Accent Group Limited

ABN 85 108 096 251

Appendix 4E
Preliminary Final Report

1. COMPANY DETAILS

Name of entity:	Accent Group Limited
ABN:	85 108 096 251
Reporting period:	For the year ended 2 July 2023 (53 weeks)
Previous period:	For the year ended 26 June 2022 (52 weeks)

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET

		Percentage change %		Amount $'000
Revenue from ordinary activities	up	25.7%	to	1,420,688
Profit after income tax for the period	up	181.8%	to	88,653
Profit for the period attributable to the owners of Accent Group Limited	up	181.8%	to	88,653

Dividends

	Amount per security Cents	Franked amount per security Cents
2022 Final dividend	4.00	4.00
2023 Interim dividend	12.00	12.00
2023 Final dividend	5.50	5.50

Dividend payment date:

– 2022 Final dividend	15 September 2022
– 2023 Interim dividend	9 March 2023
– 2023 Final dividend	28 September 2023

3. NET TANGIBLE ASSETS PER SECURITY

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	10.68	12.09

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

4. OTHER INFORMATION

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

For further explanation of the figures above please refer to the ASX Announcement dated 24 August 2023 on the results for the year ended 2 July 2023 and the notes to the financial statements.

Accent Group Limited

ABN 85 108 096 251

Annual Report
2 July 2023

Annual Report

2 July 2023

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

for the year ended 2 July 2023

Dear fellow Shareholders,

We are pleased to present to you the 2023 Annual Report for Accent Group Limited (**Accent Group, Group** or **Company**).

Accent Group has delivered a record result in FY23, driving total sales of $1.57 billion and $89 million in net profit after tax. After a highly disrupted and challenging FY22, the Company experienced positive business momentum during H1 FY23 which continued well into the second half. Despite the softening conditions towards the end of the financial year (Australians having sustained 12 consecutive interest rate increases since May 2022), Accent Group was able to capitalise on the strength of its brands and defensible market position to finish the year well.

The management team maintained its focus on driving return on investment through meeting customer demand and high service expectations and offering new and innovative products. This focus has contributed to the record profits and shareholder returns for FY23.

The results delivered in FY23 continue the Company's long-term objective of delivering profits and growing shareholder value.

The Board commends the drive, determination and high-performance culture of the Accent Group team.

FINANCIAL REVIEW

The Group's net profit after tax for FY23 was $89 million. Your Board has declared a final fully franked dividend of 5.50 cents per share, which brings the total dividends declared during the year to 17.50 cents per share.

Financials ($ millions)	FY23	FY22	Growth
Total Sales to Customers (incl. TAF)[1]	**1,566**	1,267	**+23.6%**
Accent Group Sales (company owned)	**1,393**	1,103	**+26.3%**
EBITDA	**298.2**	213.6	**+39.6%**
EBIT	**138.8**	62.3	**+122.8%**
NPAT	**88.7**	31.5	**+181.6%**
EPS (cents per share)	**16.16**	5.81	**+178.1%**
Dividends (cents per share)	**17.50**	6.50	**169.2%**

1 Includes The Athlete's Foot franchise store sales (non-IFRS measure).

OPERATING REVIEW

Accent Group remains committed to a long-term strategy of delivering customers a best in class integrated digital and instore experience. Owned sales of $1.4 billion in FY23 were up 26.3% on the prior year.

Retail & Wholesale

The Group opened 80 new stores in FY23 and closed 21 stores where required rent outcomes could not be achieved. Our store development team continues to prove that they are best in class. Following on from the work which commenced in FY22, where the Group identified stores that could generate significantly better returns on investment if transitioned to other banners, 15 such stores were transitioned.

The wholesale channel continues to be bolstered with new brands, with the Group adding UGG to its portfolio of exclusive distributed brands during the year.

Digital & Loyalty

The Accent Group digital channel was a standout performer, with online sales of $260.5m, representing 19.1% of total retail sales, delivering continued growth over the last four years.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT

for the year ended 2 July 2023

The continuing increase in the profitability of the Group's digital sales is notable, achieved by a combination of the market-leading infrastructure developed and built by the Company over the last few years, together with the focus on efficiency and profitability by the management team. The Group will continue its focus growing the profitability of digital sales.

Over the past year, contactable customers grew from 9.3 million to 9.8 million customers. We are well placed to continue to service the growing demand for digital sales from customers with our market leading, digitally integrated consumer business, comprising 35 websites, 26 owned and distributed brands, 821 points of distribution and now 9.8 million contactable customers.

Customer loyalty programs continue to be a focus for the Group, with a key focus on delivering value and increasing engagement across all the Group's programs.

Sustainability

Having launched its first standalone Sustainability Report in 2022, the Company continues to make inroads in this area, and we hope you will enjoy seeing the many initiatives that were launched in 2023. The 2023 Sustainability Report will be released on the same date as this Annual Report.

CONCLUSION

The FY23 year continues the long-term growth trajectory that Accent Group shareholders have come to expect. While we are delighted to present you with the performance of this year, we will nonetheless continue to maintain the level of intensity and drive in striving for excellent performance to deliver value for our customers, our shareholders, and our people. We look to expanding and growing our business and reach across Australia and New Zealand and generating strong long-term returns for our shareholders.

David Gordon
Chairman

Daniel Agostinelli
Group Chief Executive Officer

DIRECTORS' REPORT

for the year ended 2 July 2023

FY23 DIRECTORS' REPORT

The Directors present their report, together with the financial statements of the consolidated entity (the Consolidated Entity or Group) consisting of Accent Group Limited (the Company or Accent Group) and its controlled entities for the year ended 2 July 2023.

The Group has adopted a 53-week period, for financial reporting purposes, which ended on 2 July 2023. The prior financial year was a 52-week period ended on 26 June 2022.

1. DIRECTORS

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

- David Gordon – Chairman
- Daniel Agostinelli – Group Chief Executive Officer
- Stephen Goddard
- Michael Hapgood
- Donna Player
- Joshua Lowcock
- Brett Blundy
- Timothy Dodd – alternate Director for Brett Blundy

2. 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 820 stores across 26 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, Autry and UGG.

3. DIVIDENDS

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

	FY23 final	FY23 interim	FY22 final	FY22 interim
Cents per ordinary share	**5.50**	**12.00**	4.00	2.50
Total amount ($'000)	**30,385**	**66,295**	21,675	13,546
Payment date	**28 September 2023**	**9 March 2023**	15 September 2022	17 March 2022

The total dividend for the financial year ended 2 July 2023 of 17.50 cents per share is an increase of 169.2% on the previous year.

4. OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review of the Group for the financial year ended 2 July 2023 is provided in the Chairman and Chief Executive Officer's Report on page 2 and forms part of this Directors' Report.

5. MATERIAL BUSINESS RISKS

The Group's risk management framework enables it to continuously, systematically and actively monitor and manage the potential risks which may adversely impact the operational and financial performance of its businesses, which in turn may affect the outcome of an investment in the Group. There is no guarantee that the stated objectives of the Group will be achieved. A variety of factors, both Group specific and of a general nature, may impact upon the Group's activities and results, including general economic and business conditions, inflation, interest and exchange rates, consumer confidence, government policies and the trailing effects of the COVID-19 pandemic.

The Group considers the following to be business risks that are likely to have a material effect on its operational and financial performance. An overview (and not exhaustive list) of mitigation actions taken by the Group is also set out.

Type and description of risk	Mitigating Actions
Competition The markets in which the Group operates remain highly competitive, and any increased competition from new and existing competitors may lead to price deflation and a decline in sales and profitability, in particular: – Entrance of new international competitors – Aggressive discounting by local competitors – Growth in international online sites providing shipping to Australia and New Zealand – DTC distribution strategies of global brands – Global luxury brands expanding in the lifestyle footwear category – Competition from existing and new apparel brands and retailers in the youth, lifestyle and athleisure segments	– Opening new stores to increase market share in Australia and New Zealand – Opening new and larger, or upgrading existing, stores in locales where there is a heavy competitor presence – Development and execution of new brand formats and product offerings in the performance, youth and lifestyle footwear and apparel markets – Continuing to enhance online digital capability and sales penetration – Monitoring international markets to identify opportunities for growth – Developing a deeper understanding of our customers, including through application of technological developments, CRM, and face-to-face engagement in-store
Changes in consumer behaviour The Group is exposed to both the upside and downside of cycles in consumer spending and demands, given that the products offered by the Group are discretionary in nature. Accordingly, customers' preferences, perception of brands, and demographics are all considered risks, in particular: – A reduction in consumer spending and demand may lead to a decline in the Group's sales and profitability – Trends in consumers shifting to online shopping drives a prolonged decline in stores' like-for-like sales growth – An acceleration of the online trend drives inaccurate stock allocations in the short-term	– Managing a diverse portfolio of brands, with appeal to broader consumer demographic – Driving store rental reductions at renewal – Continued investment in store fit-out with each new store and refurbished stores including new experiential elements – Development of a forward-looking store performance/profitability tool – Continuing to optimise the incremental digital costs for marketing and distribution – Closely monitoring and responding quickly to changes in the economic environment, consumer demand and new products
Health and Safety The Group is committed to the health and safety of its team members, customers and contractors and places a strong emphasis on the implementation of work health and safety standards. However, risks still remain possible, in particular: – Injury to a customer or a team member in work locations – Death of a customer or a team member in work locations – A natural disaster event impacting on the safety of team members or customers – External events involving a team member or a member of the public (e.g. self-harm, public situations) causing trauma, distress and psychological harm	– Establishing, regularly updating and implementing a health and safety management system including resources, training and procedures – Investigating every incident to mitigate against reoccurrence – Implementing learning initiatives and improvements to create safer work locations – Creating training modules to ensure that all team members are inducted in safe work practises – Developing an auditing program to train leaders to regularly identify safety risks – Establishing the Safety Steering Group which meets regularly to discuss and review incidents – Engaging with government agencies to ensure legal compliance – Engaging third party providers to support team members with issues that may impact their wellbeing – Provide First Aid/CPR training to nominated representatives in office locations, and Mental Health First aid training to State and National Managers

Type and description of risk	Mitigating Actions
Cyber Security and Information Technology While an increased reliance on information technology systems maximises the efficiency of the Group's business operations, any sustained and unplanned downtime due to cybersecurity attacks, system failures, network disruptions and other malicious or non-malicious incidents could have a material adverse impact on the Group's reputation, and its operating and financial performance, in particular: – Corruption of inventory management software – External attack on websites – Internal/external unauthorised access to sensitive commercial data – Internal/external unauthorised access to customer data – Fraudulent email phishing attacks resulting in compromised infrastructure or systems	– Documented disaster recovery processes (including offsite information technology back-up infrastructure) – Implementing improved user access and profiling – Increasing the frequency of security assessments, penetration and vulnerability testing using external expert advisers – Implementing higher level password security and change protocols – Implementing appropriate programs and tools to identify and formalise the remediation of vulnerabilities – Reviewing payment card industry compliance – Exploring and, where appropriate, implementing security tools based on artificial intelligence – Increasing sophistication of enterprise password tools and protocols
Distributed brands and key supplier relationships The Group enjoys strong partnerships with all major suppliers, and its regional exclusivity with numerous sought-after brands is a key distinguishing feature of its product offering. Failing to maintain good working relationships with key suppliers may lead to the following risks: – Loss of a key distributed brand due to poor management, lack of growth or brand preference to manage the territory themselves. – Loss of a key global third party brand due to distribution pressure from global sneaker retailers – Substantive change in distribution strategy of a key supplier resulting in a substantial product ranging change	– Implementing a thorough, methodical and effective renewal program for distributed brands – C-suite engagement with distributed brand principals over regular periods – Driving the mix and growth of distributed brands – Rolling out concept stores for distributed brands – Opening new store formats to increase category reach, expanding the Group's relevance as a distributor or brand partner.
Sustainability and social responsibility The sustainability of the Group's business is impacted by a number of environmental and social factors. Any actual or perceived failure to adequately address sustainability related issues may have an adverse effect on the Group's reputation, and operational and financial performance, in particular: – Identifying issues in its supply chain (including modern slavery practices) – Sourcing sustainable materials and packaging – Implementing product compliant systems to improve product safety – Promoting gender equality – Responding inadequately to increasing demand from consumers regarding traceability of products and clearer and more meaningful labelling may lead to reputational damage and potentially immediate adverse political or customer actions	– Establishing an Environmental, Social and Governance ('ESG') framework, including the establishment of the ESG Steering Group – Moving the purview of ESG under the office of the General Counsel and Company Secretary, with individual accountability for implementation of initiatives sitting within each business, with ultimate oversight by the Audit and Risk Committee – Reporting on the Group's progress of published targets in the Sustainability Report annually with regular monitoring throughout the year – Reporting annually on the Group's Modern Slavery Statement with regular monitoring throughout the year – Establishing a responsible sourcing framework under which the Ethical Sourcing Policy was created, to be distributed to relevant parties in the Group's vertical products supply chain – Reviewing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures and local regulatory developments and, if appropriate, provide an analysis of and make disclosures aligned with, the recommendations – Commitment for gender equality in leadership roles as published in the Group's Sustainability Report and Corporate Governance Statement annually

Type and description of risk	Mitigating Actions
Legal, Regulatory and Compliance The Group is required to maintain compliance with all applicable laws and regulations, including those relating to consumer protection, product quality, ethical sourcing and corporate governance. Failure to comply with these laws and regulations could result in high legal costs, adverse monetary judgments, regulatory enforcement action and other claims which could have a material adverse impact on the Group's reputation, and operational and financial performance, in particular: – Aggressive or poorly controlled tax risk management leading to misstatements of tax payable – Lack of focus on supply chain management, resulting in an inability to meet Modern Slavery regulations requirements – Poor management of PCI compliance, resulting in monetary fines and regulatory breaches – Poor understanding of key pieces of legislation impacting on the Group's business leading to regulatory breaches, significant monetary fines and/or litigious action	– Establishing policies, procedures and compliance systems – Establishing a Group-wide Code of Conduct including periodic reviews and attestations of compliance from the senior management team – Establishing the Whistleblower Policy and dedicated Whistleblower Protection Officer – Dedicated in-house legal team – Regular consultation with professional advisers on key areas of compliance risk – Actively monitoring changes to regulations and laws – Monthly financial and disclosures obligation reporting – Upweighted focus on tax risk compliance, including the regular, systematic review of the effectiveness and currency of the Group's Tax Risk Management Policy
Black Swan events While the impacts of the COVID-19 pandemic have largely subsided, the Group may face altered societal behaviour in relation to public health concerns (for example to emerging epidemics), including: – Timing and nature of government containment measures (which may again include lockdowns and mandated store closures impacting profit and cashflow) – Unforeseeable fluctuations in consumer demand by state, and even local suburbs impacting profit and cashflow – Risk of team member or customer infection resulting in office(s) or store(s) closures – Risk of fines for regulatory breaches of government safe operating requirements – Altered consumer behaviour (e.g. long-term shift towards online shopping or significant reduction in household spending)	– Relevant health and safety protocols and policies developed and in place to encourage personal hygiene, physical distancing and management of mental health – Required personal protective equipment made available in all offices and stores – Increased effectiveness and frequency of office and store cleaning practices – Online/digital contingency plans developed and implemented for potential rolling shutdowns – Able to quickly adjust marketing plans to support online trading – Regular monitoring and communication to team members of government updates and requirements – Factoring in the potential foreseeable impact of health epidemics into forward sales, costs, inventory and cashflow plans

6. SUSTAINABILITY

A detailed account of our approach to business sustainability, covering people and safety, ethical sourcing, community and the environment is contained in the Company's 2023 Sustainability Report.

