



SHOVER SHOP

ANNUAL REPORT 2022

Transform Yourself

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Despite the disruptions caused by COVID-19, Shaver Shop delivered another exceptional financial and operating performance in FY2022 generating \$223 million in sales and \$16.7 million in net profit after tax. Our differentiated business model, focussed on exceptional customer service and a unique product range continues to resonate with customers across Australia and New Zealand.

About Us

Shaver Shop commenced operations in 1986 with one store focussed on repairing and servicing men's electric shavers. From these humble beginnings, Shaver Shop has grown to become the leading specialty retailer of men's and women's personal care and grooming appliances with 121 stores located across Australia and New Zealand. Throughout its growth and success, Shaver Shop has retained its focus on delivering exceptional customer service through unparalleled product knowledge and ensuring we understand and meet our customer's needs.

As a specialist in our core categories, we take pride in educating our customers about the features and benefits of the products we sell, as well as how to use them, so that our customers are able to get the look they desire in the comfort of their own home.

While our stores and store teams are our key assets, we have also developed a very strong digital offering with more than one-third of our sales being generated from this channel in the 2022 financial year.

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Performance Highlights FY2022

Sales up 4.2% to

\$ **222.7m**

Online sales

↑ **34.0%**
of total sales

Net profit after tax

\$ **16.7m**

Dividends of 10.0 cents per share up

↑ **22%**

Operating cash flow

\$ **28.3m**

More than

50%

of sales from exclusive products





Chairman's Letter

Dear fellow shareholder,

Shaver Shop has once again delivered a very strong financial performance amidst an even more dynamic and unpredictable retail environment than what we experienced last financial year.

Total sales were up 4.2% to \$222.7 million with net profit after tax of \$16.7 million. This illustrates that our offering continues to be highly relevant, regardless of the external factors at play, and that the consumer trends toward DIY personal care and grooming are maintaining their momentum.

These pleasing results also reflect that our store, operational management and leadership teams remain focussed, highly adaptable and capable of overcoming challenges that the business has faced. They also provide your Board of Directors with confidence about Shaver Shop's future prospects as we hopefully enter a new, more predictable, post-pandemic macroeconomic and retail trading environment.

Business resilience and differentiation

Shaver Shop operates in the broad and growing personal care and beauty market. This is a mass market given every person has their own hygiene, beauty and personal care regime. The global pandemic, in our view, has only raised the priority of personal care and wellness for many in the community. And while female beauty categories can be highly competitive and price sensitive, Shaver Shop has

leveraged its heritage in men's electric shavers to create a highly differentiated business model and what we believe is the leading destination for men's personal care and grooming products across Australia and New Zealand.

Our strong brand awareness adds to the resilience of the business model and sets the foundation for Shaver Shop to benefit from the many tailwinds that are influencing this sector:

1. Men and women choosing to perform more of their beauty and personal care regimes at home, rather than going to specialist service businesses like laser hair removal clinics, hair salons and barbers. There may be various reasons for these changes in behaviour including budgetary constraints, personal preference and/or time restrictions.
2. Men are also becoming increasingly conscious about their looks and are choosing to groom and style their hair more regularly.
3. Personal care and wellness is an increasing priority for many people, given the increasing propensity to connect through the new, "always on", digital media age.

4. Customers preferring to shop with specialist retailers that can make their shopping experience more enjoyable through providing appropriate levels of pre-purchase guidance as well as any required post-purchase support.

Shaver Shop remains extremely well positioned to benefit from these trends with strong brand awareness, an extensive and often exclusive range of products and a passionate and dedicated group of store teams who take pride in providing an enjoyable and engaging shopping experience. And while most of our sales come from male oriented product ranges, we continue to expand our stable of feminine products given approximately 50% of our customers continue to be female.

Strong financial position and cash flow

Our record sales and profitability over the last two years, has led to Shaver Shop having an enviable financial position with net cash of \$9.4m at 30 June 2022, no debt, and access to a \$30 million undrawn bank facility. We have worked hard to create and maintain this strong financial position throughout the pandemic. As a retailer of specialty products, these efforts



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have largely been focussed on managing stock levels through maintaining direct and open relationships with our suppliers and ensuring continuity of supply for key product lines without needing to invest significant working capital by way of safety stock. Our supplier relationships and stock availability have remained consistently strong over the last 24 months and as a result, Shaver Shop generated \$28.3 million in operating cash flow in FY2022, another extremely strong financial metric for our business.

Capital Management

Your Board has always been focussed on maximising returns to shareholders while at the same time ensuring we maintain a very prudent balance sheet. We have been determined to retain our fiscal conservatism during the volatile retail trading environment of the last 30 months. That being said, I am pleased to advise that Shaver Shop's board once again increased its dividend payout with 10.0 cents of fully-franked dividends being declared for FY2022, up 22.0% on last financial year. This is the sixth consecutive year that we have increased our dividend payout with the FY2022 dividends providing a very attractive yield for shareholders.

Our intent remains to continue increasing dividend payments over time, where we feel it is the best use of capital for the business.

In addition to increasing our dividend payments, our conservative balance sheet provides the wherewithal for Shaver Shop to balance the need to weather future trading volatility, while at the same time consider accretive growth opportunities should they arise, whether they be organic or acquisitive in nature.

Corporate, Environment and Social Governance

In addition to delivering strong financial results and returns to shareholders, your board is also focussed on providing the right framework for the business which appropriately considers the risks Shaver Shop faces and ensuring we remain a responsible corporate citizen.

In addition to risk management, we are also focussed on our environmental and social responsibilities. In this respect, I am pleased to advise that we have a high proportion of female team members both at store level, at Shaver Shop's support office, as well as in executive leadership positions.

We also have a strong culture of wanting to develop store team members and help them grow into support office roles as we believe understanding our approach to customer service in-store is crucial to succeeding in almost all roles within our business. In the last 12 months, 4 store team members have been promoted into support office roles, a statistic our Board, CEO and leadership team are very proud of, as it means we are positioned well as we move into FY2023.

In conclusion, I would once again like to acknowledge and thank all of the Shaver Shop team for their outstanding efforts over the last 12 months. Shaver Shop has once again delivered an exceptional set of financial results and remains positioned for ongoing success in the years ahead. The Board and management team also appreciates your continuing support as shareholders in our business.

Yours sincerely,

Brodie Arnhold
Chairman



CEO's Letter

Dear Shareholder,

Thank you for your continued support of Shaver Shop's business. I am very pleased to advise that we successfully navigated another extremely complex and dynamic trading environment, reporting sales growth of 4.2% to \$222.7 million and delivering net profit after tax of \$16.7 million.

Once again, these strong financial outcomes are the direct result of the passion and dedication of our retail and support office teams who remained focussed on the job at hand and living Shaver Shop's values, both during the extended government-mandated lockdowns, as well as when faced with ongoing day-to-day uncertainty and operational challenges when stores re-opened. This is best exemplified by Shaver Shop's Net Promoter Score, the most recognised measure of customer service, being consistently around 88 to 89 (out of a maximum score of 100) – a world class result. I would again like to personally thank our team members, particularly those in our stores, for staying true to our core values because if we continue to focus on delivering outstanding shopping experiences, our customers will continue rewarding Shaver Shop with their loyalty.

Product and range enhancements

In addition to delivering exceptional customer service built around unparalleled product knowledge, our differentiation is also supported by the depth and breadth of our offering across personal care, beauty and grooming appliances. This unique range is accentuated by a high

proportion of "exclusive to Shaver Shop" product lines that are often the latest innovations from leading global suppliers. In FY2022, these exclusive lines generated more than 50% of our sales and almost 60% of our gross profit and are a significant reason why we believe we have become the preferred retail destination for personal care and beauty appliances across Australia and New Zealand.

Key developments during the year included additions to the Guard range of products including the launch of its first men's electric shaver (FaceGuard) and body groomer (BodyGuard). These are important new releases to an already extremely successful range of consumable products built around Shaver Guard, the exclusive lubricant and disinfectant spray that has become so trusted by our customers. We expect further range enhancements to be developed and launched in due course and are working closely with the supplier in regards to the timing of these.

We are also increasing our exposure within the large fragrance, skincare and hair care ranges. One of the most complementary additions in this area was the launch of the American Crew range of men's hair styling consumables, a market leader in the category.

As always, we will continue to scan the globe for the latest in personal care and grooming product launches so we can provide the most comprehensive and relevant range to our customers.

Financial and operational achievements

The solid sales and profit result for FY2022 was delivered despite Shaver Shop losing approximately 6,200 in-store trading days in the first half of the year to government-mandated lockdowns. We were also able to maintain above long-term average gross profit margins at 43.9% through less aggressive promotional activity particularly on exclusive lines. While this is slightly lower than last year's result which was heavily influenced by high volumes of higher margin hair clipper sales at the start of the pandemic, we believe that we will be able to retain some of this margin benefit in the future through the learnings of the last 24 months.

Costs were well managed across the year, benefiting from the closure of stores and reduced rosters required, when a substantial part of our store network was closed during the NSW, ACT and VIC lockdowns across Q1 and part of Q2. Of course, our preference is always for our stores to remain open,

when it is safe to do so, given our store teams remain our key asset and the stores themselves continue to be the core driver of sales for the business. Our operating expenses also benefited from approximately \$0.6 million in rent abatements negotiated with landlords for the lockdown affected periods in the first half.

Shaver Shop has always been a business that generates strong operating cash flows and FY2022 was no exception. Despite increasing stock levels by approximately \$4.0 million to better meet consumer demand when stores re-opened, operating cash flow was \$28.3 million in FY2022. This was used in large part to fund the rollout of 2 new stores, 3 store relocations and 2 full store refits, as well as the distribution of \$11.8 million in fully-franked dividend payments to shareholders.

Key priorities for FY2023

Undoubtedly, FY2023 will bring with it a new set of challenges and circumstances that we will need to overcome. However, with our continued focus on the core values that have served us so well in the past (Drive for Results; Customer Focus, Adaptability and Accountability), I am very confident that our business will remain highly successful.

Pleasingly, the strong supplier relationships we have cultivated over many years, has meant that we have not faced significant inflationary

impacts to the cost of our products this year. We will continue to work closely with these key partners to ensure our range and offering continues to provide strong value for money to our customers. This is particularly relevant in the coming 12 months because many of our products provide very cost-effective alternatives versus going to specialist hair removal and beauty clinics, hair salons and barbers.

We will continue our omni-retail journey through improving our relevance and frequency of activity on digital media, continuing to improve insights about customer preferences and shopping frequency, while at the same time further increasing brand awareness and market share.

The relaxing of social distancing measures will lead to a return of in-person training of our store teams in the lead up to Fathers Day as well as the key Black Friday, Christmas and Boxing Day shopping season. This has always been a foundational approach to developing our store teams and we are excited to be bringing it back after an enforced two year break due to the pandemic.

Our focus on securing exclusive access to the latest and greatest innovations in our core men's grooming categories will not waver and we will selectively look to add complementary brands and products to our female offering. Some of these exciting additions will be hitting shelves in H1 FY2023, well in time for Christmas shopping.

We will selectively add new stores here in Australia as well as securing new locations in New Zealand to further increase brand awareness and scale in that highly attractive market.

Finally, we need to maintain our nimble and adaptable approach which has been a hallmark of the way we operate. We have tried to retain an entrepreneurial spirit in managing the business. While this sometimes entails us taking risks that other retailers might not take, our unique specialist knowledge of the sector means these are calculated risks that have merit. Our choices may not always work out the way we expect, but we always make sure we take any key learnings into the next decision.

Shaver Shop continues to be a unique, specialist retailer across Australia and New Zealand. It is led by a highly experienced and credentialed leadership team that remains focused on delivering attractive returns for our shareholders. We hope for, and look forward to, your continued support as a shareholder in our business.

Yours sincerely,



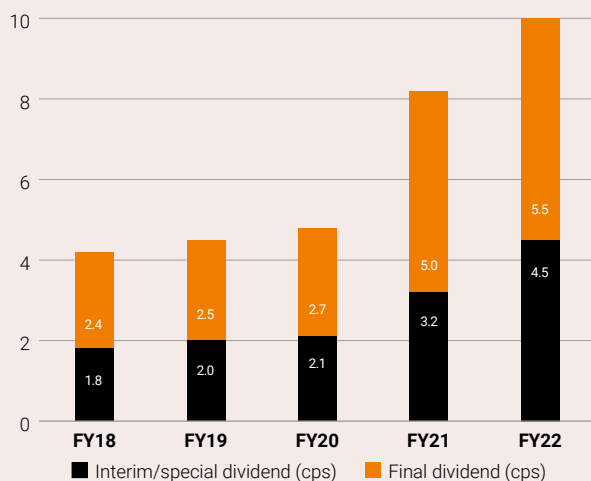
Cameron Fox
MD and CEO



Financial Highlights

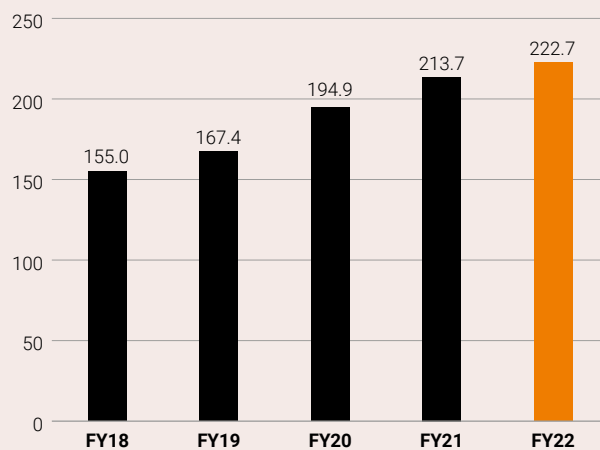
22.0%

DIVIDENDS (10.0 CENTS) FULLY FRANKED



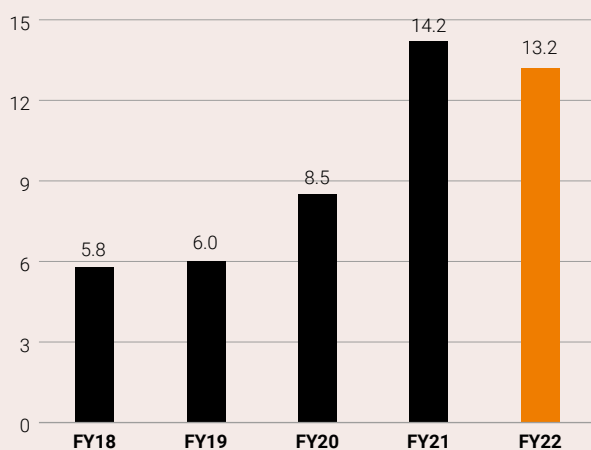
4.2%

SALES (\$222.7 MILLION)



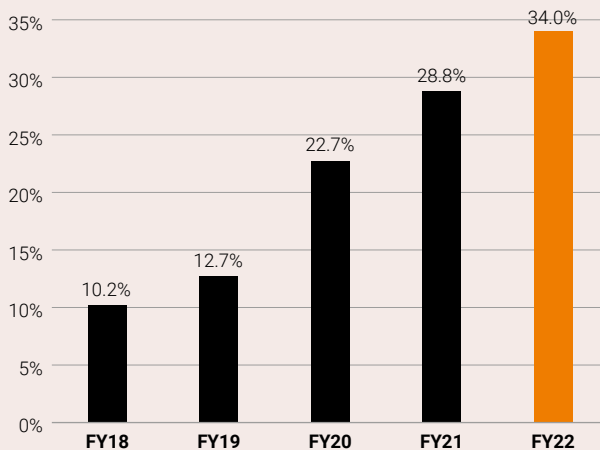
\$13.2c

BASIC EARNINGS PER SHARE



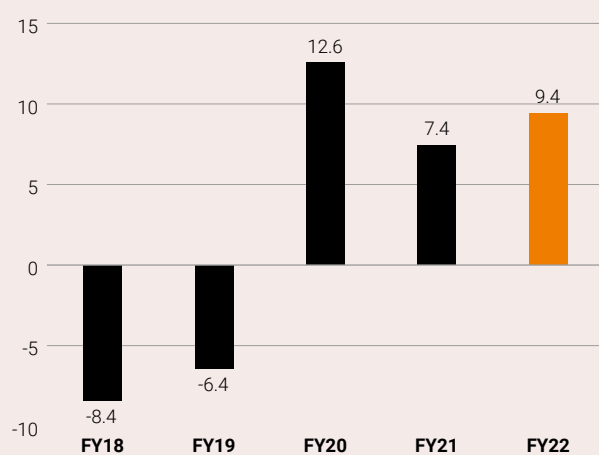
34.0%

ONLINE SALES (OF TOTAL SALES)



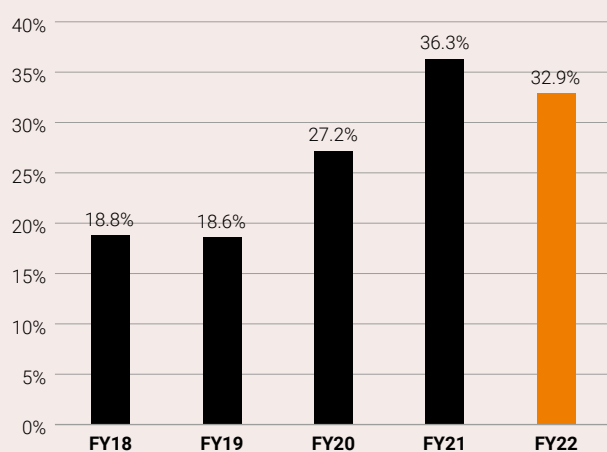
↑
\$9.4m

CLOSING NET CASH POSITION (\$A MILLIONS)

