Accent Group Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Accent Group Limited
ABN:	85 108 096 251
Reporting period:	For the year ended 1 July 2018
Previous period:	For the year ended 2 July 2017

2. Results for announcement to the market

	1 July 2018 $'000	2 July 2017 $'000	Percentage change %
Revenues from ordinary activities	703,181	636,153	10.5%
Profit after income tax expense for the year	44,000	29,352	49.9%
Profit for the year attributable to the owners of Accent Group Limited	43,957	29,157	50.8%

Dividends

	Amount per security Cents	Franked amount per security Cents
2017 Final dividend	3.000	3.000
2018 Interim dividend	3.000	3.000
2018 Final dividend	3.750	3.750

Dividend payment date:	
- 2017 Final dividend	25 September 2017
- 2018 Interim dividend	22 March 2018
- 2018 Final dividend	27 September 2018

3. Net tangible assets per security

	1 July 2018 Cents	2 July 2017 Cents
Net tangible assets per ordinary security	8.65	4.22

4. Other information

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

For a brief explanation of the figures above please refer to the Announcement on the results for the year ended 1 July 2018 and the notes to the financial statements.

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Accent Group Limited

(Formerly known as RCG Corporation Limited)

ABN 85 108 096 251

Annual Report - 1 July 2018

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Accent Group Limited
Contents
1 July 2018

Chairman and Chief Executive Officer's report	2
Directors' report	5
Auditor's independence declaration	19
Statement of profit or loss and other comprehensive income	20
Statement of financial position	21
Statement of changes in equity	22
Statement of cash flows	23
Notes to the financial statements	24
Directors' declaration	68
Independent auditor's report to the members of Accent Group Limited	69
Additional securities exchange information	74
Corporate directory	76

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Accent Group Limited
Chairman and Chief Executive Officer's report
1 July 2018

Dear fellow Shareholders

We are delighted to report that Accent Group has had another strong year of trading and profit growth, delivering underlying[1] EBITDA of $90.8 million, an increase of 16% over the prior year.

Your Board has declared a final fully franked dividend of 3.75 cents per share, which represents an increase of 25% on the prior year final dividend. This brings the dividends declared during the year to 6.75 cents per share.

Underlying Financials ($ millions)	FY18 Full-year	FY17 Pro-forma[2] Full-year	
Total Sales (incl. TAF)[3]	**860.8**	820.7	**Up 5%**
Accent Group Sales (company owned)	**675.6**	617.8	**Up 9%**
Like for Like retail sales[3]	**2%**	1.5%	
Gross Profit %	**54.8%**	52.8%	**+200bp**
EBITDA	**90.8**	78.2	**Up 16%**
NPAT	**47.1**	39.9	**Up 18%**
EPS (cents per share)	**8.78**	7.48	**Up 17%**
Dividends (cents per share)	**6.75**	6.00	**Up 13%**

It continues to be a great testament to the strength and quality of the Accent Group team that we have been able to consistently deliver excellent results. Over the 5 years from FY13 to FY18, Accent Group has delivered a total shareholder return of 177%, at a compound annual growth rate of over 22% per annum. The investments that the business has continued to make in digital capability, store environment, people and marketing have ensured that the Company is well positioned to continue to deliver a world class customer experience and growth in shareholder value.

Overview of operations

During the year, the team at Accent Group has implemented many exciting initiatives which we expect will allow our business to deliver further efficiency and growth in the future.

We merged our three Sydney offices into one office in Waterloo, Sydney and similarly combined our two Queensland offices into one. We are also pleased to report that we moved our Melbourne distribution facility (and 800,000 pairs of shoes) to a purpose built TOLL distribution centre in Preston, Sydney. This new, fully automated 35,000 square metre facility will allow us to further expand our digital fulfilment capability with speed and efficiency.

[1] Unless otherwise stated all FY18 results and references to growth are based on FY18 underlying results (52 Weeks to 1 July 2018) and pro-forma underlying FY17 results (53 Weeks to 2 July 2017). The pro-forma underlying results for the full-year to 2 July 2017 include the sales, gross profit and EBITDA for Hype DC for the full period including the period prior to completion (1/7/16 – 3/8/16). Refer to the Accent Group Limited FY18 investor presentation Appendix for reconciliations between underlying and statutory reported results.
[2] Underlying pro-forma results (refer to note 1) include FY17 pro-forma sales of $617.8 million (including $10.7 million of sales for the Hype business). Reported sales for the period were $607.1 million.
[3] Includes The Athlete's Foot franchise store sales.

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Accent Group Limited
Chairman and Chief Executive Officer's report
1 July 2018

In FY18, we changed the company name to Accent Group Limited, signalling the completion of the integration of the RCG, Accent and Hype businesses and positioning us as the regional leader in the retail and distribution sector of lifestyle and performance footwear in Australia and New Zealand. Along with this change, Daniel Agostinelli became the sole group CEO.

These changes have allowed our team to truly become ONE TEAM, focussed on driving customer satisfaction, the achievement of budgets and cost control.

Retail
Company owned retail sales grew strongly to $566.9 million, which was 12% up on the prior year. This was driven by strong growth in digital sales and new store rollouts. Like-for-like ('LFL') retail sales for the second half of FY18 grew by 3%[3] and were up 2%[3] for the full year.

We opened 31 new stores and closed 15 stores during the year, resulting in a total of 446 stores and online sites in the group. The targeted investment in store concept updates continued with our new "next level" concepts launched for Hype (QVB Sydney, Queen St Mall Auckland) and Platypus (Bondi Junction), all performing ahead of expectations. In addition, 29 stores were refurbished during the financial year.

In the retail banners, Skechers, Dr. Martens, Vans and Timberland all traded strongly during the year, with sales in Platypus, Merrell and Hype in line with expectations. Following the restructure and changes in the Hype business in the first half of the year, the improvement in Hype performance has continued, with Hype sales and EBITDA well ahead of last year.

Performance in The Athlete's Foot ('TAF') business has improved with the roll out of decentralised eCommerce fulfilment to all stores now complete. TAF online sales are up 100% on last year since this deployment. Corporate store sales have significantly outperformed the broader franchise network, reflecting the investments made in store fit-outs, inventory and people. During the year a number of stores were acquired, and we now have 28 corporate TAF stores in the group.

Omnichannel
In FY18, total digital sales, including click-and-collect and click-and-dispatch, grew 131%. A range of new initiatives was implemented during the year, including new eCommerce sites for Timberland, Dr. Martens, Platypus New Zealand and Skechers New Zealand, the launch and rollout of click-and-collect and click-and-dispatch in Platypus and Hype and the roll-out of Afterpay instore for all retail banners.

During FY19, the group will implement and roll out further new initiatives, including endless aisle in-store, Vans New Zealand, same day delivery (launched July), and in October we will launch The Trybe, a new online business focused on kids shoes.

With a nationwide network of 446 stores and online sites, Accent Group is uniquely positioned in our segment to deliver an integrated, seamless customer experience through click-and-collect, click-and-dispatch, endless aisle and same day delivery.

Wholesale
Wholesale sales for the year were $108.7m million with strong performances in Vans, Dr. Martens, Merrell and CAT. Skechers wholesale sales were below last year. As we execute the strategy to grow our Skechers store network we expect moderate declines in Skechers wholesale sales.

Wholesale gross profit margins were up strongly on the prior year due to cleaner inventories and improved exchange rates. Accent Group continues to drive the growth of exclusive brands through its retail store network with Vans and Dr. Martens growing strongly in Hype during the year.

Growth Plan Update

New Stores
Based on the continued strength of new store performance, more than 30 new stores will open in FY19 and there is potential for a further 30-40 new stores across the group over the next 2-3 years. As part of our new store program we have secured a lease to open a Platypus Megastore in Melbourne Central. This Megastore is 600 square metres in size and will showcase third party brands and a full range of Accent Group vertical brands and accessories.

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The Athlete's Foot corporate (owned) stores
The group is implementing a strategy to build a strong network of TAF corporate stores.

The expanded corporate network will be built through the acquisition of selected franchisee stores where franchisees are willing sellers, flagship CBD stores and new outlet stores. In FY18 the corporate store network has grown from 12 stores to 28 stores now under TAF corporate ownership. We expect a further 5-10 Australian franchise stores will be acquired in FY19.

TAF has also reached agreement to repurchase the New Zealand ('NZ') TAF master franchise licence along with 6 NZ corporate stores and 3 franchise stores. This will take effect from the beginning of October 2018.

The ownership of a strong network of corporate stores enables the business to provide brand leadership, deliver a contemporary customer experience and react quickly to market and competitive trends. Along with targeted improvements in sales, the full EBITDA margin of these stores will now be captured rather than just franchise fees and royalty payments.

Due to the investment required to acquire the stores and develop a strong retail infrastructure, the EBITDA impact of the TAF acquisitions will be broadly profit neutral in FY19 with the benefit growing over time. The investment required in FY19 to acquire TAF corporate stores and the NZ TAF business will be funded from cash on hand, free cashflow and existing debt facilities.

Vertical & Emerging Brands
As part of the strategy to drive improved gross margins and product differentiation in-store, a dedicated team has been set up to focus on vertical and emerging brands. During FY19, several exciting product initiatives will launch in Hype, including new exclusive brands, Filling Pieces and ARKK, a range of Hype branded apparel and accessories, the introduction of RM Williams boots and further range expansion of Vans and Dr. Martens. In Platypus, the focus will be on increased penetration of vertically distributed brands and owned accessories and shoe care products.

In other product initiatives, we have secured supply of new Nike and Adidas styles from FY19.

International
As flagged at the half year results release, the company is investigating expansion in a range of international markets. The evaluation of entry opportunities in several markets is ongoing along with in-market review of supplier arrangements, operational requirements and potential store sites. Our preferred model for international expansion is organic direct entry through the Platypus brand.

Outlook

Like for like retail sales for the first 7 weeks of the second-half are up 4.6%. We have continued our strategy of reduced discounting, which impacted LFL store sales in June as we cycled through a promotions period in the prior year.

The company is targeting mid-single digit EBITDA growth in FY19. This is expected to be achieved through low single digit LFL store growth, continued strong growth online, new stores, stores annualising from FY18, continued margin improvement through vertical and emerging brands and reduced discounting, which will primarily benefit margins in H1. We expect the TAF new corporate store program to be broadly earnings neutral after implementation costs in FY19 and there will be some upfront investment and expenditure incurred opening in international markets.

The company refinanced its debt facilities on 17 August 2018, in advance of their maturity. The new $154.8 million facility is provided by NAB and HSBC and consists of a combination of 3 and 5 year terms.

For the FY19 year, a dividend payout ratio of 75% to 80% of net profit after tax is targeted.

Conclusion

Your Board is delighted with the performance of the Company and would like to thank the Accent Group team, franchisees and suppliers for their hard work and results delivered in FY18.

In FY19, we intend to continue our strategy of avoiding lazy, discount-driven retailing, and instead drive profitable sustainable sales and margin growth through a world class omnichannel offering, best in class websites and fulfilment infrastructure, exciting store environments and the magic of our in-store customer experience.

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The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of Accent Group Limited (referred to hereafter as the 'Company' or 'Accent Group') and the entities it controlled at the end of, or during, the year ended 1 July 2018.

Directors

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

David Gordon
Daniel Agostinelli
Michael Hapgood
Stephen Kulmar
Brett Blundy (appointed effective 6 December 2017)
Stephen Goddard (appointed effective 23 November 2017)
Donna Player (appointed effective 23 November 2017)
Ivan Hammerschlag (resigned effective 23 November 2017)
Michael Hirschowitz (resigned effective 28 February 2018)
Hilton Brett (resigned effective 31 March 2018)
Craig Thompson (resigned effective 31 March 2018)
Daniel Gilbert (resigned effective 31 March 2018)

Company Secretaries

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

Matthew Durbin (appointed effective 23 January 2018)
Celesti Harmse (appointed effective 31 May 2018)
Leanne Ralph (resigned effective 31 May 2018)

Principal activities

Accent Group is a regional leader in the retail and distribution sectors of branded performance and lifestyle footwear, with over 400 stores across 9 different retail banners and exclusive distribution rights for 10 international brands across Australia and New Zealand.

The combined Group's brands include The Athlete's Foot, Platypus Shoes, Hype DC, Skechers, Merrell, CAT, Vans, Dr Martens, Saucony, Timberland, Sperry, Palladium and Stance.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2018 $'000	**2017 $'000**
Final dividend for the year ended 2 July 2017 (2017: 26 June 2016) of 3.00 cents (2017: 3.00 cents) per ordinary share	16,269	16,239
Interim dividend for the year ended 1 July 2018 (2017: 2 July 2017) of 3.00 cents (2017: 3.00 cents) per ordinary share	16,269	16,239
Dividends paid to non-controlling interests	81	83
	32,619	32,561

In respect of the financial year ended 1 July 2018, the directors recommended the payment of a final dividend of 3.75 cents per share franked to 100% at 30% corporate income tax rate to be paid on 27 September 2018 to the registered holders of fully paid ordinary shares as at 13 September 2018.

