**		**-**
Balance	**1 January 2023**	**552,459,958**		**390,926**

(i) A total of 10,593,243 ordinary shares were issued in relation to the performance rights plan.

NOTE 14. EQUITY - DIVIDENDS

Dividends paid during the period were as follows:

	Consolidated	
	1 Jan 2023 $'000	**26 Dec 2021 $'000**
Final dividend for the year ended 26 June 2022 of 4.00 cents (2021: 3.25 cents) per ordinary share	**21,675**	17,611
	21,675	17,611

In respect of the half-year ended 1 January 2023, the directors recommended the payment of an interim fully franked dividend of 12.00 cents per share to be paid on 9 March 2023.

NOTE 15. FAIR VALUE MEASUREMENT

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

Valuation techniques for fair value measurements

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

Forward foreign exchange contracts

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

Interest rate swap contracts

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

There were no transfers between levels during the half-year.

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

NOTE 16. CONTINGENT LIABILITIES

The Group has bank guarantees outstanding as at 1 January 2023 of $2,897,660 (26 June 2022: $3,693,060). The Group also has open letters of credit of $17,355,411 (26 June 2022: $16,830,874). These guarantees and letters of credit are in favour of international stock suppliers and landlords where parent guarantees cannot be negotiated.

NOTE 17. BUSINESS COMBINATIONS

2023

During the period to 1 January 2023 the Group completed the acquisition of 4 TAF stores. The total consideration transferred for these acquisitions was $3,869,390. Goodwill of $1,528,138 was recognised on acquisition.

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

	Fair value $'000
Cash and cash equivalents	1
Inventories	1,015
Right-of-use assets	1,317
Net deferred tax assets	80
Provisions	(53)
Lease liability	(1,317)
Net assets acquired	1,043
Reacquired rights	1,298
Goodwill	1,528
Acquisition-date fair value of the total consideration transferred	3,869
Representing:	
Cash paid or payable to vendor	3,669
Outstanding debt	200
	3,869

Details of the cash flow movement relating to the acquisition are as follows:	
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	3,869
Less: cash and cash equivalents	(1)
Less: outstanding debt/loans forgiven	(200)
Net cash used	3,668

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

NOTE 17. BUSINESS COMBINATIONS (CONTINUED)

2022

During the year to 26 June 2022 the Group completed the acquisition of 5 TAF stores. The total consideration transferred for these acquisitions was $2,763,682. Goodwill of $1,396,985 was recognised on acquisition.

Details of the business combination are as follows:

	Fair value $'000
Inventories	773
Other current assets	5
Right-of-use assets	793
Net deferred tax assets	627
Provisions	(41)
Deferred revenue	(161)
Lease liability	(793)
Net assets acquired	1,203
Reacquired rights	163
Goodwill	1,397
Acquisition-date fair value of the total consideration transferred	2,763
Representing:	
Cash paid or payable to vendor	2,704
Outstanding debt	59
	2,763

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

Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,763
Less: outstanding debt/loans forgiven	(59)
Net cash used	2,704

NOTE 18. EARNINGS PER SHARE

	Consolidated	
	1 Jan 2023 $'000	**26 Dec 2021 $'000**
Profit after income tax attributable to the owners of Accent Group Limited	**58,327**	14,759
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	**544,909,455**	541,666,715
Adjustments for calculation of diluted earnings per share:		
Treasury shares	**-**	200,000
Performance rights	**10,543,238**	21,497,379
Weighted average number of ordinary shares used in calculating diluted earnings per share	**555,452,693**	563,364,094
	Cents	**Cents**
Basic earnings per share	**10.70**	2.73
Diluted earnings per share	**10.50**	2.62

NOTE 19. EVENTS AFTER THE REPORTING PERIOD

Apart from the dividend declared as disclosed in Note 14, no other matter or circumstance has arisen since 1 January 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' Declaration

1 January 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 1 January 2023 and of its performance for the period ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

David Gordon
Chairman

23 February 2023

Independent auditor's review report to the members of Accent Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Accent Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the statement of financial position as at 1 January 2023, the statement of changes in equity, statement of cash flows and statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 1 January 2023 and of its performance for the half-year ended on that date

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

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

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 1 January 2023 and of its performance for the half-

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year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the Company for the half-year ended 1 January 2023 included on Accent Group Limited's web site. The Company's directors are responsible for the integrity of the Accent Group Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide a conclusion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait Milner

Alison Tait Milner
Partner

Melbourne
23 February 2023