

Dusk Group Limited

ACN 603 018 131

Appendix 4E

Preliminary Financial Report

For the year ended 2 July 2023

APPENDIX 4E
Preliminary Final Report
For the 52 week period ended 2 July 2023

1. Details of the reporting period and the prior corresponding period

Reporting period:	4 July 2022 to 2 July 2023 (52 weeks)
Previous period:	28 June 2021 to 3 July 2022 (53 weeks)

2. Results for announcement to the market

				Amount \$'000
Revenues from ordinary activities	down	0.6%	to	137,623
Profit from ordinary activities after tax attributable to members	down	37.3%	to	11,587
Net Profit for the period attributable to members	down	37.3%	to	11,587

Dividends

	Amount per security Cents	Franked amount per security Cents
Final FY22 dividend - Ordinary (paid 27 September 2022)	10.0	10.0
Interim FY23 dividend - Ordinary (paid 28 March 2023)	8.0	8.0
Final FY23 dividend - Ordinary (resolved, not yet provided for at 2 July 2023)	3.0	3.0

Record date for determining entitlements to the FY23 final dividend – 14 September 2023

Expected payment date of final dividend – 28 September 2023

Review of Operations

The FY23 results reflected the challenging trading conditions in a year where higher interest rates and mounting costs of living pressures increasingly impacted the net disposable income of our core customer.

The key metrics vs FY22 are:

- Total sales -0.6% to \$137.6m
- Total like for like (LFL) sales -13.2%; stores -11.1% and online -35.2%
- Statutory gross margin -3.4% to \$87.8m
- Statutory EBIT -35.6% to \$18.0m
- Statutory NPAT -37.3% to \$11.6m
- Pro forma EBIT¹ -37.6% to \$16.5m
- Pro forma NPAT -36.6% to \$11.7m
- Net cash at period end of \$16.0m

¹ Pro forma EBIT is unaudited and used as a measure of financial performance and refers to earnings before interest and tax excluding the impacts of AASB 16 Leases, NSW JobSaver receipts, Eroma acquisition costs (terminated transaction), NZ setup costs and COVID-19 related rental concessions.

APPENDIX 4E
Preliminary Final Report
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Based on pro forma NPAT of \$11.7m for FY23 and \$18.4m for FY22 and using the number of ordinary shares on issue at year end, earnings per share (EPS) for FY23 is 18.8 cents and 29.6 cents in FY22.

Please refer to the ASX Announcement and Investor presentation which accompany this Appendix 4E for further information on the company performance in FY23.

3. Dividend or distribution reinvestment plan details

Not applicable.

4. Net tangible assets

	Current Reporting period Cents	Previous Reporting period Cents
Net tangible assets per ordinary security	<u>55.52</u>	<u>55.05</u>

5. Commentary

Please refer to the Review of Operations in Section 2 and the Investor Presentation accompanying this Preliminary Final Report.

6. Information on Audit Process

This report is based on financial statements which are in the process of being audited.

The Appendix 4E should be read in conjunction with the accompanying unaudited Preliminary Final Report.

Dusk Group Limited
Contents
For the year ended 2 July 2023

Consolidated statement of profit or loss and other comprehensive income	2
Consolidated statement of financial position	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6

Dusk Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 2 July 2023

	Note	2023 \$'000	2022 \$'000 (restated) ¹
Revenue			
Revenue from contracts with customers	4	137,623	138,393
Cost of sales	7	(49,852)	(47,512)
Gross profit		87,771	90,881
Other income	5	590	1,595
Expenses			
Depreciation and amortisation expense		(19,021)	(17,676)
Employee benefit expense	7	(37,830)	(33,290)
Asset, property and maintenance expenses		(243)	(202)
Occupancy expenses		(2,772)	(2,652)
Advertising expenses		(2,559)	(2,990)
Acquisition costs (Eroma transaction terminated)		-	(1,057)
Other expenses	7	(7,919)	(6,640)
Finance costs	7	(1,781)	(1,487)
Finance income	6	378	-
Profit before income tax expense		16,614	26,482
Income tax expense	8	(5,027)	(8,000)
Profit after income tax expense for the year attributable to the owners of Dusk Group Limited		11,587	18,482
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(31)	-
Other comprehensive loss for the year, net of tax		(31)	-
Total comprehensive income for the year attributable to the owners of Dusk Group Limited		<u>11,556</u>	<u>18,482</u>
		Cents	Cents
Earnings per share for profit attributable to the owners of Dusk Group Limited			
Basic earnings per share	38	18.6	29.7
Diluted earnings per share	38	18.5	29.2

¹ The Group has reclassified the costs of distribution and handling activities directly relating to the Group's performance obligation to deliver goods to the customer, within Cost of sales instead of within Other expenses. Prior year comparatives have also been reclassified. The amount of the reclassification was \$2.509 million in 2023 (2022: \$2.853 million). These reclassifications have not resulted in a change to Net profit after tax, as well as no change to the Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity.