7. INFORMATION ON DIRECTORS

Name	Particulars
David Gordon Non-Executive Chairman	David has over 30 years' experience as a director of both public and private companies and working in corporate advisory roles to Australian and international organisations. He brings extensive knowledge of mergers and acquisitions, as well as capital raisings, IPOs and joint ventures. David also has a proven track record in guiding businesses to harness their digital asset capability to successfully explore and grow new markets. David is the Chairman of the Board of nib Holdings Limited and its health fund subsidiary, nib Health Funds Limited. He is also the Chairman of Shippit Pty Limited, General Homecare Holdings Pty Ltd, and Genesis Capital Manager 1 Pty Ltd. He is a Non-Executive Director of international not-for-profit organisation High Resolves. David has been a Non-Executive Director of Accent Group since October 2006 and was appointed Non-Executive Chairman in November 2017. David is also the Chairman of the People and Remuneration Committee and a member of the Audit and Risk Committee and Digital Strategy Group.
Daniel Agostinelli Chief Executive Officer	Daniel oversees the day-to-day operations of Accent Group. He has over 30 years of retail experience and was formerly the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business. Daniel has been with Accent Group since 2006 and CEO of Accent Group since March 2015.
Stephen Goddard Non-Executive Director	Stephen is currently the Chairman of the Board and the Remuneration and Nomination Committee of JB Hi-Fi Limited and a Non-Executive Director and Chairman of the Audit and Risk Committee of Nick Scali Limited. Stephen was formerly a Non-Executive Director and Chairman of the Audit and Risk Committee of GWA Group Limited, the Finance Director and Operations Director for David Jones Limited and the founding Managing Director of Officeworks. Stephen was appointed as a Non-Executive Director of Accent Group in November 2017. Stephen is the Chairman of the Audit and Risk Committee and a member of the People and Remuneration Committee with extensive retail, finance, and board experience.
Michael Hapgood Co-Founder and Non-Executive Director	A founding Director and shareholder of Accent Group, Michael has extensive knowledge of the processes required to effectively launch, source and manage global brands within the Australasian market. From Accent Group's inception, Michael has been intimately involved in the development of all major strategic initiatives for the business initially from 1988 as marketing director before becoming CEO in 1998 until the sale to RCG Group in May 2015. Michael then became Accent Group's Chairman until August 2016 when all ongoing executive roles were relinquished. He continues as a Non-Executive Director and shareholder of Accent Group and is a member of the Digital Strategy Group.
Donna Player Non-Executive Director	Donna has over 35 years' experience in retail including senior executive positions in merchandising, planning and marketing with Big W and David Jones. Donna is currently a Non-Executive Director of Baby Bunting Group Limited and is the Merchandise Director of Camilla Australia. Donna has a proven track record in developing and delivering retail strategy and business transformation. Donna was appointed as a Non-Executive Director in November 2017 and is a member of the People and Remuneration Committee.

Name	Particulars
Joshua Lowcock Non-Executive Director	Joshua is a recognised expert in digital and media with a career that has spanned Australia, the US, and China. He brings to Accent Group proven retail expertise at the intersection of marketing, technology, data, and privacy for clients that have included Woolworths, Walmart, CVS Health and several other Fortune 500 companies. Joshua has an MBA from AGSM and is a Member of the Australian Institute of Company Directors (MAICD). Joshua is also the New York-based Global Chief Media Officer of Universal McCann, and a Non-Executive Director of Cashrewards Pty Limited and AdVeritas Limited. Joshua was appointed as a Non-Executive Director of Accent Group in November 2019, is the Chair of the Digital Strategy Group, and is a member of the Audit & Risk Committee.
Brett Blundy Non-Executive Director	Brett is one of Australia's best known and most successful retailers and entrepreneurs. He is the Chairman and Founder of BBRC, a private investment group with diverse global interests across retail, capital management, retail property, beef, and other innovative ventures. BBRC's Retail presence extends to 2,000 stores across more than 35 countries. Brett is the Chairman of Lovisa Holdings Limited. Brett was re-appointed as a Non-Executive Director of Accent Group in April 2021 and is a member of the Audit and Risk Committee.
Timothy Dodd Alternate Director for Brett Blundy	Tim joined BBRC in September 2020 and serves as the Global CFO, covering all investments and operations worldwide. Tim has over 30 years' experience in financial and operational roles across the banking, funds management, real estate and investment sectors, and has worked in both publicly listed and private enterprises in Australia. Tim was appointed as alternate director for Brett Blundy on 2 June 2021.

8. COMPANY SECRETARIES

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

Name	Particulars
Matthew Durbin	Matthew is Group Chief Financial and Operations Officer, having had his role expanded during 2021 to have oversight of and responsibility for shared services of the Group. He is also a joint Company Secretary. Matthew is a qualified accountant (FCPA) with 30 years' experience in retail. Prior to joining Accent Group, he was the CFO and COO of The PAS Group and has also held executive roles with David Jones in strategy, financial services and merchandise planning. Matthew joined Accent Group in November 2017 and was appointed as the joint Company Secretary in January 2018.
Alethea Lee	Alethea is Group General Counsel and joint Company Secretary with over 15 years' experience in corporate governance, strategic corporate transactions, corporate advisory, and commercial, consumer and competition law. Prior to joining Accent Group, Alethea held senior legal and governance positions with Fairfax Media Limited and David Jones Limited. Alethea joined Accent Group and was appointed as the joint Company Secretary in June 2021.

9. BOARD COMPOSITION AND INDEPENDENCE

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

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

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

Director independence

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

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

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

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

Mr Blundy is a substantial shareholder and is therefore not considered to be independent. However, as a non-executive director, he is independent from day-to-day operating decisions of the business and therefore able to bring clarity and independent thought to all matters before the Board. The Board considers that Mr Blundy draws on his considerable skillset to act in the best interests of the Company and its shareholders. Similarly, Mr Blundy's alternate director is not considered to be independent.

10. MEETINGS OF DIRECTORS

The following table sets out the number of Directors' meetings (committee meetings) held during the year ended 2 July 2023 and the number of meetings attended by the members of the Board or the relevant committee. During the financial year, six Board Meetings, four Audit and Risk Committee meetings, four People and Remuneration Committee meetings, one Nominations Committee meeting, and three Digital Strategy Group meetings were held.

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

	Full Board		Audit and Risk Committee		People and Remuneration Committee		Digital Strategy Group		Nominations Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
David Gordon	6	6	4	4	4	4	3	0	1	1
Daniel Agostinelli	6	6	–	–	–	–	–	–	–	–
Stephen Goddard	6	6	4	4	4	4	–	–	1	1
Michael Hapgood	6	6	–	–	–	–	3	3	1	1
Donna Player	6	6	–	–	4	4	–	–	1	1
Joshua Lowcock	6	6	4	4	–	–	3	3	1	1
Brett Blundy	6	4	–	–	–	–	–	–	1	1
Timothy Dodd	6	2	4	4	–	–	–	–	–	–

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

11. 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.

12. MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Apart from the dividend declared as disclosed in Note 25 and the matters described above, no other matters or circumstance have arisen since 2 July 2023 that have 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.

13. LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

All relevant future developments are outlined in the Chairman and Chief Executive Officer's Report, *Section 5 - Material business risks of this report* and *Section 12 - Matters subsequent to the end of the financial year* of this report.

14. ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular and significant environmental regulation, and did not incur any significant liabilities under any environmental legislation during the financial year. Disclosures regarding the Group's material sustainability-related issues can be found in its Sustainability Report.

15. INDEMNITY AND INSURANCE OF OFFICERS

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

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

16. PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought or intervened in on behalf of the Company with the leave of the court under section 237 of the *Corporations Act 2001*. No person has applied to the court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party.

17. AUDITOR

ASIC consent was received on 17 January 2023 in relation to the resignation of Deloitte Touche Tohmatsu as the auditor. In accordance with s327C of the *Corporations Act 2001*, PricewaterhouseCoopers was appointed by the Board as the new auditor and will remain in office until the Company's 2023 Annual General Meeting, during which shareholder approval will be sought for the appointment.

18. INDEMNITY AND INSURANCE OF AUDITOR

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

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

19. NON-AUDIT SERVICES

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

20. OFFICERS OF THE COMPANY WHO ARE FORMER PARTNERS OF PRICEWATERHOUSECOOPERS

There are no officers of the Company who are former partners of PricewaterhouseCoopers.

21. 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.

22. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 29.

REMUNERATION REPORT

2 July 2023

FY23 REMUNERATION REPORT

Letter from the Chair of the People and Remuneration Committee

Dear Shareholders,

On behalf of Accent Group, I am pleased to present the FY23 Remuneration Report outlining the Group's remuneration strategy and framework, and decisions taken by the Board in relation to the remuneration of key management personnel (**KMP**).

This report sets out how the Board has approached remuneration in the context of the significant business growth achieved over the last five years and the record financial results achieved in FY23, which are significantly improved from FY22.

Accent Group experienced, for the first time in three financial years, relatively "normal" trading conditions, including the normalisation of the global supply chain, and the absence of lockdowns and store closures.

Our Business Strategy

Accent Group continued to invest in the strategic priorities of the business, both for future growth and to continue the journey as a regional leader in the retailing and distribution of performance and lifestyle footwear and apparel.

The management team continued to drive store network growth and opened 80 new stores during the financial year. The Group operates over 820 stores across 26 different retail banners with exclusive distribution rights for 17 international brands throughout Australia and New Zealand.

Leveraging off the momentum of normalised trading conditions, and through continued focus on its customers, new products and growth strategies, the Company has experienced strong performance across all its large core banners. In addition, the management team's focus on improving the efficiencies and capabilities in its digital operations has seen an increase in the profitability of its digital sales. The decision to continue to invest in the business' growth strategies, rather than turning to a short-term cost cutting approach over the prior impacted periods, has delivered a record profit result in FY23.

Our Performance

The record results achieved in FY23 were delivered due to the continued focus and consistent standards of execution of the management team. These efforts have resulted in achieving Earnings Before Interest and Tax (EBIT) of $138.8m, up 122.8% on FY22 (FY22: $62.3m; FY21: $124.9m EBIT).

The Board considers that the overall performance of Accent Group taken over the past 10 years has been commendable, delivering shareholders a 10-year compounding total shareholder return of more than 20% to 2 July 2023.

Continuous Improvement in Remuneration Practices

The Company continues to respond to feedback received from Shareholders and their advisors in relation to the Company's remuneration practices.

The Board maintains its commitment to continue to improve transparency in the Remuneration Report in relation to remuneration outcomes. For the FY23 performance period, the primary financial metric for the Short-Term Incentive (STI) program is reported EBIT (no underlying or other discretionary adjustments have been applied). In addition, and in response to the feedback received last year, additional detail has been provided in relation to the performance outcomes for the strategic objective measures in the CEO and CFOO STI outcomes.

In relation to the Company's LTI program, the Board still considers a single metric program, using Adjusted Diluted Earnings Per Share (**ADEPS**) as the measure, to be the best approach for the delivery of a scheme that is both easy to understand and that also drives a real incentive during each year of the plan. In relation to FY23, no LTI tranche was granted during the year due to the highly disrupted results base in FY22.

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FY23 Remuneration Outcomes

The strong financial performance of the Company in FY23 has resulted in the following remuneration outcomes:

- With respect to FY23, the financial performance hurdles required for the payment of 80% of the FY23 short term incentive were achieved. In addition, the majority of the strategic measures required for the payment of 20% of the short-term incentive were also achieved. On this basis the Board determined that STI would be paid, with the CEO and CFOO each achieving 98.25% of the maximum STI payable.
- The Board received shareholder approval in its 2022 Annual General Meeting to exercise discretion in relation to Tranche 2 LTI grant (FY18-FY22) of the Performance Rights Plan. The approval meant that the performance condition for 50% of the Tranche 2 rights were deemed as met, and accordingly those rights vested for participants who were still employed at the testing date which was immediately post release of the FY22 financial results.
- For the remaining 50% of the Tranche 2 performance rights, the Board, with shareholder approval, exercised its discretion to defer the ADEPS performance condition and the retention condition for these rights to immediately post release of the FY23 financial results. That is, should the Company achieve 10.94 ADEPS (adjusted earnings per share) on the testing date immediately post release of the FY23 financial results, the remaining 50% of the Tranche 2 performance rights for each participant, should they still be employed at that date, will vest. On the basis that the ADEPS achieved in FY23 was 15.62 cents per share, the remaining 50% of the performance rights will vest on 28 August 2023.
- In respect of Tranche 4 (FY20-FY23) of the Company's Performance Rights Plan (issued in November 2019), the financial performance measure required at least 10% compounding growth per annum in ADEPS for the period FY20-FY23. The resulting ADEPS required for FY23 was 13.97 cents per share or more. The actual ADEPS for FY23 is 15.62 cents per share, and on this basis the Board have approved the performance condition for the Tranche 4 rights as having been met. The time-based condition that requires participant to be employed on 1 July 2024 is still in place and will be tested at that time.

In conclusion, I am pleased to present the Company's FY23 Remuneration Report which includes significant additional disclosure compared to prior years.

Yours faithfully,

David Gordon
Chairman of the People and Remuneration Committee
24 August 2023

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FY23 REMUNERATION REPORT

1. REMUNERATION OVERVIEW

1.1. Details of Management Personnel (KMP)

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

Executive Director		
Daniel Agostinelli	Group Chief Executive Officer	Full year
Senior Executives		
Matthew Durbin	Group Chief Financial and Operating Officer	Full year
Non-Executive Directors		
David Gordon	Chairman	Full year
Michael Hapgood	Director	Full year
Stephen Goddard	Director	Full year
Donna Player	Director	Full year
Joshua Lowcock	Director	Full year
Brett Blundy	Director	Full year
Timothy Dodd	Alternate Director	Full year

1.2. People and Remuneration Committee (PARCO) and Nomination Committee

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

Mr D Gordon Independent Non-Executive Committee Chair

Mr S Goddard Independent Non-Executive Director

Ms D Player Independent Non-Executive Director

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

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

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

The Nomination Committee comprises all of the Non-Executive Directors of the Company.

The Nomination Committee is charged with overseeing, monitoring and evaluating Board performance, ensuring appropriate induction and professional development programs for directors, and succession planning. In addition to making recommendations to the Board on the above, it is also responsible for recommending to the Board (once identified) the best-qualified candidates for the Board of Directors.