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Review of operations

Profit for the year attributable to the owners of the Group amounted to $43,957,000 (2 July 2017: $29,157,000).

The Operating and Financial Review of the Group for the financial year ended 1 July 2018 is provided in the Chairman and Chief Executive Officer's Report on page 2 and forms part of the Directors Report.

Significant changes in the state of affairs

On 25 November 2017 the Group changed its name from RCG Corporation Limited to Accent Group Limited. This included the change in the ASX ticker code from RCG to AX1 on 29 November 2017.

During the period, the Group issued a net total of 24,050,000 performance rights to employees. The performance rights were granted under the terms and conditions of the Company's Performance Rights Plan. The Performance Rights Plan was approved at the Company's 2016 Annual General Meeting on 25 November 2016 and the grant of the performance rights to the Executive Directors was approved at the Company's 2017 Annual General Meeting on 23 November 2017.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

The following significant events have arisen since the end of the financial year:

Vendor loan notes repayment
As part of the purchase consideration for Hype DC, the Company issued vendor loan notes to each of the vendors in proportion to their shareholding in Hype DC. The vendor loan notes of $13,125,000 which were due to be repaid by 4 August 2018 were repaid in full on 13 July 2018 from existing NAB facilities.

Release of Shares from Escrow
As part of the acquisition of Hype DC Pty Ltd by the Company under a share sale and purchase deed dated 4 July 2016, the Company issued 36,842,105 fully paid ordinary shares to the shareholders of Hype DC Pty Ltd, subject to an escrow period of 2 years. On 4 August 2018 these fully paid ordinary shares were released from Escrow.

Debt Facility Refinancing
The Company refinanced its existing debt facilities on 17 August 2018, in advance of its maturity. The Company has taken advantage of favourable loan market conditions to refinance the existing $149,900,000 facility provided by NAB. The new $154,825,000 facility, to be provided by NAB and HSBC, is split between $76,125,000 of senior debt, $58,700,000 multi-option facility and $20,000,000 of permitted indebtedness not yet drawn down. The new facility has a combination of three and five year tenure with maturity dates of August 2021 and August 2023.

Apart from the dividend declared as disclosed in note 28 and matters noted above, no other matter or circumstance has arisen since 1 July 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

All relevant future developments are outlined in the Chairman and Chief Executive Officer's Report on page 2.

Environmental regulation

The Group operates primarily within the retail and wholesale sectors and conducts its business activities with respect for the environment while continuing to meet the expectations of shareholders, customers, employees and suppliers.

During the year under review, the Directors are not aware of any particular or significant environmental issues which have been raised in relation to the Group's operations.

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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Information on directors

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name:	David Gordon
Title:	Non-Executive Chairman
Qualifications:	BCom, LLB
Experience and expertise:	David was a former Mergers and Acquisitions partner at Freehills and corporate advisory firm Wentworth Associates. He is also the founder of Lexicon Partners, an independent advisory and investment firm. He has over 30 years' experience advising companies, funds and high net worth individuals on complex corporate transactions. David is also Chairman of the Advisory Board of the Winning Group and Chairman and Director of a number of private companies. He has been a Non-Executive Director of Accent Group since October 2006 and was appointed Non-Executive Chairman in November 2017.
Special responsibilities:	Chairman of the Board and member of the Audit and Risk Committee and Remuneration and Nominations Committee.

Name:	Daniel Agostinelli
Title:	Chief Executive Officer
Experience and expertise:	Daniel oversees the day to day operations of Accent Group. He has over 30 years of retail experience and was formerly the CEO of Sanity Music and part owner of the Ghetto Shoes sneaker business. Daniel has been with Accent Group since 2006 and CEO of Accent Group since March 2015.
Special responsibilities:	None

Name:	Michael Hapgood
Title:	Co-Founder and Non-Executive Director
Experience and expertise:	A founding director and shareholder of Accent Group, Michael has extensive knowledge of the processes required to effectively launch, source and manage global brands within the Australasian market. From Accent Group's inception, Michael has been intimately involved in the development of all major strategic initiatives for the business initially from 1988 as marketing director before becoming CEO in 1998 until the sale to RCG Group in May 2015. Michael then became Accent Group's Chairman until August 2016 when all ongoing executive roles were relinquished. He continues as a Non-Executive Director and shareholder of Accent Group.
Special responsibilities:	None

Name:	Stephen Kulmar
Title:	Non-Executive Director
Experience and expertise:	Stephen is the former CEO of IdeaWorks and is currently the CEO of Retail Oasis, a retail marketing consultancy business. Stephen has over 40 years' experience in advertising and has extensive experience in retail strategy, brand strategy, channel to market strategy, business re-engineering and new retail business development. Stephen sits on a number of boards as a Non-Executive Director, including Thorn Group Limited. He has been a director since August 2007.
Special responsibilities:	Chairman of the Remuneration and Nomination Committee.

Name:	Brett Blundy (appointed effective 6 December 2017)
Title:	Non-Executive Director
Experience and expertise:	Brett is one of Australia's best known and most successful retailers and entrepreneurs. He is the Chairman and Founder of BBRC, a private investment group with diverse global interests across retail, capital management, retail property, beef, and other innovative ventures. BBRC's Retail presence extends to over 800 stores across more than 15 countries, and its Capital Management business has offices in Sydney & New York. Brett was appointed Non-Executive Director in December 2017.
Special responsibilities:	Member of the Audit and Risk Committee.

Name:	Stephen Goddard (appointed effective 23 November 2017)
Title:	Non-Executive Director
Experience and expertise:	Stephen is currently a non-executive director and Chair of the Audit and Risk Committee of GWA Group Limited and a non-executive director of JB Hi-Fi Limited and Nick Scali Limited. Stephen is a former non-executive director and Chair of the Audit and Risk Committee of both Pacific Brands Limited and Surfstitch Group Limited. He was also formerly the Finance Director and Operations Director for David Jones Limited and the founding Managing Director of Officeworks. Stephen is the Chairman of the Audit and Risk Committee and has extensive retail, finance, and board experience. Stephen was appointed Non-Executive Director in November 2017.
Special responsibilities:	Chairman of the Audit and Risk Committee.

Name:	Donna Player (appointed effective 23 November 2017)
Title:	Non-Executive Director
Experience and expertise:	Donna has over 35 years' experience in retail including senior executive positions in merchandising, planning and marketing with Big W and David Jones. Donna is currently a non-executive director of Baby Bunting Group Limited, a member of The Iconic advisory board and Merchandise Director of Camilla, Australia. Donna has a proven track record in developing and delivering retail strategy and business transformation. Donna was appointed Non-Executive Director in November 2017.
Special responsibilities:	Member of the Remuneration and Nomination Committee.

Name:	Ivan Hammerschlag (resigned effective 23 November 2017)
Title:	Former Non-Executive Chairman
Qualifications:	BCom, CTA
Experience and expertise:	Ivan has had over 35 years of specialist retail experience, including as CEO and shareholder in Freedom Furniture prior to its Initial Public Offering. He has also chaired, managed and invested in a number of other successful retail and other businesses. Ivan was Chairman of Accent Group from October 2006 until 23 November 2017.

Name:	Michael Hirschowitz (resigned effective 28 February 2018)
Title:	Former Group Chief Financial Officer and Former Finance Director
Qualifications:	BCom, BAcc
Experience and expertise:	Michael has extensive experience in retail. He joined The Athlete's Foot in 1996 and worked in various capacities before becoming Commercial Director in 2002. On the formation of RCG (now Accent Group) he became Chief Financial Officer and later the Group Chief Financial Officer until 28 February 2018.

Name:	Hilton Brett (resigned effective 31 March 2018)
Title:	Former Co-Chief Executive Officer
Qualifications:	BCom, PGDA
Experience and expertise:	Hilton has extensive retailing and franchising experience and proven skills in maximising opportunities in acquiring, growing, re-engineering and selling businesses. Hilton joined Accent Group as an Executive Director in December 2006 and assumed day-to-day responsibility for re-engineering the business through rationalisation and acquisition. Hilton was CEO from July 2012 and Co-CEO with Daniel Agostinelli from August 2016 until 31 March 2018.

Name:	Daniel Gilbert (resigned effective 31 March 2018)
Title:	Former Non-Executive Director
Experience and expertise:	Daniel was the co-founder of Hype DC which he established together with his wife, Cindy, 20 years ago with the opening of their first store in the Sydney suburb of Mosman. They have since built a substantial business which has become Australia's premier destination for premium, exclusive and limited-edition sneakers.

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Name:	Craig Thompson (resigned effective 31 March 2018)
Title:	Former Non-Executive Director
Qualifications:	BCA, LLB, Dip Acc, ACA
Experience and expertise:	Craig was a co-founder of Accent Group and was appointed Chairman upon its inception. Craig is a widely experienced company director and has been intimately involved in business in multiple sectors. Craig has held directorships in listed and private companies in media, insurance, finance, retirement villages, retailing and on-line trading sectors.

Information on Company Secretaries

Matthew Durbin (appointed effective 23 January 2018)
Matthew is Group Chief Financial Officer and joint Company Secretary. Matthew is a qualified accountant (FCPA) with 29 years' of experience in retail. Prior to joining Accent Group he was the CFO and COO of The PAS Group and has also held executive roles with David Jones in strategy, financial services and merchandise planning.

Celesti Harmse (appointed effective 31 May 2018)
Celesti is General Counsel and joint Company Secretary with over 15 years' experience practicing law across a range of industries. Celesti started her career at Minter Ellison and, prior to joining Accent Group, she held senior legal positions in the retail, distribution and technology sectors.

Leanne Ralph (resigned effective 31 May 2018)
Leanne has a wealth of experience in Company Secretarial activities particularly with listed companies. She is currently the Company Secretary of numerous listed companies as well as a number of unlisted companies. Leanne is a member of the Governance Institute.

Meetings of directors
The following table sets out the number of directors meetings (including meetings of Committees of directors) held during the year ended 1 July 2018 and the number of meetings attended by the members of the Board or the relevant committee. During the financial year, 7 Board Meetings, 4 Audit and Risk Committee meetings and 4 Remuneration and Nomination Committee meetings were held.

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
David Gordon	7	7	4	4	4	4
Daniel Agostinelli	5	7	-	-	-	-
Michael Hapgood	4	7	-	-	-	-
Stephen Kulmar	7	7	-	-	4	4
Brett Blundy	2	2	-	-	-	-
Stephen Goddard	2	3	1	1	-	-
Donna Player	3	3	-	-	2	2
Ivan Hammerschlag	4	4	3	3	2	2
Michael Hirschowitz	5	6	-	-	-	-
Hilton Brett	5	6	-	-	-	-
Craig Thompson	4	6	4	4	3	3
Daniel Gilbert	6	6	-	-	-	-

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

Remuneration report (audited)
The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

Remuneration policy

Remuneration policy is determined and executed on behalf of the Board by the Remuneration and Nomination Committee ('RNC'). The RNC consists of Stephen Kulmar (Chairman), David Gordon and Donna Player, all non-executive directors. The RNC makes recommendations to the Board on matters relating to remuneration for the entities within the Group. The RNC considers recruitment, retention and termination policies and procedures, non-executive directors' remuneration, executive directors and senior managements' remuneration and incentive policy and awards, and contractual arrangements with senior managers and executives. More detail on the Company's remuneration policy is provided in the Corporate Governance Statement.

The Group's remuneration reviews take place within three months of the end of each financial year. Prior to these reviews, the Chief Executive Officer makes recommendations to the RNC regarding the remuneration of each of his direct reports and the overall remuneration framework for all employees. The RNC meets to discuss the remuneration of the Chief Executive Officer.

The Group's remuneration policy is designed to attract, motivate and retain employees, while ensuring that the interests of employees are in line with the interests of shareholders. The Board recognises that the success of the Group hinges on the performance and abilities of its employees. Therefore, as a matter of policy, employees of the Group are remunerated on the following basis:

Base remuneration

Base remuneration is set with reference to prevailing market rates for similar positions, adjusted to account for the experience, ability and productivity of the individual employee. Base remuneration provides fixed remuneration on a total cost-to-company basis, which includes any fringe benefits to the employee as well as superannuation at 9.50% of the base remuneration up to the statutory cap. Salary packaging options are available for some employees.

Short Term Incentives (STI)

The Board believes that well designed STI plans are essential elements of remuneration as they provide tangible incentives for employees to strive for excellence. Relevant employees are eligible to earn STIs if certain pre-determined measurable financial targets are achieved. The STIs for all non-store employees are linked to base remuneration and the maximum amount that can be earned is a fixed percentage of that base remuneration. Senior Executives are eligible for bonuses, of between 20% and 100% of their base remuneration, based on the same pre-determined measurable financial targets.

Senior executives have a significant proportion of their STI tied directly to the achievement of pre-determined profit targets, either for the Group as a whole or a relevant business unit or both as the case may be. During the financial year ended 1 July 2018 the percentage of STI tied directly to these profit targets ranged between 50% and 100%. The remainder of the available STI is dependent on other measurable objectives. The RNC signs off all bonuses paid to senior executives. This STI drives a contribution to the short-term performance of the Company by being tied to the annual profit targets.