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

Dusk Group Limited
Consolidated statement of financial position
As at 2 July 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	16,006	21,278
Trade receivables and other financial assets	10	384	369
Inventories	11	15,172	15,415
Right-of-return assets		168	375
Prepayments		1,451	1,674
Current tax assets	12	4,250	-
Total current assets		37,431	39,111
Non-current assets			
Property, plant and equipment	13	11,377	11,079
Right-of-use assets	14	32,776	29,175
Intangible assets	15	2,168	2,187
Deferred tax assets	16	5,772	6,723
Total non-current assets		52,093	49,164
Total assets		89,524	88,275
Liabilities			
Current liabilities			
Trade payables and other financial liabilities	17	7,627	9,217
Provisions	18	1,779	2,750
Employee benefit liabilities	19	1,572	1,498
Lease liabilities	20	13,821	14,263
Current tax liabilities	21	-	719
Total current liabilities		24,799	28,447
Non-current liabilities			
Trade payables and other financial liabilities	17	352	303
Provisions	18	1,318	1,344
Employee benefit liabilities	19	571	475
Lease liabilities	20	25,743	21,243
Total non-current liabilities		27,984	23,365
Total liabilities		52,783	51,812
Net assets		36,741	36,463
Equity			
Issued capital	22	3,487	3,487
Other capital reserves	23	(3,223)	(3,122)
Retained earnings		36,477	36,098
Total equity		36,741	36,463

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

Dusk Group Limited
Consolidated statement of changes in equity
For the year ended 2 July 2023

	Issued capital \$'000	Retained earnings \$'000	Other capital reserves \$'000	Total equity \$'000
Balance at 27 June 2021	3,487	30,070	(3,342)	30,215
Profit after income tax expense for the year	-	18,482	-	18,482
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	18,482	-	18,482
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 24)	-	(12,454)	-	(12,454)
Share-based payments (note 23)	-	-	220	220
Balance at 3 July 2022	3,487	36,098	(3,122)	36,463
	Issued capital \$'000	Retained earnings \$'000	Other capital reserves \$'000	Total equity \$'000
Balance at 3 July 2022	3,487	36,098	(3,122)	36,463
Profit after income tax expense for the year	-	11,587	-	11,587
Other comprehensive loss for the year, net of tax	-	-	(31)	(31)
Total comprehensive income/(loss) for the year	-	11,587	(31)	11,556
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 24)	-	(11,208)	-	(11,208)
Share-based payments (note 23)	-	-	(70)	(70)
Balance at 2 July 2023	3,487	36,477	(3,223)	36,741

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

Dusk Group Limited
Consolidated statement of cash flows
For the year ended 2 July 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		151,528	152,519
Payments to suppliers and employees (inclusive of GST)		(115,680)	(106,678)
Net interest paid		(1,403)	(1,487)
Income taxes paid		(9,045)	(12,995)
Receipt of government grants - JobSaver		-	1,050
Net cash from operating activities	34	25,400	32,409
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,656)	(4,707)
Purchase of intangible assets		(275)	(575)
Proceeds from disposal of property, plant and equipment		-	6
Proceeds from sale of financial derivative		399	-
Net cash used in investing activities		(3,532)	(5,276)
Cash flows from financing activities			
Dividends paid by parent entity		(11,208)	(12,454)
Payment of lease liabilities		(15,932)	(14,809)
Net cash used in financing activities		(27,140)	(27,263)
Net decrease in cash and cash equivalents		(5,272)	(130)
Cash and cash equivalents at the beginning of the financial year		21,278	21,408
Cash and cash equivalents at the end of the financial year	9	16,006	21,278

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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 1. Corporate information

The consolidated financial report of Dusk Group Limited and its controlled entities (referred to hereafter as “dusk”, “the Group” or “the Company”) for 52 weeks ended 2 July 2023 (“FY23” or “2023”) were authorised for issue in accordance with a resolution of the Directors on 29 August 2023.

The Group utilises a 52 week retail calendar year for financial reporting purposes, which ended on 2 July 2023. The prior year was a 53 week retail calendar which ended on 3 July 2022 (“FY22” or “2022”).

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

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

Information on the Group’s structure is provided in note 32. Information on other related party relationships of the Group is provided in note 30.

Note 2. Significant accounting policies

Basis of preparation

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

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

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

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

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

Compliance with International Financial Reporting Standards (IFRS)

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

Parent entity information

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 2 July 2023 and 3 July 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

Note 2. Significant accounting policies (continued)

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

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

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

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

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

Goodwill

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

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

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

Current and non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 2. Significant accounting policies (continued)

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

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

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

Foreign currencies

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

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

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

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

Operating segments

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

The financial statements are presented in Australian dollars, which is Dusk Group Limited's functional and presentation currency.

Foreign currency transactions

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

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

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

Revenue from contracts with customers

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

Sale of goods

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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 2. Significant accounting policies (continued)

Loyalty Program Membership - dusk Rewards

The Group has a loyalty program, dusk Rewards, which gives rise to a separate performance obligation as they provide a material right to the customer. A portion of membership revenue (2023: 20%; 2022: 19%) is deferred and recognised as a contract liability which is recognised on a straight-line basis over the term of the loyalty card (24 months).

Contract liabilities

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

Government grants

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

Government grants received by the Group consist of JobSaver payments. Refer to note 5 for further information.