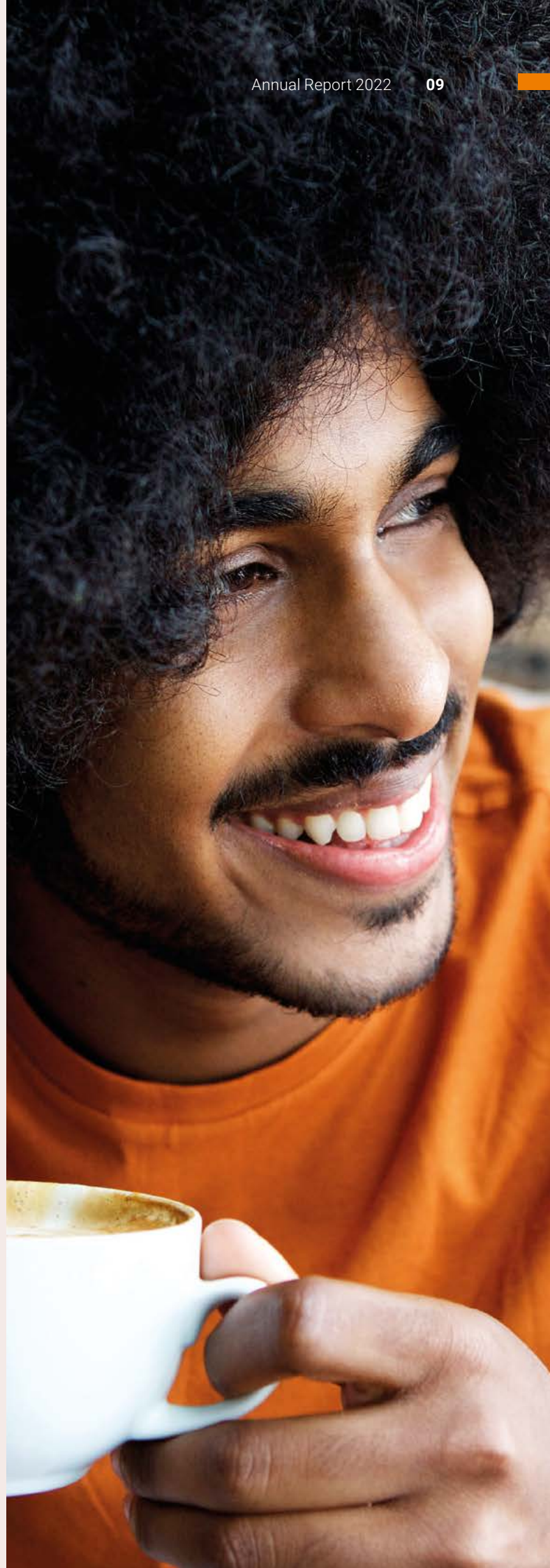


↓
32.9%

RETURN ON CAPITAL EMPLOYED*



* Normalised EBIT/Average net assets.



Corporate Sustainability

Shaver Shop has been in business since 1986 and over that time has developed a highly recognised and trusted brand. We understand that our future success is tied to our ability to act in a responsible and ethical manner across all aspects of our business.

Our aspiration to be a business that is recognised for acting responsibly and ethically, is reflected in our Core Values (shared across all employees) as well as our Code of Business Ethics and associated framework of corporate governance policies and business practices. We continue to work with internal and external stakeholders to better understand the most pressing and important social and environmental issues and based on this feedback seek to continue to adapt our policies, practices and operations to meet our, and the broader community's, expectations.

Social issues and governance

Our people and our values

Shaver Shop employs almost 800 team members across our businesses in Australia and New Zealand. We understand and appreciate that this team is our most important asset and they define how our brand and business is seen by our customers and the broader community each and every day. We take pride in having consistent core values across the entire business that concentrate on: Customer Focus; Accountability; Adaptability; and Drive for Results. These have been a hallmark of who we are as a business and we believe our passion towards living these core values is a key driver of Shaver Shop's ongoing success. We also believe these shared values have been critical in the company being able to successfully navigate through the challenges presented by the global pandemic over the last two to three years.

Health and safety

We aim to provide our employees with a flexible, supportive, healthy and safe working environment and remunerate competitively so that we attract the best and brightest for each role.

We adopt and train our teams on policies and practices that encourage appropriate work and life balance, diversity, provide equal opportunity and promote our values.

The pandemic has seen the need for Shaver Shop to continually adapt its practices and approach in order to meet the needs of our business as well as our team members. In addition to ensuring our teams had the appropriate person protective equipment, cleaning and sanitary products, and were appropriately trained on the right health and safety protocols, mental health management activities also became more important. We continue to provide mental health support as well as undertake well-being calls with team members as a top priority. We have also sought to balance flexible working environments (where applicable) with our desire to build a strong and integrated team driven by the same purpose and goals.

Shaver Shop is also committed to maintaining a safety-first culture to ensure that our team members minimise the risk of injury or harm at the workplace.

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Rewards and recognition

Shaver Shop recognises that our team members seek a stimulating and rewarding environment with opportunities to enhance their skill base and further their careers. Shaver Shop takes pride in encouraging store team members into support office roles. We believe the experience gained at store level is critical to understand and appreciate if we are to be a truly customer centric business. To this end, we have promoted 4 staff members from stores into support office roles in FY2022.

We also understand that employees look towards additional programs, depending on their position and performance, that will benefit them with their career aspirations. While some of these programs were necessarily placed on hold during the global pandemic, Shaver Shop is proud of providing the following training and development programs for our team members:

- Brand Ambassador Leadership – led by our Retail Operations Director and Human Resource Director, this program recognises and rewards the top performing store team members and (when international travel is available) by introducing them to a selection of the top retailers globally so they can learn and apply those principles in Shaver Shop's environment. Previous programs have visited Dubai, London & Los Angeles.
- Regional and Area Manager Development – various courses depending on the individual's specific needs.
- Assistant Store Manager Leadership – A two day accelerated leadership development program designed to equip staff with the necessary skillsets to move into a Store Manager position.
- Further education – Team members are offered a 50% subsidy for undertaking additional studies associated with positions at Shaver Shop.

All of these programs are intended to deliver a robust and well-rounded employee development program that is focused on the long-term facilitation of a strategic workforce that engages our employees based on their needs and our company vision.

Whilst not mandatory, we also encourage our employees to take their full annual leave entitlements to ensure they are mentally and physically refreshed when at work.

Diversity

Shaver Shop recognises that diversity is important in building strong and aligned teams that will drive value for shareholders. Whilst our primary focus is ensuring we hire the right individual for the right role and that each team member acts consistently with our Core Values, we take pride in knowing that more than 54% of our team members and 50% of our Executive Leadership Team are females. We believe that promoting diversity and equal opportunity contributes positively to improving our business and our performance and we aim to ensure our team is made up of individuals with diverse skills, backgrounds and experience.

Community involvement and ethical sourcing

Shaver Shop seeks to be a good corporate citizen and supports team members who wish to volunteer with charitable organisations. We encourage our teams to give back to their communities by permitting team members to take paid leave to pursue their charitable work.

Shaver Shop sources its products from distributors and manufacturers that operates in many countries around the world. We are committed to socially responsible sourcing of these products and work with our supply chain partners to ensure that modern slavery, environmental and other risks are identified and mitigated. We seek to find suppliers that demonstrate and align with our commitment to sourcing products ethically and that have implemented policies and practices consistent with our own. We commit to continuing our implementation of systems and improvements that will help identify modern slavery and other responsible sourcing risks.

Environment

Shaver Shop appreciates the need to minimise its impact on our natural environment. We are committed to actively taking steps to reduce waste, reduce power consumption and drive down emissions across our business, as well as working with suppliers to do so.

At our stores, we take measures to ensure we are being efficient in our use of electricity. We recycle, to the greatest extent possible, cardboard, paper and packaging material. We have also implemented the option of customers receiving e-mailed sales receipts and invoices rather than paper-based copies.

In FY2022, we continued to work with our suppliers to identify opportunities to reduce packaging and waste. In conjunction with Oral B, we launched a recycling program called Drop Swap Smile which enabled customers to return electric toothbrushes and avoid them going to landfill. We will be running a similar program in FY2023 and will continue to work with other suppliers to identify opportunities to increase recycling activities where possible.

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Directors' Report

30 June 2022

Your directors present their report on the consolidated entity consisting of Shaver Shop Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2022. Throughout the report, the consolidated entity is referred to as the "Group", the "Company" or "Shaver Shop".

Principal activities

The principal activities of the Group during the financial year was the retailing of specialist personal care and grooming products both through Shaver Shop's corporate owned stores as well as online through its websites and the online marketplaces it partners with. No significant change in the nature of these activities occurred during the year.

Directors

The following persons were directors of Shaver Shop Group Limited during the whole of the financial year and up to the date of this report:

Broderick Arnhold
Cameron Fox
Craig Mathieson
Trent Peterson
Brian Singer
Debra Singh

Company Secretary

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

Directors and directors' interests

The following information is current as at the date of this report:

| | | |
|--|--|-----------|
| Broderick Arnhold | <i>Independent Chair, Non-Executive Director</i> | |
| Expertise and Experience | Brodie has over 15 years domestic and international experience in private equity, investment banking and corporate finance. Prior to his current role as Chairman of iSelect Limited, he was the CEO of iSelect Limited and prior to that the CEO of Melbourne Racing Club for four years. He worked for Investec Bank from 2010-2013 where he was responsible for building a high-net-worth private client business. Prior to this, Brodie worked for Westpac Banking Corporation where he grew the institutional bank's presence in Victoria, South Australia and Western Australia, and from 2006-2010 held the role of Investment Director at Westpac's private equity fund. | |
| Other Current Listed Directorships | Chairman, iSelect Limited Non-Executive Director, Bailador Technology Investments Limited | |
| Former Listed Directorships in last 3 years | None | |
| Special responsibilities | Chair of the Board Member of the Audit and Risk Committee Member of the Nomination and Remuneration Committee | |
| Interests in shares | Ordinary Shares – Shaver Shop Group Limited | 2,000,000 |

Directors' Report continued

| | | |
|--|--|------------------|
| Cameron Fox | <i>Chief Executive Officer and Managing Director</i> | |
| Expertise and Experience | Cameron has over 25 years' experience working across the personal care and grooming industry. Cameron joined Shaver Shop as General Manager in 2006 before being appointed to the position of Chief Executive Officer in July 2008. Cameron previously worked for Gillette Australia for a period of 10 years. During his time at Gillette Australia, Cameron held various roles, including Associate Product Manager, Business Analyst, National Account Manager and National Sales Manager. | |
| Other Current Listed Directorships | None | |
| Former Listed Directorships in last 3 years | None | |
| Special responsibilities | Managing Director Chief Executive Officer | |
| Interests in shares | Ordinary Shares – Shaver Shop Group Limited | 3,122,118 |
| | Unvested LTI Shares | 1,616,667 |
| | Total | 4,738,785 |

| | | |
|--|--|-----------|
| Craig Mathieson | <i>Non-Executive Director</i> | |
| Expertise and Experience | Craig became a director of Shaver Shop Pty Ltd in June 2011. Craig is the Chief Executive Officer of the Mathieson Group which has diverse business interests from company investment to property development. From 2001 to 2007 Craig was the Managing Director of DMS Glass Pty Ltd which was the largest privately-owned glass manufacturer in Australia. | |
| Other Current Listed Directorships | None | |
| Former Listed Directorships in last 3 years | None | |
| Special responsibilities | Chair of the Audit and Risk Committee | |
| Interests in shares | Ordinary Shares – Shaver Shop Group Limited | 4,820,004 |

| | | |
|--|--|-----------|
| Brian Singer | <i>Non-Executive Director</i> | |
| Expertise and Experience | Brian became a director of Shaver Shop in June 2011. Brian founded the Rip Curl business with a business partner in 1969 after a career as a high school teacher. He became Chief Executive Officer for Rip Curl Group Pty Ltd in Australia and grew the business into a major manufacturer and distributor of clothing and surfing related products in Australia and internationally. | |
| Other Current Listed Directorships | None | |
| Former Listed Directorships in last 3 years | None | |
| Special responsibilities | Member of the Nomination and Remuneration Committee | |
| Interests in shares | Ordinary Shares – Shaver Shop Group Limited | 3,258,004 |

| | | |
|--|--|------------------|
| Trent Peterson | <i>Non-Executive Director</i> | |
| Expertise and Experience | Trent is a managing director and partner at Catalyst Investment Managers and has over 15 years' experience as a company director and private equity investor. He is currently a Director of Adairs Limited, dusk Group Limited and Universal Store Limited. He was a former director of Just Group, Global Television, EziBuy, Max Fashions, Power Farming, Metro GlassTech, Moraitis Group, Taverner Hotel Group, SkyBus and Australian Discount Retail. Trent is also a Non-Executive director of the Ascham Foundation and Gathermycrew.org. | |
| Other Current Listed Directorships | Adairs Limited dusk Group Limited Universal Store Limited | |
| Former Listed Directorships in last 3 years | None | |
| Special responsibilities | Chair of the Nomination and Remuneration Committee Member of the Audit and Risk Committee | |
| Interests in shares | Ordinary Shares – Shaver Shop Group Limited | 547,619 |
| Debra Singh | <i>Non-Executive Director</i> | |
| Expertise and Experience | Debra Singh has a wealth of retail experience gained while working within the Woolworth's group across supermarkets, operations and consumer electronics. Debra has also held key leadership roles as COO and Group CEO at Fantastic Holdings Limited as well as Group CEO Household Goods at Greenlit Brands. | |
| Other Current Listed Directorships | G8 Education Limited | |
| Former Listed Directorships in last 3 years | None | |
| Special responsibilities | Member of the Audit & Risk Committee Member of the Nomination and Remuneration Committee | |
| Interests in shares | Ordinary Shares – Shaver Shop Group Limited | 100,000 |
| Lawrence Hamson | <i>Chief Financial Officer and Company Secretary</i> | |
| Expertise and Experience | Lawrence joined Shaver Shop in April 2016 immediately prior to the Company's listing on the ASX. He is a Chartered Accountant (Canada) and Chartered Financial Analyst with more than 20 years experience in both public practice and within industry. For the 9 years prior to joining Shaver Shop, Lawrence acted as Chief Financial Officer for both private and public companies, most recently with Dun & Bradstreet as its CFO for the Asia Pacific region. He has experience across venture capital with Rothschild as well as corporate communications having been Mayne Group Limited's General Manager Corporate Relations through its demerger into two ASX listed entities Symbion Healthcare Limited; and Mayne Pharma Limited. | |
| Interests in shares | Ordinary Shares – Shaver Shop Group Limited | 925,492 |
| | Unvested LTI Shares | 816,667 |
| | Total | 1,742,159 |

Directors' Report continued

Meetings of Directors

During the financial year, 14 meetings of directors were held, 6 meetings of the Audit & Risk Committee were held and 3 meetings of the Nomination and Remuneration Committee were held. Attendances by each director who was a member of the Board and relevant subcommittee during the year were as follows:

| | Board of Directors Meetings | | Audit & Risk Committee Meetings | | Nom & Rem Committee Meetings | |
|-------------------|-----------------------------|-----------------|---------------------------------|-----------------|------------------------------|-----------------|
| | Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| Broderick Arnhold | 14 | 14 | 6 | 6 | 3 | 3 |
| Cameron Fox | 14 | 14 | – | – | – | – |
| Craig Mathieson | 14 | 11 | 6 | 6 | – | – |
| Trent Peterson | 14 | 14 | 6 | 6 | 3 | 3 |
| Brian Singer | 14 | 14 | – | – | 3 | 3 |
| Debra Singh | 14 | 14 | 6 | 6 | – | – |

Dividends paid or recommended

The Directors have announced a 100% franked final dividend of 5.5 cents per share or (\$7.2 million) to be paid on 20 September 2022 (2021: 5.0 cents per share 100% franked or \$6.2 million). The Directors announced an interim dividend of 4.5 cents per share, 100% franked or (\$5.6 million) in February 2022 (2021: 3.2 cents per share 100% franked or \$4.0 million). The FY2022 interim dividend was paid on 31 March 2022. This brings total 100% franked dividends declared for FY2022 to 10.0 cents per share (up 22.0% on the FY2021 dividends of 8.2 cents per share).

The combined interim and final dividend payments for FY2022 represent the payout of approximately 78.4% of the Company's FY2022 reported net profit after tax.

2022 Operating and Financial Review

Non-IFRS measures

The Directors' Report includes references to non-IFRS financial measures. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS financial measures contained within this report are not subject to audit or review.

Group Results

| | Reported 2022 \$000 | Reported 2021 \$000 | Increase (Decrease) % |
|---|---------------------------|---------------------------|-----------------------------|
| Sales | 222,745 | 213,667 | 4.2% |
| Gross profit | 97,714 | 94,681 | 3.2% |
| Gross margin % | 43.9% | 44.3% | -0.9% |
| Franchise and other income | – | 891 | -100% |
| Operating expenses | (57,431) | (55,148) | 4.1% |
| Operating expenses % of sales (costs of doing business) | 25.8% | 25.8% | – |
| Earnings before interest, tax, depreciation & amortization (EBITDA) | 40,284 | 40,424 | -0.3% |
| EBITDA margin | 18.1% | 18.9% | -4.2% |
| Depreciation & amortisation | (14,398) | (14,066) | 2.4% |
| Earnings before interest & tax (EBIT) | 25,886 | 26,358 | -1.8% |
| EBIT margin | 11.6% | 12.3% | -5.7% |
| Interest expense | (1,696) | (1,627) | 4.2% |
| Income tax expense | (7,497) | (7,258) | 3.3% |
| Net profit after tax (NPAT) attributable to owners | 16,692 | 17,473 | -4.5% |
| Earnings per share (EPS) – basic (cents) | 13.2 | 14.2 | -7.0% |
| Cash earnings per share (Cash EPS) – basic (cents) | 14.2 | 15.5 | -8.6% |
| Dividends per share (cents) – declared* | 10.0 | 8.2 | +22.0% |

* Reflects the period from which the dividends were declared – not the financial period in which they were paid – accordingly the FY2022 final dividend is not included in the table above. The FY2022 final dividend is to be paid in September 2022.