Long Term Incentives (LTI)

The Company has implemented an LTI under the Employee Option Plan ('EOP'), the Employee Share Scheme ('ESS') and the Performance Rights Plan ('PRP'). The purpose of these plans is to encourage employees to share in the ownership of the Company in order to promote the long-term success of the Company as a goal shared by the employees and to align employees' interest to that of shareholders.

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The EOP, which was implemented during the 2007 financial year, operates under the rules approved by shareholders at the 19 December 2006 Extraordinary General Meeting. As at 1 July 2018, no options issued under the EOP were outstanding. The ESS, which was implemented during the 2013 financial year, is part of the Company's long-term retention and corporate alignment strategy. As at 1 July 2018, 6,040,000 shares issued under the ESS were outstanding. The PRP operates under the rules approved by shareholders at the Company's 2016 Annual General Meeting, held on 25 November 2016. The Board intends for the PRP to replace the ESS. As at 1 July 2018, 25,260,552 rights issued under the plan were outstanding.

Remuneration of non-executive directors
On an annual basis the RNC considers the fees payable to non-executive directors. When considering the level of fees, the Committee undertakes a survey of the market and accesses independent advice as well as drawing on the knowledge and experience of its members. The remuneration committee makes recommendations on non-executive director fees to the Board. Non-executive directors can choose, subject to certain restrictions, the amount of their fees allotted to superannuation.

In summary, the Board believes that the remuneration policies in place align the interests of all employees with those of the Company's shareholders while at the same time enabling the Group to retain a high-quality team of executives.

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

Eligibility and grant of performance rights
The Board may, from time to time, grant performance rights to an employee of the Group who the Board determines to be eligible to participate in the PRP. The performance rights granted are under the terms and conditions of the PRP and may include additional terms and conditions, including any performance conditions, as the Board determine. The Board may only grant performance rights where an employee continues to satisfy any relevant conditions imposed by the Board.

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Name	Performance condition	Number of rights granted	Grant date	Vesting date	Expiry date	Fair value per right at grant date	Total value of rights granted
D Agostinelli	TSR	185,763	11/01/2017	09/09/2019	09/11/2019	$0.76	141,180
	EPS	185,763	11/01/2017	09/09/2019	09/11/2019	$1.28	237,777
	EPS	5,500,000	27/12/2017	31/08/2022	30/10/2022	$0.55	3,025,000
M Durbin	EPS	3,000,000	03/10/2017	31/08/2022	30/10/2022	$0.55	1,650,000

The Group recognises the fair value at the grant date of equity settled shares above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using Monte-Carlo simulation and Binomial option pricing models where applicable. For the performance rights to vest, the Company's compound annual growth in adjusted diluted earnings per share ('ADEPS') must equal or exceed 10% over a five-year period. If the performance condition is met, 100% of the performance rights vest at the end of the five-year period. If the performance condition is not met, 0% of the performance rights vest.

Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate.

Use of remuneration consultants
During the year, the Company did not engage independent consultants to provide information on remuneration matters.

Voting and comments made at the Company's 2017 Annual General Meeting ('AGM') held on 23 November 2017
At the 2017 AGM, 82.42% of the votes received supported the adoption of the remuneration report for the year ended 2 July 2017. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

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Details of remuneration

Amounts of remuneration
The key management personnel of the Group consisted of the following directors of Accent Group Limited:

- David Gordon
- Daniel Agostinelli
- Michael Hapgood
- Stephen Kulmar
- Brett Blundy (appointed effective 6 December 2017)
- Stephen Goddard (appointed effective 23 November 2017)
- Donna Player (appointed effective 23 November 2017)
- Ivan Hammerschlag (resigned effective 23 November 2017)
- Michael Hirschowitz (resigned effective 28 February 2018)
- Hilton Brett (resigned effective 31 March 2018)
- Craig Thompson (resigned effective 31 March 2018)
- Daniel Gilbert (resigned effective 31 March 2018)

And the following person:

- Matthew Durbin - Chief Financial Officer (appointed effective 18 December 2017)

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

	Short-term benefits				Post-employment benefits	Share-based payments	
2018	Cash salary and fees $	Cash bonus $	Other monetary ** $	Leave benefits $	Super-annuation $	Equity-settled $	Total $
Non-Executive Directors:							
D Gordon	177,044	-	-	-	16,819	-	193,863
M Hapgood	96,813	-	-	-	-	-	96,813
S Kulmar	98,174	-	-	-	9,327	-	107,501
B Blundy	56,720	-	-	-	-	-	56,720
S Goddard	59,499	-	-	-	5,652	-	65,151
D Player	58,331	-	-	-	-	-	58,331
I Hammerschlag	117,349	-	-	-	-	-	117,349
C Thompson	83,220	-	-	-	-	-	83,220
D Gilbert	68,493	-	-	-	6,507	-	75,000
Executive Directors:							
D Agostinelli *	916,190	900,000	36,444	35,477	25,000	369,942	2,283,053
M Hirschowitz **	288,472	-	702,093	24,194	18,854	-	1,033,613
H Brett **	593,382	675,000	1,011,661	55,368	18,750	(24,479)	2,329,682
Other Key Management Personnel:							
M Durbin *	253,308	218,750	-	5,714	10,820	241,233	729,825
	2,866,995	1,793,750	1,750,198	120,753	111,729	586,696	7,230,121

* Cash bonuses relate to STI bonuses issued on the basis of the achievement of relevant performance measures for the year ended 1 July 2018 and were approved by the Remuneration and Nomination Committee in August 2018. Share based payments represent performance rights issued during the year. The fair value of performance rights is measured at grant date and progressively allocated to profit and loss over a five-year period. The amount included in remuneration above may not be indicative of the benefit (if any) that key management personnel may ultimately realise should the performance rights vest.

** Other monetary short term benefits represents payments and entitlements upon retirement from the Group.

	Short-term benefits			Post-employment benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Other monetary $	Leave benefits $	Super-annuation $	Equity-settled $	Total $
Non-Executive Directors:							
D Gordon	98,174	-	-	-	9,326	-	107,500
M Hapgood	96,445	-	-	-	-	-	96,445
S Kulmar	98,174	-	-	-	9,326	-	107,500
I Hammerschlag	250,000	-	-	-	-	-	250,000
C Thompson	96,445	-	-	-	-	-	96,445
D Gilbert	26,344	-	-	-	2,502	-	28,846
Executive Directors:							
D Agostinelli	565,000	300,000	33,198	40,010	37,500	24,479	1,000,187
H Brett	560,000	540,800	10,000	38,923	30,000	24,479	1,204,202
M Hirschowitz	454,000	212,400	16,000	33,123	30,000	-	745,523
D Gilbert	298,269	-	-	-	19,038	-	317,307
M Cooper	679,523	23,542	7,405	-	30,000	-	740,470
	3,222,374	1,076,742	66,603	112,056	167,692	48,958	4,694,425

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	STI Cash bonus paid/payable 2018	STI Cash bonus paid/payable* 2017	STI Cash bonus forfeited 2018	STI Cash bonus forfeited 2017
Executive Directors:				
Daniel Agostinelli	100%	-	-	100%
Michael Hirschowitz	-	-	-	100%
Hilton Brett **	75%	-	-	100%
Other Key Management Personnel:				
Matthew Durbin **	75%	-	-	-

* Executive directors did not meet their STI targets for FY17. The amounts shown above were discretionary and not part of any STI or LTI plan.
** STI cash bonus payable for FY18 have been pro-rated based on length of employment.

Service agreements
The remuneration and other terms of employment for key management personnel are set out in individual Company employment agreements that are not fixed term contracts.

Termination of Daniel Agostinelli is subject to 12 months' notice in writing provided by either party and the termination of Matthew Durbin is subject to 6 months' notice in writing provided by either party.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 1 July 2018.

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Options
There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 1 July 2018.

Performance rights
The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years is detailed in 'Principles used to determine the nature and amount of remuneration' section above.

Performance rights granted carry no dividend or voting rights.

Additional information
The following tables show the gross revenue, profits and dividends for the last five years for the listed entity, as well as the share price capitalisation at the end of the respective financial years.

The earnings of the Group for the five years to 1 July 2018 are summarised below:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Revenue	703,181	636,153	442,723	135,872	81,190
Net profit from continuing operations	44,000	29,352	30,183	10,549	11,770
Net profit attributable to owners of the company	43,957	29,157	29,924	10,323	11,696
Dividends	32,619	32,561	23,513	11,963	10,942

	2018	2017	2016	2015	2014
Share price at financial year end ($)	1.65	0.86	1.48	1.21	0.63
Shares on issue ('000)	541,791	542,291	490,304	436,265	254,094

The tables above show that there has been a general trend of increasing net profit from continuing operations. The share price is subject to share market volatility and is beyond the control of the Company.

The Board is of the opinion that these results can be attributed in part to the previously described remuneration policy and is satisfied that it has contributed to increasing shareholder wealth over the past five years.

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Additional disclosures relating to key management personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions/ (disposals)	Other**	Balance at the end of the year
Ordinary shares					
David Gordon	6,599,034	-	-	-	6,599,034
Daniel Agostinelli	14,285,712	-	2,103,000	-	16,388,712
Michael Hapgood	28,571,425	-	(14,000,000)	-	14,571,425
Stephen Kulmar	803,750	-	96,250	-	900,000
Brett Blundy*	97,539,693	-	-	-	97,539,693
Stephen Goddard	-	-	50,000	-	50,000
Donna Player	-	-	-	-	-
Ivan Hammerschlag	6,445,881	-	-	(6,445,881)	-
Michael Hirschowitz	4,613,520	-	(2,500,000)	(2,113,520)	-
Hilton Brett	3,825,972	-	-	(3,825,972)	-
Craig Thompson	71,428,562	-	(36,000,000)	(35,428,562)	-
Daniel Gilbert	12,894,737	-	-	(12,894,737)	-
	247,008,286	-	(50,250,750)	(60,708,672)	136,048,864

* 'Balance at start of the year' is balance as at date of appointment for directors appointed during the financial year.
** Other represents the key management personnel that have resigned during the period and, therefore, any shareholding associated with them has been removed from this table.

Option holding
There were no options in the Company held during the financial year by a director or other members of key management personnel of the Group, including their personally related parties.

Performance rights holding
The number of performance rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Vested	Expired/ forfeited/ other*	Balance at the end of the year
Performance rights over ordinary shares					
Daniel Agostinelli	371,526	5,500,000	-	-	5,871,526
Hilton Brett	371,526	5,500,000	-	(5,871,526)	-
Michael Hirschowitz	247,684	-	-	(247,684)	-
Matthew Durbin	-	3,000,000	-	-	3,000,000
	990,736	14,000,000	-	(6,119,210)	8,871,526

* Other represents the key management personnel that have resigned during the period and, therefore, any performance rights holding associated with them has been removed from this table.

Loans to key management personnel and their related parties
The following loans were held by key management personnel at the beginning and end of the year:

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	Consolidated	
	2018	2017
	$	$
Loans to/(from) key management personnel:		
- Ivan Hammerschlag (interest free) *	-	78,200
- Craig Thompson (interest free)***	-	(200,000)
- Daniel Gilbert (interest at 6% per annum)**	(4,593,750)	(4,593,750)
	(4,593,750)	(4,715,550)

* Under the EOP approved by the shareholders at the Extraordinary General Meeting held on 19 December 2006, the Company provided loans to option recipients in respect of the option fees payable for the right to acquire the options.
** Relates to vendor finance component of Hype DC acquisition.
*** Relates to vendor finance component of Accent acquisition outstanding at balance date. Loan is repayable at call.

This concludes the remuneration report, which has been audited.

Shares under option and issued under the Employee Share Scheme and other Treasury shares
There were no unissued ordinary shares of Accent Group under option. Unvested ordinary shares of Accent Group Limited under the ESS at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
28/02/2013	28/08/2018	$0.490	993,333
03/12/2013	03/06/2019	$0.690	66,666
02/10/2014	30/03/2020	$0.590	1,083,334
30/03/2015	30/09/2020	$0.730	146,667
27/05/2015	30/09/2020	$0.730	1,750,000
27/05/2015	30/09/2020	$1.010	500,000
28/08/2015	30/08/2020	$1.140	1,100,000
13/05/2016	28/02/2021	$1.490	400,000
			6,040,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares under performance rights
Unissued ordinary shares of Accent Group under performance rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
11/01/2017	09/11/2019	1,210,552
03/10/2017	30/10/2022	16,950,000
27/12/2017	30/10/2022	6,700,000
20/06/2018	30/10/2022	400,000
		25,260,552

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

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Shares issued on the exercise of options
There were no ordinary shares of Accent Group issued on the exercise of options during the year ended 1 July 2018 and up to the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of Accent Group Limited issued on the exercise of performance rights during the year ended 1 July 2018 and up to the date of this report.