Taxes

Current income tax expense

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

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

Deferred tax

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

Goods and services tax (GST)

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

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

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

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

Cash and cash equivalents

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

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

Note 2. Significant accounting policies (continued)

Trade receivables and other financial assets

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

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

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

Right of return assets

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

Inventories

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

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

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

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

Property, plant and equipment

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

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

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

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

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

Note 2. Significant accounting policies (continued)

Intangible assets

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

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

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

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

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

Computer software

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

- Computer software 3 years

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

Leases

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

Group as a lessee

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

Right-of-use assets

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

- Property and storage licenses 5 to 7 years

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

Note 2. Significant accounting policies (continued)

The right-of-use assets are also subject to impairment. Refer to the accounting policies 'Impairment of non-financial assets'.

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

As an impact of COVID-19, the Group has negotiated with its landlord to achieve rent concessions. The rent concessions reflect credits received from landlords on contracted lease costs under the practical expedients of AASB16 *Leases*.

Impairment of goodwill

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The CGU for goodwill is assessed at a consolidated Group level, in line with the one operating segment used in Group reporting.

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

The Group bases its impairment calculation on detailed budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. The Group utilises the 'multiple EBITDA' approach when calculating the terminal value.

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

Note 2. Significant accounting policies (continued)

Trade and other payables

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

Provisions and employee benefit liabilities

General

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

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

Refund liabilities

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

Voucher liabilities

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

Make good provisions

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

Wages, salaries and annual leave

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

Long service leave

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

Employee accruals

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

Share-based payments

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

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 39.

Note 2. Significant accounting policies (continued)

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

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

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

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

Issued capital

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

Share, option or performance right buy-backs must be deducted from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares, options or performance rights.

Dividends

Dividends are recognised when declared during the financial year.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Comparatives

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

New or amended Accounting Standards and Interpretations adopted

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

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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 2. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 2 July 2023. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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

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

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

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

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date

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

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

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

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

This Standard makes amendments to the following Australian Accounting Standards:

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

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

This Standard amends:

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

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

Note 2. Significant accounting policies (continued)

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

Note 3. Critical accounting judgements, estimates and assumptions

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

Estimates and assumptions

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

Impairment of non-financial assets

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

Loyalty program membership

The dusk Rewards membership fee is recognised as revenue over the term of membership. Management recognise a proportion up-front at the point of sale and an amount is deferred based on the average discount provided per member store visit and historical data regarding the number of visits, transactions and average transaction value. The revenue deferred is then recognised on a straight-line basis over the remaining 24 month membership period.

Make good provisions

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

Long service leave provision

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

Rights of return assets

Where a product is returned and is resalable, the return asset is recognised and measured using the historical run-rate data.

Voucher liabilities

This calculation is based on historical data as to the percentage of people that will redeem their two separate loyalty program vouchers, the \$10 joining voucher and \$20 birthday voucher, within the specified 30 day time period.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Leases - Estimating the incremental borrowing rate

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

Employee equity incentive plan

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

Inventory

Inventories are valued at the lower of cost and net realisable value. Weighted average cost is used to value inventory. Costs incurred to bring each product to store include purchase price plus freight, cartage, and import duties. Net realisable value is the estimated selling price in the ordinary course of business. Management has assessed the value of inventory that is likely to be sold below cost and recorded a provision for this amount.

Reclassification of prior year financial information

The Group has reclassified the costs of distribution and handling activities directly relating to the Group's performance obligation to deliver goods to the customer, within Cost of sales instead of within Other expenses. Prior year comparatives have also been reclassified. The amount of the reclassification was \$2.509 million in 2023 (2022: \$2.853 million).

These reclassifications have not resulted in a change to Net profit after tax, as well as no change to the Consolidated Statement of Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 4. Revenue from contracts with customers

	2023 \$'000	2022 \$'000
Sale of goods	134,481	135,410
Loyalty program membership	3,142	2,983
Total revenue from contracts with customers	137,623	138,393
<i>Disaggregation of revenue</i>		
Store revenue	130,141	126,843
Online revenue	7,482	11,550
	137,623	138,393

(a) Performance obligations

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

Sale of goods

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

Loyalty Program Membership - dusk Rewards

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

Note 5. Other income

	2023 \$'000	2022 \$'000
Rental concessions received (i)	291	445
Recoveries	28	100
Gain on financial derivative	271	-
NSW JobSaver receipts	-	1,050
Other income	590	1,595

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

Note 6. Finance income

	2023 \$'000	2022 \$'000
Interest income	378	-

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 7. Expenses

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

	2023 \$'000	2022 \$'000 (restated)
<i>Cost of sales</i>		
Cost of inventories recognised as an expense	40,108	37,319
Freight expenses	6,322	6,315
Warehouse expenses	2,509	2,853
Other expenses	913	1,025
	<u>49,852</u>	<u>47,512</u>
<i>Employee benefit expense</i>		
Wages and salaries	34,752	30,303
Defined contribution superannuation expense	3,148	2,767
Share-based payment expense (note 39)	(70)	220
	<u>37,830</u>	<u>33,290</u>
<i>Other expenses</i>		
Professional fees	1,574	1,386
Storage fees	1,247	1,285
Postage and stationery	266	219
Bank and merchant fees	1,332	1,192
Other	3,475	2,547
Loss on financial derivative	25	11
	<u>7,919</u>	<u>6,640</u>
<i>Finance costs</i>		
Interest	162	73
Interest on lease liabilities	1,619	1,414
	<u>1,781</u>	<u>1,487</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 8. Income tax expense