In FY2022, the Company grew consolidated revenue by 4.2% to \$222.7 million (FY2021 – \$213.7 million). The growth in sales was driven primarily by:

- Strong online sales growth (up 23.7%), that was in part driven by the change in customer behaviour in NSW and VIC to shop online during the extended period of government-mandated store closures in these States in Q1 and early Q2 FY2022;
- FY2022 like for like¹ store sales growth of 3.5% reflecting growing demand for Shaver Shop's products in stores that were open to customers in both FY2022 and FY2021; and
- The full year contribution from the last six franchise stores that were acquired in February 2021. These stores represented one large group based in NSW and consisted of the following stores, Blacktown, Burwood, Castle Towers, Chatswood, Galleries and Parramatta. Shaver Shop has 121 stores across Australia and New Zealand which are now all fully corporate-owned. The incremental sales from these additional six stores was partially offset by the full period impact of the permanent closure of two stores (Plenty Valley, VIC and Belrose, NSW) in H1 FY2021, as well as the part period impact of the permanent closure of the Mount Druitt, NSW and Lismore, NSW stores following flood events in FY2022.

Shaver Shop opened two new stores during FY2022, Bunbury and Claremont Quarter, both in Western Australia.

Gross profit margins decreased 40 basis points to 43.9% in FY2022 (FY2021 – 44.3%). The decrease in gross profit margin was due to a shift in category mix and partially offset by some deliberate decisions to reduce the level of promotional discounting on certain product lines and categories, more specifically Shaver Shop's exclusive range of products.

1. Like for like sales are sales for those stores that were owned and operated by Shaver Shop for all of FY2021 and FY2022. It therefore excludes any franchise buy-backs, new stores or stores that were permanently closed in FY2021 or FY2022. Where any like for like stores were temporarily closed for in-store sales (e.g. due to COVID-19 restrictions) for any day in FY2021 or FY2022, the in-store sales, (if any), and any online sales for those days, have been excluded from like for like sales in both FY2021 and FY2022.

Directors' Report continued

Shaver Shop's total operating expenses increased 4.1% to \$57.4 million (FY2021: \$55.1 million), primarily due to:

- The full period impact from the increase in the number of corporate stores in the network following the buy-back of the last six franchised stores in February 2021;
- Increased postage and online transactional costs resulting from the significant increase in online sales; and
- Higher online marketing and advertising costs which supported the growth in online sales.

These increases in operating expenses were partially offset by the following operating expense reductions in FY2022:

- Lower store rosters and associated payroll costs across NSW and VIC stores from July 2021 through October 2021 due to each State government's mandated lockdown restrictions associated with COVID-19. The lower roster levels were implemented temporarily to mitigate, to the extent possible, the impact of lost in-store sales and gross profit during the lockdown periods. These and other snap lockdowns resulted in the loss of approximately 6,200 in-store trading days (or approximately 14% of available in-store trading days) over FY2022; and
- Rent relief provided by landlords of approximately \$0.6 million in FY2022 (FY2021 – \$0.8 million) during periods where stores were closed, (due to government-imposed trading restrictions), or where foot traffic was materially adversely impacted over an extended period.

Shaver Shop did not receive any government wage subsidies (JobKeeper) in FY2022.

Overall, Shaver Shop's costs of doing business as a percentage of total sales remained unchanged at 25.8% in FY2022 (FY2021 – 25.8%).

Shaver Shop's EBIT decreased 1.8% to \$25.9 million compared to \$26.4 million generated in the prior corresponding period.

Shaver Shop generated net profit after tax (NPAT) of \$16.7 million in FY2022 representing a decrease of 4.5% on net profit after tax (NPAT) of \$17.5 million generated in the prior corresponding period.

Shaver Shop receives a tax deduction over five years for the cost of franchise right terminations that occur through its franchise buy-back program. This leads to income tax payable being lower than income tax expense for the five year tax period following each buy-back. The reduction in cash tax payable for FY2022 and each subsequent financial year arising as a result of the franchise buy-back tax deduction is set out in the table below.

| (at 30 June 2022) | FY2022 \$000 | FY2023 \$000 | FY2024 \$000 | FY2025 \$000 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| Reduction in income tax payable | 1,230 | 988 | 955 | 795 |

After adjusting for the tax benefit associated with franchise buy-backs, Shaver Shop's Cash EPS was 14.2 cents per share, (FY2021 – 15.5 cents), a decrease of 8.4% over the prior corresponding year.

Liquidity and Capital Management

As at 30 June 2022, Shaver Shop had an undrawn \$30.0 million, multi-option debt facility with an additional \$1.0 million facility to support bank guarantees. The facility had a two year term, expiring on 31 July 2022. After 30 June 2022, Shaver Shop renewed the facility on amended terms with a similar capacity, with the new facilities having a maturity date of 31 July 2024. The Company's debt facility has three key covenants: the leverage ratio (Gross Debt/EBITDA); the fixed coverage ratio ((Occupancy Costs + EBITDA)/(Occupancy Costs + Interest expense)); and the net worth ratio ((Total assets – Total liabilities)/Total assets). All banking covenants were well within the bank's thresholds for FY2022.

Shaver Shop generated \$28.3 million in operating cash flow in FY2022 (FY2021: \$36.0 million). This operating cash flow was used to fund the payment of the two dividends that were paid in FY2022 amounting to \$11.8 million. At 30 June 2022, Shaver Shop had not drawn any debt under the bank facility (FY2021 – nil) and had net cash at bank of \$9.4 million (FY2021: \$7.4 million).

COVID-19 Impacts and Risk Mitigation Measures Initiated

Shaver Shop has experienced strong sales and sustained levels of elevated demand for its products as consumers looked for cost-effective personal care and grooming solutions that can be used in the comfort of their home.

As a result of strong sales growth, Shaver Shop did not qualify for, and did not receive any, government wage subsidies (e.g. JobKeeper) in Australia or New Zealand across FY2021 and FY2022.

Despite Shaver Shop's strong financial performance in FY2021 and FY2022, the Company has implemented a number of measures to mitigate the risk of COVID-19 on its business. These measures include, but are not limited to:

- Implementing improved health and safety policies, systems and procedures in all of its locations to mitigate the risk of infection to staff and customers;
- Reduced inventory holdings, (compared to long-term averages), across its store network to increase stock turns and improve liquidity;
- Shorter store opening hours and reduced rostered hours in-store, (particularly during short and long-term government-mandated lockdown periods), to reflect changes in store and centre foot traffic;
- Continuing investments in Shaver Shop's online and omni-retail offerings, that support the ability to generate and fulfill online sales to customers even when stores are closed;
- Negotiating with landlords to secure rent relief during periods in which its stores were closed for extended periods due to government-mandated lockdowns;
- Steps to increase the flexibility of Shaver Shop's online fulfilment model by maintaining a high-volume third-party warehouse facility in Victoria, which can be used as required; and
- Working with suppliers to mitigate potential supply constraints and switch promotional programs and in-store sales activity to alternative products where possible.

These activities and more have led to Shaver Shop not having any gross debt across FY2021 and FY2022. For additional financial security, Shaver Shop had an undrawn debt facility of \$30.0 million at June 2022.

Strategy and key drivers of growth

Shaver Shop offers customers a wide range of quality brands, at competitive prices, supported by excellent staff product knowledge and customer service. Shaver Shop seeks to identify consumer trends and works closely with major manufacturers and suppliers to source products that cater for these changing personal grooming and beauty trends.

With more than 35 years of dedicated experience in its core hair removal product categories, Shaver Shop believes it is the only significant pure-play specialty retailer in these categories in Australia and New Zealand. Shaver Shop invests heavily in staff training to ensure that its store managers and customer facing staff are equipped to recommend the best product that meets the customer's needs. This strong expertise, segment focus and customer experience has enabled Shaver Shop to negotiate exclusive supply arrangements for a significant proportion of its top 50 products by sales. In FY2022, Shaver Shop generated approximately 50% of sales and almost 60% of gross profit from products only sold at Shaver Shop in Australia and New Zealand.

Shaver Shop believes its service focussed ethos and differentiated product range provides a unique customer experience that distinguishes its business from other retailers that sell personal grooming products in the market.

Organic growth both online and in-store (omnichannel retail growth)

Shaver Shop will continue to implement a strategic marketing plan and other initiatives to attract new customers to the business and encourage repeat business. Important components of this aspect of the Company's strategy include ongoing investments in its omni-retail capabilities, (across both online channels and in-store), which continue to improve, as well as establishing a customer experience program to attract and support returning customers. Shaver Shop is also undertaking a deliberate store refit strategy to refresh the look and feel of several of its key stores.

Continued product innovation

Shaver Shop benefits as consumer beauty and grooming trends evolve and require new and changing tools to help customers achieve their desired look. Shaver Shop seeks to work with manufacturers and suppliers to source products that cater to the emerging demands of consumers within the hair removal and personal care categories. In some cases, Shaver Shop seeks and obtains exclusive rights to sell new and innovative personal grooming and beauty products in the Australian and New Zealand markets, which assists with product and range differentiation.

Directors' Report continued

Store rollout

Shaver Shop aims to grow total store network numbers across Australia and New Zealand to approximately 130-135 within the next three years. Shaver Shop continues to apply prudence to new store openings given the variability in foot traffic at shopping centres experienced over the last 24 months as well as consumer trends to continue purchasing through online channels. Subject to the forecast financial returns meeting appropriate hurdle rates, the Company expects to open these additional stores in Australia and New Zealand.

NZ business growth

Shaver Shop opened its first three New Zealand stores in mid-2014. Since that time, the New Zealand network has grown to seven locations across both the north and south islands. With recent in-store and online improvements, together with increased brand awareness and recognition in New Zealand, the business has now reached sufficient critical mass to drive economies of scale and profitability. Shaver Shop expects to drive further growth in New Zealand through the opening of additional stores as well as ongoing improvements in its omni-retail offering.

Market growth in personal care and grooming solutions

Shaver Shop operates in the personal care, beauty and grooming solutions market. This market has been growing for many years as new and innovative do-it-yourself (DIY) products enable consumers to perform their daily beauty regime in the comfort of their home rather than going to a salon. In addition, over the last 10-20 years the prevalence and acceptance of men having a beauty regime, (as women do), has increased. This has resulted in men buying and using more grooming and beauty tools. Management expects that these trends will continue over the long-term.

Key Business Risks

There are a number of factors that could have an effect on the financial performance of Shaver Shop Group Limited. These include:

Retail environment and general economic conditions may deteriorate

Shaver Shop's performance is sensitive to the current state of and future changes in the retail environment and general economic conditions in Australia and New Zealand. Australian and New Zealand economic conditions may worsen due to higher cost of living pressures, interest rates rising, as well as pressures brought about by the impact of COVID-19 and associated government-imposed trading restrictions. These and other factors may lead to the economy entering into a recession or another cause of a reduction in consumer spending. This could cause the retail environment to deteriorate as consumers reduce their level of consumption of discretionary items.

COVID-19 related impacts

COVID-19 voluntary and legislated restrictions may impact Shaver Shop's ability to trade for an extended period in some or all of its locations for a period of time. It may also impact Shaver Shop's ability to fulfil online orders to customers. Whilst Shaver Shop has and will take steps to reduce the financial and operational effects of COVID-19, including seeking government support, (where applicable), and reducing its cost base, Shaver Shop's profitability, liquidity and financial position may be negatively impacted by the prolonged closure of its stores or inability of Shaver Shop to fulfil online orders. As government COVID-19 restrictions ease, those customers who have purchased DIY personal care and grooming solutions from Shaver Shop or other retailers, may choose to go back to the salon or barber shop rather than continuing to use the products purchased from Shaver Shop.

Competition may increase

Shaver Shop faces competition from specialty retailers, department stores, discount department stores, grocery chains as well as online only retailers and professional salons. Shaver Shop's competitive position may deteriorate as a result of actions by existing competitors, the entry of new competitors, (including manufacturers and suppliers of products who decide to sell directly to end consumers), or a failure by Shaver Shop to successfully respond to changes in the market.

Product sourcing may be disrupted (including due to COVID-19)

Shaver Shop's products are sourced from third party suppliers of major hair removal, hair care, personal care and other shaving brands. In FY2022, approximately 90% (FY2021 – 91%) of Shaver Shop's total network sales came from products sourced from its top ten suppliers. Shaver Shop's largest supplier constitutes approximately 29.0% (FY2021 – 29.5%) of all sales, with the next two largest suppliers contributing approximately 23.9% (FY2021 – 22%) and 14.9% (FY2021 – 16%) of total sales. Whilst Shaver Shop has a diversified supplier base, Shaver Shop is exposed to potential increases in the cost of materials and the cost of manufacturing and foreign exchange rates applicable to its products. There may also be delays in delivery or failure by a supplier to deliver goods. Such increases, delays and failure could significantly increase Shaver Shop's cost of operations or lead to a reduction in the available range of products, which may affect Shaver Shop's operating and financial performance.

Changes in international pricing or supply may change local demand for Shaver Shop products

Many of the products which Shaver Shop sells are available in many overseas markets. With the increasing propensity for consumers in Australia and overseas to purchase products over the internet, should the comparative price of Shaver Shop's products be significantly lower in overseas markets, this could have an influence on local demand for Shaver Shop's products. Conversely, if the price for Shaver Shop's products is significantly lower than the comparable price for the same product overseas, this could increase demand and sales of Shaver Shop products. Should suppliers increase (decrease) prices to create global wholesale price parity, this could materially decrease (increase) local demand for Shaver Shop's products. This is particularly true in relation to any bulk sales of products to customers in Australia.

Seasonality of trading patterns

Shaver Shop's sales are subject to seasonal patterns. In FY2022, the contribution of sales for the first half to total sales for the full year was approximately 57.1% (FY2021 – 57.9%). The seasonality of Shaver Shop's sales towards the first half of the financial year is largely due to the pre Christmas and Boxing Day trading periods and Father's Day, (being the first Sunday in September in Australia and New Zealand). An unexpected decrease in sales over traditionally high volume trading periods for Shaver Shop could have a materially adverse effect on the overall profitability and financial performance of Shaver Shop. In addition, an unexpected decrease in sales over traditionally high volume trading periods could also result in abnormally large amounts of surplus inventory, which Shaver Shop may seek to sell through abnormally high and broad based price discounting to minimise the risk of the product becoming aged or obsolete. If Shaver Shop were to sell a significant volume of its products at deep discounts, this would likely reduce the business' revenue and would have an adverse impact on the Company's financial performance.

Customer buying habits/trends may change

Any adverse change in personal grooming trends and/or a failure of Shaver Shop to correctly judge the change in consumer preferences or poor quantification of purchases for related product may have an adverse impact in the demand for Shaver Shop's products or the gross margins achieved on these products.

Product innovation and exclusivity arrangements

Product innovation by suppliers has been a key driver in Shaver Shop's sales growth. Shaver Shop relies on its suppliers to continue to drive R&D and product innovation in its product categories. A material reduction in the frequency or appeal of new product innovations by suppliers may have an adverse impact on sales, performance rebates received and gross margin levels achieved. In addition, a key driver in Shaver Shop's sales growth has been the ability to secure new innovative products on an exclusive basis. If Shaver Shop is unable to secure new product innovations on an exclusive basis, or if the appeal of an existing product sold by Shaver Shop on an exclusive basis is weakened by a new innovative product made widely available to retailers or on an exclusive basis to one of Shaver Shop's competitors, Shaver Shop's sales and gross margin levels may be adversely affected.

Directors' Report continued

Supplier relationships, supplier input costs and the ability to source products exclusively

The Company's relationships with suppliers are often governed by individual purchase orders and invoices. Under those arrangements, suppliers may seek to alter the terms on which products are supplied as well as the range of products available for supply. This, together with potential changes in input costs of suppliers, may result in changes of pricing levels and a reduction in the range of products made available to Shaver Shop, both of which could adversely impact the Company's ability to successfully provide customers with a wide range of products at competitive prices. This could reduce Shaver Shop's overall profitability and adversely impact its financial performance. In addition, Shaver Shop receives income from suppliers in the form of volume rebates and supplier contributions to specific marketing and advertising campaigns. Supplier rebates and contributions are negotiated on a periodic basis.

Shaver Shop has a limited number of fixed contracts in place with suppliers relating to rebates and contribution income. Most suppliers who provide Shaver Shop with rebates or marketing contributions may elect to cease such payments at any point in time. Any such action could adversely impact Shaver Shop's income which would reduce Shaver Shop's overall profitability and impact its financial performance. Finally, through good relationships with some suppliers, Shaver Shop has been able to secure arrangements with third party distributors and brands for the supply of products to Shaver Shop on an exclusive basis. These arrangements are for specific products and for varying time periods. There is a risk that Shaver Shop may not be able to renew exclusive distribution agreements with these suppliers or that suppliers may enter into exclusive distribution arrangements with Shaver Shop's competitors. If this occurs, it may have a material adverse impact on the Company's business and reputation, operational performance as well as its financial results.