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

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

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

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

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

During the year no proceedings were brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 32 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Company who are former partners of Deloitte Touche Tohmatsu
There are no officers of the Company who are former partners of Deloitte Touche Tohmatsu.

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

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

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

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

On behalf of the directors



David Gordon
Chairman

28 August 2018
Melbourne

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Deloitte.

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

The Board of Directors
Accent Group Limited
719 Elizabeth Street
Waterloo NSW 2017

28 August 2018

Dear Board Members,

Accent Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Accent Group Limited.

As lead audit partner for the audit of the financial statements of Accent Group Limited for the year ended 1 July 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Deloitte Touche Tohmatsu

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited.

Accent Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 1 July 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue	5	703,181	636,153
Other income/(expenses)	6	2	(51)
Expenses			
Finished goods used		(292,100)	(320,332)
Changes in inventories of finished goods		(13,390)	33,408
Employee benefits expense		(145,508)	(129,671)
Depreciation and amortisation expense	7	(24,133)	(21,665)
Impairment of brand name	7	-	(9,714)
Write off-of assets	7	(65)	-
Rental expense on operating leases		(81,644)	(70,904)
Advertising and promotion expenses		(24,425)	(20,697)
Travel and telecommunication expenses		(5,962)	(4,447)
Warehousing and freight expenses		(22,107)	(19,938)
Other expenses		(28,350)	(26,663)
Finance costs	7	(4,581)	(4,055)
Profit before income tax expense		60,918	41,424
Income tax expense	8	(16,918)	(12,072)
Profit after income tax expense for the year		44,000	29,352
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		7,434	1,431
Foreign currency translation		(440)	43
Other comprehensive income for the year, net of tax		6,994	1,474
Total comprehensive income for the year		50,994	30,826
Profit for the year is attributable to:			
Non-controlling interest		43	195
Owners of Accent Group Limited		43,957	29,157
		44,000	29,352
Total comprehensive income for the year is attributable to:			
Non-controlling interest		43	195
Owners of Accent Group Limited		50,951	30,631
		50,994	30,826
		Cents	**Cents**
Basic earnings per share	42	8.23	5.54
Diluted earnings per share	42	8.20	5.49

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

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Accent Group Limited
Statement of financial position
As at 1 July 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	9	38,772	46,279
Trade and other receivables	10	18,370	19,856
Inventories	11	98,556	111,946
Derivative financial instruments	12	4,614	-
Other current assets	13	1,367	3,259
Total current assets		161,679	181,340
Non-current assets			
Receivables	14	341	705
Derivative financial instruments	15	676	-
Property, plant and equipment	16	74,664	74,800
Intangibles	17	345,051	347,758
Deferred tax	18	22,310	18,501
Total non-current assets		443,042	441,764
Total assets		604,721	623,104
Liabilities			
Current liabilities			
Trade and other payables	19	80,965	88,849
Borrowings	20	22,625	15,097
Derivative financial instruments	21	251	5,054
Provision for income tax	22	10,497	7,990
Employee benefits		6,107	4,893
Deferred lease incentives		7,174	4,949
Total current liabilities		127,619	126,832
Non-current liabilities			
Borrowings	23	51,000	88,625
Derivative financial instruments	24	184	710
Deferred tax	25	15,447	13,685
Employee benefits		64	613
Deferred lease incentives		18,494	21,987
Total non-current liabilities		85,189	125,620
Total liabilities		212,808	252,452
Net assets		391,913	370,652
Equity			
Issued capital	26	386,973	385,310
Reserves		12,151	3,208
Accumulated losses		(8,184)	(19,603)
Equity attributable to the owners of Accent Group Limited		390,940	368,915
Non-controlling interest	27	973	1,737
Total equity		391,913	370,652

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

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Accent Group Limited
Statement of changes in equity
For the year ended 1 July 2018

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 26 June 2016	319,319	3,135	(5,466)	3,721	(16,282)	1,860	306,287
Profit after income tax expense for the year	-	-	-	-	29,157	195	29,352
Other comprehensive income for the year, net of tax	-	43	1,431	-	-	-	1,474
Total comprehensive income for the year	-	43	1,431	-	29,157	195	30,826
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	-	344	-	-	344
Exercise of options	995	-	-	-	-	-	995
Issue of shares for acquisition	62,926	-	-	-	-	-	62,926
Treasury share payments	2,070	-	-	-	-	-	2,070
Non-controlling interest on disposals	-	-	-	-	-	(235)	(235)
Dividends paid (note 28)	-	-	-	-	(32,478)	(83)	(32,561)
Balance at 2 July 2017	385,310	3,178	(4,035)	4,065	(19,603)	1,737	370,652

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 3 July 2017	385,310	3,178	(4,035)	4,065	(19,603)	1,737	370,652
Profit after income tax expense for the year	-	-	-	-	43,957	43	44,000
Other comprehensive income for the year, net of tax	-	(440)	7,434	-	-	-	6,994
Total comprehensive income for the year	-	(440)	7,434	-	43,957	43	50,994
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	-	1,949	-	-	1,949
Treasury share payments	1,663	-	-	-	-	-	1,663
Non-controlling interest on disposals	-	-	-	-	-	(726)	(726)
Dividends paid (note 28)	-	-	-	-	(32,538)	(81)	(32,619)
Balance at 1 July 2018	386,973	2,738	3,399	6,014	(8,184)	973	391,913

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

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Accent Group Limited
Statement of cash flows
For the year ended 1 July 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		782,723	705,267
Payments to suppliers and employees (inclusive of GST)		(689,233)	(637,777)
Interest received		804	986
Interest and other finance costs paid		(4,581)	(4,055)
Income taxes paid		(19,645)	(19,002)
Net cash from operating activities	40	70,068	45,419
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired and minority interest	37	-	(30,579)
Net acquisition of franchise stores		(424)	-
Payments for property, plant and equipment		(15,927)	(23,885)
Payments for intangibles		-	(288)
Proceeds from disposal of property, plant and equipment		33	-
Net cash used in investing activities		(16,318)	(54,752)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		1,663	2,809
Proceeds from borrowings		-	42,000
Repayment of loans from option recipients		184	256
Repayment of borrowings		(29,500)	(2,000)
Dividends paid		(32,619)	(32,561)
Net cash from/(used in) financing activities		(60,272)	10,504
Net increase/(decrease) in cash and cash equivalents		(6,522)	1,171
Cash and cash equivalents at the beginning of the financial year		45,682	44,573
Effects of exchange rate changes on cash and cash equivalents		(388)	(62)
Cash and cash equivalents at the end of the financial year	9	38,772	45,682

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

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Note 1. General information

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

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

719 Elizabeth Street
Waterloo NSW 2017

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

On 25 November 2017 the Group changed its name from RCG Corporation Limited to Accent Group Limited. This included the change in the ASX ticker code from RCG to AX1 on 29 November 2017.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 August 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016
- AASB 1048 Interpretations of Standards

The Group has applied the amendments to AASB 107 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowing. A reconciliation between the opening and closing balances of these items is provided in Note 20 and 23. Consistent with the transition provision of the amendments, the Group has not disclosed comparative information for the prior period.

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Group.

Basis of preparation

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

Historical cost convention

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

Note 2. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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 36.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Accent Group Limited as at 1 July 2018 and the results of all subsidiaries for the year then ended.

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

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

Foreign currency translation

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.

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

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

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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Note 2. Significant accounting policies (continued)

Sale of goods
This comprises revenue earned from sale of goods to customers, net of actual returns, and is recognised when control of the goods passes to the customer.

Franchise establishment fees
Franchise establishment fees are recognised as income in the period when all services are completed in accordance with the Franchise Agreement.

Marketing levies
Marketing levies are recognised in the period the sales are recorded by the The Athletes Foot ('TAF') stores. Marketing levies are collected by the Group for specific use within the TAF Marketing Fund, which is operated on behalf of the TAF stores. Expenses in relation to the marketing of TAF stores are recorded within advertising and promotion expenses in profit or loss.

Royalty fees
Royalty fees are recognised as income on an accruals basis in the same period that the sales on which royalties are charged are recognised by franchisees.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Supplier rebate
Supplier rebates generated on purchases made by franchisees are accounted for on an accruals basis and are recognised as income in the same period to which the supplier invoice relates.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

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

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

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

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

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

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

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Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days of statement date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Finished goods are stated at the lower of cost and net realisable value on an average costing basis. Cost comprises of the purchase price and associated delivery costs.

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Note 2. Significant accounting policies (continued)

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

Derivative financial instruments
The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange risk, including foreign exchange forward contracts and interest rate swaps. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges
Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets
The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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Note 2. Significant accounting policies (continued)

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:

Plant and equipment	5 to 8 years
Assets under construction	Not depreciated

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Depreciation commences once the asset is available for use as intended.

Plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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

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

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

Brands and trademarks
Brands and trademarks are recognised at cost on acquisition. Brands and trademarks have indefinite useful lives and are carried at cost less any accumulated impairment loss. Brands and trademarks are tested for impairment annually and wherever there is an indication that they may be impaired. Any impairment is recognised immediately in profit or loss.

Licence fees
The TAF Licence Fee intangible asset arose on the acquisition of a 249 year royalty-free licence for the use of the TAF branding and trademarks. This intangible is being amortised on a straight line basis over the license term.

Distribution rights
Distribution rights arising on the acquisition of Accent Group are being amortised on a straight line basis over the remaining term of the respective distribution agreements.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

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Note 2. Significant accounting policies (continued)

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

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

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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

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

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either a Monte Carlo simulation or the Black-Scholes option pricing model, as appropriate, that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with any market-based performance conditions and non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment.

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

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

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

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Note 2. Significant accounting policies (continued)

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

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Reserves

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. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Issued capital
Ordinary shares are classified as equity.

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

Dividends
Dividends are recognised when declared during the financial year.

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

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Note 2. Significant accounting policies (continued)

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

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

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

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

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

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

Earnings per share

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

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Note 2. Significant accounting policies (continued)

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

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 1 July 2018. 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 9 Financial Instruments
AASB 9 'Financial Instruments' replaces AASB 39 'Financial Instruments: Recognition and Measurement'. The standard is effective for periods beginning on or after 1 January 2018 and therefore will be effective in the Group financial statements in the year ending on or around 30 June 2019. The standard introduces changes to three key areas: – new requirements for the classification and measurement of financial instruments; – a new impairment model based on expected credit losses for recognising provisions; and – simplified hedge accounting through closer alignment with an entity's risk management methodology. The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements from the application date of 2 July 2018.

AASB 15 Revenue from Contracts with Customers
AASB 15 'Revenue from Contracts with Customers' is effective for periods beginning on or after 1 January 2018 and therefore will be effective in the Group financial statements on or around 30 June 2019. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is transferred. In doing so, the standard applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards. The Group has completed its assessment of the impact of AASB 15 and based on the straightforward nature of the Group's revenue streams with the recognition of the majority of its revenue at the point of sale and the absence of significant judgement required in determining the timing of transfer of control, the adoption of AASB 15 will not have a material impact on the timing or nature of the Group's revenue recognition.

AASB 16 Leases
AASB 16 'Leases' is effective for periods beginning on or after 1 January 2019 and therefore will be effective in the Group financial statements in the year ended on or around 30 June 2020. The standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees and will replace the current lease accounting requirements. For lessees, AASB 16 removes distinctions between operating leases and finance leases. These are replaced by a model where a right of use asset and a corresponding liability are recognised for all leases except for short-term leases and low value assets. In contrast to lessee accounting, AASB 16 continues to require a lessor to classify a lease either as an operating lease or a finance lease. The Group has established a committee which includes members from finance, treasury and property functions to oversee the governance of the implementation of this standard and the financial implications upon implementation. During the current period the Group has made progress in a number of areas including the identification of leases and contracts that could be determined to include a lease; the collation of lease data required for the calculation of the impact assessment; identification of areas of complexity or judgement relevant to the Group; identification of necessary changes to systems and processes required to enable reporting and accounting in accordance with AASB 16. From the work performed to date and based on the undiscounted lease commitments presented in note 34, it is anticipated that implementation of the new standard will have a significant impact on the reported assets and liabilities of the Group. In addition, the implementation of the standard will impact the income statement and classification of cash flows. A reliable estimate of the financial impact on the Group's consolidated results is dependent on a number of unresolved areas, including; choice of transition option and refinement of approach to discount rates. In addition, the financial impact is dependent on the facts and circumstances at the time of transition. For these reasons, it is not yet practicable to determine a reliable estimate of the financial impact on the Group.

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Note 2. Significant accounting policies (continued)

IASB revised Conceptual Framework for Financial Reporting
The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent has yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Note 3. Critical accounting judgements, estimates and assumptions

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

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either a Monte-Carlo simulation model or the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence. To the extent that these judgements and estimates prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods.

Goodwill and other indefinite life intangible assets
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. There are a number of key estimates made which require significant judgement in determining the inputs into these models which include:

- Revenue growth;
- Operating margins;
- Royalty rates (used in relief from royalty brand valuation model); and
- Discount rates applied to the projected future cash flows.