1.3. Use of Remuneration Consultants

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

1.4. Board Policies for Determining Remuneration

The Board understands that the performance of the Group is driven through the quality and motivation of its people, including the CEO and executive team and the approximately 7,500 team members of the Group across Australia and New Zealand. The Group's remuneration strategy is designed to attract, motivate and retain high quality and high performing employees, while ensuring that the interests of employees are in line with the interests of shareholders. Our strategy is guided by our vision to be the leader in the performance and lifestyle footwear and apparel markets across Australia and New Zealand, by delivering world-class customer experiences, and harnessing the power of our people, brands and products. The Board aims to achieve this by setting market competitive remuneration packages that consist of a mix of fixed remuneration, short-term incentives to reward annual performance and long-term incentives that align to long term financial performance and long-term shareholder value creation.

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

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

The Group's remuneration reviews take place within three months of the end of each financial year. Prior to these reviews, the CEO makes recommendations to PARCO regarding the remuneration of each of his direct reports and the overall remuneration framework for all employees. PARCO meets to consider those recommendations, and also discusses and recommends the remuneration of the CEO to the Board.

2. REMUNERATION COMPONENTS

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

	Total Executive Remuneration		
	Fixed	At risk	
Type of remuneration	**Fixed remuneration**	**Short term incentive**	**Long term incentive**
How is it set	Fixed remuneration is set with reference to market competitive rates in comparable ASX listed companies for similar positions, adjusted to account for the experience, ability and productivity of the individual employee.	The Group's STI plan is tied directly to the achievement of profit growth in the case of KMP, this is based on the Group as a whole Refer to section 2.3 for further details.	The Company has established a Performance Rights Plan. There have been a number of tranches of performance rights issued under the plan, each requiring a target achievement of 10% (or greater) compounding earnings per share growth over the relevant performance period. Refer to section 2.4 for further details.
How is it delivered	– Base salary – Superannuation – Other benefits (e.g. motor vehicle)	– 100% cash	– Performance rights that vest at the end of the performance period if vesting conditions are met – Escrow periods may also apply

	Total Executive Remuneration		
	Fixed	At risk	
Type of remuneration	**Fixed remuneration**	**Short term incentive**	**Long term incentive**
What is the objective	– Attract and retain key talent – Be competitive – Support workplace diversity and equality	– Drive annual profit growth and shareholder returns – Reward value creation over a one-year period whilst supporting the long-term strategy – Incentivise desired behaviours in line with the Group's risk appetite	– Support delivery of the business strategy and growth objectives – Incentivise long-term value creation – Drive alignment of employee and shareholder interests

2.1. Link between financial performance, shareholder wealth and remuneration

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

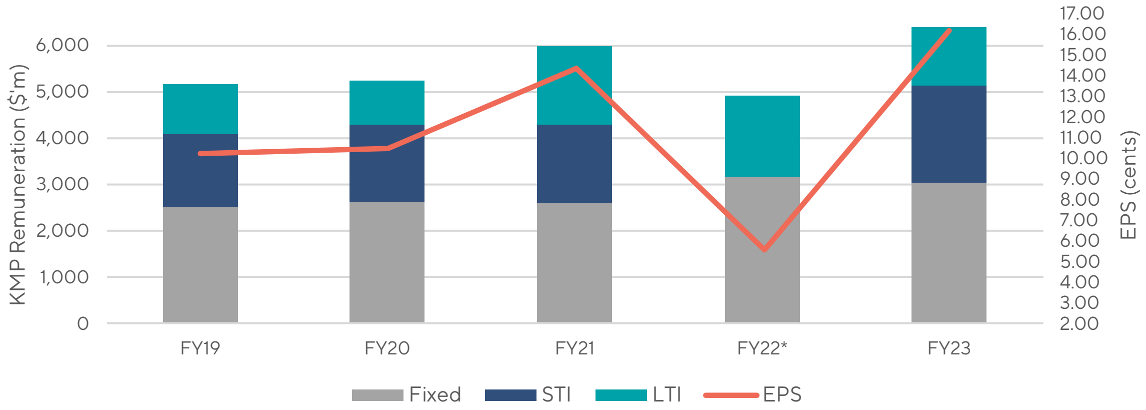
The financial performance of the Group and shareholder value creation over the last 5 years is also summarised in the table below.

	FY19	**FY20**	**FY21**	**FY22***	**FY23**	**Growth YoY**	**CAGR Last 5 years**
Revenues ($'m) (inc. Franchisees and Other Income)	796.8	830.1	993.8	1130.6	1422.1	25.8%	15.6 %
EBITDA ($'m)	108.9	202.9	242.0	213.6	298.2	39.6%	28.7%
EBIT ($'m)	**80.6**	**94.5**	**124.9**	**62.3**	**138.8**	**122.8%**	**14.6%**
Net profit attributable to the owners of the Company ($'m)	53.9	55.5	76.9	31.5	88.7	181.6%	13.3%
EPS (cents)**	**10.02**	**10.28**	**14.21**	**5.81**	**16.16**	**178.1%**	**12.7%**
Shareholder value created:							
Market capitalisation ($'m)***	749.6	797.0	1,496.0	661.1	928.1	40.4%	5.5%
Enterprise value($'m)***	799.1	828.2	1,563.0	780.4	1,047.7	34.3%	7.0%
Movement in enterprise value during the financial year ($'m)	(130.6)	29.1	734.8	(782.7)	267.3		
Dividends paid during the financial year ($'m)	44.7	48.8	65.0	31.2	88.0	182.1%	18.5%
Closing Share Price ($)	1.39	1.47	2.76	1.22	1.68	37.7%	4.9%
DPS** declared (cents)**	**8.25**	**9.25**	**11.25**	**6.5**	**17.5**	**169.2%**	**20.7%**

* No STI was paid in FY22
** Earnings Per Share
*** Based on last ASX trading day prior to financial year end (FY23: 30 June 2023; FY22: 24 June 2022)
**** Dividend Per Share

KMP remuneration and EPS over the last 5 financial years

The graph below shows the relationship between total KMP remuneration and EPS over the past five years and the relationship between KMP remuneration and Company performance, specifically, the total aggregate total remuneration of the KMP team for each year from FY19 to FY23 as set out in the Remuneration Report each year.

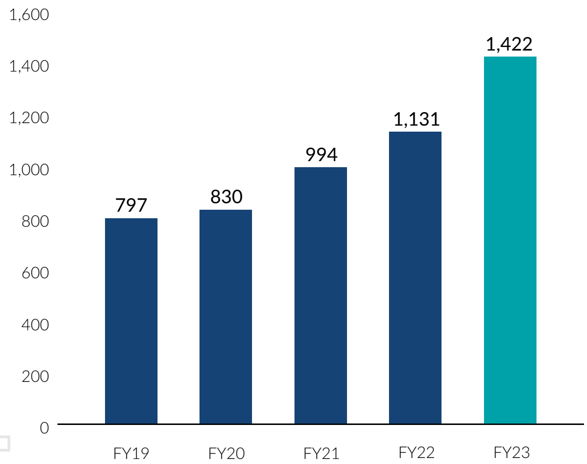


* In FY22 no STIs were paid to KMPs

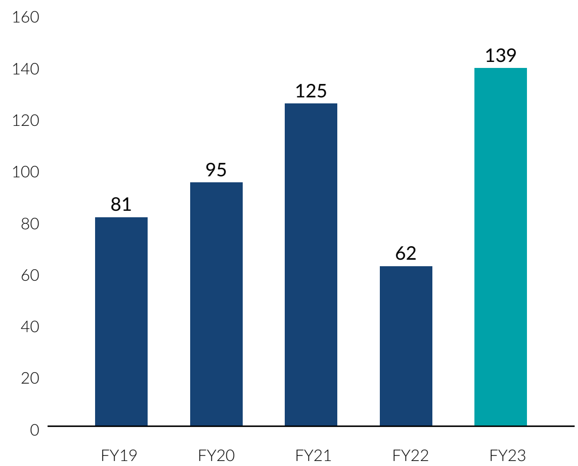
Company financial performance and share price

The long-term effectiveness of the Company's performance-related remuneration strategy and the strong alignment between financial performance and executive remuneration is demonstrated by the relative outperformance of the Company's share price over the last 10 years.

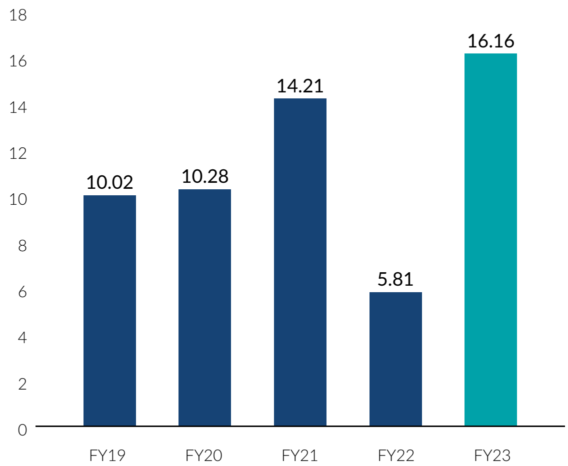
FY19 to FY23 Revenues ($m)



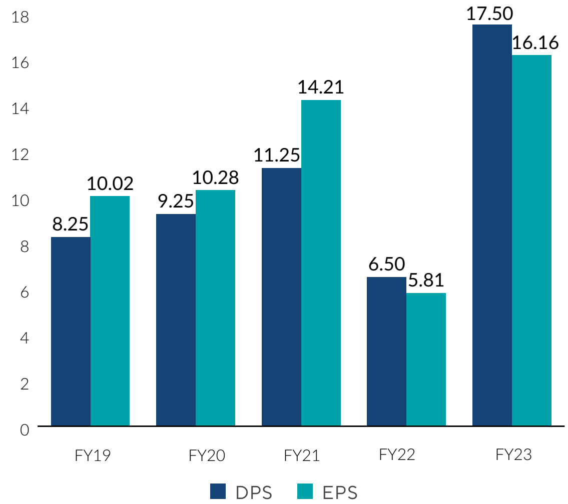
FY19 to FY23 EBIT ($m)



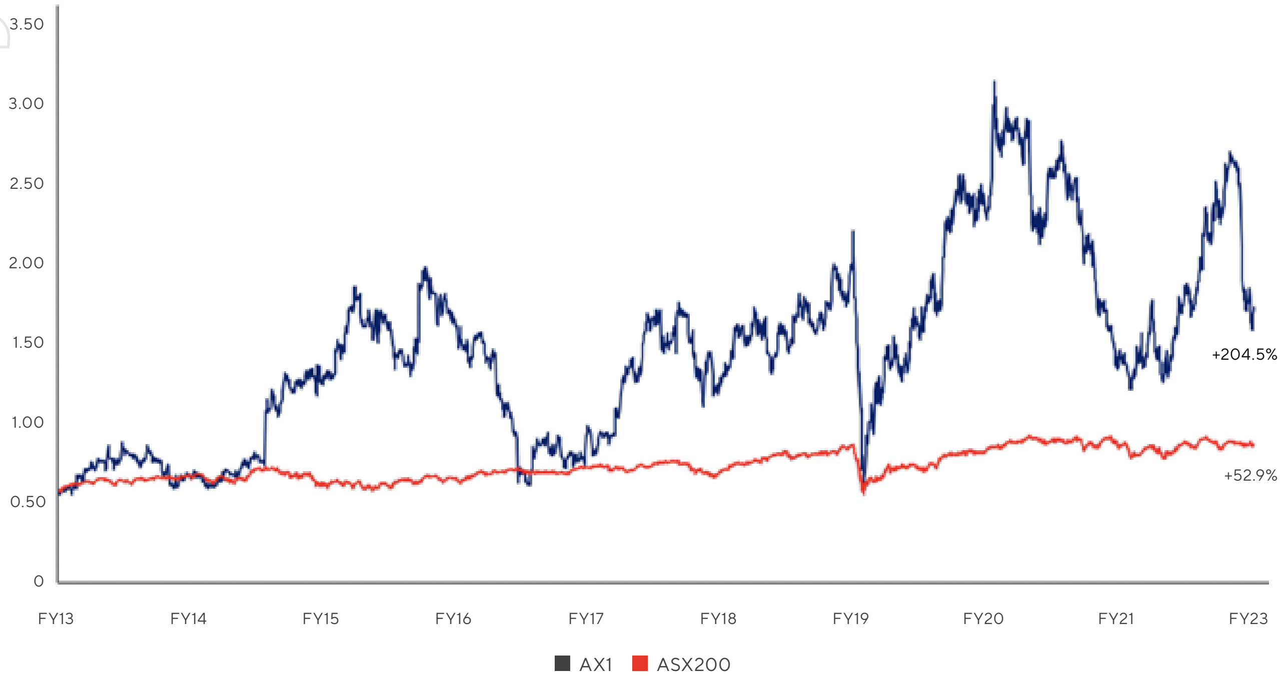
FY19 to FY23 EPS (Cents)



FY19 to FY23 DPS & EPS (Cents)



The following chart demonstrates the 10-year outperformance of the Company's share price relative to the ASX200.

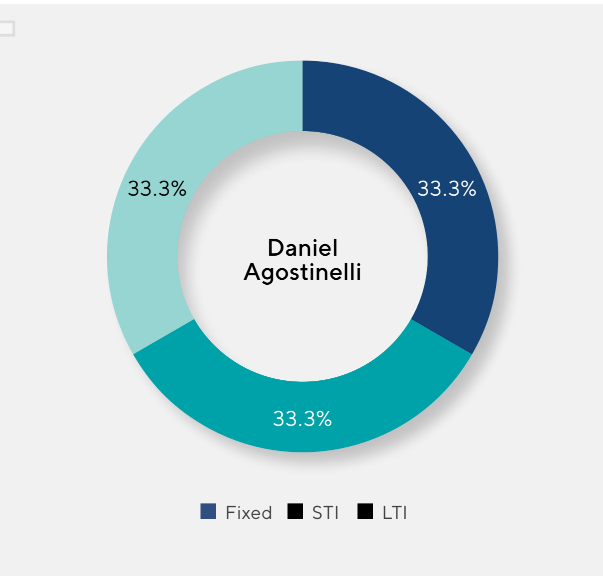


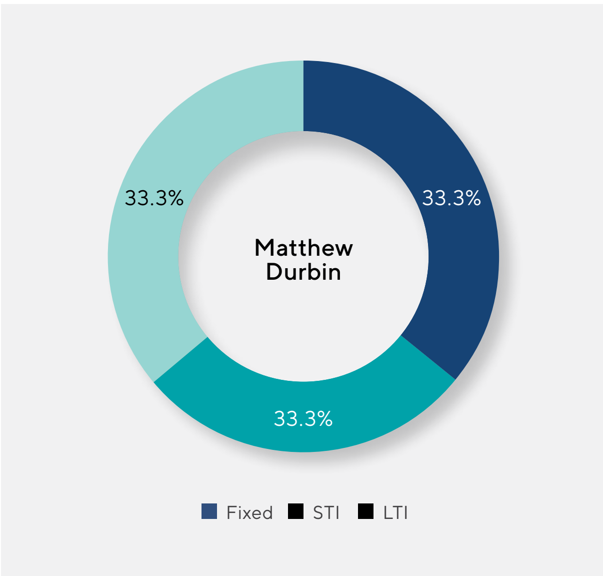
Source: FactSet. Market data as at 30 June 2023
1. ASX200 share price performance rebased to AX1 from 1 July 2013.