Breach of industrial practices

Shaver Shop, like all retailers, is exposed to industrial relations risk that can impact the reputation and financial performance of its business. The Company has governance programs in place to mitigate this risk including remuneration oversight, training, policies and procedures.

Cyber & information security

Shaver Shop, like most retailers, relies heavily on technology for the operation of both its' stores as well as its' online sales channels. The rapid changes in technology and data management creates challenges for all companies to maintain a robust and resilient technology network as well as a strong cyber security program. Shaver Shop has implemented strategies and systems with the aim of protecting against deliberate exploitation of computer systems, data and networks by internal and external parties. Cyber security is constantly evolving and is a significant risk to all retailers and Shaver Shop will need to maintain vigilance and adopt appropriate responses to protect its information assets. Should Shaver Shop's systems, and/or the systems that Shaver Shop relies on from suppliers be breached, and customer data become unprotected, this could have significant reputational, financial and regulatory implications for the Group.

Significant changes in state of affairs

Except as otherwise described in this report, there have been no significant changes in the state of affairs of the entities in the Group during the year.

Matters or circumstances arising after the end of the year

Subsequent to year end, the Directors declared a 100% franked final dividend of 5.5 cents per share to shareholders of record on 6 September 2022. The dividend payment date is 20 September 2022.

After 30 June 2022, Shaver Shop finalised the renegotiation of its debt facilities. The new bank facilities, (aggregating \$30.0 million in available capacity), include an uncommitted \$10.0 million trade finance facility, a \$19.5 million term debt facility and a \$0.5m contingent liability facility (for bank guarantees). The new bank facility has similar covenants to the expiring facility and has a maturity date of 31 July 2024.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could materially affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Future developments and outlook

Year to date trading in FY2023 has been volatile with year over year growth rates being heavily impacted by government mandated lockdowns across NSW, VIC, ACT, QLD and NZ in the comparative FY2022 period. Between 1 July 2021 and 18 August 2021, Shaver Shop lost approximately 2,300 in-store trading days (or 38% of available in-store trading days) due to government trading restrictions. There were no government-imposed lockdowns in the year to date FY2023 period. With that context, Shaver Shop provides the following sales update for the period from 1 July 2022 to 18 August 2022 (YTD):

| FY2023 YTD Growth | vs FY2022 | vs FY2021 | Pre-COVID vs FY2020 |
|--------------------------|------------------|------------------|--------------------------------|
| Total sales | +19.2% | +6.3% | +35.6% |
| In-store sales | +82.7% | +18.3% | +20.5% |
| Online sales growth | -46.0% | -21.3% | +138.6% |

It should be noted that comparative trading performance in July 2020 (FY2021) was very strong with exceptional gross profit margins. The comparative period in FY2022 was characterised by widespread store closures in NSW and to a lesser extent Victoria and significant online sales of Hair Clippers and other DIY hair removal categories when hairdressers, laser hair removal clinics and barbers were closed during government mandated lockdowns. Year to date in-store sales are up 82.7%, more than offsetting the softness in online sales as consumers increasingly return to shopping centres rather than shopping online.

As stores have re-opened, roster hours and associated costs have returned to more normal levels having been reduced significantly in prior years to mitigate lost in-store sales during lockdown periods.

Gross profit margins have remained well-above long-term averages YTD, with robust growth in higher margin categories such as men's electric shavers and beard trimmers being supported by a disciplined approach to discounting across all categories.

Given the uncertainty due to COVID-19 and associated government-imposed trading restrictions, as well as the importance of Black Friday, Christmas and Boxing Day sales to our annual financial results, it is not appropriate to provide FY2023 sales or profit guidance for Shaver Shop at this time.

Environmental issues

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

Directors' Report continued

Non-audit services

The Board of Directors, in accordance with advice from the audit committee, are satisfied that the provision of non-audit services during the year are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid to PricewaterhouseCoopers for audit and non-audit services during the year are set out in note 25 to the audited financial statements.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 41 of the consolidated financial report.

Shares under option

There have been no unissued shares or interests under option in the Company or a controlled entity during or since reporting date.

Indemnification and insurance of officers and auditors

During the financial year, the Company paid an insurance premium to insure the directors and senior management of the Company and its subsidiaries.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and, any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

The terms of the insurance policies prohibit disclosure of the details of the premium paid.

Proceedings on behalf of company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or 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 any part of those proceedings.

Remuneration report (audited)

The Board of Directors of Shaver Shop Group Limited present the Remuneration Report for the Company for the reporting period of 1 July 2021 to 30 June 2022. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

Our remuneration report for the 2021 financial year received positive shareholder support at the 2021 AGM, with 99.18% of votes in favour of adoption.

(a) Summary

Group financial and operational performance

Shaver Shop delivered strong financial performance measures for shareholders in FY2022 evidenced by:

- Sales growth of 4.2% to \$222.7 million, (FY2021 – \$213.7 million), supported by online sales growth of 23.7% (FY2021 – 41.1%) to \$75.7 million. This was achieved despite Shaver Shop losing approximately 6,200 in-store trading days, (or approximately 14% of available in-store trading days), to government-imposed trading restrictions associated with COVID-19;
- Cost management leading to operating expenses as a percentage of sales remaining flat at 25.8% (FY2021 – 25.8%);
- Strong working capital management leading to strong operating cash flow of \$28.3 million; and
- Continuing strong customer service metrics with an average net promoter score (NPS) of 88.4 (out of 100).

Comparable net profit after tax (NPAT) of \$16.7 million was 4.5% below the record FY2021 NPAT of \$17.5 million, but above Shaver Shop's internal targets for the FY2022 year.

Importantly, Shaver Shop did not receive any financial support in FY2022 under the Australian government's JobKeeper program.

Short-term incentive (STI)

The Company delivered another very strong financial performance in FY2022, and in doing so exceeded Shaver Shop's internal targets. This resulted in the maximum STI award being granted to executive Key Management Personnel, (KMP or Senior Executives), by Shaver Shop's board of directors as a result of exceeding the predetermined earnings targets for the business. In FY2022, these targets were based on underlying NPAT of the Company.

Long-term incentive (LTI)

Tranche 3 of the FY2019 LTI grant reached the end of its three-year performance period on 30 June 2021. The Company's EPS CAGR over this period was 34.4%, exceeding the maximum threshold for vesting and accordingly all Tranche 3 EPS shares (125,000 shares) for Senior Executives vested on 30 June 2022, once the relevant service condition was met. The TSR CAGR for Tranche 3 of the FY2019 LTI grant was 52.8% and exceeded the maximum threshold for vesting and accordingly, 100% of the Tranche 3 TSR shares (291,667 shares) vested with Senior Executives on 30 June 2022, once the relevant service condition was met.

Tranche 2 of the FY2020 LTI grant reached the end of its two-year performance period on 30 June 2021. The EPS CAGR for Tranche 2 of the FY2020 LTI grant was 53.1% and exceeded the maximum EPS performance hurdle and accordingly, following the tenure requirement being met (30 June 2022), 100% of the Tranche 2 EPS shares (135,000 shares) vested with Senior Executives. The TSR CAGR for Tranche 2 of the FY2020 LTI grant was 39.9% and accordingly, following the tenure requirement being met (30 June 2022) 100% of the Tranche 2 TSR shares (315,001 shares) vested with Senior Executives. Tranche 3 of the FY2020 LTI grant reached the end of its three-year performance period on 30 June 2022. The EPS CAGR for Tranche 3 of the FY2020 LTI was 29.8% and exceeded the maximum EPS performance hurdle. Accordingly, subject to meeting the tenure requirement (30 June 2023), 100% of the FY2020 Tranche 3 EPS shares (135,000 shares) will vest with Senior Executives. The determination of the TSR CAGR for Tranche 3 of the FY2020 LTI grant is unable to be calculated at the time of writing this report as it is based on the 5 day volume weighted average price (VWAP) of Shaver Shop's shares in the 5 days after release of the FY2022 financial results.

Directors' Report continued

Tranche 2 of the FY2021 LTI grant reached the end of its two-year performance period on 30 June 2022. The EPS CAGR for Tranche 2 of the FY2021 LTI grant was 24.5% and exceeded the maximum required EPS performance hurdle. Accordingly, subject to meeting the tenure requirement (30 June 2023) 100% of the FY2021 Tranche 2 EPS shares (140,000 shares) will vest with Senior Executives. The TSR CAGR for Tranche 2 of the FY2021 LTI grant is unable to be calculated at the time of writing this report as it is based on the 5 day VWAP of Shaver Shop's shares in the 5 days after the release of the FY2022 financial results.

The FY2022 LTI grant has one, three-year performance period that concludes on 30 June 2024 for the EPS Performance Condition and concludes 5 days after the release of the FY2024 financial results for the TSR Performance Condition. Accordingly, neither the TSR, nor the EPS CAGRs for the FY2022 grant will be known until that time.

(b) Key Management Personnel covered in this report

This report sets out the remuneration arrangements for Shaver Shop's key management personnel, (KMP) (listed in the table below), who have been KMP during the reporting period. For the remainder of this Remuneration Report, the KMP are referred to as either Non-Executive Directors or Senior Executives.

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

| Non-Executive Directors | Position |
|--------------------------|---|
| Broderick Arnhold | Independent, Non-Executive Chairman |
| Craig Mathieson | Independent, Non-Executive Director |
| Trent Peterson | Independent, Non-Executive Director |
| Brian Singer | Independent, Non-Executive Director |
| Debra Singh | Independent, Non-Executive Director |
| Senior Executives | |
| Cameron Fox | Chief Executive Officer (CEO) and Managing Director |
| Lawrence Hamson | Chief Financial Officer (CFO) and Company Secretary |
| Philip Tine | Retail Director |

(c) Remuneration overview

The Board recognises that the performance of the Group depends to a large extent on the quality and motivation of the Shaver Shop team, including the Senior Executives and our 788 team members, (2021: 749), employed by the Group across Australia and New Zealand. Shaver Shop's remuneration strategy therefore seeks to appropriately attract, reward and retain team members at all levels in the organisation but in particular aligning and motivating key Senior Executives to create shareholder wealth. By aligning various remuneration mechanisms, the Board seeks to have a structure that incentivises sustainable growth, risk management, as well as driving a positive culture across the business.

In FY2022, the primary performance mechanism for determining whether Senior Executives Short-Term Incentive Plan (STIP) are paid, was the Company's Net Profit After Tax (NPAT), having regard to pre-set growth objectives relative to NPAT for FY2022. Shaver Shop generated very strong NPAT in FY2022 of \$16.7 million. Whilst this is down slightly on the exceptional FY2021 NPAT result of \$17.5 million, the targets set for Senior Executives at the start of the year were exceeded, and accordingly, the Board has awarded the maximum STIP payout to Senior Executives in FY2022. The Board believes the STIP outcomes were fair and appropriate and reflect the alignment between shareholders' interests and the Company's remuneration practices and policies.

In terms of its Long-Term Incentive Plan (LTIP), in FY2022 Shaver Shop granted 2,200,000 shares to participants in the LTIP. The FY2022 LTIP share allocations are subject to Service, Total Shareholder Return (TSR) and Earnings Per Share (EPS) vesting conditions over one, three-year performance period which is outlined in further detail below. The Group also offered offsetting limited recourse loans to assist with the purchase of the LTIP shares.

As part of its processes for continuous improvement, Shaver Shop is currently reviewing its LTI structure with a view to ensuring it provides the appropriate incentive mechanisms and motivational outcomes for participants and shareholders. Shaver Shop has engaged remuneration consultants to ensure the proposed LTI structure meets the Board's objectives and considers appropriate tax, legal and accounting advice. The outcome of the review has not yet been finalised but is expected to result in Shaver Shop moving to a Performance Rights LTI Plan in FY2023 and beyond.

The Nomination and Remuneration Committee will continue to review the remuneration arrangements for Non-Executive Directors and Senior Executives to ensure that they are relevant, competitive, and appropriate for a listed company.

(d) Relationship between remuneration policy and company performance

The performance criteria and targets for Executives to realise benefits under both the Company's STIP and LTIP are aligned to company performance and enhancing shareholder value. Shaver Shop's Nomination and Remuneration Committee considers both the statutory and normalised results, (where appropriate), for the business, in evaluating performance against key metrics.

The following table provides a summary of the Company's statutory financial performance from FY2017 to FY2022.

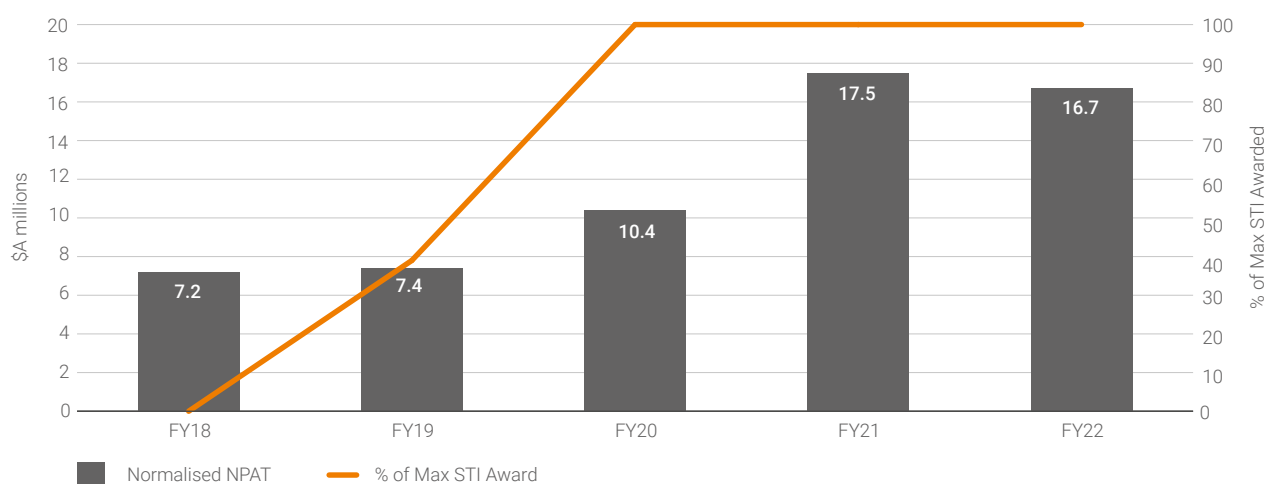
| | Statutory FY2022 Result \$000 | Statutory FY2021 Result \$000 | Statutory FY2020 Result \$000 | Statutory FY2019 Result \$000 | Statutory FY2018 Result \$000 | Statutory FY2017 Result \$000 |
|---|--|--|--|--|--|--|
| Revenue | 222,745 | 213,667 | 194,924 | 167,437 | 154,937 | 142,568 |
| EBITDA | 40,284 | 40,424 | 30,337 | 12,530 | 12,170 | 14,870 |
| Net Profit After Tax (NPAT) | 16,692 | 17,473 | 10,382 | 6,670 | 6,555 | 8,994 |
| Basic earnings per share (cents) | 13.2 | 14.2 | 8.5 | 5.5 | 5.3 | 7.2 |
| Dividends declared | 11,794 | 7,261 | 5,659 | 5,399 | 5,252 | 2,001 |
| Dividends per share declared (cents) | 9.5 | 5.9 | 4.6 | 4.5 | 4.2 | 1.6 |
| Year-end share price (\$) | \$0.975 | \$1.00 | \$0.70 | \$0.42 | \$0.45 | \$0.64 |

For the financial year ended 30 June 2022, the Company's NPAT decreased by 4.5% to \$16.7 million. The FY2021 NPAT of \$17.5 million was exceptional and reflected incremental demand for Hair Clippers as well as other DIY hair removal and personal care categories at the start of the pandemic when macroeconomic support from the Federal and State Governments was also in place. The FY2022 NPAT result of \$16.7 million was achieved despite Shaver Shop losing approximately 6,200 in-store trading days, (or approximately 14% of total in-store trading days across the year), due to government-imposed trading restrictions. In doing so, the FY2022 NPAT result exceeded the Company's internal targets for FY2022.

Directors' Report continued

% of Maximum STI Awarded vs Normalised NPAT

The graph below illustrates the percentage of the maximum available STI that was awarded to Senior Executives for each financial year (since listing on the ASX) versus the normalised NPAT for the Company. Shaver Shop's FY2022 NPAT result of \$16.7m is 130.3% higher than the result achieved in FY2018 and represents a compound average growth rate of 23.2% over the four year period.



Long-Term Incentive Plan Outcomes for FY2022

Up until FY2022, under the terms of the LTIP, shares were issued to participants that had three tranches. The tranches had one year, two year and three year performance periods. For each tranche, 70% of the shares issued were subject to TSR performance hurdles and 30% were subject to EPS performance hurdles. The base share price used for calculating the TSR performance hurdle was equivalent to the 5 day VWAP immediately prior to the Grant Date. The ending share price for the TSR performance hurdle is calculated using the 5 day volume weighted average share price (VWAP) of Shaver Shop's shares following the release of the Company's results for the relevant performance period. As a result, the VWAP of the Company's shares for performance periods ending on 30 June 2022 is not known at the time of writing this report and therefore no vesting has been assumed for shares with TSR performance hurdles ending in FY2022.