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Note 4. Operating segments

During the financial year, the Group continued the restructure of its operations which included the integration of the RCG Brands, Accent and The Athlete's Foot businesses into a single integrated multi-channel retailer of performance and lifestyle footwear. As a result of the restructure, the information reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources was also restructured, with information used for decision making based on the consolidated Group. Accordingly, reporting of segment information in the format of that in the year ended 2 July 2017 is no longer appropriate. The operating segment information for the current year is the same information as provided throughout the financial statements.

The CODM assesses the performance of the operations based on EBITDA (earnings before interest, tax, depreciation and amortisation) of the Group on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Note 5. Revenue

	Consolidated	
	2018 $'000	**2017 $'000**
Sales revenue		
Sales to customers	675,571	607,107
Royalties and other franchise related income	16,269	17,120
	691,840	624,227
Other revenue		
Marketing levies received from TAF stores	7,487	8,371
Interest	804	986
Other revenue	3,050	2,569
	11,341	11,926
Revenue	703,181	636,153

Note 6. Other income/(expenses)

	Consolidated	
	2018 $'000	**2017 $'000**
Net foreign exchange gain/(loss)	2	(65)
Net gain on disposal of property, plant and equipment	-	14
Other income/(expenses)	2	(51)

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Note 7. Expenses

	Consolidated	
	2018 $'000	**2017 $'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	21,491	18,434
Amortisation		
Licence fee	31	31
Distribution rights	2,323	2,791
Other intangible assets	288	144
TAF Partnership store closure	-	265
Total amortisation	2,642	3,231
Total depreciation and amortisation	24,133	21,665
Impairment of brand names		
Hype DC brand name	-	9,714
Write-off of assets		
Instride brand	65	-
Finance costs		
Interest and finance charges paid/payable	4,581	4,055
Superannuation expense		
Defined contribution superannuation expense	10,558	7,159
Share-based payments expense		
Share-based payments expense	1,949	344

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Note 8. Income tax expense

	Consolidated 2018 $'000	Consolidated 2017 $'000
Income tax expense		
Current tax	23,345	21,543
Deferred tax - origination and reversal of temporary differences	(5,275)	(8,716)
Adjustment recognised for prior periods	(1,152)	(755)
Aggregate income tax expense	16,918	12,072
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 18)	(5,580)	(7,849)
Increase/(decrease) in deferred tax liabilities (note 25)	305	(867)
Deferred tax - origination and reversal of temporary differences	(5,275)	(8,716)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	60,918	41,424
Tax at the statutory tax rate of 30%	18,275	12,427
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	64	57
Share-based payments	585	103
Sundry items	(677)	319
	18,247	12,906
Adjustment recognised for prior periods	(1,152)	(755)
Difference in overseas tax rates	(177)	(79)
Income tax expense	16,918	12,072

	Consolidated 2018 $'000	Consolidated 2017 $'000
Amounts charged directly to equity		
Deferred tax assets (note 18)	1,771	-
Deferred tax liabilities (note 25)	1,457	-
	3,228	-

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Capital losses	7,199	7,198
Total deferred tax assets not recognised	7,199	7,198

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

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Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Cash on hand	186	191
Cash at bank	38,586	46,088
	38,772	46,279

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	38,772	46,279
Bank overdraft (note 20)	-	(597)
Balance as per statement of cash flows	38,772	45,682

Note 10. Current assets - trade and other receivables

	Consolidated	
	2018 $'000	2017 $'000
Trade receivables	18,960	17,732
Less: Provision for impairment of receivables	(1,229)	(1,180)
	17,731	16,552
Other receivables	639	3,304
	18,370	19,856

Refer to note 29 for further information on financial instruments.

Note 11. Current assets - inventories

	Consolidated	
	2018 $'000	2017 $'000
Finished goods held at lower of cost or net realisable value	98,556	111,946

Note 12. Current assets - derivative financial instruments

	Consolidated	
	2018 $'000	2017 $'000
Forward foreign exchange contracts - cash flow hedges	4,614	-

Refer to note 30 for further information on fair value measurement.

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Note 13. Current assets - other current assets

	Consolidated	
	2018 $'000	**2017 $'000**
Prepayments	1,217	2,383
Other current assets	150	876
	1,367	3,259

Note 14. Non-current assets - receivables

	Consolidated	
	2018 $'000	**2017 $'000**
Loans to outside shareholders in TAF Partnership stores	341	705

The loans to outside shareholders in TAF Partnership stores are secured over the minority shareholders' share in the underlying TAF Partnership store entities.

Note 15. Non-current assets - derivative financial instruments

	Consolidated	
	2018 $'000	**2017 $'000**
Forward foreign exchange contracts - cash flow hedges	676	-

Refer to note 30 for further information on fair value measurement.

Note 16. Non-current assets - property, plant and equipment

	Consolidated	
	2018 $'000	**2017 $'000**
Plant and equipment - at cost	150,071	120,445
Less: Accumulated depreciation	(77,084)	(46,947)
	72,987	73,498
Assets under construction - at cost	1,677	1,302
	74,664	74,800

Note 16. Non-current assets - 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:

Consolidated	Plant and equipment $'000	Assets under construction $'000	Total $'000
Balance at 26 June 2016	41,877	743	42,620
Additions *	39,637	559	40,196
Additions through business combinations (note 37)	11,747	-	11,747
Disposals	(1,248)	-	(1,248)
Exchange differences	(81)	-	(81)
Depreciation expense	(18,434)	-	(18,434)
Balance at 2 July 2017	73,498	1,302	74,800
Additions *	22,771	375	23,146
Disposals	(1,740)	-	(1,740)
Exchange differences	(51)	-	(51)
Depreciation expense	(21,491)	-	(21,491)
Balance at 1 July 2018	72,987	1,677	74,664

* Contributions of $7,219,000 (2017: $15,423,000) to store fit-out costs have been received from landlords and suppliers. These amounts have been netted off against actual fit-out costs incurred by the Group for cash flow disclosure purposes.

Note 17. Non-current assets - intangibles

	Consolidated	
	2018 $'000	**2017 $'000**
Goodwill - at cost	293,975	294,328
Brands and trademarks - at cost	44,825	44,825
Less: Accumulated impairment	(9,714)	(9,714)
	35,111	35,111
Licence fees - The Athlete's Foot - at cost	7,832	7,832
Less: Accumulated amortisation	(265)	(234)
	7,567	7,598
Distribution rights - at cost	16,800	16,800
Less: Accumulated amortisation	(8,690)	(6,367)
	8,110	10,433
Other intangible assets - The Athlete's Foot - at cost	720	432
Less: Accumulated amortisation	(432)	(144)
	288	288
	345,051	347,758

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Note 17. Non-current assets - intangibles (continued)

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

Consolidated	Goodwill $'000	Brands and trademarks $'000	Licence fees $'000	Distribution rights $'000	Other intangible assets $'000	Total $'000
Balance at 26 June 2016	210,455	14,566	7,630	13,224	-	245,875
Additions	-	-	61	-	432	493
Additions through business combinations (note 37)	84,138	30,259	-	-	-	114,397
Disposals	(265)	-	-	-	-	(265)
Impairment of assets	-	(9,714)	-	-	-	(9,714)
Amortisation expense	-	-	(93)	(2,791)	(144)	(3,028)
Balance at 2 July 2017	294,328	35,111	7,598	10,433	288	347,758
Write off of assets	(65)	-	-	-	-	(65)
Other	(288)	-	-	-	288	-
Amortisation expense	-	-	(31)	(2,323)	(288)	(2,642)
Balance at 1 July 2018	293,975	35,111	7,567	8,110	288	345,051

Impairment testing of goodwill
The accounting standards state that an impairment test must be performed annually for goodwill. Further, companies must also assess at each reporting date whether there is any indication that the asset may be impaired and, if so, perform an impairment test. In the current year, management restructured the business with the eventual goal of achieving a fully integrated wholesale and retail footwear business. Following these changes, the Chief Operating Decision Makers, being the board of directors, assess the results of the business and allocate resources on a Group basis. As the divisional operations are no longer monitored as separate businesses by management, and the synergies within the business are shared between the brands, goodwill is tested and monitored on a group basis. Consequently, the goodwill that originated from the Accent, The Athlete's Foot and RCG Brands businesses has been combined into a single CGU for impairment testing purposes.

Management conduct impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets.

The impairment tests at 1 July 2018 were carried out based on value in use calculations. The recoverable amounts were determined using estimated cash flows that were based on the Groups five year strategic plan which was presented to the Board of Directors on 1 June 2018. The strategic plan included calculations and assumptions on sales growth, gross margin and cost of doing business ('CODB'). The assumptions were based on past experience and the Company's forecast operating and financial performance. The cash flows beyond the five year period have been extrapolated using a steady state 3.0% long term growth rate (2017: 2.5% to 3.0%). Cash flows were discounted to present value using a mid-point pre-tax discount rate of 10.5%. The discount rate was derived from the Group's weighted average cost of capital.

There is no indication of impairment at balance date.

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

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Note 17. Non-current assets - intangibles (continued)

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Carrying amount of brand names and trademarks:		
The Athlete's Foot	3,466	3,466
Accent Group	11,100	11,100
Hype DC	20,545	20,545
Brands and trademarks	35,111	35,111

Impairment testing of brands and trademarks
The accounting standards state that an impairment test must be performed annually for indefinite life intangible assets such as brands and trademarks. Further, companies must also assess at each reporting date whether there is any indication that the asset may be impaired and, if so, perform an impairment test.

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

The five year revenue forecast is based on the Group's five year strategic plan which was presented to the Board of Directors on 1 June 2018. The five year strategic plan was based on past experience and the Company's forecast operating and financial performance. As part of the impairment test for brand valuation, management assesses the reasonableness of growth rate assumptions by reviewing revenue projections against actual revenue. Revenue beyond the five year period applied a terminal growth rate of 2.0% for store revenue growth and 5.0% to 7.5% for online revenue growth.

The royalty rates used in the valuation model are based on rates observed in the market. Royalty rates applied in the valuation model for the current year were brand specific: Accent Group 2.0%, Hype 2.15% and The Athlete's Foot 2.0% and 6.0% for franchise revenue.

The tax rate applied in the valuation model is based on the corporate tax rate in Australia of 30.0%.

There is no indication of impairment at balance date. In 2017, the Group recognised an impairment against the Hype DC brand of $9,714,000.

No additional impairment or reversal of impairment was required at 1 July 2018.

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Note 18. Non-current assets - deferred tax

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	152	197
Provision for doubtful debts	346	337
Provision for shrinkage and stock obsolescence	2,290	2,252
Provision for employee entitlements	3,531	1,648
Other provisions and accrued expenses	238	1,453
Business capital expenditure	177	302
Difference in accounting and tax depreciation	6,696	2,362
Borrowing costs	79	121
Landlord and supplier contributions	7,945	8,200
Other	856	(100)
	22,310	16,772
Amounts recognised in equity:		
Derivative financial instruments	-	1,729
Deferred tax asset	22,310	18,501
Movements:		
Opening balance	18,501	10,652
Credited to profit or loss (note 8)	5,580	7,849
Charged to equity (note 8)	(1,771)	-
Closing balance	22,310	18,501

Note 19. Current liabilities - trade and other payables

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Trade payables	39,720	55,939
Goods and services tax payable	3,138	4,149
Accrued expenses	27,508	21,586
Other payables	10,599	7,175
	80,965	88,849

Refer to note 29 for further information on financial instruments.

Note 20. Current liabilities - borrowings

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Bank overdraft	-	597
Bank loans	9,500	4,500
Working capital facility	-	10,000
Vendor loan notes	13,125	-
	22,625	15,097

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

	Borrowings
	$'000
Carrying amount at start of the year	15,097
Repayments	(15,097)
Amounts transferred from non-current (note 23)	22,625
Carrying amount at end of the year	22,625

Vendor loan notes
As part of the purchase consideration for Hype DC, the Group issued vendor loan notes to each of the vendors. The vendor loan notes were issued to each of Daniel Gilbert, Cindy Gilbert and Pittman Pty Ltd in proportion to their shareholding in Hype DC. The vendor loan notes are unsecured and subordinated to the senior bank debt pursuant to a subordination deed. Interest is paid at 6% per annum. The vendor loan notes were repaid in July 2018 in their entirety.

Refer to note 23 for further information on assets pledged as security and financing arrangements.

Refer to note 29 for further information on financial instruments.

Note 21. Current liabilities - derivative financial instruments

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Forward foreign exchange contracts - cash flow hedges	-	5,054
Interest rate swap contracts - cash flow hedges	251	-
	251	5,054

Refer to note 29 for further information on financial instruments.

Refer to note 30 for further information on fair value measurement.