Remuneration Mix

The total remuneration for the KMP comprises both fixed remuneration and at-risk components in STI and LTI. The table shown below indicates the potential remuneration mix based on the fixed remuneration as of 2 July 2023 with STI and LTI presented at maximum and target opportunities respectively.

Executive KMP	Fixed Remuneration	STI	LTI	Total
Daniel Agostinelli	33.3%	33.3%	33.3%	100%
Matthew Durbin	33.3%	33.3%	33.3%	100%





2.2. Fixed Remuneration

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

To ensure appropriate and competitive remuneration for FY23, PARCO considered the remuneration levels and structures for the CEO and CFOO with reference to:

- external listed comparable remuneration benchmarks
- the competency and skillsets of the individuals and their performance over the long term
- the scarcity of talent and the importance and value of retaining key executives
- changes in the complexity, organisational structure and geographical spread of the Company

In respect of FY23 and as advised in the FY22 Remuneration Report, given the challenging trading conditions and resultant financial results that the Company had to navigate in the wake of COVID-19, the Board considered it appropriate that no increase be applied to the fixed remuneration of the CEO and CFOO.

For FY24, the Company retained Morrow Sodali to provide an independent report on comparable remuneration benchmarks and in addition to the factors outlined above, consideration was also given to:

- the growth that the management team has continued to drive over the last two years
- no increases having been applied to CEO or CFOO remuneration for FY23
- the significant increase in the Group's net profit in FY23, which was a record profit year

In consideration of these factors for FY24, the fixed remuneration of the CEO has been increased by 13.3% and by 7.7% for the CFOO effective from 1 July 2023. Inclusive of the 1 July 2023 increase, since FY19, base CEO remuneration has increased by 41.7% and CFOO remuneration by 27.3%. These increases are in context of a 79% increase in revenues and a 65% increase in net profit after tax over the same period.

2.3. STI Plan

Purpose and Objectives

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

The Group believes that by implementing the STI program, KMP are best positioned to effectively carry out their duties in achieving the strategic objectives of the company. The Group also expects KMP to continue to drive the values engrained within the Group's culture and Code of Conduct, acting in the best interests of shareholders and other stakeholders and in turn driving success for the Group along with long term shareholder value creation.

Structure

The STI program in FY23 was structured as follows:

	FY23 STI Plan Structure
Performance period	12 months
Opportunity	CEO – 100% of fixed remuneration at maximum CFOO – 100% of fixed remuneration at maximum
How the STI is paid	Cash
Performance measures / KPIs	1. EBIT growth – 80% 2. Measurable strategic objectives – 20%
Performance conditions	Financial Condition – 80% Weighting – Achievement of Accent Group EBIT budget – The Group EBIT budget was set at an increase of greater than 100% on FY22 actual Group EBIT of $52.8m (pre AASB16) – Achievement of aged inventory of less than 2.5% of total inventory Strategic Objectives condition – 20% Weighting – The STI award is also subject to achieving the following quantitative strategic objectives, with equal weighting distributed across the three objectives. 1. New stores: Achieve sales and EBIT performance better than 95% of budget and aggregate new store ROIC benchmarks. Weighting 5% 2. Vertical sales: Achieve vertical sales >$100m, Weighting 5% awarded for performance above $100m then a sliding scale to 10% awarded for performance at $110m or above. Gross margin and vertical mix must be an improvement on FY22 3. Culture and sustainability: Achieve year-on-year improvement in the team engagement survey scores in the areas of Communication, Learning, Culture, Values and survey action. Weighting 5%
How is STI assessed?	PARCO reviews the CEO's performance against the performance targets and objectives set for that year. The CEO assesses the performance of the senior executive team, with the CEO having oversight of his direct reports and the day-to-day functions of the Company. The performance assessment of the CEO and CFOO are reviewed by PARCO and then recommended for Board approval.
What happens when KMP ceases employment?	If the employment of KMP is terminated for cause, no STI will be paid. If the KMP resigns or is considered a good leaver prior to the completion of the performance period, the STI may be granted on a pro rata basis in relation to the period of service completed, subject to the discretion of the Board and conditional upon the individual performance of the KMP.
Malus and Clawback	In the event of serious misconduct or a material misstatement in the Group's financial statements, the Board may cancel the STI payment and may also claw back STI payments paid in previous financial years, to the extent this can be done in accordance with the law.

	FY23 STI Plan Structure
Is there any STI deferral?	The STI awards are currently delivered fully in cash and vest at the end of the one-year period, subject to the achievement of the performance conditions. The Board periodically reviews the appropriateness of a deferral of a portion of the STI into equity. After this year's review, the Board determined that a deferral is currently not appropriate for the Group in light of the size of the Group and the KMP team, as well as the CEO's current equity ownership in the Company consisting of 18,003,001 shares which represent 3.26% of issued capital and an interest in a further 5,786,061 performance rights through the Performance Rights Plan (**PRP**). The Board is of the view that the objectives of a deferral (i.e. retention and risk management) are currently satisfied through the KMPs' participation in the PRP which vests progressively between FY23-FY25 and existing share ownership.

STI outcomes FY23

The FY23 year has been a year of record financial results. Compared to FY22, revenue was up 25.8%, EBIT was up 122.8% and EPS was up 178.1%.

Financial Condition

80% of award based on the achievement of the Group EBIT Budget: Achieved

EBIT for FY23 exceeded budget and as a result met the requirement for the payment of this component.

Strategic Objectives

20% of the STI award for the CEO and CFO is based on measurable strategic objectives. Performance against these objectives along with the weighting applied to each objective is outlined in the table below.

Based on the performance against these strategic objectives 18.25% of a total opportunity of 20% was awarded.

Objective		Outcomes	Achieved	STI allocation Weighting	STI outcome
New stores:	– Achieve >95% of budgeted sales and EBIT	– Achieved	Y	2.5%	2.5%
	– Aggregate ROIC	– Achieved	Y	2.5%	2.5%
Vertical Product Sales	– Vertical product sales >$100m (5% allocation) sliding scale to $110m (10% allocation)	– Partial achievement	P	10.0%	8.25%
	– Vertical product gross margin % > FY22	– Achieved	Y		
	– Vertical Product mix > FY22	– Achieved	Y		
Culture and Sustainability:	– Improvement in the communication & learning engagement score	– Achieved	Y	3%	3%
	– Improvement in the culture and values engagement score	– Achieved	Y	1%	1%
	– Improvement in survey action score	– Achieved	Y	1%	1%
Total				20.0%	18.25%

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

	Financial Performance target	Performance outcome	Strategic objectives outcome	Maximum STI available	Achievement*	
					FY22	FY23
CEO – Daniel Agostinelli	Group EBIT Budget	Achieved 80% achieved	Partial achievement 18.25%	100% of fixed remuneration	0%	98.25%
CFOO – Matthew Durbin	Group EBIT Budget	Achieved 80% achieved	Partial achievement 18.25%	100% of fixed remuneration	0%	98.25%

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

2.4. LTI Plan

Purpose and Objectives

The Company has implemented an LTI program through the Performance Rights Plan (**PRP**), first approved by shareholders at the Company's 2016 Annual General Meeting.

The objectives of this plan are:

- to drive long term value creation for shareholders; and
- to attract, motivate and retain key employees, and for them to share in the value created for all shareholders of the Company.

The PRP operates under the rules most recently approved by shareholders at the Company's 2019 Annual General Meeting. As of 2 July 2023, there are 23,458,478 rights issued under the PRP which remain outstanding.

The current Tranches 2-5 of the PRP have a single financial performance measure. For Target performance, the achievement of 10% or greater compounding earnings per share growth over the relevant performance period is required. In respect of Tranche 6 issued in FY22, Target performance requires the achievement of 11% or greater compounding adjusted diluted earnings per share growth over the relevant performance period. The Board periodically evaluates the impact and relevance of this performance measure and considers it to be effective in achieving the stated objectives since the plan has been successful in driving strong performance since its inception in FY17.

LTI Outcomes FY23

CEO & CFOO FY22 Long Term Incentive
For FY23, the Board determined not to issue a new tranche of performance rights issued under the PRP. Given the highly impacted FY22 year it was determined that it was inappropriate to use the FY22 results as the base for a future rights plan.

There was a partial vesting of performance rights issued under Tranche 2 FY18-FY22 PRP during FY23. Further details are set out below.

Tranche 2 (FY18-FY22) of the PRP

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

- a performance condition that at least 10% compound ADEPS growth per annum be achieved over the performance period FY18-FY22 such that the required ADEPS in the FY22 year was 10.94 cents per share; and
- a retention condition that the participant had to be employed at the testing date immediately post release of the FY22 financial results.

For reasons which are set out in detail in the FY22 Remuneration Report and the 2022 Notice of Meeting, the Board, following the shareholder approval obtained at its 2022 Annual General Meeting, exercised certain discretions in respect of Tranche 2, being:

a) in respect of up to 50% of the Performance Rights, to waive the performance-based vesting condition that applied to those Performance Rights, with the retention condition requiring the participant to be employed on 18 August 2022 remaining in place;

b) in respect of the remaining 50% of the Performance Rights, to defer the testing date of the performance condition and retention condition to immediately following the release of the Company's FY23 financial results for FY23, noting that the performance condition requires ADEPS for FY23 to be above 10.94 cents per share; and

c) in respect of up to 100% of the Performance Rights, to extend the period for exercise of any vested Performance Right by up to 18 months from the date of vesting.

The exercise of those discretions impacted KMP in the following ways:

KMP	Total Tranche 2 performance rights issued (December 2017)	50% of Tranche 2 performance rights vested immediately post release of FY22 financial results	50% of Tranche 2 rights – testing date deferred to immediately post release of the FY23 financial results
Daniel Agostinelli	5,500,000	2,750,000	2,750,000
Matthew Durbin	3,000,000	1,500,000	1,500,000

50% of the Tranche 2 rights that had the testing date deferred (**Deferred Rights**) to immediately post the release of the FY23 results. Based on the FY23 results the achieved ADEPS of 15.62 cents per share is above the required performance condition of 10.94 cents per share. Subject to the participants meeting the retention condition, the Deferred Rights are expected to vest on 28 August 2023.

Tranche 4 (FY20-FY23) of the PRP

The FY20-FY23 PRP (Tranche 4, issued in November 2019), included the following performance and retention conditions:

- a performance condition that at least 10% compound ADEPS growth per annum be achieved over the performance period FY20-FY23 with the required ADEPS per share to be achieved in FY23 being at least 13.97 cents per share; and
- an additional 1-year retention condition requiring the participant being employed as at 1 July 2024.

In respect of FY23, the ADEPS achieved was 15.62 cents per share, which is above the ADEPS hurdle of 13.97 cents per share. On this basis, the performance condition for Tranche 4 has been deemed as met.

The retention condition still requires the participants to be employed on 1 July 2024 for the performance rights to vest.

2.5. Other Information

Key terms of executive employment contracts

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

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

2.6. Non-Executive Directors Remuneration

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

The aggregate fee limit of $1,200,000 was approved by shareholders at the 2019 AGM. There was no increase to Non-Executive Directors' remuneration in FY23.

	2023 $
Board Chairman	297,000
Audit and Risk Committee Chairman	127,710
Non-Executive Directors	118,800

REMUNERATION OF KEY MANAGEMENT PERSONNEL

2.7. Table of remuneration to KMP (calculated in accordance with Australian Accounting Standards)

		Short-term benefits			Long-term benefits	Post employment benefits	Share-based payments	
	Year	Cash salary and fees[1] $	Cash bonus[2] $	Other monetary $	Accrued leave benefits[1] $	Super-annuation $	Equity-settled[1,3] $	Total $
Non-executive Directors								
D Gordon	**2023**	**269,500**	**-**	**-**	**-**	**27,500**	**-**	**297,000**
	2022	269,500	-	-	-	27,500	-	297,000
S Goddard	**2023**	**115,575**	**-**	**-**	**-**	**12,135**	**-**	**127,710**
	2022	116,100	-	-	-	11,610	-	127,710
M Hapgood	**2023**	**118,800**	**-**	**-**	**-**	**-**	**-**	**118,800**
	2022	113,763	-	-	-	-	-	113,763
D Player	**2023**	**107,511**	**-**	**-**	**-**	**11,289**	**-**	**118,800**
	2022	108,000	-	-	-	10,800	-	118,800
J Lowcock	**2023**	**118,800**	**-**	**-**	**-**	**-**	**-**	**118,800**
	2022	118,800	-	-	-	-	-	118,800
B Blundy	**2023**	**118,800**	**-**	**-**	**-**	**-**	**-**	**118,800**
	2022	118,800	-	-	-	-	-	118,800
T Dodd	**2023**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2022	-	-	-	-	-	-	-
Executive Directors and other KMP								
D Agostinelli	**2023**	**1,279,943**	**1,473,750**	**10,580**	**131,329**	**27,500**	**874,613**	**3,797,715**
	2022	1,381,885	-	117	188,937	27,500	1,177,281	2,775,720
M Durbin	**2023**	**584,192**	**638,625**	**-**	**58,819**	**27,500**	**387,700**	**1,696,836**
	2022	588,981	-	-	53,856	27,500	561,116	1,231,453
Total	**2023**	**2,713,121**	**2,112,375**	**10,580**	**190,148**	**105,924**	**1,262,313**	**6,394,461**
	2022	2,815,829	-	117	242,793	104,910	1,738,397	4,902,046

1 Cash salary and fees now relate to base salary excluding annual leave but including an accrual for annual leave not taken. Long-term benefits relate to statutory annual leave and long service leave accruals and the FY22 reported numbers for annual leave and long service have been adjusted to reflect these changes. Equity settled share-based payments for FY22 have been adjusted and reflect share-based payment expense recognition over the appropriate vesting period.

2 Cash bonuses relate to STI bonuses issued on the basis of the achievement of relevant performance measures for the year ended 2 July 2023 and were approved by PARCO and the Board in August 2023. The proposed payment date is 14 September 2023.

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

PERFORMANCE RIGHTS PLAN (PRP)

The table below sets out the details of KMP Performance Rights for unvested plans issued under the Company's PRP:

Issue	Number of Rights	Grant Date	Exercise Price	Vesting Date	Vesting condition	% Achieved	Number of rights exercised	Number of rights forfeited	Current balance
Tranche 2	8,500,000	3 Oct 17	Nil	50% vested post release of FY22 financial results 50% post release of FY23 financial results	ADEPS hurdle[1]	To be determined	4,250,000	0	4,250,000
Tranche 4	1,136,646	30 Nov 19	Nil	1 Jul 24	ADEPS hurdle	To be determined	0	0	1,136,646
Tranche 5	1,748,408	18 Nov 20	Nil	1 Sep 24	ADEPS hurdle – sliding scale	To be determined	0	0	1,748,408
Tranche 6	1,459,276	27 Sep 21	Nil	1 Sep 25	ADEPS hurdle – sliding scale	To be determined	0	0	1,459,276
Total	**12,844,330**						**4,250,000**	**0**	**8,594,330**

1 As noted above, having received shareholder approval, the Board exercised its discretion and determined that (i) the ADEPS performance condition for 50% of the Tranche 2 performance rights had been deemed as met, and (ii) deferred the testing date for the remaining 50% of the Tranche 2 performance rights by one year to immediately post release of FY23 financial results.