In FY2022, the structure of the LTI Plan was changed slightly for the FY2022 LTI share grant such that there is now only one tranche with one, three-year performance period. Consistent with the prior structure, 70% of the shares issued are subject to TSR performance hurdles and 30% are subject to EPS performance hurdles. The base share price used for calculating the TSR performance hurdle is equivalent to the 5 day VWAP after the release of Shaver Shop's FY2022 financial results. The ending share price for the TSR performance hurdle is calculated using the 5 day VWAP of Shaver Shop's shares following the release of the Company's results for FY2024. The issue price of the shares is based on the 5 day VWAP of the Company's shares immediately prior to the date of Grant.

Vesting percentages are only shown in the table below where both the performance conditions and service conditions related to a tranche have been achieved.

| Performance Period Starting | Performance Period Ending | Service Condition | LTI shares granted to KMP | EPS CAGR (30% of tranche shares) | | | TSR CAGR (70% of tranche shares) | | |
|-----------------------------|---------------------------|-------------------|---------------------------|----------------------------------|--------|-----------|----------------------------------|--------|-----------|
| | | | | Performance outcome | Vested | Forfeited | Performance outcome | Vested | Forfeited |
| FY2019 | FY2019 | 30 Jun 21 | 383,333 | 3.5% | 0% | 100% | 42.3% | 100% | 0% |
| FY2019 | FY2020 | 30 Jun 21 | 383,333 | 22.1% | 100% | 0% | 84.0% | 100% | 0% |
| FY2019 | FY2021 | 30 Jun 22 | 383,334 | 34.4% | 100% | 0% | 52.8% | 100% | 0% |
| FY2020 | FY2020 | 30 Jun 22 | 449,998 | 44.1% | 100% | 0% | 87.5% | 100% | 0% |
| FY2020 | FY2021 | 30 Jun 22 | 450,001 | 53.1% | 100% | 0% | 39.9% | 100% | 0% |
| FY2020 | FY2022 | 30 Jun 23 | 450,001 | | | | | | |
| FY2021 | FY2021 | 30 Jun 23 | 466,665 | | | | | | |
| FY2021 | FY2022 | 30 Jun 23 | 466,667 | | | | | | |
| FY2021 | FY2023 | 30 Jun 24 | 466,668 | | | | | | |
| FY2022 | FY2024 | 10 Nov 24 | 1,400,000 | | | | | | |

The following share tranches have met the required performance thresholds as at the date of this report, however have not yet met the required service condition.

| Performance Period Starting | Performance Period Ending | Tranche | Service Condition | EPS Shares Granted | EPS Shares to Vest | TSR Shares Granted | TSR Shares to Vest |
|-----------------------------|---------------------------|-----------|-------------------|--------------------|--------------------|--------------------|--------------------|
| FY2020 | FY2022 | Tranche 3 | 30 Jun 23 | 135,000 | 135,000 | 315,001 | 315,001 |
| FY2021 | FY2021 | Tranche 1 | 30 Jun 23 | 140,000 | 140,000 | 326,665 | 0 |
| FY2021 | FY2022 | Tranche 2 | 30 Jun 23 | 140,000 | 140,000 | 326,667 | |

It is uncertain whether the FY2021 Tranche 2 TSR shares will meet their vesting conditions.

(e) Remuneration objectives

One of Shaver Shop's core beliefs is that the success of the business is driven in large part by the skills, motivation and the performance of all of its team members – from Senior Executives to Store Managers to retail assistants on the shop floor. Creating an environment that fosters a high performance culture and aligns the team behind a common set of values and behaviours is core to the Company's continuing success.

Shaver Shop believes that the knowledge and expertise of its sales staff is a critical differentiating factor for the business and an important factor in its success. As a result, the Company takes pride in training team members in Shaver Shop's values and approach to business, as well as in promoting high performing staff through the business from the retail shop floor through to national office positions.

In addition to building the appropriate culture, Shaver Shop's philosophy is to provide competitive remuneration arrangements that reward team members for the underlying performance of the company as well as building shareholder value over the short and long-term.

Directors' Report continued

As such, remuneration for team members can include fixed pay, superannuation, short-term incentives, long-term incentives, as well as support for training and education, relocation assistance and dues and membership fees that are aligned with Shaver Shop's needs and objectives. The components of total remuneration for a team member will vary depending on the role, his or her seniority, the team member's experience as well as their performance.

The Remuneration Committee also considers the importance of equity ownership for Senior Executives when setting remuneration packages.

Shaver Shop's key principles underpinning its remuneration plans are set out below:

- (a) *Simplicity*: We seek to ensure remuneration arrangements are simple and can be easily understood by both the Senior Executives and other key stakeholders.
- (b) *Alignment*: We seek to ensure material components of the Senior Executive's remuneration arrangements, (including their shareholding as appropriate), contribute to alignment of the interests of the Senior Executives with those of the shareholders.
- (c) *Best practice*: We seek to ensure the material aspects of an employee's remuneration arrangements are sustainable and could withstand tests of precedent and transparency within the organisation and market place.
- (d) *Competitive*: We seek to ensure our Senior Executives are remunerated such that, (when taken as a whole, and having regard to their particular circumstances, including any risks and opportunities), their individual remuneration arrangements are competitive with relevant comparable positions.
- (e) *Risk Conscious*: In considering remuneration arrangements, the Company seeks to manage certain key risk exposures, including the risk of loss of an individual, retention of intellectual property and skills, issues associated with replacement of the individuals, risk of poaching, and the presence and quality of our succession planning.
- (f) *Company First*: The Company develops systems, policies, processes and team depth to manage its reliance on any given individual within its leadership team. This extends to remuneration, where we seek to ensure the remuneration architecture and individual arrangements are orderly and deliberate in line with our Core Competencies.
- (g) *Rewards tied to outcome and performance*: We back ourselves to identify the outcomes that drive sustainable value creation, (or value protection), and seek to reward executives who influence those outcomes most significantly and directly to business strategy.

(f) Role of the Nomination and Remuneration Committee

The primary objective of the Nomination and Remuneration Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the Company's people strategy including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management and succession planning.

The Committee also works with the CEO in considering the specific situations pertaining to employment terms for individuals or groups of individuals as needed.

The Committee undertakes an annual review of the Company's remuneration strategy and remuneration policy to facilitate understanding of the overall approach to remuneration and to confirm alignment with the Company's business strategy, high standards of governance and compliance with regulatory standards.

The Committee reviews and recommends to the Board for approval, remuneration arrangements for the CEO and other Senior Executives having regard to external remuneration practices, market expectations and regulatory standards. The Committee also establishes the policy for the remuneration arrangements for Non-Executive Directors.

Where appropriate, the Nomination and Remuneration Committee will seek the advice of independent external remuneration consultants.

(g) Senior Executive Remuneration Structure

The remuneration framework for Senior Executives is based on a structure that includes:

1. Fixed remuneration – salary and superannuation and non-monetary benefits;
2. Short-Term Incentives – tied to in-year performance against metrics; and
3. Long-Term Incentives – tied to multi-year performance against value creation metrics

The proportion of remuneration between fixed and variable (i.e. at risk) for a Senior Executive is determined after consideration of the seniority of the role, the responsibilities of the role for driving business performance and responsibilities for developing and implementing business strategy.

| Element | Purpose | Metrics | Potential Value |
|------------------------------|---|---|---|
| Fixed Remuneration | Provide competitive market salary including super | NIL | Based on market competitive rates |
| STI (Cash bonus) | Reward superior performance in-year | Specific NPAT target(s) set at or around the beginning the financial year | \$555,000 |
| LTI (Loan Share Plan) | Reward superior long term value creation | TSR – 70% EPS growth – 30% | Dependent on NPAT, dividends paid and share price performance |

For FY2022, having regard to the uncertainty and impact of COVID-19 on its FY2020 and FY2021 results, the Nomination and Remuneration Committee set full year FY2022 NPAT targets for the purpose of determining STI awards.

The mix of fixed and at risk components of each of the Senior Executives as a percentage of total target remuneration for FY2022 was as follows:

| Senior Executive | Fixed Remuneration | At Risk STI Maximum Opportunity | At Risk LTI Maximum Opportunity |
|------------------|--------------------|---------------------------------|---------------------------------|
| Cameron Fox | 56% | 27% | 17% |
| Lawrence Hamson | 68% | 18% | 14% |
| Philip Tine | 62% | 23% | 15% |

Fixed Remuneration

Senior Executive base salaries include a fixed component of base salary together with employer superannuation contributions that are in line with statutory obligations. The fixed remuneration component also includes car allowances and other benefits.

The fixed remuneration component for Senior Executives is based on market data for comparative companies of the same size and complexity as well as having regard to the experience and expertise of the Senior Executive.

Fixed remuneration for executives is reviewed annually to provide competitiveness with the market, whilst also taking into account, capability, experience value to the organisation and performance of the individual. There is no guaranteed salary increase in any Senior Executive service contract.

Directors' Report continued

Short-Term Incentives (STI)

Following the omni-retail and operational platform investments made in prior years, Shaver Shop delivered substantial sales and earnings results in FY2022. The STI earnings targets for FY2022 were exceeded leading to the Senior Executives being awarded the maximum possible award under the STI program for the year.

| Senior Executive | Target STI (\$) | Actual STI Awarded (\$) | Awarded STI as % of Maximum STI | % of Maximum STI Award Forfeited |
|------------------|-----------------|-------------------------|---------------------------------|----------------------------------|
| Cameron Fox | \$290,000 | \$290,000 | 100% | 0% |
| Lawrence Hamson | \$125,000 | \$125,000 | 100% | 0% |
| Philip Tine | \$140,000 | \$140,000 | 100% | 0% |

The Board of Directors may decide to pay Senior Executives discretionary bonuses depending on individual and Company performance. The Remuneration Committee and Board of Directors chose an NPAT target as the performance measure because the Company believes this is one of the key business drivers that is understood by stakeholders and is a balanced indicator of the relative performance of the business.

For FY2023, having regard to the uncertainty and impact of COVID-19 on its FY2020 through FY2022 results, the Nomination and Remuneration Committee has set a full year NPAT target for the purpose of determining FY2023 STI awards.

Long-Term Incentives (LTI)

Shaver Shop established an LTIP to assist in the motivation, retention and reward of Shaver Shop executives. The LTIP is designed to align the interests of executives more closely with the interests of Shareholders by providing an opportunity for eligible executives to acquire Plan Shares subject to the conditions of the LTIP (Plan Shares).

The Plan Shares are issued or transferred to participants in the LTIP at market value based on the volume weighted average price of the shares in the 5 days up to and including the date of grant. Under the terms of the LTIP, the Company, or one of its subsidiaries, may provide a limited recourse loan to executives who are invited to participate in the LTIP to assist them to purchase Plan Shares (Loan). Each Loan will be limited recourse such that a participant's obligation to repay the Loan will be the lesser of the Loan balance or the relevant Plan Share's market value. Under the LTIP rules, the Company will retain discretion to waive repayment of all, or part of, any Loan. The after-tax value of any dividends paid on the Plan Shares acquired under a Loan will be applied to repay the relevant Loan. The grant of Plan Shares is accounted for as an option with the loan value representing the strike price of the instrument.

For tranches issued prior to FY2022, each year's LTIP share grant is split into three equal share tranches which relate to one-year, two-year and three-year performance periods. After consulting with shareholders, the Board determined that for the FY2022 grant of the LTIP, there will be a single tranche with a three-year performance period.

Each Plan Share is issued as a fully paid ordinary share in the Company subject to certain vesting conditions. The holder of a Plan Share must not dispose of the Plan Share until the Plan Share vests and any Loan relating to that Plan Share has been repaid. Unless as determined otherwise by the Board of Shaver Shop, the performance and service conditions specified for each tranche must be met in order for the relevant Plan Shares to vest.

The table below summarises the key terms of each LTI share grant over the last five financial years.

| | FY2022 LTI Grant | FY2021 LTI Grant | FY2020 LTI Grant | FY2019 LTI Grant | FY2018 LTI Grant |
|--|---|---|---|---|---|
| Total LTI shares granted | 2,200,000 | 2,350,000 | 2,300,000 | 1,990,000 | 1,910,000 |
| LTI shares granted to KMP | 1,400,000 | 1,400,000 | 1,350,000 | 1,250,000 | 1,150,000 |
| Grant Date | 10 Nov 2021 | 28 Oct 2020 | 30 Oct 2019 | 21 Nov 2018 | 26 Oct 2017 |
| Issue price | \$1.0252 | \$1.0651 | \$0.6344 | \$0.3969 | \$0.6829 |
| Starting price for TSR | \$1.0773 | \$1.0651 | \$0.6344 | \$0.3969 | \$0.6829 |
| % of grant with TSR hurdle | 70% | 70% | 70% | 70% | 70% |
| % of grant with EPS hurdle | 30% | 30% | 30% | 30% | 30% |
| Tranche 1 performance period | 1 July 21 – 30 Jun 24 | 1 July 20 – 30 Jun 21 | 1 July 19 – 30 Jun 20 | 1 July 18 – 30 Jun 19 | 1 July 17 – 30 Jun 18 |
| Tranche 2 performance period | N/A | 1 July 20 – 30 Jun 22 | 1 July 19 – 30 Jun 21 | 1 July 18 – 30 Jun 20 | 1 July 17 – 30 Jun 19 |
| Tranche 3 performance period | N/A | 1 July 20 – 30 Jun 23 | 1 July 19 – 30 Jun 22 | 1 July 18 – 30 Jun 21 | 1 July 17 – 30 Jun 20 |
| TSR Vesting CAGR (%) Hurdle applicable to each performance period | Under 6% – NIL | Under 10% – NIL | Under 10% – NIL | Under 10% – NIL | Under 10% – NIL |
| | 6-15% – pro-rata vesting from 20% to 100% | 10-25% – pro-rata vesting from 20% to 100% | 10-25% – pro-rata vesting from 20% to 100% | 10-25% – pro-rata vesting from 20% to 100% | 10-25% – pro-rata vesting from 20% to 100% |
| | Above 15% – 100% | Above 25% – 100% | Above 25% – 100% | Above 25% – 100% | Above 25% – 100% |
| EPS Vesting CAGR (%) hurdle applicable to each performance period | Under 3% – NIL | Under 5% – NIL | Under 5% – NIL | Under 5% – NIL | Under 5% – NIL |
| | 3-13% – pro-rata vesting from 20% to 100% | 5-20% – pro-rata vesting from 20% to 100% | 5-20% – pro-rata vesting from 20% to 100% | 5-20% – pro-rata vesting from 20% to 100% | 5-20% – pro-rata vesting from 20% to 100% |
| | Above 13% – 100% | Above 20% – 100% | Above 20% – 100% | Above 20% – 100% | Above 20% – 100% |
| Tranche 1 & 2 (if applicable) Service Condition | 10 Nov 24 | 30 Jun 23 | 30 Jun 22 | 30 Jun 21 | 30 Jun 20 |
| Tranche 3 Service Condition | N/A | 30 Jun 24 | 30 Jun 23 | 30 Jun 22 | 30 Jun 21 |
| Expiry date | None, however the latest loan repayment date is 7 years after the grant date. | None, however the latest loan repayment date is 7 years after the grant date. | None, however the latest loan repayment date is 7 years after the grant date. | None, however the latest loan repayment date is 7 years after the grant date. | None, however the latest loan repayment date is 7 years after the grant date. |

Directors' Report continued

Performance conditions

The performance conditions are to be measured 70% by an absolute total shareholder return (TSR) performance hurdle and 30% by an earnings per share (EPS) performance hurdle. The hurdles are mutually exclusive, such that performance is measured independently of the other hurdle. Where both targets are met, 100% of the Plan Shares which a participant holds for the relevant performance period will vest, subject to the service condition being met. Where only a portion of the EPS and TSR targets are met, the total number of Shares which will vest under the LTIP will be apportioned.

Both of the performance hurdles will be expressed as a Compound Annual Growth Rate (CAGR) percentage.

TSR Performance Conditions

The TSR performance hurdle is structured as an absolute TSR growth target and will be determined by the Board. TSR is a measure of the performance of the Company's shares over a period of time. It combines share appreciation and dividends paid to show the total return to Shareholders expressed as an annualised percentage. It is the rate of return of all cash flows to an investor during the holding period of an investment.

For the FY2018 through FY2021 LTI grants, the starting point for the TSR performance hurdle is the 5 day volume weighted average price (VWAP) per share immediately prior to the grant date. For the FY2022 Grant, the starting point for the TSR hurdle was the 5 day VWAP per share immediately after the release of the Company's FY2021 financial results which was \$1.0773.

The TSR performance period concludes based on the 5 day VWAP of the Company's shares following the relevant performance period's full year results announcement.

EPS Performance Conditions

The EPS performance hurdle is a measure of the compound annual growth rate in the Company's EPS measure over the relevant performance period. The EPS CAGR will be determined by the Board and is the compound annual growth rate, (expressed as a percentage), of the Company's EPS which is measured by reference to the Group's underlying NPAT for the performance period divided by the weighted average number of shares on issue across the relevant performance period. The Board may from time to time adjust the EPS CAGR to exclude the effects of material business acquisitions or divestments, and for certain one-off costs.

Service condition

In addition to the performance conditions, each tranche of Plan Shares is subject to specific service conditions, meaning that if a participant in the LTIP ends their employment with Shaver Shop before the specified service periods, the Plan Shares issued to the participant will not vest, regardless of whether the performance conditions have been met.