The major components of income tax expense are:

	2023 \$'000	2022 \$'000
<i>Income tax expense</i>		
Current tax	4,078	8,162
Deferred tax - origination and reversal of temporary differences	951	389
Others	(2)	(551)
Aggregate income tax expense	<u>5,027</u>	<u>8,000</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 16)	<u>951</u>	<u>389</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>16,614</u>	<u>26,482</u>
Tax at the Australian statutory tax rate of 30%	4,984	7,945
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	21	73
Other	<u>22</u>	<u>(18)</u>
Income tax expense	<u>5,027</u>	<u>8,000</u>

Note 9. Cash and cash equivalents

	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Cash on hand	84	78
Cash at bank	<u>15,922</u>	<u>21,200</u>
	<u>16,006</u>	<u>21,278</u>

Note 10. Trade receivables and other financial assets

	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Trade receivables	384	241
Financial derivatives (i)	<u>-</u>	<u>128</u>
	<u>384</u>	<u>369</u>

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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 11. Inventories

	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Finished goods	11,751	13,640
Goods in transit	3,421	1,775
	<u>15,172</u>	<u>15,415</u>
Inventories at lower of cost and net realisable value		

During 2023, \$18,018 (2022: \$14,920) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

Note 12. Current tax assets

	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Income tax receivable	4,250	-

Note 13. Property, plant and equipment

	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	788	760
Less: Accumulated depreciation	(581)	(540)
	<u>207</u>	<u>220</u>
Shop fixtures and fittings - at cost	31,758	28,523
Less: Accumulated depreciation	(20,908)	(18,096)
	<u>10,850</u>	<u>10,427</u>
Computer equipment - at cost	1,621	1,462
Less: Accumulated depreciation	(1,301)	(1,030)
	<u>320</u>	<u>432</u>
	<u>11,377</u>	<u>11,079</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 13. Property, plant and equipment (continued)

Reconciliations

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

	Plant and equipment \$'000	Shop fixtures and fittings \$'000	Computer equipment \$'000	Total \$'000
Balance at 27 June 2021	198	8,588	406	9,192
Additions	44	4,350	313	4,707
Make good increments	53	295	-	348
Disposals	(3)	(4)	(12)	(19)
Depreciation expense	(72)	(2,802)	(275)	(3,149)
Balance at 3 July 2022	220	10,427	432	11,079
Additions	28	3,466	162	3,656
Make good increments	17	249	-	266
Disposals	-	(37)	-	(37)
Depreciation expense	(58)	(3,255)	(274)	(3,587)
Balance at 2 July 2023	207	10,850	320	11,377

Note 14. Right-of-use assets

The Group has lease contracts for various items of property and storage licenses which makes up its operations. Leases of property and storage licenses generally have lease terms between 5 and 7 years.

	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Right-of-use assets	32,776	29,175

Reconciliations

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

	Property \$'000	Storage licenses \$'000	Total \$'000
Balance at 27 June 2021	28,355	96	28,451
Additions	14,864	209	15,073
Depreciation expense	(14,302)	(47)	(14,349)
Balance at 3 July 2022	28,917	258	29,175
Additions	18,732	9	18,741
Depreciation expense	(15,058)	(82)	(15,140)
Balance at 2 July 2023	32,591	185	32,776

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 15. Intangible assets

	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	1,687	1,687
Computer software - at cost	1,360	1,085
Less: Accumulated amortisation	(879)	(585)
	481	500
	<u>2,168</u>	<u>2,187</u>

Reconciliations

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

	Computer software \$'000	Goodwill \$'000	Total \$'000
Balance at 27 June 2021	103	1,687	1,790
Additions	575	-	575
Amortisation expense	(178)	-	(178)
Balance at 3 July 2022	500	1,687	2,187
Additions	275	-	275
Amortisation expense	(294)	-	(294)
Balance at 2 July 2023	<u>481</u>	<u>1,687</u>	<u>2,168</u>

For the purposes of impairment testing dusk group is a single cash generating unit (CGU) and consequently the whole goodwill balance has been allocated to this CGU. The recoverable amount of the CGU is based on its value in use determined by discounting the future cash flows expected to be generated by the continued use of this CGU. The long-term growth rate assumed in determining the value in use was 3.5% (2022: 3%). The weighted average cost of capital (WACC) used in the model was 15% (2022: 15%). No impairment losses have been recognised and it would require significant adverse change in these assumptions to impact the assessment that the recoverable amount of the CGU exceeds its carrying amount and such change is not expected.

Note 16. Deferred tax assets

Deferred tax relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	2023 \$000's	2022 \$000's	2023 \$000's	2022 \$000's
Provisions	1,023	973	50	209
Inventories	232	426	(194)	151
Accrued expenses	277	236	41	(305)
Refund liabilities	636	620	16	(85)
Refund assets	(50)	(113)	63	12
Voucher liabilities	53	57	(4)	(11)
Net right-of-use assets and lease liabilities	2,030	1,899	131	255
Other	1,571	2,625	(1,054)	(615)
	<u>5,772</u>	<u>6,723</u>	<u>(951)</u>	<u>(389)</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 16. Deferred tax assets (continued)

	2023 \$'000	2022 \$'000
Deferred tax assets	<u>5,772</u>	<u>6,723</u>
<i>Movements:</i>		
Opening balance	6,723	7,112
Charged to profit or loss (note 8)	<u>(951)</u>	<u>(389)</u>
Closing balance	<u><u>5,772</u></u>	<u><u>6,723</u></u>

The Group has tax losses that arose in New Zealand that are available indefinitely for offsetting against future taxable profits.