The table below sets out the detailed conditions for each tranche of KMP performance rights for unvested plans

Issue	Current Balance	ADEPS Hurdle – Expressed as CAGR over the performance period			Retention condition
		Threshold – 50% of award	**Target – 100% of award**	**Stretch – 150% of award**	
Tranche 2	4,250,000	NA	10%	NA	Must be employed on the date immediately following release of the FY23 financial results
Tranche 4	1,136,646	NA	10%	NA	Must be employed and not have resigned at 1 July 24
Tranche 5	1,748,408	8%	10%	15%	Must be employed and not have resigned at 1 September 24
Tranche 6	1,459,276	9%	11%	16%	Must be employed and not have resigned at 1 September 25
Total	**8,594,330**				

PERFORMANCE RIGHTS OF THE CEO AND CFOO

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

	Balance as at 26 June 2022	Granted	Vested	Forfeited	Unvested balance as at 2 July 2023	Value at grant date	Minimum value to vest	Maximum Value to vest
CEO – Daniel Agostinelli								
Tranche 1	–	–	–	–		–	–	–
Tranche 2	5,500,000	–	2,750,000	–	2,750,000	$1,493,748	–	$9,655
Tranche 3	–	–	–	–	–	–	–	–
Tranche 4	795,031	–	–	–	795,031	$1,042,724	–	$208,317
Tranche 5	1,222,930	–	–	–	1,222,930	$1,638,692	–	$635,458
Tranche 6	1,018,100	–	–	–	1,018,100	$1,759,019	–	$1,418,471
Total	**8,536,061**	**–**	**2,750,000**	**–**	**5,786,061**	**$5,934,183**	**–**	**$2,271,901**

	Balance as at 26 June 2022	Granted	Vested	Forfeited	Unvested balance as at 2 July 2023	Value at grant date	Minimum value to vest	Maximum Value to vest
CFOO – Matthew Durbin								
Tranche 1	–	–	–	–	–	–	–	–
Tranche 2	3,000,000	–	1,500,000	–	1,500,000	$786,555	–	$5,084
Tranche 3	–	–	–	–	–	–	–	–
Tranche 4	341,615	–	–	–	341,615	$448,046	–	$89,511
Tranche 5	525,478	–	–	–	525,478	$704,126	–	$273,049
Tranche 6	441,176	–	–	–	441,176	$762,240	–	$614,670
Total	**4,308,269**	**–**	**1,500,000**	**–**	**2,808,269**	**$2,700,967**	**–**	**$982,314**

Refer to section 2.7 above for the proportion of the CEO and CFOO's remuneration that represents the PRP allocation for the year ended 2 July 2023.

2.8. Loans and Transactions with Key Management Personnel

Placed Pty Ltd, a company associated with Daniel Agostinelli and Brett Blundy, provided recruitment services to the Group amounting to $54,081 (26 June 2022: $150,858).

Lyneliz Pty Ltd, a company associated with Daniel Agostinelli, provided storage services to the Group amounting to $60,000 (26 June 2022: $60,000).

Boxed to Go (JOA5 Investments Pty Ltd), a company associated with Daniel Agostinelli, provided corporate gift boxes to the Group amounting to $1,750 (26 June 2022: $47,855).

There were no loans outstanding and no balances receivable or owing at the reporting date between the Company, or any of its subsidiaries, and its KMP (including their related parties).

3. SHAREHOLDINGS OF KMP

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

Name	Balance at start of year	Received on exercise of performance rights	Disposals	Balance at end of year
Daniel Agostinelli	18,000,224	2,750,000	2,747,223	18,003,001
Matthew Durbin	100,000	1,500,000	550,000	1,050,000
David Gordon	2,599,034	-	-	2,599,034
Stephen Goddard	50,000	-	-	50,000
Donna Player	50,000	-	-	50,000
Michael Hapgood	7,500,000	-	-	7,500,000
Joshua Lowcock	18,105	-	-	18,105
Brett Blundy	107,502,463	-	-	107,502,463
Timothy Dodd	30,046	-	-	30,046
Total	**135,849,872**	**4,250,000**	**3,297,223**	**136,802,649**

The Remuneration Report has been audited as required by section 308(3c) of the *Corporations Act 2001*.

This Directors' Report, which includes the Remuneration Report, is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the Directors

David Gordon
Chairman
24 August 2023

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Accent Group Limited for the period ended 2 July 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 audit; and

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

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
24 August 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 2 July 2023

	Note	Consolidated 2 Jul 2023 $'000	Consolidated 26 Jun 2022 $'000
Revenue	6	1,420,688	1,129,797
Interest revenue		1,434	786
Expenses			
Cost of sales	7	(624,415)	(504,992)
Distribution		(61,678)	(51,266)
Marketing		(50,799)	(51,431)
Occupancy	7	(23,930)	(17,581)
Employee expenses	7	(294,670)	(234,516)
Other		(66,975)	(56,446)
Depreciation, amortisation and impairment	7	(159,433)	(151,289)
Finance costs	7	(20,606)	(16,470)
Profit before income tax expense		119,616	46,592
Income tax expense	8	(30,963)	(15,128)
Profit after income tax expense for the year		88,653	31,464
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		(3,432)	7,364
Foreign currency translation		(6,507)	(1,803)
Other comprehensive income for the year, net of tax		(9,939)	5,561
Total comprehensive income for the year		78,714	37,025
Profit for the year is attributable to:			
Owners of Accent Group Limited		88,653	31,464
		88,653	31,464
Total comprehensive income for the year is attributable to:			
Owners of Accent Group Limited		78,714	37,025
		78,714	37,025
		Cents	Cents
Basic earnings per share	38	16.16	5.81
Diluted earnings per share	38	15.62	5.59

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 2 July 2023

	Note	Consolidated 2 Jul 2023 $'000	26 Jun 2022 $'000
Current assets			
Cash and cash equivalents		29,722	49,734
Trade and other receivables	9	34,060	47,303
Inventories	10	239,606	241,631
Lease receivable	11	9,324	8,349
Derivative financial instruments	12	3,738	13,569
Other current assets	13	6,373	8,592
Current tax receivable		32	6,011
Total current assets		322,855	375,189
Non-current assets			
Property, plant and equipment	14	140,527	139,188
Right-of-use assets	15	281,393	299,884
Lease receivable	11	10,231	12,346
Intangibles	16	382,191	374,741
Derivative financial instruments	12	–	1,383
Net deferred tax assets	17	17,331	13,103
Total non-current assets		831,673	840,645
Total assets		1,154,528	1,215,834
Current liabilities			
Trade and other payables	18	110,816	143,148
Deferred revenue	19	14,377	11,089
Provisions	20	23,813	15,595
Borrowings	21	9,954	19,884
Lease liabilities	22	132,130	123,406
Total current liabilities		291,090	313,122
Non-current liabilities			
Provisions	20	840	857
Deferred revenue	19	5,190	4,593
Borrowings	21	139,350	149,132
Lease liabilities	22	276,846	307,904
Total non-current liabilities		422,226	462,486
Total liabilities		713,316	775,608
Net assets		441,212	440,226
Equity			
Issued capital	23	390,926	390,926
Reserves	24	36,956	36,653
Retained earnings		13,330	12,647
Total equity		441,212	440,226

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 2 July 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 year	–	–	–	–	31,464	31,464
Other comprehensive income for the year, net of tax	–	(1,803)	7,364	–	–	5,561
Total comprehensive income for the year	–	(1,803)	7,364	–	31,464	37,025
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	5,068	–	5,068
Treasury share payments	310	–	–	–	–	310
Dividends paid (Note 25)	–	–	–	–	(31,157)	(31,157)
Balance at 26 June 2022	390,926	7,709	5,567	23,377	12,647	440,226

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 year	–	–	–	–	88,653	88,653
Other comprehensive income for the year, net of tax	–	(6,507)	(3,432)	–	–	(9,939)
Total comprehensive income for the year	–	(6,507)	(3,432)	–	88,653	78,714
Transactions with owners in their capacity as owners:						
Share-based payments	–	–	–	10,242	–	10,242
Dividends paid (Note 25)	–	–	–	–	(87,970)	(87,970)
Balance at 2 July 2023	**390,926**	**1,202**	**2,135**	**33,619**	**13,330**	**441,212**

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

STATEMENT OF CASH FLOWS

for the year ended 2 July 2023

	Note	Consolidated 2 Jul 2023 $'000	26 Jun 2022 $'000
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		1,583,248	1,247,779
Payments to suppliers and employees (inclusive of GST)		(1,287,771)	(1,072,871)
Interest received		631	–
Interest and other finance costs paid		(6,616)	(3,647)
Interest on lease liabilities		(12,900)	(11,495)
Income taxes paid		(20,004)	(19,420)
Net cash from operating activities	37	256,588	140,346
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	34	(6,098)	(2,704)
Payments for property, plant and equipment [(1)]		(26,220)	(38,809)
Payments for intangibles	16	(8,143)	(7,088)
Net cash used in investing activities		(40,461)	(48,601)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		–	310
Proceeds from borrowings		–	129,875
Repayment of borrowings		(20,000)	(61,000)
Payments for debt transaction costs		–	(984)
Payment of lease liabilities		(127,445)	(113,084)
Dividends paid	25	(87,970)	(31,157)
Net cash used in financing activities		(235,415)	(76,040)
Net (decrease)/increase in cash and cash equivalents		(19,288)	15,705
Cash and cash equivalents at the beginning of the financial year		49,734	34,084
Effects of exchange rate changes on cash and cash equivalents		(724)	(55)
Cash and cash equivalents at the end of the financial year		29,722	49,734

(1) Payments for property, plant and equipment are net of cash fitout contributions received from landlords of $21,534,000 (2022: $33,590,000)

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

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

2/64 Balmain Street
Richmond VIC 3121

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 August 2023. The directors have the power to amend and reissue the financial statements.

NOTE 2. BASIS OF PREPARATION

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

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

The current reporting period, 27 June 2022 to 2 July 2023, represents 53 weeks and the comparative reporting period is from 28 June 2021 to 26 June 2022 which represents 52 weeks. From time to time, management may change prior year comparatives to reflect classifications applied in the current year.

Critical accounting estimates

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

- Note 10 Inventories
- Note 14 Property, plant and equipment
- Note 15 Right-of-use-assets
- Note 16 Intangibles
- Note 34 Business combinations

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Accent Group Limited as at 2 July 2023 and the results of all subsidiaries for the year then ended. A list of subsidiaries at year end is contained in Note 35. Supplementary information about the parent entity is disclosed in Note 33.

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

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

Foreign currency transactions

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

NOTE 2. BASIS OF PREPARATION (CONTINUED)

Foreign operations

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

Rounding of amounts

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

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

NOTE 3. ACCOUNTING POLICIES

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

NOTE 4. NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

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

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

- Amendments to AASB 137 Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to AASB 116 Property, Plant and Equipment: Proceeds Before Intended Use
- Amendments to AASB 3 Reference to the Conceptual Framework

The above standards and interpretations have not led to any changes to the Group's accounting policies or had any other material impact on the financial position or performance of the Group.

NOTE 5. OPERATING SEGMENTS

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-makers (CODMs). The CODMs 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 CODMs, primarily the management accounts, focus on the performance of the Group as a whole. The CODMs assess the performance of the Group based on a measure of EBIT (earnings before interest and tax) prior to the impact of AASB 16 *Leases* and non-operating intercompany charges.

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

NOTE 6. REVENUE

	Consolidated	
	2 Jul 2023 $'000	26 Jun 2022 $'000
Sales revenue		
Sales to customers	1,393,257	1,103,488
Royalties and other franchise related income	15,758	14,264
	1,409,015	1,117,752
Other revenue		
Marketing levies received from TAF stores	9,669	9,723
Other revenue	2,004	2,322
	11,673	12,045
Revenue	1,420,688	1,129,797

The following table summarises sales to customers by geographic location of the Group:

	Consolidated	
	2 Jul 2023 $'000	26 Jun 2022 $'000
Australia	1,238,523	972,492
New Zealand	154,734	130,996
Sales to customers	1,393,257	1,103,488

Recognition and measurement

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

Sales to customers

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

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

Royalties and other franchise related income

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

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

Marketing levies

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

NOTE 7. EXPENSES

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Right of use assets	107,893	98,654
Plant and equipment	46,604	39,311
Total depreciation	154,497	137,965
Amortisation		
Licence fee	32	32
Distribution rights	–	1,141
Re-acquired rights	358	434
Software	4,546	3,967
Total amortisation	4,936	5,574
Impairment of assets		
Impairment charge – right of use assets	–	3,476
Impairment charge – property, plant and equipment	–	4,274
Total impairment	–	7,750
Total depreciation, amortisation and impairment	159,433	151,289
Finance costs		
Interest and finance charges paid/payable on borrowings	6,904	4,199
Interest and finance charges paid/payable on lease liabilities	13,702	12,271
Finance costs expensed	20,606	16,470
Leases		
Variable lease payments	39,877	35,313
Share-based payments expense	3,137	5,068

Cost of sales
Cost of sales comprises cost of inventories sold, incoming freight and related duties.

COVID-19 Related Rental Concessions
During the year, the Group recognised $4,082,287 (2022: $5,145,261) of COVID-19 related rental concessions from landlords. These concessions are included as a reduction in occupancy expense in the statement of profit or loss and other comprehensive income.

Employee expenses
In the current financial year, the Group did not receive any wage subsidies and resurgence support payments.

During the prior financial year ended 26 June 2022, the Group received wage subsidies and resurgence support payments of $1,304,279 in New Zealand as a result of COVID-19 mandated store closures. These payments, in total, were remitted to eligible team members during the year.