The table below sets out the number of Plan Shares offered to the relevant Senior Executives, including details of the number of Plan Shares per tranche for each Senior Executive for LTI Plan grants between FY2018 and FY2022.

| KMP | | FY2022 LTI Grant (# shares) | FY2021 LTI Grant (# shares) | FY2020 LTI Grant (# shares) | FY2019 LTI Grant (# shares) | FY2018 LTI Grant (# shares) |
|-----------------|--------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Cameron Fox | Tranche 1 | 700,000 | 233,333 | 216,666 | 250,000 | 250,000 |
| | Tranche 2 | – | 233,333 | 216,667 | 250,000 | 250,000 |
| | Tranche 3 | – | 233,334 | 216,667 | 250,000 | 250,000 |
| | TOTAL | 700,000 | 700,000 | 650,000 | 750,000 | 750,000 |
| Lawrence Hamson | Tranche 1 | 350,000 | 116,666 | 116,666 | 100,000 | 100,000 |
| | Tranche 2 | – | 116,667 | 116,667 | 100,000 | 100,000 |
| | Tranche 3 | – | 116,667 | 116,667 | 100,000 | 100,000 |
| | TOTAL | 350,000 | 350,000 | 350,000 | 300,000 | 300,000 |
| Philip Tine | Tranche 1 | 350,000 | 116,666 | 116,666 | 66,666 | 33,333 |
| | Tranche 2 | – | 116,667 | 116,667 | 66,667 | 33,333 |
| | Tranche 3 | – | 116,667 | 116,667 | 66,667 | 33,334 |
| | TOTAL | 350,000 | 350,000 | 350,000 | 200,000 | 100,000 |

Shaver Shop obtains an independent valuation of the LTIP Shares at the date of grant. The following table summarises the valuation of each LTIP share for each tranche in each year of grant:

| Performance Condition | | FY2022 LTI Grant | FY2021 LTI Grant | FY2020 LTI Grant | FY2019 LTI Grant | FY2018 LTI Grant |
|----------------------------|-----------|---------------------|---------------------|---------------------|---------------------|---------------------|
| TSR (70% of shares) | Tranche 1 | \$0.360 | \$0.260 | \$0.120 | \$0.093 | \$0.030 |
| | Tranche 2 | N/A | \$0.270 | \$0.124 | \$0.100 | \$0.060 |
| | Tranche 3 | N/A | \$0.290 | \$0.129 | \$0.104 | \$0.080 |
| EPS (30% of shares) | Tranche 1 | \$0.440 | \$0.440 | \$0.224 | \$0.166 | \$0.140 |
| | Tranche 2 | N/A | \$0.440 | \$0.224 | \$0.166 | \$0.140 |
| | Tranche 3 | N/A | \$0.460 | \$0.235 | \$0.174 | \$0.150 |

Directors' Report continued

The following tables illustrate LTIP performance-based remuneration granted and forfeited related to FY2021 and FY2022.

LTIP Granted in Relation to FY2022 LTIP Allocation

| Senior Executives | LTI Grant Year | LTI granted (shares) | % Paid/ vested in the period | # LTIP Shares Vested in Period | % Forfeited in period | # LTIP Shares Forfeited in Period | Value Expensed in FY2022 \$ |
|-------------------|----------------|----------------------|------------------------------------|---|--------------------------|--|--------------------------------------|
| Cameron Fox | FY2022 | 700,000 | 0% | – | 0% | – | \$56,900 |
| | FY2021 | 700,000 | 0% | – | 23.33% | 163,333 | \$77,141 |
| | FY2020 | 650,000 | 66.7% | 433,333 | 0% | – | \$38,056 |
| | FY2019 | 750,000 | 33.3% | 250,000 | 0% | – | \$8,667 |
| Lawrence Hamson | FY2022 | 350,000 | 0% | – | 0% | – | \$28,450 |
| | FY2021 | 350,000 | 0% | – | 23.33% | 81,666 | \$38,570 |
| | FY2020 | 350,000 | 66.7% | 233,333 | 0% | – | \$20,492 |
| | FY2019 | 300,000 | 33.3% | 100,000 | 0% | – | \$3,467 |
| Philip Tine | FY2022 | 350,000 | 0% | – | 0% | – | \$28,450 |
| | FY2021 | 350,000 | 0% | – | 23.33% | 81,666 | \$38,570 |
| | FY2020 | 350,000 | 66.7% | 233,333 | 0% | – | \$20,492 |
| | FY2019 | 200,000 | 33.3% | 66,667 | 0% | – | \$2,311 |

The shares noted as forfeited in the above table did not meet their required performance conditions. As at 30 June 2022, the shares had not been compulsorily divested by the Company. These shares will be compulsorily divested in early FY2023 when the Company is able to do so.

The maximum EPS performance condition for the FY2020 Tranche 3 LTIP allocation was met, and accordingly, subject to the Service Condition being met, 30 June 2023, 100% of the FY2020 Tranche 3 EPS shares will vest. The maximum EPS performance conditions for Tranche 1 and Tranche 2 of the FY2021 LTIP allocation were met, and accordingly, subject to the service conditions being met, 100% of the FY2021 Tranche 1 and Tranche 2 EPS shares will vest.

The determination of the TSR performance condition for Tranche 3 of the FY2020 LTIP allocation and Tranche 2 of the FY2021 LTIP allocation is based on the 5 day VWAP of the Company's shares following the release of Shaver Shop's FY2022 results and therefore it cannot be determined whether this vesting condition will be met at the date of this report.

(h) Non-Executive Director Remuneration

Under the Constitution, the Board may decide the remuneration for the Company to which each Non-Executive Director is entitled for their services as a Director. However, the total amount of fees paid to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in the annual general meeting. As disclosed in the Company's prospectus, the pre-IPO Shareholders approved \$440,000 per annum for this purpose.

For FY2022, the annual base Non-Executive Director fees currently agreed to be paid by the Company were \$140,000 (FY2021 – \$140,000) to the Chairman of the Board, Broderick Arnhold, \$80,000 (FY2021 – \$80,000) to each of Craig Mathieson (Chair of the Audit and Risk Committee) and Trent Peterson (Chair of the Nomination and Remuneration Committee), and \$70,000 (FY2021 – \$70,000) to Brian Singer and Debra Singh. These amounts comprise fees paid in cash. In subsequent years, these figures may vary.

The director's fees for Trent Peterson are paid to Catalyst Direct Capital Management Pty Ltd. The director's fees for Debra Singh were paid to PD Singh Enterprises Pty Limited.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs. Directors may be paid additional or special remuneration where a Director performs services outside the ordinary duties of a Non-Executive Director.

(i) Statutory remuneration details and other statutory disclosures

The following tables in respect to the FY2021 and FY2022 financial years detail the components of remuneration for each Non-Executive Director and Senior Executive of the Group.

FY2022 table of benefits and payments

| | Cash salary/ Director's fees \$ | STI/bonus \$ | Annual leave/ long service leave \$ | Post- employment benefits \$ | Share-based payments ³ \$ | Total \$ |
|--------------------------------|---------------------------------------|-----------------|--|---------------------------------------|--|------------------|
| Non-Executive Directors | | | | | | |
| Broderick Arnhold | 140,000 | – | – | – | – | 140,000 |
| Trent Peterson ¹ | 80,000 | – | – | – | – | 80,000 |
| Craig Mathieson | 80,000 | – | – | – | – | 80,000 |
| Brian Singer | 70,000 | – | – | – | – | 70,000 |
| Debra Singh ² | 70,000 | – | – | – | – | 70,000 |
| Senior Executives | | | | | | |
| Cameron Fox | 580,000 | 290,000 | 38,757 | 30,000 | 180,770 | 1,119,527 |
| Lawrence Hamson | 428,713 | 125,000 | 13,238 | 25,860 | 90,982 | 683,792 |
| Philip Tine | 350,192 | 140,000 | 22,835 | 23,568 | 89,826 | 626,422 |
| TOTAL | 1,798,905 | 555,000 | 74,830 | 79,428 | 361,578 | 2,869,741 |

1. The directors fees paid to Trent Peterson are paid to Catalyst Direct Capital Management Pty Ltd.

2. The directors fees paid to Debra Singh are paid to PD Singh Enterprises Pty Ltd.

3. Share based payments refer to LTI Shares only.

Directors' Report continued

FY2021 table of benefits and payments

| | Cash salary/ Director's fees \$ | STI/bonus \$ | Annual leave/ long service leave \$ | Post- employment benefits \$ | Share-based payments ³ \$ | Total \$ |
|--------------------------------|---------------------------------------|-----------------|--|---------------------------------------|--|------------------|
| Non-Executive Directors | | | | | | |
| Broderick Arnhold | 140,000 | – | – | – | – | 140,000 |
| Trent Peterson ¹ | 80,000 | – | – | – | – | 80,000 |
| Craig Mathieson | 80,000 | – | – | – | – | 80,000 |
| Brian Singer | 70,000 | – | – | – | – | 70,000 |
| Debra Singh ² | 58,333 | – | – | – | – | 58,333 |
| Senior Executives | | | | | | |
| Cameron Fox | 580,000 | 220,000 | 81,699 | 30,000 | 128,260 | 1,039,959 |
| Lawrence Hamson | 400,000 | 100,000 | 55,419 | 25,860 | 61,751 | 643,030 |
| Philip Tine | 330,000 | 120,000 | 48,568 | 21,694 | 55,663 | 575,925 |
| TOTAL | 1,738,333 | 440,000 | 185,686 | 77,554 | 245,674 | 2,687,247 |

1. The directors fees paid to Trent Peterson are paid to Catalyst Direct Capital Management Pty Ltd.
2. The directors fees paid to Debra Singh are paid to PD Singh Enterprises Pty Ltd.
3. Share based payments refer to LTI Shares only.

(j) Additional Statutory information

The Board may decide to pay Senior Executives discretionary bonus amounts in addition to their maximum STI amount under the STIP outlined above. The Board rarely exercises this discretion and only does so in exceptional circumstances.

(k) KMP shareholdings

The number of ordinary shares (excluding unvested LTIP shares) in Shaver Shop Group Limited held by each KMP of the Group during the financial year is as follows:

| 30 June 2022 | Balance at Beginning of Year | On Market Sale of Shares | On Market Purchase of Shares | Shares Vested as Remuneration | Balance at End of Year |
|--------------------------|------------------------------|--------------------------|------------------------------|-------------------------------|------------------------|
| Directors | | | | | |
| Broderick Arnhold | 2,000,000 | – | – | – | 2,000,000 |
| Cameron Fox | 2,438,785 | – | – | 683,333 | 3,122,118 |
| Craig Mathieson | 4,820,004 | – | – | – | 4,820,004 |
| Brian Singer | 3,258,004 | – | – | – | 3,258,004 |
| Trent Peterson | 547,619 | – | – | – | 547,619 |
| Debra Singh | 100,000 | – | – | – | 100,000 |
| Senior Executives | | | | | |
| Lawrence Hamson | 642,159 | (50,000) | – | 333,333 | 925,492 |
| Philip Tine | 135,484 | (135,484) | – | 300,000 | 300,000 |
| TOTAL | 13,942,055 | (185,484) | – | 1,316,666 | 15,073,237 |

LTIP holdings of KMP

The following table details the LTIP holding and the movements in the LTIP shares for KMP during FY2022.

| Senior Executives | Unvested Balance at 30 June 2021 | LTI Shares Granted as Remuneration | Vested/ Exercisable | Forfeited | Unvested Balance at 30 June 2022 |
|-------------------|----------------------------------|------------------------------------|---------------------|-----------|----------------------------------|
| Cameron Fox | 1,683,873 | 700,000 | (683,333) | (83,873) | 1,616,667 |
| Lawrence Hamson | 833,550 | 350,000 | (333,333) | (33,550) | 816,667 |
| Philip Tine | 777,850 | 350,000 | (300,000) | (11,183) | 816,667 |

The number of shares forfeited in the above table represents the portion of Tranche 3 of the FY2018 LTI share issuance that did not meet their performance condition. These shares were compulsorily divested in accordance with the terms of the LTI plan through an on-market sale of the shares with the proceeds being used to repay the associated loan to the Company. During FY2022, it was determined that the minimum TSR performance condition for Tranche 1 of the FY2021 LTI issuance was not met and that the associated number of shares should be forfeited. However as at 30 June 2022, the shares had not yet been able to be compulsorily divested by the Company. Accordingly, the unvested balance of LTI shares at 30 June 2022 includes 163,333 LTI shares for Cameron Fox, 81,666 LTI shares for Lawrence Hamson and 81,666 shares for Philip Tine that will be compulsorily divested, (when possible), in early FY2023.

During FY2022, 700,000 LTIP shares with a fair value of \$1.0252 per share were granted to Cameron Fox with a grant date of 10 November 2021. The shares vest upon the satisfaction of the performance and service conditions noted earlier in this remuneration report.

During FY2022, 350,000 LTIP shares with a fair value of \$1.0252 per share were granted to Lawrence Hamson with a grant date of 10 November 2021. The shares vest upon the satisfaction of the performance and service conditions noted earlier in this remuneration report.

During FY2022, 350,000 LTIP shares with a fair value of \$1.0252 per share were granted to Philip Tine with a grant date of 10 November 2021. The shares vest upon the satisfaction of the performance and service conditions noted earlier in this remuneration report.

Directors' Report continued

(l) Contractual arrangements with Senior Executives

The remuneration and other terms of employment for the CEO and Senior Executives are set out in formal service agreements as summarised below.

In FY2022 the CEO was entitled to fixed remuneration of \$580,000 (FY2021: \$580,000) whilst the fixed remuneration for other Senior Executives was in the range of \$370,000 to \$460,000.

All service agreements are for an unlimited duration. The Chief Executive Officer's contract may be terminated by giving six months' notice (except in the case of serious or wilful misconduct). The Chief Financial Officer's contract may be terminated by giving eight weeks' notice.

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

(m) Loans made to KMP

The following information relates to KMP loans made, guaranteed, or secured during the reporting period on an aggregate basis.

| | Balance at beginning of the year \$ | Balance at the end of the year \$ | Provision for bad debts expense \$ |
|---------------------------|--|--|---|
| Employee Share Plan Loans | 56,189 | 56,189 | – |

Loans to KMP arise as a result of the early Shaver Shop long-term incentive plans. The above KMP loans related to incentive plans established prior to the Company's IPO and are repayable after a maximum period of six years or upon disposal of the shares.

(n) Transactions with KMP (excluding loans)

There were no other material transactions or contracts with KMP except as disclosed elsewhere in the remuneration report.

Signed in accordance with a resolution of the Board of Directors:



Broderick Arnhold
Director

Melbourne
22 August 2022

Auditor's Independence Declaration



Auditor's Independence Declaration

As lead auditor for the audit of Shaver Shop Group Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Brad Peake'.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
22 August 2022

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

| | Note | Consolidated | |
|--|------|-------------------|-------------------|
| | | 2022 \$ | 2021 \$ |
| Revenue | | | |
| Revenue from continuing operations | 3 | 222,745,103 | 213,667,482 |
| Cost of goods sold | | (125,030,670) | (118,986,477) |
| Gross profit from corporate owned retail stores | | 97,714,433 | 94,681,005 |
| Franchise and other revenue | 3 | – | 890,729 |
| Expenses | | | |
| Employee benefits expense | | (31,847,964) | (31,976,548) |
| Marketing and advertising expense | | (8,519,349) | (7,310,247) |
| Depreciation and amortisation expense | 4 | (14,397,705) | (14,065,851) |
| Occupancy expenses | | (2,929,723) | (2,535,890) |
| Operational expenses | | (11,091,791) | (9,764,598) |
| Other expenses | | (3,042,220) | (3,560,867) |
| Finance costs | 4 | (1,696,342) | (1,626,968) |
| Profit before income tax | | 24,189,339 | 24,730,765 |
| Income tax | 5 | (7,496,863) | (7,258,261) |
| Profit after income tax for the year attributable to the owners of Shaver Shop Group Limited | 21 | 16,692,476 | 17,472,504 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences on translating foreign operations | | (30,366) | 7,347 |
| Other comprehensive income for the year, net of tax | | (30,366) | 7,347 |
| Total comprehensive income for the year attributable to the owners of Shaver Shop Group Limited | | 16,662,110 | 17,479,851 |
| | | Cents | Cents |
| Earnings per share for profit attributable to the owners of Shaver Shop Group Limited | | | |
| Basic earnings per share (weighted average shares) | 20 | 13.2 | 14.2 |
| Diluted earnings per share (weighted average shares) | 20 | 12.8 | 13.7 |

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

Consolidated Balance Sheet

As at 30 June 2022

| | Note | Consolidated | |
|--------------------------------------|------|--------------------|--------------------|
| | | 2022 \$ | 2021 \$ |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 7 | 9,395,910 | 7,374,965 |
| Trade and other receivables | 8 | 3,075,883 | 3,627,156 |
| Inventories | 9 | 22,175,081 | 18,124,686 |
| Total current assets | | 34,646,874 | 29,126,807 |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 10,387,939 | 10,565,989 |
| Right-of-use assets | 10 | 22,340,317 | 21,263,334 |
| Deferred tax assets | 24 | 6,036,319 | 7,809,240 |
| Intangible assets | 12 | 54,304,560 | 54,058,081 |
| Total non-current assets | | 93,069,135 | 93,696,644 |
| Total assets | | 127,716,009 | 122,823,451 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 13 | 17,708,190 | 19,213,283 |
| Lease liabilities | 10 | 10,849,286 | 10,415,254 |
| Current tax liabilities | 24 | 1,837,762 | 2,044,397 |
| Employee benefits | 15 | 2,610,385 | 2,512,259 |
| Other liabilities | 16 | 25,667 | 21,197 |
| Total current liabilities | | 33,031,290 | 34,206,390 |
| Non-current liabilities | | | |
| Lease liabilities | 10 | 15,974,064 | 15,983,369 |
| Other liabilities | 16 | 77,145 | 55,948 |
| Total non-current liabilities | | 16,051,209 | 16,039,317 |
| Total liabilities | | 49,082,499 | 50,245,707 |
| Net assets | | 78,633,510 | 72,577,744 |
| Equity | | | |
| Issued capital | 17 | 49,492,703 | 48,872,261 |
| Reserves | 19 | 1,551,477 | 1,014,616 |
| Retained earnings | 21 | 27,589,330 | 22,690,867 |
| Total equity | | 78,633,510 | 72,577,744 |