Note 17. Trade payables and other financial liabilities

	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Trade payables	3,785	5,555
Accrued expense	2,063	1,966
Other payables	536	715
Contract liabilities	1,218	981
Financial derivatives	<u>25</u>	<u>-</u>
	<u><u>7,627</u></u>	<u><u>9,217</u></u>
<i>Non-current liabilities</i>		
Contract liabilities	<u>352</u>	<u>303</u>

Note 18. Provisions

	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Make good provision	504	301
Refund liabilities	1,036	2,068
Voucher liabilities	173	190
Other provisions	<u>66</u>	<u>191</u>
	<u><u>1,779</u></u>	<u><u>2,750</u></u>
<i>Non-current liabilities</i>		
Make good provision	1,243	1,225
Other provisions	<u>75</u>	<u>119</u>
	<u><u>1,318</u></u>	<u><u>1,344</u></u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 18. Provisions (continued)

Movements in provisions

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

2023	Refund liabilities \$'000	Voucher liabilities \$'000	Make good provision \$'000	Other provisions \$'000	Total \$'000
Carrying amount at 3 July 2022	2,068	190	1,526	310	4,094
Arising during the year	1,430	169	255	-	1,854
Utilised	(2,462)	(186)	(34)	(169)	(2,851)
Carrying amount at 2 July 2023	<u>1,036</u>	<u>173</u>	<u>1,747</u>	<u>141</u>	<u>3,097</u>

Note 19. Employee benefit liabilities

	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Annual leave	1,140	1,126
Long service leave	<u>432</u>	<u>372</u>
	<u>1,572</u>	<u>1,498</u>
<i>Non-current liabilities</i>		
Long service leave	<u>571</u>	<u>475</u>

Amounts not expected to be settled within the next 12 months

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

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

	2023 \$'000	2022 \$'000
Employee benefits obligation expected to be settled after 12 months	<u>741</u>	<u>667</u>

Note 20. Lease liabilities

	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Lease liabilities	<u>13,821</u>	<u>14,263</u>
<i>Non-current liabilities</i>		
Lease liabilities	<u>25,743</u>	<u>21,243</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 20. Lease liabilities (continued)

	Lease liabilities \$'000
Set out below are the carrying amounts of lease liabilities and the movements during the year:	
As at 27 June 2021	33,930
Additions	16,385
Accretion of interest	1,414
Payments in accordance with lease agreements	(16,223)
As at 3 July 2022	<u>35,506</u>
As at 3 July 2022	35,506
Additions	19,990
Accretion of interest	1,619
Payments in accordance with lease agreements	(17,551)
As at 2 July 2023	<u>39,564</u>
	2023 \$'000
	2022 \$'000

The following are the amounts recognised in profit or loss:

Rental concessions received	(291)	(445)
Depreciation expense of right-of-use assets	15,140	14,349
Interest expense on lease liabilities	1,619	1,414
Expense relating to leases of low-value assets (included in administrative expenses)	9	28
Expenses relating to variable and holdover lease payments	<u>2,771</u>	<u>2,653</u>
Total amount recognised in profit or loss	<u><u>19,248</u></u>	<u><u>17,999</u></u>

The Group had total cash outflows for leases of \$17,560,764 in 2023 (2022: \$16,251,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of \$19,990,656 in 2023 (2022: \$16,385,000).

The Group's payment of the principal portions of its lease liabilities for the year then ended was \$15,932,834 (2022: \$14,809,000) and interest paid on lease liabilities totalled \$1,618,578 (2022: \$1,414,000).

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

	Less than 3 months \$000's	3 to 12 months \$000's	1 to 5 years \$000's	> 5 years \$000's	Total \$000's
Year ended 3 July 2022					
Lease liabilities	4,012	10,251	24,176	195	38,634
Year ended 2 July 2023					
Lease liabilities	4,161	11,122	27,740	61	43,084

Note 21. Current tax liabilities

	2023 \$'000	2022 \$'000
Income tax payable	<u>-</u>	<u>719</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 22. Issued capital

	2023 Shares	2022 Shares	2023 \$'000	2022 \$'000
Ordinary shares - fully paid	<u>62,267,865</u>	<u>62,267,865</u>	<u>3,487</u>	<u>3,487</u>

Ordinary shares

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

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

Capital Management

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

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

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

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

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

Note 23. Other capital reserves

	2023 \$'000	2022 \$'000
Foreign currency translation reserve	(31)	-
Share-based payments reserve	<u>(3,192)</u>	<u>(3,122)</u>
	<u>(3,223)</u>	<u>(3,122)</u>

Movements in reserves

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

	Share-based reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 27 June 2021	(3,342)	-	(3,342)
Share-based payments	<u>220</u>	<u>-</u>	<u>220</u>
Balance at 3 July 2022	(3,122)	-	(3,122)
Foreign currency translation	-	(31)	(31)
Share-based payments	<u>(70)</u>	<u>-</u>	<u>(70)</u>
Balance at 2 July 2023	<u>(3,192)</u>	<u>(31)</u>	<u>(3,223)</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 23. Other capital reserves (continued)

Nature and purpose of reserve

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Share-based reserve

During the 2016 financial year, the Directors of Dusk Group Limited issued 7,000,000 options to the Chairman and CEO (3,500,000 each). Option holders were entitled to the issue of one ordinary share in the share capital of Dusk Group Limited for each option. Both individuals remain in their position as at 2 July 2023. Whilst 4,550,000 options had been exercised in the 2021 financial year, the remaining 2,450,000 unissued ordinary shares under options were bought back for \$5,057,385 by way of a cash payment in the 2021 financial year.