NOTE 8. INCOME TAX EXPENSE

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Income tax expense		
Current tax	26,220	6,621
Deferred tax	4,440	8,512
Adjustment recognised for prior periods – Deferred tax	439	6,423
Adjustment recognised for prior periods – Current tax	(136)	(6,428)
Aggregate income tax expense	30,963	15,128
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	119,616	46,592
Tax at the statutory tax rate of 30%	35,885	13,977
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	84	33
Share-based payments	(5,588)	1,521
Sundry items	327	(195)
	30,708	15,336
Adjustment recognised for prior periods	303	(5)
Difference in overseas tax rates	(48)	(203)
Income tax expense	30,963	15,128
Amounts recognised directly to other comprehensive income		
Tax effect of hedges in reserves	(1,473)	(3,156)
Tax effect of share-based payments in reserves	(3,775)	–
Total tax effect recognised directly to other comprehensive income	(5,248)	(3,156)
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Capital losses (tax effected)	7,199	7,199
Total deferred tax assets not recognised	7,199	7,199

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

Recognition and measurement

Current tax

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

Deferred tax

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

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

NOTE 8. INCOME TAX EXPENSE (CONTINUED)

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

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

Tax consolidation

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

NOTE 9. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Trade receivables	32,907	46,010
Less: Allowance for expected credit losses	(996)	(1,238)
	31,911	44,772
Other receivables	2,149	2,531
Trade and other receivables	34,060	47,303

Movement in the allowance for credit losses were as follows:

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Carrying value at beginning of year	(1,238)	(1,291)
Allowance for credit losses recognised	(59)	(35)
Unused amount reversed	301	88
Allowances for expected credit losses at year end	(996)	(1,238)

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

2023	**Carrying amount $'000**	**Expected credit loss rate %**	**Expected credit loss $'000**
Current	25,455	1.0%	255
Under one month	3,022	5.1%	154
One to two months	940	14.2%	133
Two to three months	1,420	5.3%	75
Over three months	2,070	18.3%	379
	32,907		996

NOTE 9. TRADE AND OTHER RECEIVABLES (CONTINUED)

2022	Carrying amount $'000	Expected credit loss rate %	Expected credit loss $'000
Current	22,701	1.8%	409
Under one month	17,221	0.6%	103
One to two months	3,507	2.5%	88
Two to three months	1,081	10.9%	118
Over three months	1,500	34.7%	520
	46,010		1,238

Recognition and measurement

Trade receivables

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

Other receivables

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

Impairment of trade receivables

Collectability and impairment of trade receivables is assessed on an ongoing basis at an individual customer level by a centralised accounts receivable function. The Group has established a provision matrix that is based on average write-offs as a proportion of average debt over a period of 12 months. The historical loss rates are adjusted for current and forward-looking information where significant.

NOTE 10. INVENTORIES

	Consolidated	
	2 Jul 2023 $'000	26 Jun 2022 $'000
Finished goods (at lower of cost or net realisable value)	190,168	193,575
Goods in transit	49,438	48,056
	239,606	241,631

Recognition and measurement

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

Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement. Management's estimate of the inventory provision net realisable value is based on historical finished goods sold below cost and inventory write-off transactional data.

The provision for write-down of inventories to net realisable value amounted to $9,908,900 (2022: $11,225,068) at 2 July 2023.

NOTE 11. LEASE RECEIVABLE

	Consolidated 2 Jul 2023 $'000	26 Jun 2022 $'000
Current		
Lease receivable	9,324	8,349
Non-Current		
Lease receivable	10,231	12,346

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

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

	Consolidated 2 Jul 2023 $'000	26 Jun 2022 $'000
Less than one year	10,427	9,157
One to five years	11,323	13,080
More than five years	–	12
Total undiscounted lease payments	21,750	22,249
Discounted using the Group's incremental borrowing rate	(2,195)	(1,554)
Total lease receivable	19,555	20,695
of which are:		
Current lease receivables	9,324	8,349
Non-current lease receivables	10,231	12,346

NOTE 12. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated 2 Jul 2023 $'000	26 Jun 2022 $'000
Forward foreign exchange contracts - receivable	3,518	13,569
Interest rate swap contracts – receivable	220	–
Total derivative financial instruments receivable - current	3,738	13,569
Forward foreign exchange contracts – receivable	–	–
Interest rate swap contracts – receivable	–	1,383
Total derivative financial instruments receivable – non-current	–	1,383

Foreign exchange forward contracts are held as hedging instruments against forecast purchases in USD. The notional amount for the contracts held at 2 July 2023 totalled $USD 99,214,457 (26 June 2022: $USD160,462,427). The average rate of the forward contracts is 0.68 (2022: 0.74).

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

Recognition and measurement

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

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

NOTE 13. OTHER CURRENT ASSETS

	Consolidated 2 Jul 2023 $'000	Consolidated 26 Jun 2022 $'000
Prepayments	**6,242**	8,142
Other current assets	**131**	450
	6,373	8,592

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

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2 Jul 2023 $'000	Consolidated 26 Jun 2022 $'000
Plant and equipment - at cost	**366,885**	316,747
Less: Accumulated depreciation and impairment	**(237,952)**	(191,265)
	128,933	125,482
Assets under construction - at cost	**11,594**	13,706
	140,527	139,188

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

Consolidated	**Plant and equipment $'000**	**Assets under construction $'000**	**Total $'000**
Balance at 27 June 2021	105,807	9,720	115,527
Additions	54,347	14,054	68,401
Transfer	9,720	(9,720)	–
Disposals	(506)	(348)	(854)
Exchange differences	(301)	–	(301)
Impairment charge	(4,274)	–	(4,274)
Depreciation expense	(39,311)	–	(39,311)
Balance at 26 June 2022	125,482	13,706	139,188
Additions	36,370	11,594	47,964
Transfer	13,706	(13,706)	–
Disposals	(108)	–	(108)
Exchange differences	87	–	87
Depreciation expense	(46,604)	–	(46,604)
Balance at 2 July 2023	**128,933**	**11,594**	**140,527**

NOTE 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Depreciation and amortisation
Items of property, plant and equipment are depreciated on a straight-line basis over the expected useful lives. Most of the property, plant and equipment represents leasehold improvements which are amortised over the period of the lease. As at 2 July 2023, the average lease term is 5 years. Assets under construction are not depreciated.

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

Impairment
Refer to Note 15 for details on impairment testing.

NOTE 15. RIGHT-OF-USE ASSETS

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Buildings - right-of-use	648,913	559,511
Less: Accumulated depreciation and impairment	(367,520)	(259,627)
	281,393	299,884

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

Consolidated	**Buildings $'000**
Balance at 27 June 2021	**271,348**
Additions	130,333
Additions through business combinations (Note 34)	793
Exchange differences	(460)
Impairment of assets	(3,476)
Depreciation expense	(98,654)
Balance at 26 June 2022	**299,884**
Additions	87,098
Additions through business combinations (Note 34)	2,030
Exchange differences	274
Depreciation expense	(107,893)
Balance at 2 July 2023	**281,393**

NOTE 15. RIGHT-OF-USE ASSETS (CONTINUED)

Recognition and measurement

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

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

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Short term lease payments of $9,303,000 (2022: $3,505,000) were expensed to profit or loss as incurred within occupancy expense. The remaining contractual commitment for short term leases is $2,907,000 (2022: $2,915,000).

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

For impairment testing purposes the Group has determined that each store is a separate Cash Generating Unit (CGU). Each CGU is tested for impairment at the balance sheet date if any indicators of impairment have been identified.

The impairment test as at 2 July 2023 was carried out based on value in use for each CGU. The recoverable amount was determined based on the Group's latest trading performance at the time of assessment. Cash flows beyond year one represent the Group's budgeted growth which was approved by the Board on 1 June 2023. Cash flows were discounted to present value using a mid-point after-tax discount rate of 9.85% (2022: 9.1%).

Based on the assessment, a number of stores were indicative of impairment charges and other stores indicative of impairment reversals resulting in a net $0 impairment charge as of 2 July 2023 (2022: $7,749,522).

The cash flows used within the impairment models are based on assumptions which are sources of estimation uncertainty and movements in these assumptions could lead to further impairment. The key assumptions in the value in use calculations are growth rates of sales, gross profit margins and the after-tax discount rate.

Management has performed sensitivity analysis using reasonably possible changes in the key assumptions across the store portfolio. These reasonably possible changes do not lead to a significant increase in the impairment charge.

NOTE 16. INTANGIBLES

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Goodwill - at cost	**322,568**	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	**(424)**	(392)
	7,408	7,440
Distribution rights - at cost	**16,800**	16,800
Less: Accumulated amortisation	**(16,800)**	(16,800)
	-	-
Re-acquired rights	**2,547**	1,659
Less: Accumulated amortisation	**(1,285)**	(927)
	1,262	732
Other intangible assets - The Athlete's Foot - at cost	**720**	720
Less: Accumulated amortisation	**(720)**	(720)
	-	-
Software	**32,183**	23,302
Less: Accumulated amortisation	**(16,341)**	(11,031)
	15,842	12,271
Intangibles	**382,191**	374,741

NOTE 16. INTANGIBLES (CONTINUED)

Reconciliations

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

Consolidated	Goodwill $'000	Brands and trademarks $'000	Licence fees $'000	Distribution rights $'000	Re-acquired rights $'000	Software $'000	Total $'000
Balance at 27 June 2021	319,022	35,111	7,472	1,141	815	9,162	372,723
Additions	–	–	–	–	–	7,088	7,088
Additions through business combinations (Note 34)	1,397	–	–	–	163	–	1,560
Other[1]	(1,199)	–	–	–	188	–	(1,011)
Exchange differences	(33)	–	–	–	–	(12)	(45)
Amortisation expense	–	–	(32)	(1,141)	(434)	(3,967)	(5,574)
Balance at 26 June 2022	319,187	35,111	7,440	–	732	12,271	374,741
Additions	–	–	–	–	–	8,143	8,143
Additions through business combinations (Note 34)	3,387	–	–	–	888	–	4,275
Exchange differences	(6)	–	–	–	–	(26)	(32)
Amortisation expense	–	–	(32)	–	(358)	(4,546)	(4,936)
Balance at 2 July 2023	**322,568**	**35,111**	**7,408**	**–**	**1,262**	**15,842**	**382,191**

1 During the financial year ended 26 June 2022, the Group retrospectively adjusted the provisional amounts recognised for a business combination to reflect new information obtained.

Recognition and measurement

Goodwill

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

Brands and trademarks

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

Computer software and Software-as-a-Service (SaaS) arrangements

SaaS arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. Costs incurred to configure or customise SaaS arrangements that result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

	Useful life
Software	Finite (up to 4 years)

NOTE 16. INTANGIBLES (CONTINUED)

Other intangible assets

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

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

Impairment testing of goodwill

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. For impairment testing purpose, the Group is determined to be one Cash Generating Unit (CGU) and represents the operating segment.

The impairment test as at 2 July 2023 was carried out based on value in use calculations for the CGU. The recoverable amount was determined based on the Group's actual FY23 performance. Cash flows for year one represent the Group's budgeted growth which was approved by the Board on 1 June 2023. The budget assumptions are based on historical performance and knowledge of the current market, together with the Group's views on the future achievable growth. The cash flows include ongoing capital expenditure required to maintain the store network but exclude any growth capital initiatives not committed. The cash flows beyond year one have been extrapolated using a steady state 2.0% long term growth rate (2022: 1.0%). Cash flows were discounted to present value using a mid-point after-tax discount rate of 11.8% (2022: 11.0%).

Management has performed sensitivity analysis using reasonably possible changes in the key assumptions. These reasonably possible changes do not lead to an impairment charge. The Group has concluded that no impairment is required based on expected performance and current market and economic conditions.

Brand names and trademarks

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

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Carrying amount of brand names and trademarks:		
The Athlete's Foot	**3,466**	3,466
Platypus	**11,100**	11,100
Hype DC	**20,545**	20,545
Brands and trademarks	**35,111**	35,111

Impairment testing of brands and trademarks

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount was determined independently using the Relief from Royalty ('RFR') valuation method. The calculations reflect actual FY23 revenue in year one. Revenue beyond year 1 represents the Group's budgeted growth which was approved by the Board on 1 June 2023. The calculations require the use of assumptions, including estimated royalty rates, tax rate and estimated discount rates.

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

The tax rate applied in the valuation model is based on the corporate tax rate in Australia of 30.0% and the after-tax discount rate used is 14.8% (2022: 12.8%).

Management has performed sensitivity analysis using reasonably possible changes in the key assumptions. These reasonably possible changes do not lead to an impairment charge. The Group has concluded that no impairment is required based on expected performance and current market and economic conditions.

NOTE 17. NET DEFERRED TAX

	Consolidated 2 Jul 2023 $'000	26 Jun 2022 $'000
Net deferred tax comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	273	354
Provision for shrinkage and stock obsolescence	2,851	3,441
Share-based payments	4,608	–
Provision for employee entitlements	6,985	4,678
Other provisions and accrued expenses	6,888	8,466
Difference in accounting and tax depreciation	(24,653)	(17,262)
Supplier contributions	954	1,004
Right of use asset	(90,142)	(97,286)
Lease liability	115,773	121,332
Trademarks, brand names and distribution rights	(10,716)	(10,557)
Other	1,648	1,319
	14,469	15,489
Amounts recognised directly to other comprehensive income		
Tax effect of hedges in reserves	(913)	(2,386)
Tax effect of share-based payments	3,775	–
	2,862	(2,386)
Net deferred tax asset	17,331	13,103

NOTE 18. TRADE AND OTHER PAYABLES

	Consolidated 2 Jul 2023 $'000	26 Jun 2022 $'000
Trade payables	46,623	56,244
Goods and services tax payable	8,677	6,810
Accrued expenses	34,780	61,415
Other payables	20,736	18,679
	110,816	143,148

Trade payables and accruals represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Other payables represent goods receipted that have not been invoiced as at 2 July 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 19. DEFERRED REVENUE

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Current		
Gift cards	5,355	4,324
Other deferred revenue	9,022	6,765
	14,377	11,089
Non-current		
Other deferred revenue	5,190	4,593
	19,567	15,682

Deferred revenue relates to unredeemed gift cards, loyalty program liabilities, and unused supplier contributions for fixtures, fittings and point of purchase. Revenue is recognised when the gift cards and loyalty points are redeemed or expire. The unused supplier contributions will be utilised for future store openings and refurbishments.

NOTE 20. PROVISIONS

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Current		
Employee benefits	20,271	13,063
Other provisions	3,542	2,532
	23,813	15,595
Non-Current		
Employee benefits	840	857
	24,653	16,452

Recognition and measurement

Employee benefits

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

Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Provisions

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

NOTE 21. BORROWINGS

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Current		
Secured		
Working capital facility	10,000	20,000
Capitalised debt transaction costs	(46)	(116)
	9,954	19,884
Non-Current		
Secured		
Bank loans	140,000	150,000
Capitalised debt transaction costs	(650)	(868)
	139,350	149,132
Borrowings	149,304	169,016

Movements in borrowings

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

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Carrying amount at start of the year	169,016	101,125
Repayments	(20,000)	(61,000)
Additional loans	-	129,875
Capitalised debt transaction costs	288	(984)
Carrying amount at end of the year	149,304	169,016

The outstanding financing facilities have a combination of three and five-year tenure, expiring between December 2024 and December 2026.The weighted average interest rate on these financing facilities is 4.71%.

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

Recognition and measurement

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

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

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

Assets pledged as security

The senior bank debt is secured by cross-guarantees and all assets of Accent Group Limited and each of its wholly-owned subsidiaries. Total secured assets amounted to $843,637,000 at 2 July 2023 (26 June 2022: $884,574,000).