Note 22. Current liabilities - provision for income tax

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Provision for income tax	10,497	7,990

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Note 23. Non-current liabilities - borrowings

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Bank loans	51,000	60,500
Capex facility	-	15,000
Vendor loan notes	-	13,125
	51,000	88,625

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

	Borrowings
	$'000
Carrying amount at start of the year	88,625
Repayments	(15,000)
Amounts transferred to current (note 20)	(22,625)
Carrying amount at end of the year	51,000

Refer to note 29 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Bank overdraft	-	597
Bank loans	60,500	65,000
Working capital facility	-	10,000
Capex facility	-	15,000
	60,500	90,597

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Note 23. Non-current liabilities - borrowings (continued)

Assets pledged as security
The senior bank debt made available by National Australia Bank and Bank of New Zealand is secured by cross-guarantees and all assets of Accent Group Limited and each of its wholly-owned subsidiaries, excluding TAF Partnership Stores Pty Limited (refer to note 38 for a list of wholly-owned subsidiaries). Total secured assets amounted to $602,683,000 at 1 July 2018 (2017: $612,000,000).

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

	Consolidated	
	2018 $'000	2017 $'000
Total facilities available		
Bank overdraft	10,600	10,600
Bank loans	61,000	70,000
Working capital facility	30,000	30,000
Capex facility	15,000	15,000
Bank guarantee and letters of credit	33,300	23,300
	149,900	148,900
Used at the reporting date		
Bank overdraft	-	597
Bank loans	60,500	65,000
Working capital facility	-	10,000
Capex facility	-	15,000
Bank guarantee and letters of credit	9,401	11,793
	69,901	102,390
Unused at the reporting date		
Bank overdraft	10,600	10,003
Bank loans	500	5,000
Working capital facility	30,000	20,000
Capex facility	15,000	-
Bank guarantee and letters of credit	23,899	11,507
	79,999	46,510

The Company refinanced its existing debt facilities on 17 August 2018, in advance of its maturity. The new $154,825,000 facility, to be provided by NAB and HSBC, is split between $76,125,000 of senior debt, $58,700,000 multi option facility and $20,000,000 of permitted indebtedness not yet drawn down.

Note 24. Non-current liabilities - derivative financial instruments

	Consolidated	
	2018 $'000	2017 $'000
Interest rate swap contracts - cash flow hedges	184	710

Refer to note 29 for further information on financial instruments.

Refer to note 30 for further information on fair value measurement.

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Note 25. Non-current liabilities - deferred tax

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Unealised foreign currency exchange	9	-
Difference in accounting and tax depreciation	2,054	829
Trademarks, brand names and distribution rights	11,927	12,624
Other	-	232
	13,990	13,685
Amounts recognised in equity:		
Derivative financial instruments	1,457	-
Deferred tax liability	15,447	13,685
Movements:		
Opening balance	13,685	7,314
Charged/(credited) to profit or loss (note 8)	305	(867)
Charged to equity (note 8)	1,457	-
Additions through business combinations (note 37)	-	7,238
Closing balance	15,447	13,685

Note 26. Equity - issued capital

			Consolidated	
	2018	**2017**	**2018**	**2017**
	Shares	**Shares**	**$'000**	**$'000**
Ordinary shares - fully paid	541,791,224	542,291,224	391,896	392,747
Less: Treasury shares	(6,040,000)	(9,501,665)	(4,923)	(7,437)
	535,751,224	532,789,559	386,973	385,310

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Note 26. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	27 June 2016	490,304,120		319,319
Treasury shares - loans repaid	6 July 2017	233,333	$0.490	114
Treasury shares - loans repaid	6 July 2017	500,000	$0.520	260
Exercise of options	27 July 2016	445,000	$0.570	254
Issue of shares on acquisition of Hype DC Pty Limited	4 August 2016	36,842,105	$1.708	62,926
Exercise of options	31 August 2016	300,000	$0.570	171
Treasury shares - loans repaid	26 September 2016	33,333	$0.490	16
Treasury shares - loans repaid	26 September 2016	250,000	$0.520	130
Treasury shares - loans repaid	28 September 2016	700,000	$0.400	280
Treasury shares - loans repaid	15 December 2016	400,000	$0.660	264
Employee Share Scheme - loans repaid	1 March 2017	1,215,001	$0.490	595
Employee Share Scheme - loans repaid	1 March 2017	66,667	$0.690	46
Employee Share Scheme - loans repaid	1 March 2017	500,000	$0.730	365
Exercise of options	2 March 2017	1,000,000	$0.570	570
Balance	2 July 2017	532,789,559		385,310
Employee Share Scheme - loans repaid	24 August 2017	466,667	$0.490	229
Employee Share Scheme - loans repaid	06 February 2018	500,000	$0.730	365
Employee Share Scheme - loans repaid	02 March 2018	868,332	$0.490	425
Employee Share Scheme - loans repaid	02 March 2018	83,333	$0.590	49
Treasury shares - loans repaid	02 March 2018	100,000	$0.520	52
Employee Share Scheme - loans repaid	27 March 2018	73,333	$0.730	54
Employee Share Scheme - loans repaid	27 March 2018	10,000	$0.590	6
Treasury shares - loans repaid	12 May 2018	200,000	$0.600	120
Employee Share Scheme - loans repaid	18 May 2018	50,000	$0.590	30
Employee Share Scheme - loans repaid	29 May 2018	160,000	$0.490	78
Employee Share Scheme - loans repaid	29 May 2018	66,667	$0.690	46
Employee Share Scheme - loans repaid	29 May 2018	83,333	$0.590	49
Employee Share Scheme - loans repaid	29 May 2018	50,000	$0.590	30
Treasury shares - loans repaid	29 May 2018	250,000	$0.520	130
Balance	1 July 2018	535,751,224		386,973

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.

Treasury shares
During the year, no shares were issued to employees under the Employee Share Scheme (2017: nil). Details of the scheme are set out in note 43.

The shares issued have been deducted from equity as the scheme is treated as an in-substance option and accounted for as a share-based payment.

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

Capital risk management
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.

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Note 27. Equity - non-controlling interest

	Consolidated	
	2018 $'000	2017 $'000
Issued capital	499	1,225
Retained profits	474	512
	973	1,737

Note 28. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2018 $'000	2017 $'000
Final dividend for the year ended 2 July 2017 (2017: 26 June 2016) of 3.00 cents (2017: 3.00 cents) per ordinary share	16,269	16,239
Interim dividend for the year ended 1 July 2018 (2017: 2 July 2017) of 3.00 cents (2017: 3.00 cents) per ordinary share	16,269	16,239
Dividends paid to non-controlling interests	81	83
	32,619	32,561

In respect of the financial year ended 1 July 2018, the directors recommended the payment of a final dividend of 3.75 cents per share franked to 100% at 30% corporate income tax rate to be paid on 27 September 2018 to the registered holders of fully paid ordinary shares as at 13 September 2018.

Franking credits

	Consolidated	
	2018 $'000	2017 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	29,824	18,117

New Zealand imputation credits available to New Zealand residential shareholders amount to NZ$1,819,000.

Note 29. Financial instruments

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

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Note 29. Financial instruments (continued)

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

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currencies that are different to the functional currency of the respective entities undertaking the transactions, hence exposure to exchange rate fluctuations arise. The Group manages these risks through forward currency contracts (refer below). The main exposure relates to inventory purchases which are usually denominated in US Dollars.

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

	Assets		Liabilities	
	2018	2017	2018	2017
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
Foreign Currency Risk				
US dollars	5,730	-	25,963	25,550
New Zealand dollars	41,159	310	7,230	-
	46,889	310	33,193	25,550

Foreign currency sensitivity analysis (assessed by management based on 10% movement)

	Profit or loss		Equity	
	2018	2017	2018	2017
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**
Foreign Currency Sensitivity Analysis				
US dollars	142	-	(6,072)	2,555
New Zealand dollars	-	31	(3,084)	-
	142	31	(9,156)	2,555

The majority of US dollar sensitivity impacts Equity as a result of the fact that a high percentage of US Dollar foreign currency liabilities are hedged as at 1 July 2018 and 2 July 2017 respectively (refer below).

In management’s opinion, the above sensitivity analysis is not fully representative of the inherent foreign exchange risk as the year end exposure does not necessarily reflect the exposure during the course of the year.

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

As noted above the Group manages its foreign currency risk through forward currency contracts.

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

Note 29. Financial instruments (continued)

	Sell Australian dollars		Average exchange rates	
	2018 $'000	2017 $'000	2018	2017
Buy US dollars				
Maturity:				
0 - 3 months	41,929	39,151	$0.7585	$0.7179
3 - 6 months	36,063	26,772	$0.7765	$0.7470
6 - 12 months	33,419	85,318	$0.7781	$0.7501
> 12 months	12,804	-	$0.7810	$0.0000

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group maintains approximately 58% of long-term borrowings at fixed rates using interest rate swaps to achieve this when necessary.

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

	2018		2017	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	3.81%	(60,500)	3.99%	(65,000)
Interest rate swap *	4.42%	35,250	4.42%	40,000
Working capital facility	-	-	3.22%	(10,000)
Capex facility	-	-	3.22%	(15,000)
Net exposure to cash flow interest rate risk		(25,250)		(50,000)

* For the interest rate swaps outstanding at 1 July 2018:
- Outstanding interest rate swap contracts maturity is May 2020
- Average contracted fixed interest rate of 4.42% is inclusive of the margin applicable to the variable rate borrowings
- Notional principal value is $35,250,000
- Fair value at 1 July 2018 is $434,593 (liability) (2 July 2017 is $710,000 (liability))

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

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Impairment of receivables
The Group has recognised a loss of $194,000 (2017: $234,000) in profit or loss in respect of impairment of receivables for the year ended 1 July 2018.

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Note 29. Financial instruments (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2018 $'000	2017 $'000
Opening balance	1,180	1,125
Additional provisions recognised	194	55
Receivables written off during the year as uncollectable	(145)	-
Closing balance	1,229	1,180

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $670,898 as at 1 July 2018 ($1,720,000 as at 2 July 2017).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated	
	2018 $'000	2017 $'000
30 to 90 days overdue	595	1,280
Over 90 days overdue	76	440
	671	1,720

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

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2018 $'000	2017 $'000
Bank overdraft	10,600	10,003
Bank loans	500	5,000
Working capital facility	30,000	20,000
Capex facility	15,000	-
Bank guarantee and letters of credit	23,899	11,507
	79,999	46,510

Note 29. Financial instruments (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, and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	39,720	-	-	-	39,720
Other payables	-	10,599	-	-	-	10,599
Interest-bearing - variable						
Term loans	3.81%	11,677	52,721	-	-	64,398
Interest-bearing - fixed rate						
Vendor loan notes	6.00%	13,153	-	-	-	13,153
Total non-derivatives		75,149	52,721	-	-	127,870
Derivatives						
Interest rate swaps net settled	4.42%	251	184	-	-	435
Forward foreign exchange contracts net settled	-	(4,712)	(730)	-	-	(5,442)
Total derivatives		(4,461)	(546)	-	-	(5,007)

Consolidated - 2017	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	55,939	-	-	-	55,939
Other payables	-	7,175	-	-	-	7,175
Interest-bearing - variable						
Bank overdraft	3.22%	615	-	-	-	615
Term loans	3.99%	7,087	11,881	53,001	-	71,969
Working capital facility	3.22%	10,322	-	-	-	10,322
Capex facility	3.22%	483	483	15,483	-	16,449
Interest-bearing - fixed rate						
Vendor loan notes	6.00%	13,913	-	-	-	13,913
Total non-derivatives		95,534	12,364	68,484	-	176,382
Derivatives						
Interest rate swaps net settled	-	-	710	-	-	710
Forward foreign exchange contracts net settled	-	5,054	-	-	-	5,054
Total derivatives		5,054	710	-	-	5,764

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

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Note 29. Financial instruments (continued)

Capital risk management

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

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

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

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

The capital risk management policy has not changed since the 2 July 2017 year.

Note 30. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts - cash flow hedges	-	5,290	-	5,290
Total assets	-	5,290	-	5,290
Liabilities				
Interest rate swap contracts - cash flow hedges	-	435	-	435
Total liabilities	-	435	-	435

Consolidated - 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Forward foreign exchange contracts - cash flow hedges	-	5,054	-	5,054
Interest rate swap contracts - cash flow hedges	-	710	-	710
Total liabilities	-	5,764	-	5,764

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

The fair values of the above financial assets and financial liabilities are determined using the following valuation techniques:

Note 30. Fair value measurement (continued)

Forward foreign exchange contracts – Discounted cash flow
Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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

Note 31. 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:

	Consolidated	
	2018 $'000	**2017 $'000**
Short-term employee benefits	6,531	4,477
Post-employment benefits	112	168
Share-based payments	587	49
	7,230	4,694

Note 32. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company:

	Consolidated	
	2018 $'000	**2017 $'000**
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	453	480
Other services - Deloitte Touche Tohmatsu		
Acquisition due diligence	-	110
	453	590

Note 33. Contingent liabilities

The Group has bank guarantees outstanding as at 1 July 2018 of $1,959,874 (2017: $4,133,064). The Group also has open letters of credit of $7,441,483 (2017: $7,651,710). These guarantees and letters of credit entered into in relation to the debts of its subsidiaries. The Athletes Foot has entered into operating lease commitments with landlords in its capacity as head lessor for stores operated by the franchisees. However, the franchisees have simultaneously undertaken to meet the rental commitments through back-to-back licence agreements. In addition, some franchisees have provided bank guarantees (generally for a maximum period of three months' rent) and in some instances personal guarantees to the landlords of the properties. The Company and its subsidiaries would become liable in the event of a default by any franchisee. The maximum possible exposure would be $55,291,644 (2017: $55,200,000) and comprises:

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Note 33. Contingent liabilities (continued)

	Consolidated	
	2018 $'000	2017 $'000
Default by franchisee		
Maximum possible exposure comprising:		
Less than one year	14,405	16,750
Between one and five years	36,418	34,700
More than five years	4,469	3,750
Total maximum exposure	55,292	55,200

This cumulative above amount would arise only in the event that all franchisees defaulted at the same time.