During the financial year, the Group has issued 517,707 performance rights pursuant to the equity incentive plan as disclosed in section 6.3.4.2 of the Prospectus. 1,150,000 options and 204,608 performance rights have lapsed due to conditions becoming incapable of being satisfied. No other securities have been exercised, granted or forfeited.

Note 24. Dividends

Dividends on ordinary shares declared and paid:

	2023 \$'000	2022 \$'000
Final dividend for 27 June 2021 was paid on 24 September 2021: 10 cents per share	-	6,227
Interim dividend for 3 July 2022 was paid on 28 March 2022: 10 cents per share	-	6,227
Final dividend for 3 July 2022 was paid on 27 September 2022: 10 cents per share	6,227	-
Interim dividend for 2 July 2023 was paid on 28 March 2023: 8 cents per share	4,981	-
	<u>11,208</u>	<u>12,454</u>

Franking credit balance

The amount of franking credit available for the subsequent financial year are:

Franking account balance as at the end of the financial period at 30% (3 July 2022: 30%)	<u>16,366</u>	<u>12,123</u>
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The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

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

Note 25. Financial risk management

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

Market risk

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

(i) Interest rate risk

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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 25. Financial risk management (continued)

(ii) Foreign exchange risk

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

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

Credit risk

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

Liquidity risk

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

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

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

Financing arrangements

Borrowing facilities at the reporting date:

	2023 \$'000	2022 \$'000
Overdraft facility	5,570	5,570
Corporate credit card facility	300	300
Bank guarantee facility	130	130
	<u>6,000</u>	<u>6,000</u>

The banking facilities may be drawn at any time and may be terminated by the bank without notice. There is one bank guarantee outstanding under this facility and the overdraft facility is otherwise undrawn. This was also the case in FY22.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 25. Financial risk management (continued)

Remaining contractual maturities

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

2023	Weighted average interest rate %	Less than 3 months \$'000	3 - 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	7,627	-	352	-	7,979
<i>Interest-bearing - fixed rate</i>						
Lease liability	5.00%	4,161	11,122	27,740	61	43,084
Total non-derivatives		11,788	11,122	28,092	61	51,063

2022	Weighted average interest rate %	Less than 3 months \$'000	3 - 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	9,217	-	303	-	9,520
<i>Interest-bearing - fixed rate</i>						
Lease liability	4.00%	4,012	10,251	24,176	195	38,634
Total non-derivatives		13,229	10,251	24,479	195	48,154

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

Excessive risk concentration

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

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

Other risks

The Group's operating activities require a continuous supply of finished goods. The majority of finished goods are imported from suppliers in China. The Group is exposed to the risk of not being able to receive their finished goods as a result of supplier manufacturing restrictions (e.g. due to factory shutdowns, the COVID-19 pandemic, Chinese New Year, etc.) or restrictions on delivery of finished goods (e.g. due to local travel restrictions).

The CODM monitor this risk on an ongoing basis and develop and implement policies based on the level of risk at any point in time.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 26. Key management personnel disclosures

Compensation

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

	2023	2022
	\$	\$
Short-term employee benefits	1,246,580	1,240,223
Post-employment pensions and medical benefits	109,253	115,341
Share-based payment transactions	(82,268)	146,199
	<u>1,273,565</u>	<u>1,501,763</u>

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

There are no other transactions with the key management personnel during the year (2022: \$nil).

Note 27. Remuneration of auditors

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

	2023	2022
	\$	\$
<i>Audit services - Ernst & Young (Australia)</i>		
Fees for auditing the statutory financial report of the Company and its controlled entities	252,200	253,800
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	15,000	130,000
	<u>267,200</u>	<u>383,800</u>
<i>Other services - Ernst & Young (Australia)</i>		
Preparation of the tax return	14,000	12,000
JobSaver payment claim	-	8,000
	<u>14,000</u>	<u>20,000</u>
<i>Other services - Other member firms</i>		
NZ Tax advisory services	29,900	20,100
	<u>311,100</u>	<u>423,900</u>

Note 28. Commitments

There are no commitments as at the reporting date which would have a material effect on the Group's consolidated financial statements as at 2 July 2023 (2022: none).

Note 29. Contingencies

Contingent liabilities held by the Parent entity are disclosed in note 31.

The Group did not have any other contingent liabilities as at 2 July 2023 (2022: none).

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 30. Related party transactions

Parent entity

Dusk Group Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the Directors' report.

Transactions with related parties

	2023 \$	2022 \$
KMP compensation paid through related companies	32,083	77,000

The Director fees for Trent Peterson were paid to Catalyst Investment Managers Pty Ltd up to 30 November 2022. From 1 December 2022 Catalyst ceased being a related party.