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

| Consolidated | Ordinary Shares \$ | Reserves \$ | Retained earnings \$ | Total equity \$ |
|--|--------------------------|------------------|----------------------------|--------------------|
| Balance at 1 July 2021 | 48,872,261 | 1,014,616 | 22,690,867 | 72,577,744 |
| Profit after income tax for the year | – | – | 16,692,476 | 16,692,476 |
| Other comprehensive income for the year, net of tax | – | (30,366) | – | (30,366) |
| Total comprehensive income for the year | – | (30,366) | 16,692,476 | 16,662,110 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| On-market sale of unvested LTI shares | 620,442 | – | – | 620,442 |
| Share-based payments (note 31) | – | 567,227 | – | 567,227 |
| Dividends paid (note 18) | – | – | (11,794,013) | (11,794,013) |
| Balance at 30 June 2022 | 49,492,703 | 1,551,477 | 27,589,330 | 78,633,510 |

| Consolidated | Ordinary Shares \$ | Reserves \$ | Retained earnings \$ | Total equity \$ |
|--|--------------------------|------------------|----------------------------|--------------------|
| Balance at 1 July 2020 | 48,872,261 | 597,597 | 12,479,608 | 61,949,466 |
| Profit after income tax for the year | – | – | 17,472,504 | 17,472,504 |
| Other comprehensive income for the year, net of tax | – | 7,347 | – | 7,347 |
| Total comprehensive income for the year | – | 7,347 | 17,472,504 | 17,479,851 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share-based payments (note 31) | – | 409,672 | – | 409,672 |
| Dividends paid (note 18) | – | – | (7,261,245) | (7,261,245) |
| Balance at 30 June 2021 | 48,872,261 | 1,014,616 | 22,690,867 | 72,577,744 |

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

| | Note | Consolidated | |
|---|------|---------------------|---------------------|
| | | 2022 \$ | 2021 \$ |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 246,122,594 | 237,363,270 |
| Payments to suppliers and employees (inclusive of GST) | | (210,092,626) | (195,625,054) |
| | | 36,029,968 | 41,738,216 |
| Interest paid – borrowings | | (255,000) | (130,670) |
| Interest paid – leases | | (1,441,750) | (1,434,643) |
| Income taxes paid | | (6,017,784) | (4,132,394) |
| Net cash from operating activities | 30 | 28,315,434 | 36,040,509 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 11 | (1,845,179) | (2,032,128) |
| Payments for software | 12 | (328,214) | – |
| Landlord contributions for new premises fitouts | | 625,000 | 425,000 |
| Payments for acquisition of corporate stores | | – | (14,799,720) |
| Net cash used in investing activities | | (1,548,393) | (16,406,848) |
| Cash flows from financing activities | | | |
| Principal elements of lease repayments | | (13,572,525) | (15,030,090) |
| Proceeds on sale of unvested LTI shares | | 620,442 | – |
| Dividends paid | 18 | (11,794,013) | (9,857,123) |
| Net cash used in financing activities | | (24,746,096) | (24,887,213) |
| Net increase/(decrease) in cash and cash equivalents | | 2,020,945 | (5,253,552) |
| Cash and cash equivalents at the beginning of the financial year | | 7,374,965 | 12,628,517 |
| Cash and cash equivalents at the end of the financial year | 7 | 9,395,910 | 7,374,965 |

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

Notes to the Consolidated Financial Statements

30 June 2022

1. Basis of preparation

The consolidated financial report covers Shaver Shop Group Limited and its controlled entities ('the Group'). Shaver Shop Group Limited is a for-profit Company, limited by shares, incorporated and domiciled in Australia.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

Where necessary, and as a result of a change in the classification of certain expenses during the current year, comparative amounts in the statement of profit and loss and balance sheet have been reclassified for consistency with current year presentation.

Compliance with IFRS

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 22 August 2022. Comparatives are consistent with prior years, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Shaver Shop Group Limited ('Company' or 'Parent entity') as at 30 June 2022 and the results of all subsidiaries for the period then ended. Shaver Shop Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group' or the consolidated entity.

Subsidiaries are all entities, (including structured 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 deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of controlled entities is contained in Note 26 to the financial statements.

2. Critical accounting estimates and judgements

The preparation of 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 significant estimates or judgements are estimates of goodwill impairment, refer to Note 12, and net realisable value of inventory, refer to Note 9.

3. Revenue and other income

Revenue from continuing operations

| | Consolidated | |
|----------------------|--------------------|--------------------|
| | 2022 \$ | 2021 \$ |
| Sales revenue | | |
| Retail sales | 222,745,103 | 213,667,482 |
| Total revenue | 222,745,103 | 213,667,482 |

Franchise and other revenue

| | Consolidated | |
|--|--------------|----------------|
| | 2022 \$ | 2021 \$ |
| Franchise revenue | | |
| Franchise royalties | – | 878,772 |
| Other revenue | | |
| Other revenue | – | 11,957 |
| Total franchise and other revenue | – | 890,729 |

Accounting policy for revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are presented net of returns, trade allowances, discounts, rebates and amounts collected on behalf of third parties. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. This is generally in-store when the customer purchases the goods or services or on delivery in the case of online sales.

Revenue is recognised for the major business activities using the methods outlined below:

Sale of goods

The Group operates a chain of retail stores and associated websites selling personal care and grooming products. Revenue from the sale of goods is recognised at a point in time when a Group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return within 21 days. Therefore, a refund liability, (included in trade and other payables), and a right to the returned goods, (included in other current assets), are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been relatively steady for a number of years, it is not considered probable that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Interest income

Interest is recognised using the effective interest method, which, for floating rate financial assets, is the rate inherent in the financial instrument.

Notes to the Consolidated Financial Statements continued

4. Expenses

| | Consolidated | |
|--|-------------------|-------------------|
| | 2022 \$ | 2021 \$ |
| Profit before income tax includes the following specific expenses: | | |
| Finance costs | | |
| Interest and finance charges – borrowings | 254,718 | 192,325 |
| Interest and finance charges – leases | 1,441,750 | 1,489,318 |
| Interest income – franchise leases | – | (54,675) |
| Interest income | (126) | – |
| Total finance costs | 1,696,342 | 1,626,968 |
| Depreciation and amortisation | | |
| Intangible assets | 79,759 | 74,424 |
| Property, plant & equipment | 1,800,284 | 2,047,014 |
| Right-of-use assets | 12,517,662 | 11,944,413 |
| Total depreciation and amortisation expense | 14,397,705 | 14,065,851 |

5. Income tax

The major components of tax expense comprise:

| | Consolidated | |
|---|------------------|------------------|
| | 2022 \$ | 2021 \$ |
| Current tax expense | | |
| Current tax on profits for the year | 5,723,942 | 5,502,952 |
| Deferred tax expense | | |
| Movements in deferred tax assets and liabilities | 1,772,921 | 1,755,309 |
| Income tax expense relating to continuing operations | 7,496,863 | 7,258,261 |

Reconciliation of income tax to accounting profit

| | Consolidated | |
|--|------------------|------------------|
| | 2022 \$ | 2021 \$ |
| Profit before income tax | 24,189,339 | 24,730,765 |
| Tax at the statutory tax rate of 30% | 7,256,802 | 7,419,230 |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| Other items | 240,061 | (160,969) |
| Income tax | 7,496,863 | 7,258,261 |

Franchise Buy-Backs

Shaver Shop has received a private ruling from the Australian Tax Office in respect of deductions for the amount relating to the termination of the franchise licence forming part of the purchase consideration paid for the buy-back of franchise stores. The tax ruling confirms that this amount is to be deducted in equal portions over a five year period following the date of purchase.

For each franchise store, a portion of the purchase consideration equal to the total tax benefit to be received over five years, is recognised as a deferred tax asset and included in the calculation of goodwill. The deferred tax asset is then released over five years in accordance with the deduction schedule for each acquired franchise store with the effect of reducing income tax payable for each period.

Accounting policy for income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. However, deferred tax liabilities are recognised in respect of any adjustments to goodwill subsequent to the initial recognition. On that basis, deferred tax liabilities have been recognised in the year for additions to goodwill in respect of franchise buyback activities (if any), to the extent that they are deductible in calculating the current tax expense in the year. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount of tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements continued

6 Operating segments

The Group operates within one operating segment, being retail sales of specialist personal grooming products through their corporate and online stores. The chief operating decision maker for the Company is the Managing Director and Chief Executive Officer. Total revenue disclosed in the consolidated statement of comprehensive profit and loss all relates to this one operating segment. The Group is not reliant on any one single customer. At 30 June 2022, the Group operated 114 Corporate Stores in Australia (2021: 114) and 7 Corporate Stores in New Zealand (2021: 7).

Accounting policy for operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group operates within one operating segment, being retail store sales of a variety of specialist personal grooming products.

7. Cash and cash equivalents

| | Consolidated | |
|--------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Cash at bank and on hand | 9,395,910 | 7,374,965 |

Accounting policy for cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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, which are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, (if applicable), are shown within borrowings in current liabilities in the balance sheet.

8. Trade and other receivables

| | Consolidated | |
|--|------------------|------------------|
| | 2022 \$ | 2021 \$ |
| <i>Current assets</i> | | |
| Trade receivables | 942,621 | 2,057,347 |
| Prepayments | 1,670,093 | 1,243,731 |
| Related party receivables | 81,377 | 81,377 |
| Other receivables | 381,792 | 244,701 |
| Total current trade and other receivables | 3,075,883 | 3,627,156 |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

Accounting policy for credit losses on trade receivables

The Group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

9. Inventories

| | Consolidated | |
|----------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Current assets | | |
| Finished goods | 22,175,081 | 18,124,686 |

Amounts recognised in profit and loss

Inventories recognised as an expense in costs of goods sold during the year ended 30 June 2022 amounted to \$125,030,670 (2021: \$118,986,477). Amounts recognised in expenses relating to write-downs and write-offs of stock in FY2022 amounted to \$922,022 (2021: \$867,111).

Critical accounting estimates – realisable value of inventory

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale. Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement. These key assumptions are the variables affecting the expected selling price and are reviewed at least annually. Any reassessment of the selling price in a particular year will effect the cost of goods sold.

Accounting policy for inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises of cost of purchases and direct shipping costs to bring the inventories into their current location. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. 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.

Notes to the Consolidated Financial Statements continued

10. Leases

| | Consolidated | |
|---------------------------------|-------------------|-------------------|
| | 2022 \$ | 2021 \$ |
| Lease liabilities | | |
| Lease liabilities – current | 10,849,286 | 10,415,254 |
| Lease liabilities – non-current | 15,974,064 | 15,983,369 |
| | 26,823,350 | 26,398,623 |

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

| | Consolidated | |
|--------------------------------|-------------------|-------------------|
| | 2022 \$ | 2021 \$ |
| Right-of-use assets | | |
| Right-of-use assets – at cost | 47,572,696 | 42,273,673 |
| Less: accumulated depreciation | (25,232,379) | (21,010,339) |
| | 22,340,317 | 21,263,334 |

Accounting policy for leases

The Group leases retail sites for its corporate store locations across Australia and New Zealand. Rental contracts are typically made for fixed periods of 2-7 years and in limited situations contain an option to renew at the end of the initial term. Lease terms are negotiated on an individual basis.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected to apply this practical expedient.

In line with accounting standard guidance, where leases have a fixed escalation rate, the fixed rate has been applied when accounting for the lease payments. No rate has been applied to leases that increase at the rate of CPI or leases that have a variable escalation rate.

Right-of-use assets are measured at cost comprising the initial measurement of the lease liability and other components as required under AASB16. Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small office related items.

11. Property, plant and equipment

Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| Consolidated | Leasehold Improvements in Progress \$ | Plant and Equipment \$ | Computer Equipment \$ | Improvements \$ | Total \$ |
|---------------------------------------|--|------------------------------|-----------------------------|--------------------|-------------------|
| Year ended 30 June 2022 | | | | | |
| Balance at the beginning of the year | 346,675 | 9,912,088 | 242,837 | 64,389 | 10,565,989 |
| Additions | 145,853 | 1,621,248 | 78,059 | – | 1,845,160 |
| Disposals and write-downs | – | (213,448) | – | – | (213,448) |
| Depreciation expense | – | (1,631,426) | (151,447) | (17,411) | (1,800,284) |
| Foreign exchange movements | – | (9,239) | (239) | – | (9,478) |
| Balance at the end of the year | 492,528 | 9,679,223 | 169,210 | 46,978 | 10,387,939 |

| Consolidated | Leasehold Improvements in Progress \$ | Plant and Equipment \$ | Computer Equipment \$ | Improvements \$ | Total \$ |
|---------------------------------------|--|------------------------------|-----------------------------|--------------------|-------------------|
| Year ended 30 June 2021 | | | | | |
| Balance at the beginning of the year | 605,758 | 9,902,899 | 206,526 | 81,800 | 10,796,983 |
| Additions | 301,675 | 1,436,332 | 294,139 | – | 2,032,146 |
| Disposals and write-downs | – | (113,289) | (99,947) | – | (213,236) |
| Transfers | (560,758) | 558,858 | 1,900 | – | – |
| Depreciation expense | – | (1,869,837) | (159,765) | (17,411) | (2,047,013) |
| Foreign exchange movements | – | (2,875) | (16) | – | (2,891) |
| Balance at the end of the year | 346,675 | 9,912,088 | 242,837 | 64,389 | 10,565,989 |

Accounting policy for property, plant and equipment

Property, plant and equipment is stated at historical cost minus depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

| | |
|------------------------|------------|
| Plant and Equipment | 2-12 years |
| Computer Equipment | 1-7 years |
| Leasehold Improvements | 10 years |

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying value. These are included in profit or loss.

Notes to the Consolidated Financial Statements continued

12. Intangible assets

Movements in carrying amounts of intangible assets

| Consolidated | Software \$ | Brand names \$ | Goodwill \$ | Total \$ |
|---------------------------------------|----------------|-------------------|-------------------|-------------------|
| Year ended 30 June 2022 | | | | |
| Opening net book value | – | 748,504 | 53,309,577 | 54,058,081 |
| Additions | 328,214 | – | – | 328,214 |
| Amortisation | (7,175) | (72,584) | – | (79,759) |
| Foreign exchange movements | – | (1,976) | – | (1,976) |
| Balance at the end of the year | 321,039 | 673,944 | 53,309,577 | 54,304,560 |

| Consolidated | Brand names \$ | Goodwill \$ | Total \$ |
|---|-------------------|-------------------|-------------------|
| Year ended 30 June 2021 | | | |
| Opening net book value | 823,415 | 43,943,264 | 44,766,679 |
| Additions through business combinations | – | 9,366,313 | 9,366,313 |
| Amortisation | (74,417) | – | (74,417) |
| Foreign exchange movements | (494) | – | (494) |
| Balance at the end of the year | 748,504 | 53,309,577 | 54,058,081 |

For the purpose of impairment testing, goodwill is monitored as one operating segment.

Significant estimate: key assumptions used for value-in-use calculations

The Group performed its annual impairment testing as at 30 June 2022. The Group considers the relationship between its market capitalisation and its carrying value, among other factors, when reviewing for indicators of impairment. The recoverable amount of the relevant CGU has been determined based on the value-in-use calculation using cash flow projections from budgets approved by senior management and presented to the Board of Directors covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates of 2.5% (2021: 2.5%). The pre-tax discount rate applied to cash flow projected is 13.6% (2021: 12.3%).

The value-in-use calculation is most sensitive to the following key assumptions: gross margin, growth rate and discount rate.

Gross margin: Gross margin is based on average values achieved in the past. Margins are not increased over the forecast timeline. The gross margin used in the forecast period is 43.2% (2021: 42.7%) based on average gross margins achieved historically together with expectations of the future.

Growth rate: Sales growth rates are based on management's best estimates of anticipated growth, (based on industry and company considerations), in the short to medium-term and consider the historical average like for like sales growth achieved in the past. The growth rate in the terminal year is 2.5% (2021: 2.5%) and the same store sales growth rate used for the five-year forecast period varies from 1.0% to 3.0% (2021: 3.0%).

Discount rate: The discount rate is specific to the Group's circumstances and is derived from its weighted average cost of capital (WACC). The WACC takes into account the cost of both debt and equity. The cost of equity is determined by the expected return on investment by the Group's shareholders. The cost of debt is based on the risk free interest rate as well as a margin that takes into consideration both industry and company specific risk factors.

Sensitivity analysis: Management recognises that the recoverable amount of goodwill is sensitive to the assumptions used in the model. Using the assumption outlined above, the surplus of the recoverable amount over the carrying value of goodwill at 30 June 2022 is approximately \$189 million. If all of the following scenarios happen together, the recoverable amount of the CGU would exceed its carrying amount by approximately \$31 million: the five year forecasted growth rate decreased from 1.0% to 3.0% to 0.0%, the pre-tax discount rate is increased from 13.6% to 17.1%, the growth rate in the terminal year decreased from 2.5% to 0.0% and operating expenses increased at 4.0% versus expected long-term CPI growth of 2.5%.