Note 34. Commitments

	Consolidated	
	2018 $'000	2017 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	8,260	18,509
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	69,876	63,099
One to five years	193,248	187,312
More than five years	27,109	32,418
	290,233	282,829

Operating lease commitments includes contracted amounts for various retail outlets and corporate headquarters under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 35. Related party transactions

Parent entity
Accent Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 38.

Key management personnel
Disclosures relating to key management personnel are set out in note 31 and the remuneration report included in the directors' report.

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Note 35. Related party transactions (continued)

Entities associated with key management personnel
Rivan Pty Limited, a shareholder, is a company associated with David Gordon.
2 Como Pty Limited, a shareholder, is a company associated with Daniel Agostinelli.
BBRC International Pte Ltd, a shareholder, is a company associated with Brett Blundy.
Tidereef Pty Limited, a shareholder, is a company associated with Ivan Hammerschlag.
Omniday Pty Limited, a shareholder, is a company associated with Michael Hirschowitz.
Rastana Holdings Pty Limited, a shareholder, is a company associated with Hilton Brett..

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

Retail Oasis Pty Limited, a company associated with Stephen Kulmar, provided consultancy services to the Company's subsidiaries amounting to $12,000 (2017: $8,777). These services were provided on an arm's length basis.

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Loan repayments paid/(received) from directors:		
- Stephen Kulmar	-	(6)
- Daniel Gilbert *	-	4,594
	-	4,588

* Vendor loans provided by shareholders of Hype DC as part of acquisition consideration.

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Loans to/(from) key management personnel:		
- Ivan Hammerschlag (interest free) *	-	78
- Craig Thompson (interest free)***	-	(200)
- Daniel Gilbert (interest at 6% per annum)**	(4,594)	(4,594)
	(4,594)	(4,716)

* Under the EOP approved by the shareholders at the Extraordinary General Meeting held on 19 December 2006, the Company provided loans to option recipients in respect of the option fees payable for the right to acquire the options.
** Relates to vendor finance component of Hype DC acquisition.
*** Relates to vendor finance component of Accent acquisition outstanding at balance date. Loan is repayable at call.

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Note 36. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2018 $'000	**2017 $'000**
Profit / (Loss) after income tax	36,744	(1,129)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	36,744	(1,129)

Statement of financial position

	Parent	
	2018 $'000	**2017 $'000**
Total current assets	60,989	55,025
Total non-current assets	377,759	380,957
Total assets	438,748	435,982
Total current liabilities	34,770	29,928
Total non-current liabilities	62,954	73,493
Total liabilities	97,724	103,421
Net assets	341,024	332,561
Equity		
Issued capital	386,973	385,310
Hedging reserve - cash flow hedges	-	(954)
Share-based payments reserve	6,013	4,065
Accumulated losses	(51,962)	(55,860)
Total equity	341,024	332,561

Contingent liabilities
The parent entity had no contingent liabilities as at 1 July 2018 and 2 July 2017, other than those disclosed in note 33, which apply to Accent Group Limited as parent of the Group.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 1 July 2018 and 2 July 2017.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 37. Business combinations

2018
There were no new business combinations in the year.

2017
Hype DC Pty Limited
On 4 August 2016, the Group completed the acquisition of 100% of the ordinary shares of Hype DC Pty Limited, an Australian retailed of branded athleisure and style footwear, for the total consideration transferred of $109,853,000. Goodwill of $84,107,000 was recognised on acquisition.

The acquired business contributed revenues of $120,284,602 and profit after tax of $4,757,880 to the Group for the period from 4 August 2016 to 2 July 2017. If the acquisition occurred on 27 June 2016, the full year contributions would have been revenues of $131,111,341 and profit after tax of $5,676,500.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	2,846
Inventories	10,964
Property, plant and equipment	11,747
Hype DC brand name	30,259
Trade and other payables	(14,914)
Provision for income tax	(1,055)
Deferred tax liability	(7,238)
Employee benefits	(1,057)
Other current liabilities	(1,015)
Lease liability	(4,822)
Net assets acquired	25,715
Goodwill	84,138
Acquisition-date fair value of the total consideration transferred	109,853
Representing:	
Cash paid or payable to vendor	33,425
Accent Group Limited shares issued to vendor	62,926
Vendor note	13,125
Interest paid to vendors	377
	109,853
Acquisition costs expensed to profit or loss in prior year	700

	Consolidated	
	2018 $'000	2017 $'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	-	109,853
Less: cash and cash equivalents	-	(2,846)
Less: payments to be made in future periods	-	(13,502)
Less: shares issued by Company as part of consideration	-	(62,926)
Net cash used	-	30,579

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Note 38. 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 / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
The Athlete's Foot Australia Pty Limited	Australia	100%	100%
TAF Constructions Pty Limited [a]	Australia	100%	100%
RCG Brands Pty Limited	Australia	100%	100%
RCG Retail Pty Limited	Australia	100%	100%
TAF eStore Pty Limited [a]	Australia	100%	100%
TAF Partnership Pty Ltd [a]	Australia	100%	100%
TAF Rockhampton Pty Ltd [b]	Australia	80%	80%
TAF Eastland Pty Ltd [b]	Australia	80%	80%
TAF The Glen Pty Ltd [b]	Australia	60%	60%
TAF Hornsby Pty Ltd [b]	Australia	80%	80%
TAF Hobart Pty Ltd [b]	Australia	80%	80%
TAF Booragoon Pty Ltd [b]	Australia	60%	60%
Accent Group Limited [c]	New Zealand	100%	100%
Platypus Shoes Limited [d]	New Zealand	100%	100%
Accent Footwear Limited [d]	New Zealand	100%	100%
Hype DC Limited [d]	New Zealand	100%	-
Accent Brands Pty Limited [c]	Australia	100%	100%
Platypus Shoes (Australia) Pty Limited [c]	Australia	100%	100%
42K Pty Ltd [e]	Australia	100%	100%
RCG Grounded Pty Ltd	Australia	100%	100%
RCG Accent Group Holdings Pty Limited	Australia	100%	100%
Hype DC Pty Ltd	Australia	100%	100%

[a] Indirectly held through The Athlete's Foot Australia Pty Ltd
[b] Indirectly held through TAF Partnership Stores Pty Ltd
[c] Indirectly held through RCG Accent Group Holdings Pty Ltd
[d] Indirectly held through Accent Group Limited (New Zealand)
[e] Indirectly held through Accent Brands Pty Ltd

Note 39. Deed of cross guarantee

The following entities are party to a deed of cross guarantee, entered into on 23 February 2017, under which each company guarantees the debts of the others:

Accent Group Limited (formerly known as RCG Corporation Limited)	(ACN 108 096 251)
RCG Brands Pty Ltd	(ACN 125 433 972)
The Athlete's Foot Australia Pty Limited	(ACN 001 777 582)
RCG Retail Pty Ltd	(ACN 144 955 117)
RCG Accent Group Holdings Pty Ltd	(ACN 613 017 422)
Hype DC Pty Limited	(ACN 081 432 313)
TAF Partnership Stores Pty Ltd	(ACN 164 791 048)
TAF eStore Pty Ltd	(ACN 158 031 040)
T.A.F Constructions Pty Ltd	(ACN 097 684 430)
Accent Brands Pty Ltd	(ACN 001 742 552)
Platypus Shoes (Australia) Pty Ltd	(ACN 122 726 907)
42K Pty Limited	(ACN 169 043 145)
RCG Grounded Pty Ltd	(ACN 611 621 482)

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Note 39. Deed of cross guarantee (continued)

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

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Accent Group Limited, they also represent the 'Extended Closed Group'.

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

Statement of profit or loss and other comprehensive income	2018 $'000	2017 $'000
Revenue	634,284	576,253
Other income/(expenses)	2	14
Finished goods used	(256,746)	(290,462)
Changes in inventories of finished goods	(20,218)	33,408
Employee benefits expense	(137,863)	(121,949)
Depreciation and amortisation expense	(22,105)	(19,702)
Impairment of brand name	-	(9,714)
Write off of assets	(65)	-
Rental expense on operating leases	(75,257)	(64,896)
Advertising and promotion expenses	(15,592)	(19,388)
Travel and telecommunication expenses	(5,611)	(4,011)
Warehousing and freight expenses	(20,167)	(17,647)
Other expenses	(24,258)	(21,300)
Finance costs	(4,566)	(3,218)
Profit before income tax expense	51,838	37,388
Income tax expense	(14,349)	(10,825)
Profit after income tax expense	37,489	26,563
Other comprehensive income for the year, net of tax	6,455	-
Total comprehensive income for the year	43,944	26,563

Equity - accumulated losses	2018 $'000	2017 $'000
Accumulated losses at the beginning of the financial year	(44,265)	(38,351)
Profit after income tax expense	37,489	26,563
Dividends paid	(32,538)	(32,477)
Accumulated losses at the end of the financial year	(39,314)	(44,265)

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Note 39. Deed of cross guarantee (continued)

Statement of financial position	2018 $'000	2017 $'000
Current assets		
Cash and cash equivalents	29,959	41,033
Trade and other receivables	-	7,119
Inventories	91,728	101,663
Derivative financial instruments	4,614	-
Other current assets	1,162	3,207
	127,463	153,022
Non-current assets		
Receivables	341	705
Other financial assets	676	-
Property, plant and equipment	69,798	69,749
Intangibles	342,902	345,462
Deferred tax	20,841	17,073
	434,558	432,989
Total assets	562,021	586,011
Current liabilities		
Trade and other payables	76,585	80,980
Borrowings	22,625	15,097
Derivative financial instruments	251	5,054
Provision for income tax	9,757	7,882
Employee benefits	5,905	4,771
Deferred lease incentives	6,874	4,949
	121,997	118,733
Non-current liabilities		
Borrowings	51,000	88,625
Derivative financial instruments	184	710
Deferred tax	15,447	13,685
Employee benefits	64	540
Deferred lease incentives	17,436	21,585
	84,131	125,145
Total liabilities	206,128	243,878
Net assets	355,893	342,133
Equity		
Issued capital	383,265	382,859
Reserves	11,942	3,539
Accumulated losses	(39,314)	(44,265)
Total equity	355,893	342,133

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Note 40. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2018 $'000	**2017 $'000**
Profit after income tax expense for the year	44,000	29,352
Adjustments for:		
Depreciation and amortisation	24,133	21,665
Impairment of Hype DC brand name	-	9,714
Write-off of assets	65	-
Share-based payments	1,949	344
Foreign exchange differences	51	65
Rental expenses	(7,314)	-
Change in assets and liabilities:*		
Receivables	3,740	5,353
Inventories	13,390	(22,460)
Trade creditors and provisions	(7,219)	8,403
Tax assets and liabilities	(2,727)	(7,017)
Net cash from operating activities	70,068	45,419

* Changes in assets and liabilities are net of those acquired in the acquisition of Hype DC Pty Limited in the comparative period.

Note 41. Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000	Working capital facility $'000	Capex facility $'000	Vendor loan notes $'000	Total $'000
Balance at 26 June 2016	40,000	5,000	5,000	-	50,000
Net cash from financing activities	25,000	5,000	10,000	-	40,000
Changes through business combinations (note 37)	-	-	-	13,125	13,125
Balance at 2 July 2017	65,000	10,000	15,000	13,125	103,125
Net cash used in financing activities	(4,500)	(10,000)	(15,000)	-	(29,500)
Balance at 1 July 2018	60,500	-	-	13,125	73,625

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Note 42. Earnings per share

	Consolidated	
	2018 $'000	**2017 $'000**
Profit after income tax	44,000	29,352
Non-controlling interest	(43)	(195)
Profit after income tax attributable to the owners of Accent Group Limited	43,957	29,157
	Number	**Number**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	533,847,841	526,571,720
Adjustments for calculation of diluted earnings per share:		
Options and loan funded shares	2,215,583	4,270,982
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	536,063,424	530,842,702
	Cents	**Cents**
Basic earnings per share	8.23	5.54
Diluted earnings per share	8.20	5.49

Note 43. Share-based payments

Option Plans

Employee Option Plan
Options issued under the Employee Option Plan ('EOP') convert into one ordinary share in the Company on exercise. In addition to the exercise price of each option, an option fee is payable for all options. The option fee varies depending on the date on which the options were issued, but have all been calculated with reference to the Volume Weighted Average Price of Accent Group shares on the ASX for the seven days leading up to the date on which the options were issued.