NOTE 21. BORROWINGS (CONTINUED)

Financing arrangements

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

	Consolidated 2 Jul 2023 $'000	Consolidated 26 Jun 2022 $'000
Total facilities		
Bank overdraft	12,000	3,800
Bank loans	140,000	150,000
Working capital facility	120,240	129,350
Bank guarantee and letters of credit	25,660	24,750
	297,900	307,900
Used at the reporting date		
Bank loans	140,000	150,000
Working capital facility	10,000	20,000
Bank guarantee and letters of credit	21,341	20,524
	171,341	190,524
Unused at the reporting date		
Bank overdraft	12,000	3,800
Working capital facility	110,240	109,350
Bank guarantee and letters of credit	4,319	4,226
	126,559	117,376

NOTE 22. LEASE LIABILITIES

	Consolidated 2 Jul 2023 $'000	Consolidated 26 Jun 2022 $'000
Current		
Lease liability	132,130	123,406
Non-current		
Lease liability	276,846	307,904
Total lease liabilities	408,976	431,310

Consolidated		
Less than one year	134,937	135,984
One to five years	279,629	309,193
More than five years	5,286	15,212
Total undiscounted lease liabilities	419,852	460,389

NOTE 22. LEASE LIABILITIES (CONTINUED)

Recognition and measurement

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

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

NOTE 23. EQUITY - ISSUED CAPITAL

	Consolidated			
	2 Jul 2023 Shares	**26 Jun 2022 Shares**	**2 Jul 2023 $'000**	**26 Jun 2022 $'000**
Ordinary shares - fully paid	**552,459,958**	541,866,715	**390,926**	390,926

Ordinary shares

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

Share buy-back

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

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	**2 July 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 24. EQUITY - RESERVES

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Foreign currency translation reserve	**1,202**	7,709
Hedging reserve - cash flow hedges	**2,135**	5,567
Share-based payments reserve	**33,619**	23,377
	36,956	36,653

Foreign currency translation reserve

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

Hedging reserve - cash flow hedges

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

Share-based payments reserve

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

NOTE 25. EQUITY - DIVIDENDS

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'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
Interim dividend for the year ended 2 July 2023 of 12.00 cents (2022: 2.50 cents) per ordinary share	66,295	13,546
	87,970	31,157

In respect of the financial year ended 2 July 2023, the directors recommended the payment of a final fully franked dividend of 5.50 cents per share to be paid on 28 September 2023 to the registered holders of fully paid ordinary shares as at 14 September 2023.

Franking credits

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Franking credits available for subsequent financial years based on a tax rate of 30%	17,430	39,058

New Zealand imputation credits available to New Zealand residential shareholders amount to NZ$1,557,560 (26 June 2022: NZ$7,596,743).

NOTE 26. FINANCIAL INSTRUMENTS

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The Group therefore performs a qualitative assessment of effectiveness based on critical terms match. In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of Australia or the derivative counterparty.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2 Jul 2023		26 Jun 2022	
Consolidated	**US dollar transactional exposure $'000**	**Australian dollar equivalent $'000**	**US dollar transactional exposure $'000**	**Australian dollar equivalent $'000**
Forward contracts	99,214	145,662	160,462	217,723
Foreign currency trade payables	19,357	29,196	16,067	23,258
Transactional foreign exchange risk	118,571	174,858	176,529	240,981

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

	2 Jul 2023			26 Jun 2022		
	Movement in Australian dollar US dollar exchange rate %	**Increase/ (decrease) in profit or loss $'000**	**Increase/ (decrease) in other comprehensive income $'000**	**Movement in Australian dollar US dollar exchange rate %**	**Increase/ (decrease) in profit or loss $'000**	**Increase/ (decrease) in other comprehensive income $'000**
Forward Contracts	10%	–	(6,735)	10%	–	(4,589)
	(10%)	–	13,263	(10%)	–	26,453
Trade Payables	10%	352	2,302	10%	239	1,875
	(10%)	(431)	(2,813)	(10%)	(292)	(2,292)

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

	Sell Australian dollars		Average exchange rates	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**	**2 Jul 2023**	**26 Jun 2022**
Buy US dollars				
Maturity:				
0 - 3 months	95,673	79,721	0.6732	0.7356
3 - 6 months	49,989	64,040	0.7069	0.7263
6 - 12 months	–	73,962	–	0.7486
> 12 months	–	–	–	–

Translational Foreign Currency Risk

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

	2 Jul 2023		26 Jun 2022	
	NZ dollar translational exposure $'000	**Australian dollar equivalent $'000**	**NZ dollar translational exposure $'000**	**Australian dollar equivalent $'000**
New Zealand dollar net assets	8,055	7,402	22,832	20,823

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

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

	2 Jul 2023		26 Jun 2022	
	Movement in Australian dollar NZ dollar exchange rate %	**Increase/ (decrease) in other comprehensive income $'000**	**Movement in Australian dollar NZ dollar exchange rate %**	**Increase/ (decrease) in other comprehensive income $'000**
New Zealand dollar net assets	10%	(673)	10%	(1,893)
	(10%)	822	(10%)	2,314

Price risk

The Group is not exposed to any significant price risk.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

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.

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

	2 Jul 2023		26 Jun 2022	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank loans	5.67%	(150,000)	1.90%	(170,000)
Interest rate swap	1.84%	37,500	1.84%	48,750
Net exposure to cash flow interest rate risk		(112,500)		(121,250)

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

Credit risk

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

Credit risk is managed on a group basis. Risk control assesses the credit quality of wholesale customers, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Group policy. The compliance with credit limits by wholesale customers is regularly monitored by line management.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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

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

Financial covenants are provided to its lenders by the Group with respect to leverage, gearing and fixed charges coverage. The Group has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 financial years.

All measurements are monitored month-to-month and reported to the banks on a semi-annual basis.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Bank overdraft	**12,000**	3,800
Working capital facility	**110,240**	109,350
Bank guarantee and letters of credit	**4,319**	4,226
	126,559	117,376

Remaining contractual maturities

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

Consolidated - 2 Jul 2023	**Weighted average interest rate %**	**1 year or less $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Remaining contractual maturities $'000**
Non-derivatives						
Non-interest bearing						
Trade payables		46,623	–	–	–	46,623
Other payables		20,736	–	–	–	20,736
Lease liabilities		134,937	110,774	168,855	5,286	419,852
Interest-bearing - variable						
Term loans	5.67%	7,943	7,943	151,272	–	167,158
Working capital facility	5.59%	10,043	–	–	–	10,043
Total non-derivatives		**220,282**	**118,717**	**320,127**	**5,286**	**664,412**
Derivatives						
Interest rate swaps net settled	1.84%	(220)	–	–	–	(220)
Forward foreign exchange contracts net settled	–	(3,518)	–	–	–	(3,518)
Total derivatives		**(3,738)**	**–**	**–**	**–**	**(3,738)**

NOTE 26. FINANCIAL INSTRUMENTS (CONTINUED)

Consolidated - 26 Jun 2022	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	–	56,244	–	–	–	56,244
Other payables	–	18,679	–	–	–	18,679
Lease liabilities	–	135,984	115,234	193,959	15,212	460,389
Interest-bearing - variable						
Term loans	1.78%	2,668	2,668	156,497	–	161,833
Working capital facility	2.79%	20,025	–	–	–	20,025
Total non-derivatives		**233,600**	**117,902**	**350,456**	**15,212**	**717,170**
Derivatives						
Interest rate swaps net settled	1.84%	–	(1,383)	–	–	(1,383)
Forward foreign exchange contracts net settled	–	(13,569)	–	–	–	(13,569)
Total derivatives		**(13,569)**	**(1,383)**	**–**	**–**	**(14,952)**

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

Capital risk management

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

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

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

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

NOTE 27. 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 year.

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

NOTE 28. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Short-term employee benefits	**4,836,076**	2,815,947
Post-employment benefits	**105,924**	104,910
Long-term benefits	**190,148**	242,792
Share-based payments	**1,262,313**	1,738,397
	6,394,461	4,902,046

NOTE 29. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the Group:

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Audit services – Deloitte Touche Tohmatsu		
Audit or review of the financial statements	**–**	653,248
Other services – Deloitte Touche Tohmatsu		
Other consulting services	**10,667**	–
Audit services – PricewaterhouseCoopers		
Audit or review of the financial statements	**650,000**	–
Other services – PricewaterhouseCoopers		
Other consulting services	**–**	13,872
	660,667	667,120

NOTE 30. CONTINGENT LIABILITIES

The Group has bank guarantees outstanding as at 2 July 2023 of $2,739,714 (26 June 2022: $3,693,060). The Group also has open letters of credit of $17,796,868 (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 31. COMMITMENTS

	Consolidated	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	**17,909**	18,156

The commitment amounts disclosed above represent the maximum amounts that the Group is obliged to pay and exclude Landlord contributions to store fit-out costs.

NOTE 32. RELATED PARTY TRANSACTIONS

Parent entity
Accent Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 35.

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

Entities associated with key management personnel
Rivan Pty Limited, a shareholder, is a company associated with David Gordon.
2 Como Pty Ltd, a shareholder, is a company associated with Daniel Agostinelli.
BBRC International Pte Ltd, a shareholder, is a company associated with Brett Blundy.
Placed Pty Ltd is a company associated with Daniel Agostinelli and Brett Blundy.
Musician Pty Ltd, a shareholder, is a company associated with Matthew Durbin.
Milner York Pty Ltd ATF Milner York Family Trust, a shareholder, is a company associated with Joshua Lowcock.
Lyneliz Pty Ltd is a company associated with Daniel Agostinelli.
Retail Reality Pty Ltd is a company associated with Daniel Agostinelli.
Boxed to Go (JOA5 Investments Pty Ltd) is a company associated with Daniel Agostinelli.
HIT Group Limited ATF Hapgood Investment Trust, a shareholder, is a company associated with Michael Hapgood.

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

Placed Pty Ltd, a company associated with Daniel Agostinelli and Brett Blundy, provided recruitment services to the Group amounting to $54,081 (26 June 2022: $150,858).

Retail Reality Pty Ltd, a company associated with Daniel Agostinelli, provided mystery shopping services to the Group amounting to $0 (26 June 2022: $7,968).

Lyneliz Pty Ltd, a company associated with Daniel Agostinelli, provided storage services to the Group amounting to $60,000 (26 June 2022: $60,000).

Boxed to Go (JOA5 Investments Pty Ltd), a company associated with Daniel Agostinelli, provided corporate gift boxes to the Group amounting to $1,750 (26 June 2022: $47,855).

Loans to/from and Outstanding balances with related parties
There were no loans to/from and no balances receivable from/owing to related parties outstanding at the reporting date.

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

Statement of profit or loss and other comprehensive income

	Parent	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Profit after income tax	**123,592**	36,142
Other comprehensive income for the year, net of tax	**–**	–
Total comprehensive income	**123,592**	36,142

NOTE 33. PARENT ENTITY INFORMATION (CONTINUED)

Statement of financial position

	Parent	
	2 Jul 2023 $'000	**26 Jun 2022 $'000**
Total current assets	184,421	154,222
Total non-current assets	374,907	374,767
Total assets	559,328	528,989
Total current liabilities	11,843	16,551
Total non-current liabilities	141,439	152,255
Total liabilities	153,282	168,806
Net assets	406,046	360,183
Equity		
Issued capital	390,926	390,926
Share-based payments reserve	33,618	23,377
Accumulated losses	(18,498)	(54,120)
Total equity	406,046	360,183

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

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

NOTE 34. BUSINESS COMBINATIONS

2 July 2023

During the year to 2 July 2023, the Group completed the acquisition of 6 TAF stores. The total consideration transferred for these acquisitions was $6,287,930. Goodwill of $3,387,273 was recognised on acquisition.

Details of the business combinations are as follows:

	Provisional fair value $'000
Cash and cash equivalents	2
Inventories	1,533
Right-of-use assets	2,030
Net deferred tax assets	531
Provisions	(53)
Lease liability	(2,030)
Net assets acquired	**2,013**
Reacquired rights	888
Goodwill	3,387
Acquisition-date fair value of the total consideration transferred	**6,288**
Representing:	
Cash paid or payable to vendor	6,100
Outstanding debt	188
	6,288

NOTE 34. BUSINESS COMBINATIONS (CONTINUED)

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

	Provisional fair value $'000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,288
Less: cash and cash equivalents	(2)
Less: outstanding debts / loans forgiven	(188)
Net cash used	**6,098**

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.

The 6 TAF stores contributed revenue of $8,399,000 from the acquisition dates to 2 July 2023.

26 June 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 provisional assets and liabilities acquired are as follows:

	Provisional 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 debts / loans forgiven	59
	2,763

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

	Provisional fair value $'000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,763
Less: outstanding debts / loans forgiven	(59)
Net cash used	**2,704**

NOTE 35. INTERESTS IN SUBSIDIARIES

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

		Ownership interest	
Name	Principal place of business / Country of incorporation	2 Jul 2023 %	26 Jun 2022 %
The Athlete's Foot Australia Pty Ltd	Australia	100%	100%
TAF Constructions Pty Ltd[(a)]	Australia	100%	100%
RCG Brands Pty Ltd	Australia	100%	100%
RCG Retail Pty Ltd	Australia	100%	100%
TAF eStore Pty Ltd[(a)]	Australia	100%	100%
TAF Partnership Stores Pty Ltd[(a)]	Australia	100%	100%
TAF Rockhampton Pty Ltd[(b)]	Australia	100%	100%
TAF Eastland Pty Ltd[(b)]	Australia	100%	100%
TAF The Glen Pty Ltd[(b)]	Australia	100%	100%
TAF Hornsby Pty Ltd[(b)]	Australia	100%	100%
TAF Hobart Pty Ltd[(b)]	Australia	100%	100%
TAF Booragoon Pty Ltd[(b)]	Australia	100%	100%
Accent Group Ltd[(c)]	New Zealand[(g)]	100%	100%
Platypus Shoes Ltd[(d)]	New Zealand[(g)]	100%	100%
Accent Footwear Ltd[(d)]	New Zealand[(g)]	100%	100%
Hype DC Ltd[(d)]	New Zealand[(g)]	100%	100%
TAF New Zealand Ltd[(d)]	New Zealand[(g)]	100%	100%
Accent Brands Pty Ltd[(c)]	Australia	100%	100%
Platypus Shoes (Australia) Pty Ltd[(c)]	Australia	100%	100%
42K Pty Ltd[(e)]	Australia	100%	100%
Accent Store Development Pty Ltd[(f)]	Australia	100%	100%
RCG Accent Group Holdings Pty Ltd	Australia	100%	100%
Hype DC Pty Ltd	Australia	100%	100%
Subtype Pty Ltd	Australia	100%	100%
Pivot Store Pty Ltd	Australia	100%	100%
Accent Lifestyle Pty Ltd	Australia	100%	100%
Accent Active Pty Ltd	Australia	100%	100%
Subtype Limited (d)	New Zealand[(g)]	100%	100%
Accent Active (NZ) Limited	New Zealand[(g)]	100%	100%
Accent Lifestyle (NZ) Limited	New Zealand[(g)]	100%	100%