Loans to / from related parties

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

Note 31. Parent entity information

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

Statement of financial position

	2023 \$'000	2022 \$'000
Assets		
Current assets	-	-
Non-current assets	23,000	23,000
Total Assets	23,000	23,000
Liabilities		
Current liabilities	-	-
Non-current liabilities	-	-
Total Liabilities	-	-
Equity		
Issued capital	23,000	23,000
Retained earnings	-	-
Total Equity	23,000	23,000

Statement of profit or loss and other comprehensive income

	2023 \$'000	2022 \$'000
Profit after income tax	-	-
Total comprehensive income	-	-

Contractual commitments

The parent entity did not have any contractual commitments as at 2 July 2023 (2022: none).

For the year ended 2 July 2023, the Parent has \$130,000 (2022: \$130,000) of bank guarantees.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 31. Parent entity information (continued)

Contingent liabilities

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

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

The parent entity did not have any other contingent liabilities as at 2 July 2023 (2022: none).

Significant accounting policies

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

Note 32. 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:

Name	Principal place of business / Principal activities	Percentage Owned	
		2023 %	2022 %
Dusk Australasia Pty Ltd	Australia / Retailing of scented and unscented candies, home decor, home fragrance and gift solutions	100%	100%
Dusk Wholesale and Imports Pty Ltd	Australia / Dormant	100%	100%
Dusk Europe Pty Ltd	Australia / Dormant	100%	100%
Dusk New Zealand Limited	New Zealand/ Retailing of scented and unscented candles, home decor, home fragrance and gift solutions	100%	100%

All subsidiaries listed, are party to the Deed of cross guarantee as described in note 33.

Note 33. 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:

- Dusk Group Limited
- Dusk Australasia Pty Ltd
- Dusk Wholesale and Imports Pty Ltd
- Dusk Europe Pty Ltd
- Dusk New Zealand Limited (party to a deed of cross guarantee since 25 May 2023)

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.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 33. Deed of cross guarantee (continued)

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

	2023 \$'000	2022 \$'000
Statement of profit or loss and other comprehensive income		
Revenue from contracts with customers	137,623	138,393
Cost of sales	(49,852)	(47,512)
Other income	590	1,595
Asset, property and maintenance expenses	(243)	(202)
Occupancy expenses	(2,772)	(2,652)
Advertising expenses	(2,559)	(2,990)
Employee benefits expense	(37,830)	(33,290)
Acquisition costs (Eroma transaction terminated)	-	(1,057)
Depreciation and amortisation expense	(19,021)	(17,676)
Other expenses	(7,919)	(6,640)
Finance costs	(1,781)	(1,487)
Finance income	378	-
Profit before income tax expense	16,614	26,482
Income tax expense	(5,027)	(8,000)
Profit after income tax expense	11,587	18,482
Other comprehensive loss		
Foreign currency translation	(31)	-
Other comprehensive loss for the year, net of tax	(31)	-
Total comprehensive income for the year	11,556	18,482
Equity - retained profits	2023 \$'000	2022 \$'000
Retained profits at the beginning of the financial year	36,098	30,070
Profit after income tax expense	11,587	18,482
Dividends paid	(11,208)	(12,454)
Retained profits at the end of the financial year	36,477	36,098

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 33. Deed of cross guarantee (continued)

	2023 \$'000	2022 \$'000
Statement of financial position		
Current assets		
Cash and cash equivalents	16,006	21,278
Trade receivables and other financial assets	384	369
Inventories	15,172	15,415
Right-of-use assets	168	375
Prepayments	1,451	1,674
Current tax assets	4,250	-
	<u>37,431</u>	<u>39,111</u>
Non-current assets		
Property, plant and equipment	11,377	11,079
Right-of-use assets	32,776	29,175
Intangible assets	2,168	2,187
Deferred tax assets	5,772	6,723
	<u>52,093</u>	<u>49,164</u>
Total assets	<u>89,524</u>	<u>88,275</u>
Current liabilities		
Trade payables and other financial liabilities	7,627	9,217
Provisions	1,779	2,750
Employee benefit liabilities	1,572	1,498
Lease liabilities	13,821	14,263
Current tax liabilities	-	719
	<u>24,799</u>	<u>28,447</u>
Non-current liabilities		
Trade payables and other financial liabilities	352	303
Provisions	1,318	1,344
Employee benefit liabilities	571	475
Lease liabilities	25,743	21,243
	<u>27,984</u>	<u>23,365</u>
Total liabilities	<u>52,783</u>	<u>51,812</u>
Net assets	<u>36,741</u>	<u>36,463</u>
Equity		
Issued capital	3,487	3,487
Other capital reserves	(3,223)	(3,122)
Retained profits	36,477	36,098
Total equity	<u>36,741</u>	<u>36,463</u>

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 34. Reconciliation of profit after income tax to net cash from operating activities