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

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Note 43. Share-based payments (continued)

Set out below are summaries of options granted under the plans:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/08/2015	27/08/2018	$0.400	350,000	-	-	(350,000)	-
27/08/2015	27/08/2018	$0.589	200,000	-	-	(200,000)	-
28/02/2013	28/08/2018	$0.490	2,488,332	-	(1,494,999)	-	993,333
03/12/2013	03/06/2019	$0.690	133,333	-	(66,667)	-	66,666
02/10/2014	30/03/2020	$0.590	1,360,000	-	(276,666)	-	1,083,334
30/03/2015	30/09/2020	$0.730	220,000	-	(73,333)	-	146,667
27/05/2015	30/09/2020	$0.730	2,250,000	-	(500,000)	-	1,750,000
27/05/2015	30/09/2020	$1.010	500,000	-	-	-	500,000
28/08/2015	30/08/2020	$1.140	1,600,000	-	-	(500,000)	1,100,000
13/05/2016	28/02/2021	$1.490	400,000	-	-	-	400,000
			9,501,665	-	(2,411,665)	(1,050,000)	6,040,000

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
24/08/2011	24/08/2016	$0.570	1,745,000	-	(1,745,000)	-	-
12/01/2015	28/08/2018	$0.345	700,000	-	-	(700,000)	-
27/08/2015	27/08/2018	$0.400	1,100,000	-	-	(750,000)	350,000
27/08/2015	27/08/2018	$0.589	600,000	-	-	(400,000)	200,000
28/02/2013	28/08/2018	$0.490	3,969,999	-	(1,481,667)	-	2,488,332
03/12/2013	03/06/2019	$0.690	200,000	-	(66,667)	-	133,333
02/10/2014	30/03/2020	$0.590	1,360,000	-	-	-	1,360,000
30/03/2015	30/09/2020	$0.730	220,000	-	-	-	220,000
27/05/2015	30/09/2020	$0.730	2,900,000	-	(500,000)	(150,000)	2,250,000
27/05/2015	30/09/2020	$1.010	500,000	-	-	-	500,000
28/08/2015	30/08/2020	$1.140	1,600,000	-	-	-	1,600,000
13/05/2016	28/02/2021	$1.490	400,000	-	-	-	400,000
			15,294,999	-	(3,793,334)	(2,000,000)	9,501,665

The weighted average share price during the financial year was $1.092 (2017: $1.146).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.8 years (2017: 2.6 years).

Performance rights

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

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

Eligibility and grant of performance rights

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

Note 43. Share-based payments (continued)

Vesting of performance rights
Vesting of performance rights are subject to prescribed performance conditions. Performance rights granted during the year ended 1 July 2018 are subject to an adjusted diluted earnings per share ('ADEPS') performance condition. For the performance rights to vest, the Company's compound ADEPS must equal or exceed 10%.

The ADEPS performance conditions are measured over a five-year period and vesting is subject to the recipients of the performance rights remaining in employment with the Company.

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

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

The Group recognises the fair value at the grant date of equity settled shares above as an employee benefit expense proportionally over the vesting period with a corresponding increase in equity. Fair value is measured at grant date using Monte-Carlo simulation and Binomial option pricing models where applicable.

Non-market vesting conditions are determined with reference to the underlying financial or non-financial performance measures to which they relate.

Key inputs to the pricing models include:

	1 July 2018
Share price at grant date	$0.80
Volatility	25.0%
Dividend yield	7.5%
Risk-free interest rate	1.50%

	2 July 2017
Share price at grant date	$1.47
Volatility	44.0%
Dividend yield	5.0%
Risk-free interest rate	1.95%

Set out below are summaries of the performance rights granted:

2018

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
11/01/2017	09/11/2019	2,119,315	-	-	(908,763)	1,210,552
03/10/2017	30/10/2022	-	19,450,000	-	(2,500,000)	16,950,000
27/12/2017	30/10/2022	-	12,200,000	-	(5,500,000)	6,700,000
20/06/2018	30/10/2022	-	400,000	-	-	400,000
		2,119,315	32,050,000	-	(8,908,763)	25,260,552

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Note 43. Share-based payments (continued)

2017

Grant date	Expiry date	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
11/01/2017	09/11/2019	-	2,119,315	-	-	2,119,315
		-	2,119,315	-	-	2,119,315

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 4.2 years (2017: 2.5 years).

Note 44. Events after the reporting period

The following significant events have arisen since the end of the financial year:

Vendor loan notes repayment
As part of the purchase consideration for Hype DC, the Company issued vendor loan notes to each of the vendors in proportion to their shareholding in Hype DC. The vendor loan notes of $13,125,000 which were due to be repaid by 4 August 2018 were repaid in full on 13 July 2018 from existing NAB facilities.

Release of Shares from Escrow
As part of the acquisition of Hype DC Pty Ltd by the Company under a share sale and purchase deed dated 4 July 2016, the Company issued 36,842,105 fully paid ordinary shares to the shareholders of Hype DC Pty Ltd, subject to an escrow period of 2 years. On 4 August 2018 these fully paid ordinary shares were released from Escrow.

Debt Facility Refinancing
The Company refinanced its existing debt facilities on 17 August 2018, in advance of its maturity. The Company has taken advantage of favourable loan market conditions to refinance the existing $149,900,000 facility provided by NAB. The new $154,825,000 facility, to be provided by NAB and HSBC, is split between $76,125,000 of senior debt, $58,700,000 multi-option facility and $20,000,000 of permitted indebtedness not yet drawn down. The new facility has a combination of three and five year tenure with maturity dates of August 2021 and August 2023.

Apart from the dividend declared as disclosed in note 28 and matters noted above, no other matter or circumstance has arisen since 1 July 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Accent Group Limited
Directors' declaration
1 July 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 1 July 2018 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 39 to the financial statements.

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

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

On behalf of the directors



David Gordon
Chairman

28 August 2018
Melbourne

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Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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Independent Auditor's Report to the Members of Accent Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Accent Group Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 1 July 2018, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 1 July 2018 and of its financial performance for the year then ended; and

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

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Carrying value of goodwill and indefinite useful life intangible assets	
Goodwill and indefinite useful life intangible assets (principally brand names) of $345.1m have been recognised in the consolidated statement of financial position as a consequence of acquisitions undertaken in the past periods. In the current year, management has continued to restructure the business with the eventual goal of achieving a fully integrated wholesale and retail footwear business. Following these changes, the Chief Operating Decision Makers, being the board of directors, assess the results of the business and allocate resources on a Group basis. As the divisional operations are no longer monitored as separate businesses by management, and the synergies within the business are shared between the brands, goodwill is monitored on a group basis. Consequently the goodwill that originated from the Accent, The Athlete's Foot and RCG Brands businesses has been combined into a single CGU for impairment testing purposes. Management conducts impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of goodwill and indefinite useful life intangible assets. This is performed through value-in-use discounted cash flow models. As disclosed in Note 3 to the financial statements, there are a number of key estimates made which require significant judgement in determining the inputs into these models which include: • Revenue growth; • Operating margins; • Royalty rates (used in the relief from royalty brand valuation model); and • Discount rates applied to the projected future cash flows.	In conjunction with our valuation specialists, our procedures included, but were not limited to: • Assessing the basis of allocation of goodwill and indefinite useful life intangible assets to identified CGUs or CGU groups; • Evaluating the principles and integrity of the models used by management to calculate the value-in-use of the CGUs or CGU groups and the brand names to ensure they comply with the applicable accounting standards; • Challenging management with respect to the revenue growth rates and operating margins underlying the cash flow forecasts to determine whether they are reasonable and supportable based on historical performance, management's strategic growth plans for the CGUs, and other known industry factors; • Assessing the reasonableness of the basis adopted by management in determining the other key inputs and assumptions underlying the calculations in the models including: o Royalty rates; and o Discount rates • Performing sensitivity analysis on the key model inputs and assumptions; and • Assessing the appropriateness of the disclosures in Note 17 to the financial statements.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of inventory and provision for impairment of inventories	

The Group has recognised $98.6m in inventories on the consolidated statement of financial position as at 1 July 2018.
 	
Inventories are recognised net of a provision for impairment where the net realisable value of inventories is less than cost. As disclosed in Note 3 to the financial statements, this assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories, and broader industry and other factors that affect inventory obsolescence.
 	
To the extent that these judgements and estimates prove incorrect, the Group may be exposed to potential additional inventory write-downs or reversals in future periods.
	Our audit procedures included, but were not limited to:
	
	• Testing on a sample basis inventory items in each significant component and comparing the selected items to their current selling prices;
	• Challenging management's estimate of the provision by considering, amongst others, the following sources of information to assess net realisable value:
	  ○ Aging of inventory;
	  ○ Actual losses incurred in the financial period due to inventory sold below cost and inventory written off;
	  ○ Inventory not sold during the period; and
	  ○ The likelihood of current inventory to become aged and/or impaired in the future based on internal and external industry factors.
	• Recalculating the inventory provision to test compliance with the Group's accounting policy and
	• Assessing the appropriateness of the disclosures in Note 11 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 1 July 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 16 of the Directors' Report for the year ended 1 July 2018.

In our opinion, the Remuneration Report of Accent Group Limited, for the year ended 1 July 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Sydney, 28 August 2018

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Accent Group Limited
Additional securities exchange information
1 July 2018

The shareholder information set out below was applicable as at 2 August 2018.

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

	Number of holders of ordinary shares
1 to 1,000	884
1,001 to 5,000	2,227
5,001 to 10,000	1,355
10,001 to 100,000	2,069
100,001 and over	186
	6,721
Holding less than a marketable parcel	168

Equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
BBRC INTERNATIONAL PTE LTD (BB FAMILY INTERNATIONAL A/C)	97,539,693	18.00
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	86,880,241	16.04
J P MORGAN NOMINEES AUSTRALIA LIMITED	43,982,877	8.12
CRAIG JOHN THOMPSON	35,428,562	6.54
BNP PARIBAS NOMS PTY LTD (DRP)	28,979,375	5.35
CITICORP NOMINEES PTY LIMITED	20,957,242	3.87
DANIEL GILBERT	15,394,737	2.84
JAMES WILLIAM DUELL	14,571,425	2.69
MICHAEL JOHN HAPGOOD	14,571,425	2.69
CINDY GILBERT	12,894,737	2.38
PITTMAN PTY LIMITED (THE PITT FAMILY A/C)	11,052,631	2.04
NATIONAL NOMINEES LIMITED	9,284,456	1.71
RIVAN PTY LTD (DAVID GORDON SUPER FUND A/C)	6,599,034	1.22
AUTHENTICS AUSTRALIA PTY LTD (AUTHENTICS AUSTRALIA A/C)	3,364,694	0.62
VAMICO PTY LIMITED (VAMICO A/C)	3,050,000	0.56
GRAHGER CAPITAL SECURITIES PTY LTD	3,000,000	0.55
GRAHGER RETAIL SECURITIES PTY LTD	3,000,000	0.55
MR GEOFFREY WILLIAM WEBSTER	1,505,642	0.28
UBS NOMINEES PTY LTD	1,501,573	0.28
LYMGRANGE PTY LIMITED	1,500,000	0.28
	415,058,344	76.61

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Accent Group Limited
Additional securities exchange information
1 July 2018

Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
BBRC International Pte Ltd	97,539,693	18.00
Craig John Thompson	35,428,562	6.54

Voting rights

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

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

There are no other classes of equity securities.

Restricted securities

Class	Expiry date	Number of shares
Ordinary shares subject to the RCG Employee Share Scheme restrictions	Various	6,040,000

Securities subject to voluntary escrow

Class	Expiry date	Number of shares
Ordinary shares issued in connection with the acquisition of Hype DC	4 August 2018	36,842,105

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Accent Group Limited
Corporate directory
1 July 2018

Directors	David Gordon - Chairman Daniel Agostinelli - Chief Executive Officer Brett Blundy Stephen Goddard Michael Hapgood Stephen Kulmar Donna Player
Joint company secretaries	Matthew Durbin Celesti Harmse
Registered office and principal place of business	719 Elizabeth Street Waterloo NSW 2017 Telephone: 02 8310 0000 Email: investors@accentgr.com.au
Share register	Computershare Investor Services Pty Limited GPO Box 2975 Melbourne VIC 3001 Telephone: 1300 850 505
Auditor	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney NSW 2000
Bankers	National Australia Bank
Stock exchange listing	Accent Group Limited shares are listed on the Australian Securities Exchange (ASX code: AX1)
Website	www.accentgr.com.au
Corporate Governance Statement	www.accentgr.com.au/for-investors/corporate-governance

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