(a) Indirectly held through The Athlete's Foot Australia Pty Ltd
(b) Indirectly held through TAF Partnership Stores Pty Ltd
(c) Indirectly held through RCG Accent Group Holdings Pty Ltd
(d) Indirectly held through Accent Group Ltd (New Zealand)
(e) Indirectly held through Accent Brands Pty Ltd
(f) This company was renamed during the year ended 26 June 2022 (previously RCG Grounded Pty Ltd)
(g) The functional currency of these foreign subsidiaries is NZD

NOTE 36. DEED OF CROSS GUARANTEE

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

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

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

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

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

Statement of profit or loss and other comprehensive income	**2 Jul 2023 $'000**	**26 Jun 2022 $'000**
Revenue	1,280,949	997,793
Other income	–	11,976
Interest revenue	1,377	786
Cost of sales	(545,538)	(444,670)
Distribution expense	(54,826)	(45,243)
Marketing expense	(48,558)	(45,066)
Occupancy expense	(21,740)	(16,723)
Employee expenses	(268,866)	(215,719)
Other expenses	(54,326)	(44,882)
Depreciation, amortisation and impairment expense	(142,196)	(135,888)
Finance costs	(19,086)	(14,650)
Profit before income tax expense	127,190	47,714
Income tax expense	(28,761)	(12,364)
Profit after income tax expense	98,429	35,350
Other comprehensive income		
Net change in the fair value of cash flow hedges taken to equity, net of tax	(4,058)	8,141
Foreign currency translation	(5,161)	–
Other comprehensive income for the year, net of tax	(9,219)	8,141
Total comprehensive income for the year	89,210	43,491

NOTE 36. DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position	2 Jul 2023 $'000	26 Jun 2022 $'000
Current assets		
Cash and cash equivalents	21,805	37,558
Trade and other receivables	51,544	63,466
Inventories	211,751	212,328
Lease receivable	9,324	8,349
Derivative financial instruments	3,738	13,569
Other current assets	6,081	5,565
Current tax receivable	–	7,326
Total current assets	304,243	348,161
Non-current assets		
Property, plant and equipment	119,527	114,989
Right-of-use assets	246,984	261,023
Lease receivable	10,231	12,346
Intangibles	381,968	374,748
Derivative financial instruments	–	1,383
Net deferred tax assets	14,459	10,390
Total non-current assets	773,169	774,879
Total assets	1,077,412	1,123,040
Current liabilities		
Trade and other payables	97,920	131,008
Deferred revenue	12,594	9,974
Provisions	21,792	14,061
Borrowings	9,954	19,884
Lease liabilities	117,559	109,817
Provision for income tax	73	–
Total current liabilities	259,892	284,744
Non-current liabilities		
Provisions	840	857
Deferred revenue	4,308	3,800
Borrowings	139,350	149,132
Lease liabilities	241,532	264,498
Total non-current liabilities	386,030	418,287
Total liabilities	645,922	703,031
Net assets	431,490	420,009
Equity		
Issued capital	390,926	390,926
Reserves	38,607	37,584
Retained earnings/(Accumulated losses)	1,957	(8,501)
Total equity	431,490	420,009

NOTE 37. CASH FLOW INFORMATION

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

	Consolidated 2 Jul 2023 $'000	Consolidated 26 Jun 2022 $'000
Profit after income tax expense for the year	88,653	31,464
Adjustments for:		
Depreciation and amortisation	159,433	143,539
Share-based payments	3,137	5,068
Provision for asset impairment	–	7,750
Foreign exchange differences	633	301
Net gain on lease modifications	(2,964)	(1,751)
Other non-cash items	(1,798)	(2,333)
Change in assets and liabilities, net of the effect from acquisition of businesses		
Receivables	15,462	(11,350)
Inventories	3,558	(23,977)
Trade creditors and provisions	(20,485)	(7,295)
Tax assets and liabilities	10,959	(1,070)
Net cash from operating activities	256,588	140,346

NOTE 38. EARNINGS PER SHARE

	Consolidated 2 Jul 2023 $'000	Consolidated 26 Jun 2022 $'000
Profit after income tax	88,653	31,464
Profit after income tax attributable to the owners of Accent Group Limited	88,653	31,464

	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	548,623,486	541,750,781
Adjustments for calculation of diluted earnings per share:		
Performance rights	18,927,830	21,186,481
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	567,551,316	562,937,262

	Cents	Cents
Basic earnings per share	16.16	5.81
Diluted earnings per share	15.62	5.59

Recognition and measurement

Basic earnings per share

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

Diluted earnings per share

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

NOTE 39. SHARE-BASED PAYMENTS

Option Plans

Employee Share Scheme

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

There is no outstanding option granted during the financial year ended 2 July 2023. All shares under the ESS have vested in the previous financial year ended 26 June 2022.

26 Jun 2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
13/05/2016	28/02/2022	$1.490	200,000	-	(200,000)	-	-

The weighted average share price during the financial year was $0 (26 June 2022: $0) as all shares under the ESS have vested as at 2 July 2023.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0 years (2022: 0 years) as all shares under the ESS have vested as at 2 July 2023.

Performance rights

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

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

Eligibility and grant of performance rights

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

Vesting of performance rights

Vesting of performance rights are subject to prescribed performance conditions. The number of equity instruments that are expected to vest is based on management's assessment of the likelihood of the vesting conditions attached to the equity instruments being satisfied. The key vesting conditions that are assessed are earnings per share targets and required service periods. If the performance condition is met, 100% of the performance rights vest. If the performance condition is not met, none of the performance rights vest unless the Board determines otherwise.

Recognition and measurement

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

NOTE 39. SHARE-BASED PAYMENTS (CONTINUED)

Lapsing of performance rights

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

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

Performance rights outcomes

In 2020 the Board exercised its discretion and determined that the performance condition for 50% of the performance rights granted in 2017 had been met and would therefore vest on 19 August 2022. These performance rights are still subject to the recipients remaining in employment with the Group. For the remaining 50%, on 31 May 2022, the Board exercised its discretion and deferred the vesting period by 12 months to 19 August 2023. These Performance Rights continue to be subject to all other relevant plan rules. Shareholder approval for the deferral has been obtained on 11 November 2022 in accordance with ASX requirements.

More information is available in relation to the outcomes of performance rights within the Remuneration Report.

Set out below are summaries of the performance rights granted:

2 Jul 2023

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
03/10/2017	24/08/2023	12,800,000	–	(6,400,000)	–	6,400,000
27/12/2017	24/08/2023	6,500,000	–	(3,250,000)	–	3,250,000
20/06/2018	24/08/2023	400,000	–	(200,000)	–	200,000
30/11/2019	24/08/2023	1,486,481	–	(743,243)	–	743,238
30/11/2019	01/07/2024	3,269,882	–	–	(324,099)	2,945,783
30/11/2020	01/09/2024	6,076,707	–	–	(687,898)	5,388,809
28/06/2021	01/09/2025	5,060,662	–	–	(530,014)	4,530,648
		35,593,732	**–**	**(10,593,243)**	**(1,542,011)**	**23,458,478**

26 Jun 2022

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/other	Balance at the end of the year
03/10/2017	30/10/2022	12,800,000	–	–	–	12,800,000
27/12/2017	30/10/2022	6,700,000	–	–	(200,000)	6,500,000
20/06/2018	30/10/2022	400,000	–	–	–	400,000
30/11/2019	30/11/2022	1,597,379	–	–	(110,898)	1,486,481
30/11/2019	30/11/2024	3,361,931	–	–	(92,049)	3,269,882
30/11/2020	31/08/2024	6,563,251	–	–	(486,544)	6,076,707
28/06/2021	01/09/2025	–	5,471,635	–	(410,973)	5,060,662
		31,422,561	**5,471,635**	**–**	**(1,300,464)**	**35,593,732**

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 0.88 years (2022: 1.26 years).

NOTE 40. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

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

Current and non-current classification

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

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

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

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

Business combinations

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

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

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

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

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

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

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

Government grants

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

Dividends

Dividends are recognised when declared during the financial year.

NOTE 40. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

NOTE 41. EVENTS AFTER THE REPORTING PERIOD

Apart from the dividend declared as disclosed in Note 25 and the matters described above, no other matters or circumstances have arisen since 2 July 2023 that have significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

for the year ended 2 July 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 2 of the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 2 July 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 36 to the financial statements will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 36 to the financial statements.

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

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

On behalf of the directors

David Gordon
Chairman

24 August 2023
Melbourne

Independent auditor's report

To the members of Accent Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Accent Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 2 July 2023 and of its financial performance for the period then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the statement of financial position as at 2 July 2023
- the statement of changes in equity for the period then ended
- the statement of cash flows for the period then ended
- the statement of profit or loss and other comprehensive income for the period then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $5.9 million, which represents approximately 5% of the Group's profit before tax appropriate benchmark. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	How our audit addressed the key audit matter
The carrying value of goodwill *(Refer to note 16)* The Group has recognised goodwill of $322.6 million. The impairment assessment for goodwill is performed at a Group level. The Group performed an impairment assessment for goodwill, by preparing a financial model to determine if the carrying value of the assets is supported by forecast future cash flows, discounted to present value (the "model"). We considered the carrying value of goodwill to be a key audit matter due to the magnitude of the balances and assumptions applied by the Group in estimating future cash flows.	Our procedures included the following, amongst others: • Obtaining the Group's model and evaluating the appropriateness of the valuation methodology used to estimate the recoverable amount of goodwill against our understanding of the nature of the Group's operations. • Evaluating the Group's cash flow forecasts included in the model and the process by which they were developed, with reference to the historical performance of the business. • Assessing the historical accuracy of the Group's prior year forecasts to actual performance. • Assessing the forecast cash flow growth assumptions, for appropriateness with reference to external market data where possible. • Together with PwC valuation experts, comparing the discount rate and long term growth rate used in the model to external market data. • Evaluating the reasonableness of disclosures in the financial report in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*

The carrying value of right of use assets and property, plant and equipment
(Refer to note 14 and 15)
 	
The Group has recognised property, plant and equipment and right of use assets of $140.5 million and $281.4 million respectively as at 2 July 2023. These balances relate predominantly to retail stores ("store assets").
 	
The Group has determined that each store is a separate Cash Generating Unit (CGU). A store is assessed for impairment if an indicator of impairment is identified.
 	
We considered the impairment assessment for store assets to be a key audit matter due to the magnitude of the balances and assumptions applied by the Group in estimating future cash flows.
	Our procedures included the following, amongst others:
	
	• Obtaining the Group's assessment of indicators for impairment for store assets, and evaluating the appropriateness of the basis of store profitability used for the assessment.
	
	For the stores where an impairment indicator was identified:
	  • Assessing the forecast cash flow assumptions for the recoverable amount assessment for appropriateness with reference to historical growth rates and external market data where possible.
	  • Testing the mathematical accuracy of the recoverable amount assessment and the comparison to the carrying value for a store.
	  • Together with PwC valuation experts, comparing the discount rate used in the recoverable amount assessment to external market data.

The valuation of inventory *(Refer to note 10)* The Group has recognised a net realisable value provision of $9.9 million at 2 July 2023. The Group's estimate of the inventory provision is based on historical finished goods sold below cost and inventory write-off transactional data. We considered the valuation of inventory to be a key audit matter due to the magnitude of the inventory balance and the judgement required by the Group in determining the net realisable value of inventory.	Our procedures included the following, amongst others: • Obtaining the Group's inventory provision assessments and evaluating the appropriateness of the methodology used. • Testing the mathematical accuracy of key data included in the calculation of the Group's inventory provision and comparing key inputs to supporting evidence. • Comparing the selling price (net realisable value) subsequent to period end to the recorded cost, for a sample of inventory items. • Evaluating the reasonableness of disclosures in the financial report in light of the requirements of Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period ended 2 July 2023, 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 through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 15 to 28 of the directors' report for the period ended 2 July 2023.

In our opinion, the remuneration report of Accent Group Limited for the period ended 2 July 2023 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Alison Tait Milner

Alison Tait Milner
Partner

Melbourne
24 August 2023

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 8 August 2023.

DISTRIBUTION OF EQUITABLE SECURITIES

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

	Number of holders of ordinary shares
1 to 1,000	4,040
1,001 to 5,000	5,081
5,001 to 10,000	2,160
10,001 to 100,000	3,040
100,001 and over	262
	14,583
Holding less than a marketable parcel	**813**

EQUITY SECURITY HOLDERS

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	**% of total shares issued**
BBRC INTERNATIONAL PTE LTD <BB FAMILY INTERNATIONAL A/C>	107,502,463	19.46
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	59,165,357	10.71
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	40,715,138	7.37
CITICORP NOMINEES PTY LIMITED	37,964,092	6.87
CRAIG JOHN THOMPSON	32,186,589	5.83
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	18,722,701	3.39
BNP PARIBAS NOMS PTY LTD <DRP>	13,582,654	2.46
JAMES WILLIAM DUELL	12,000,000	2.17
MRS CINDY GILBERT	11,000,000	1.99
MR DANIEL JOHN GILBERT	11,000,000	1.99
HIT GROUP LIMITED <HAPGOOD INVESTMENT A/C>	7,500,000	1.36
NATIONAL NOMINEES LIMITED	6,784,779	1.23
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,784,549	0.69
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,106,225	0.56
RIVAN PTY LTD <DAVID GORDON SUPER FUND A/C>	2,599,034	0.47
PITTMANN PTY LIMITED <THE PITT FAMILY A/C>	2,398,230	0.43
TOM HADLEY ENTERPRISES PTY LTD	1,500,000	0.27
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	1,344,659	0.24
MR GEOFFREY WILLIAM WEBSTER	1,295,642	0.23
MR TERRY SPYRIDES	1,150,000	0.21
	375,302,112	**67.93**

SHAREHOLDER INFORMATION

SUBSTANTIAL HOLDERS

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	**% of total shares issued**
BBRC International	107,502,463	19.46
Craig John Thompson	32,186,589	5.83

VOTING RIGHTS

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

Ordinary shares

All ordinary shares carry one vote per share without restriction.

There are no other classes of equity securities.

CORPORATE DIRECTORY

DIRECTORS

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

JOINT COMPANY SECRETARIES

Matthew Durbin
Alethea Lee

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

2/64 Balmain Street
Richmond VIC 3121
Telephone: +61 3 9427 9422
Facsimile: +61 3 9427 9622
Email: investors@accentgr.com.au

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 4
60 Carrington Street
Sydney NSW 2000
Telephone: 1300 787 272

AUDITOR

PricewaterhouseCoopers
2 Riverside Quay, Southbank
Melbourne VIC 3006

BANKERS

National Australia Bank
Hongkong and Shanghai Banking Corporation
Australia and New Zealand Banking Group

STOCK EXCHANGE LISTING

Accent Group Limited shares are listed on the Australian Securities Exchange (ASX code: AX1)

WEBSITE

www.accentgr.com.au

CORPORATE GOVERNANCE STATEMENT

www.accentgr.com.au/investor/investor-documents

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