	2023 \$'000	2022 \$'000
Profit after income tax expense for the year	11,587	18,482
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation of property, plant and equipment	3,587	3,149
Depreciation of right-of-use assets	15,140	14,349
Amortisation of intangible assets	294	178
Share-based payment expense	(70)	220
(Gain)/loss on financial derivative	(246)	11
Loss on disposal of property, plant and equipment	37	8
Foreign exchange differences	(31)	-
Changes in assets and liabilities:		
- decrease/(increase) in trade receivables and other financial assets	80	(371)
- decrease/(increase) in inventories	243	(991)
- decrease in deferred tax asset	951	389
- decrease in right of return assets	207	41
- increase in income taxes receivable	(4,250)	-
- (decrease)/increase in trade and other payables	(317)	2,177
- decrease in provisions	(1,263)	(212)
- increase in employee benefits	170	363
- decrease in income taxes payable	(719)	(5,384)
Net cash from operating activities	<u>25,400</u>	<u>32,409</u>

Note 35. Changes in liabilities arising from financing activities

Cash flow from financing activities during the year were in relation to movements in lease liabilities. The movements in lease liabilities are disclosed in note 20.

Note 36. Non-cash investing and financing activities

	2023 \$'000	2022 \$'000
Additions to the right-of-use assets	<u>18,741</u>	<u>15,073</u>

Note 37. Events after the reporting period

On 29 August 2023, the Directors declared a final dividend on ordinary shares in respect of the 2023 financial year. The total amount of the dividend is \$1.868 million which represents a fully franked dividend of 3 cents per share. The dividend has not been provided for in the 2 July 2023 financial statements.

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

Note 38. Earnings per share

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

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 38. Earnings per share (continued)

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. In accordance with AASB133, Earnings per share, some options and performance rights that could potentially dilute basic earnings per share in the future have not been included in the calculation of diluted earnings per share shown below because they are antidilutive for the periods presented.

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

	2023 \$'000	2022 \$'000
Profit after income tax attributable to the owners of Dusk Group Limited	11,587	18,482
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	62,267,865	62,267,865
Adjustments for calculation of diluted earnings per share:		
Share options & performance rights	313,099	1,000,000
Weighted average number of ordinary shares used in calculating diluted earnings per share	62,580,964	63,267,865
	Cents	Cents
Basic earnings per share	18.6	29.7
Diluted earnings per share	18.5	29.2

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

Note 39. Share-based payments

FY23 Long Term Incentive Plan

Under the FY23 Long Term Incentive Plan (LTI) performance rights of the parent are granted to senior executives of dusk. The exercise price of the performance rights is nil. The performance rights vest if, and when, the companies Total Shareholder Return hurdle and Earnings Per Share hurdle are satisfied (refer Remuneration report) and the senior executive remains employed on such date. The performance rights granted will not vest if the performance conditions are not met. The fair value of the performance rights is estimated at the grant date using both a Monte Carlo and Black Scholes pricing model, taking into account the terms and conditions on which the performance rights were granted. The rights performance test date is 1 September 2025 (assuming FY25 results are released on 1 September 2025). The rights will either vest and be exercised on this date, or lapse.

FY22 Long Term Incentive Plan

Under the FY22 Long Term Incentive Plan (LTI) share options of the parent are granted to senior executives of dusk. The exercise price of the options is equal to the listing price. The share options vest if, and when, the companies Total Shareholder Return hurdle and Earnings Per Share hurdle are satisfied (refer Remuneration report) and the senior executive remains employed on such date. The share options granted will not vest if the performance conditions are not met. The fair value of the share options is estimated at the grant date using a binomial option pricing model, taking into account the terms and conditions on which the share options were granted. The share options can be exercised up to two years after the three year vesting period. The contractual term of each option granted is 5 years.

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 39. Share-based payments (continued)

FY21 Long Term Incentive Plan

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

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

	2023	2022
	\$	\$
Expense arising from equity-settled share-based payment transactions	<u>(70,347)</u>	<u>220,144</u>

Movements during the year

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

	Number	WAEP	Number	WAEP
	2023	2023	2022	2022
Outstanding at the beginning of the financial year	2,125,000	\$2.59	1,000,000	\$2.00
Granted during the year	517,707	\$0.00	1,125,000	\$3.11
Lapsed during the year	(1,354,608)	\$2.17	-	\$0.00
Exercised during the year	-	\$0.00	-	\$0.00
Bought back during the year	-	\$0.00	-	\$0.00
Outstanding at the end of the financial year	<u>1,288,099</u>	\$1.99	<u>2,125,000</u>	\$2.59
Exercisable at the end of the financial year	<u>-</u>	\$0.00	<u>-</u>	\$0.00

The weighted average remaining contractual life for the share options and performance rights outstanding as at 2 July 2023 was 0.82 years.

The weighted average fair value of options or performance rights granted during the year was \$1.50 (2022: 68 cents).

The weighted average exercise price for options and performance rights outstanding at the end of the year was \$1.99 (2022: \$2.59).

The following tables list the inputs to the models used for the EIP for the year ended 2 July 2023:

	2023
Weighted average fair values at the measurement date	\$1.50
Dividend yield	8%
Expected volatility	50%
Risk-free interest rate	3.20%
Expected life of share options	3 years
Weighted average share price	\$2.13
Model used	Black-Scholes/ Monte Carlo

Dusk Group Limited
Notes to the consolidated financial statements
For the year ended 2 July 2023

Note 39. Share-based payments (continued)

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

Note 40. Segment information

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

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

Note 41. Statutory information

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

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