The Group believes the assumptions adopted in the value-in-use calculations reflect an appropriate balance between the Group's experience to date and the uncertainties associated with the pandemic. Whilst temporary store closures resulting from Government restrictions may impact short-term financial performance, the timing and nature of these closures is not expected to impact the Group financial results in the long-term.

Accounting policy for intangible assets

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Brand names

Brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the brand names over their useful life of 20 years.

Costs incurred in configuring and customising cloud based software

Costs incurred in configuring or customising cloud software and Software as a Service (SaaS) arrangements can only be recognised as intangible assets if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Those costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangements to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

13. Trade and other payables

| | Consolidated | |
|------------------------------|-------------------|-------------------|
| | 2022 \$ | 2021 \$ |
| <i>Current liabilities</i> | | |
| Trade payables | 12,876,151 | 16,033,605 |
| GST payable | 1,139,678 | 598,654 |
| Payroll related accruals | 2,189,049 | 1,926,806 |
| Other creditors and accruals | 1,503,312 | 654,218 |
| | 17,708,190 | 19,213,283 |

All amounts are short-term and the carrying values are considered to be a reasonable approximation of fair value.

Accounting policy for trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements continued

14. Borrowings

The carrying amounts of current and non-current assets pledged as collateral for liabilities are:

| | 2022 \$ | 2021 \$ |
|-----------------------------------|------------|------------|
| Fixed and floating charge: | | |
| Cash and cash equivalents | 9,395,910 | 7,374,965 |
| Trade receivables | 942,621 | 2,057,347 |
| Inventories | 22,175,081 | 18,124,686 |
| Property, plant and equipment | 10,387,939 | 10,565,989 |
| Intangible assets | 54,304,560 | 54,058,081 |

Under the terms of the major borrowing facilities, as at 30 June 2022, the Group was required to comply with the following primary financial covenants:

- (a) the ratio of debt to EBITDA must be less than or equal to 2.0;
- (b) the ratio of EBITDA plus occupancy costs plus interest expense must be great than 1.5; and
- (c) the ratio of total assets less total liabilities to total assets must be greater than 0.45.

During the current and prior year, there were no defaults on borrowings or breaches of debt covenants.

Accounting policy for borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, (net of transaction costs), and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility.

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

15. Employee benefits

| | Consolidated | |
|---------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| <i>Current liabilities</i> | | |
| Provision for employee benefits | 2,610,385 | 2,512,259 |

The provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

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

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Leave obligations expected to be settled after 12 months | 918,245 | 814,119 |

Accounting policy for employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service, are recognised in respect of employee's services up to the end of the reporting period. These are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables. Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related services are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high-quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting period, regardless of when the actual settlement is expected to occur.

Notes to the Consolidated Financial Statements continued

16. Other liabilities

| | Consolidated | |
|--------------------------------|----------------|---------------|
| | 2022 \$ | 2021 \$ |
| <i>Current liabilities</i> | | |
| Other liabilities | 25,667 | 21,197 |
| <i>Non-current liabilities</i> | | |
| Other liabilities | 77,145 | 55,948 |
| Total other liabilities | 102,812 | 77,145 |

17. Issued capital

| | Consolidated | |
|---|--------------|------------|
| | 2022 \$ | 2021 \$ |
| 131,012,494 (2021: 128,812,494) Ordinary shares | 49,492,703 | 48,872,261 |

Shaver Shop has issued and unvested shares (LTI Plan Shares) under its Long-Term Incentive Plan (LTI Plan) of 5,052,412 at 30 June 2022 (2021: 5,280,002). The LTI Plan Shares have vesting criteria and are therefore only included, if appropriate, in diluted share calculations and are not included in the calculation of basic weighted average shares outstanding.

Movements in share capital

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| At the beginning of the reporting period | 48,872,261 | 48,872,261 |
| At the end of the reporting period | 49,492,703 | 48,872,261 |

Number of shares outstanding

| | 2022 No. | 2021 No. |
|---|--------------------|--------------------|
| | | |
| At the beginning of the reporting period | 128,812,494 | 126,462,494 |
| Unvested LTIP shares issued in period | 2,200,000 | 2,350,000 |
| At the end of the reporting period | 131,012,494 | 128,812,494 |

Calculation of weighted average number of diluted shares

| | 2022 No. | 2021 No. |
|--|--------------------|--------------------|
| Weighted average number of ordinary shares used for calculating basic earnings per share | 126,244,152 | 123,328,960 |
| Adjustment for weighted average number of LTI Plan Shares issued (unvested shares) | 3,797,931 | 4,314,249 |
| Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share | 130,042,083 | 127,643,209 |

The LTI Plan Shares are included in the calculation of the weighted average number of fully diluted shares outstanding when the average market price of the Company's shares is above the exercise price of the LTI Plan Shares for the year ended 30 June 2022. Additional LTI Plan Shares could potentially be included in the number of fully diluted shares outstanding in the future.

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

Capital risk management

Capital of the Group is managed in order to safeguard the ability of the Group to continue as a going concern, to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the consolidated statement of financial position plus net debt.

There are no externally imposed capital requirements.

Accounting policy for 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.

Notes to the Consolidated Financial Statements continued

18. Dividends

Dividends

The following dividends were declared and paid:

| | Consolidated | |
|--|-------------------|------------------|
| | 2022 \$ | 2021 \$ |
| Franked 100% FY2021 final dividend of 5.0 cents per share (FY2020: 2.7 cents per share, franked 100%) | 6,193,847 | 3,309,215 |
| Franked 100% FY2022 interim dividend of 4.5 cents per share (FY2021: 3.2 cents per share, franked 100%) | 5,600,166 | 3,952,030 |
| | 11,794,013 | 7,261,245 |

| | Consolidated | |
|------------------------------------|--------------|-------|
| | 2022 | 2021 |
| Total dividends declared per share | 0.095 | 0.059 |

Franking account

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 3,473,367 | 3,247,581 |

The above available balance is based on the dividend franking account at year-end adjusted for:

- franking credits that will arise from the payment/(receipt) of the current tax liabilities/(receivable);
- franking debits that will arise from the payment of dividends recognised as a liability at the year-end; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

19. Reserves

| | Consolidated | |
|--|------------------|------------------|
| | 2022 \$ | 2021 \$ |
| Foreign currency translation reserve | | |
| Opening balance | (2,948) | (10,295) |
| Currency translation differences arising during the year | (30,366) | 7,347 |
| Closing balance | (33,314) | (2,948) |
| Share based payments reserve | | |
| Opening balance | 1,017,564 | 607,892 |
| Transfers in | 567,227 | 409,672 |
| Closing balance | 1,584,791 | 1,017,564 |
| Balance at the end of the year | 1,551,477 | 1,014,616 |

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income – foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Share-based payments reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised, the amount in the share option reserve is transferred to share capital.

Notes to the Consolidated Financial Statements continued

20. Earnings per share

| | Consolidated | |
|---|--------------|-------------|
| | 2022 \$ | 2021 \$ |
| Profit from continuing operations | 16,692,476 | 17,472,504 |
| Earnings used to calculate basic EPS from continuing operations | 16,692,476 | 17,472,504 |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS: | | |
| | 2022 No. | 2021 No. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 126,244,152 | 123,328,960 |
| Weighted average number of ordinary shares outstanding during the year used in calculating fully diluted EPS | 130,042,083 | 127,643,209 |
| | Cents | Cents |
| Basic earnings per share | 13.2 | 14.2 |
| Diluted earnings per share | 12.8 | 13.7 |

Information concerning classification of securities

LTI Plan shares granted to participants are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR and EPS hurdle would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive.

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted earnings per share adjusts the figure 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, (including performance rights), and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

21. Retained earnings

| | Consolidated | |
|---|-------------------|-------------------|
| | 2022 \$ | 2021 \$ |
| Retained earnings at beginning of the financial year | 22,690,867 | 12,479,608 |
| Net profit for the year | 16,692,476 | 17,472,504 |
| Dividends declared | (11,794,013) | (7,261,245) |
| Retained earnings at the end of the financial year | 27,589,330 | 22,690,867 |

22. Commitments

Bank Guarantees

The Company has Bank Guarantees in place as security for rental payments on several of its locations. As at 30 June 2022 \$299,791 (2021: \$422,169), was drawn under the Company's bank guarantee facility.

23. Financial risk management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The Group does not speculate in derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described below:

| Risk | Exposure arising from |
|----------------------------------|---|
| Liquidity risk | Borrowings, bank overdrafts and other liabilities |
| Credit risk | Cash at bank and trade receivables |
| Market risk – currency risk | Recognised assets and liabilities not denominated in Australian dollars |
| Market risk – interest rate risk | Borrowings at variable rates |

Objectives, policies and processes

Risk management is carried out by the Group's senior management and the Board of Directors. The Chief Financial Officer has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Group. These policies and procedures are then approved by the risk management committee and tabled at the Board meeting following their approval. Reports are presented to the Board regarding the implementation of these policies and any risk exposure which the Risk Management Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

Notes to the Consolidated Financial Statements continued

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities, as and when they fall due. The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling six-week projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

| | Consolidated | |
|-------------------------------|-------------------|-------------------|
| | 2022 \$ | 2021 \$ |
| Commercial advance facilities | 30,000,000 | 30,000,000 |
| Bank guarantee facility | 700,209 | 577,831 |
| | 30,700,209 | 30,577,831 |

The multi-option facility had a limit of \$30.0 million and was undrawn as at 30 June 2022. In addition, Shaver Shop had access to a bank guarantee facility with a limit of \$1.0 million which was drawn to \$0.3 million as at 30 June 2022. The multi-option facility had interest rates varying from BBSY +0.75% to BBSY +1.20% depending on the sub facility being utilised.

After 30 June 2022, Shaver Shop renegotiated the bank facility which was due on 31 July 2022. Shaver Shop now has access to a \$19.5 million term debt facility, a \$10.0 million trade finance facility and a \$0.5 million bank guarantee facility. The term debt and trade finance facilities have a maturity date of 31 July 2024.

Maturities of financial liabilities

| | Not later than 1 month 2022 \$ | Not later than 1 month 2021 \$ | 1 month to 1 year 2022 \$ | 1 month to 1 year 2021 \$ | 1 to 2 years 2022 \$ | 1 to 2 years 2021 \$ |
|--------------------------|---|---|------------------------------------|------------------------------------|-------------------------------|-------------------------------|
| Bank loans | – | – | – | – | – | – |
| Trade and other payables | 17,136,178 | 17,865,344 | 571,982 | 1,347,939 | – | – |
| Lease liabilities | 1,023,316 | 940,011 | 9,825,970 | 9,454,046 | 8,803,733 | 7,450,573 |
| | 18,159,494 | 18,805,355 | 10,397,952 | 10,801,985 | 8,803,733 | 7,450,573 |

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to certain customers and suppliers, including outstanding receivables and committed transactions.

The Group has adopted a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults. In addition, sales to retail customers are required to be settled in cash or through the use of major credit cards, reducing credit risk associated with sales.

Trade receivables consist mainly of supplier rebates owing to the Group. Ongoing credit evaluation is performed on the financial condition of accounts receivable. No material impairment exists within trade receivables at year end.

Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

| | Consolidated | |
|--|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Cash at bank | | |
| AA – (Standard & Poors) | 9,395,910 | 7,374,965 |
| Accounts receivable | | |
| Counter-parties with no external credit rating | | |
| Group 1* | 942,621 | 2,057,347 |

* Group 1: Existing counter-parties (more than 12 months) with no defaults in the past.

Market risk

Foreign currency risk

Most of the Group transactions are carried out in Australian Dollars. Exposures to currency exchange rates arise from the Group's New Zealand operations, which are denominated in New Zealand Dollars.

Whilst the Group's exposure to foreign currency is not considered to be material, the Group's exposure to non-Australian Dollar cash flows is monitored in accordance with the Group's risk management policies.

Shaver Shop Pty Ltd has an inter-company receivable of \$1.8 million at 30 June 2022 (30 June 2021: \$2.5 million). This balance represents the initial and ongoing investment in Shaver Shop's New Zealand operations.

Based on the year-end balance, a 1% appreciation in the NZ dollar has approximately a \$15,000 impact on the company's pre-tax profit.

Notes to the Consolidated Financial Statements continued

Interest rate risk

The Group is exposed to interest rate risk arising from both short-term and long-term variable rate borrowings. The Group does not hedge against interest rate movements and monitors the exposure to interest rate risk in accordance with the Group's risk management policy. All of the Group's borrowings are denominated in Australian Dollars.

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

| | Weighted average interest rate % | 2022 \$ | Weighted average interest rate % | 2021 \$ |
|----------------------------------|---|------------|---|------------|
| Floating rate instruments | | | | |
| Bank loans | 0.85% | – | 0.85% | – |
| Total | – | – | – | – |

Shaver Shop did not draw-down on any of its loan facility in FY2022. Accordingly, the weighted average interest rate represents the line fee payable on the \$30.0 million facility.

Management considers that interests rates could reasonably increase by 3.0% or decrease by 0.25% (2021: increase of 1%, decrease of 0.5%). As these movements would not have a material impact on either the net result for the year or equity, no sensitivity analysis has been performed.

24. Tax assets and liabilities

Current tax assets and liabilities

| | Consolidated | |
|--------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Income tax payable | 1,837,762 | 2,044,397 |

Recognised deferred tax assets and liabilities

| | Consolidated | |
|--------------------------------|------------------|------------------|
| | 2022 | 2021 |
| Deferred tax assets | 12,752,754 | 14,422,550 |
| Deferred tax liabilities | (6,716,435) | (6,613,310) |
| Net deferred tax assets | 6,036,319 | 7,809,240 |

| | Opening balance \$ | Charged to income \$ | Acquisition of franchise stores \$ | Closing balance \$ |
|--|--------------------------|----------------------------|---|--------------------------|
| Deferred tax assets (liabilities) | | | | |
| Provisions – employee benefits | 791,744 | 35,904 | – | 827,648 |
| Accruals | 409,232 | 12,093 | – | 421,325 |
| Leased liabilities | 7,708,540 | (130,512) | – | 7,578,028 |
| Cancellation of franchise licence on acquisition | 3,968,352 | (1,229,648) | – | 2,738,704 |
| IPO costs | 101,388 | (50,694) | – | 50,694 |
| Software intangibles | 936,621 | (279,428) | – | 657,193 |
| Other deferred tax assets | 506,672 | (41,566) | – | 465,106 |
| Right-of-use assets | (6,252,117) | (38,734) | – | (6,290,851) |
| Other deferred tax liabilities | (361,192) | (50,336) | – | (411,528) |
| Balance at 30 June 2022 | 7,809,240 | (1,772,921) | – | 6,036,319 |
| Provisions – employee benefits | 588,009 | 203,735 | – | 791,744 |
| Accruals | 480,413 | (71,181) | – | 409,232 |
| Leased liabilities | 9,977,197 | (2,268,657) | – | 7,708,540 |
| Cancellation of franchise licence on acquisition | 1,682,993 | (1,690,148) | 3,975,507 | 3,968,352 |
| IPO costs | 152,082 | (50,694) | – | 101,388 |
| Software intangibles | 948,789 | (12,168) | – | 936,621 |
| Other deferred tax assets | 520,916 | (14,244) | – | 506,672 |
| Right-of-use assets | (8,447,292) | 2,195,175 | – | (6,252,117) |
| Other deferred tax liabilities | (306,500) | (54,692) | – | (361,192) |
| Balance at 30 June 2021 | 5,596,607 | (1,762,874) | 3,975,507 | 7,809,240 |

Notes to the Consolidated Financial Statements continued

25. Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

| | Consolidated | |
|--|----------------|----------------|
| | 2022 \$ | 2021 \$ |
| PricewaterhouseCoopers Australia | | |
| (i) Audit and other assurance services | | |
| Audit of financial statements | 220,000 | 175,600 |
| Total remuneration for audit and other assurance services | 220,000 | 175,600 |
| (ii) Taxation services | | |
| Tax services | 30,900 | 80,500 |
| Total remuneration for taxation services | 30,900 | 80,500 |
| (iii) Other services | | |
| Other consulting services | 7,000 | 8,500 |
| Total remuneration for other services | 7,000 | 8,500 |
| Total remuneration of PricewaterhouseCoopers Australia | 257,900 | 264,600 |

26. Interests in subsidiaries

The Group's subsidiaries as at 30 June 2022 are set out below.

| Name | Principal place of business/ Country of incorporation | Ownership interest | |
|-----------------------------------|--|--------------------|-----------|
| | | 2022 % | 2021 % |
| Lavomer Riah Pty Ltd | Australia | 100% | 100% |
| Shaver Shop Pty Ltd | Australia | 100% | 100% |
| Shaver Shop (New Zealand) Limited | New Zealand | 100% | 100% |

The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

27. Deed of cross guarantee

Shaver Shop Group Limited, Lavomer Riah Pty Ltd and Shaver Shop Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Under ASIC class order 98/1418 there is no requirement for these subsidiaries to prepare or lodge a consolidated financial report and directors' report as a result of entering into the deed.

These companies represent a closed Group for the purposes of the class order.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the closed group, after eliminating all transactions between parties to the deed of cross guarantee are shown below:

| | 2022 \$ | 2021 \$ |
|--|-------------------|-------------------|
| Consolidated Statement of Comprehensive Income | | |
| Revenue | 211,710,946 | 203,099,855 |
| Cost of Sales | (118,418,663) | (112,325,151) |
| Gross Profit | 93,292,283 | 90,774,704 |
| Other revenue | – | 890,729 |
| Operating expenses | (69,142,536) | (66,573,561) |
| Finance costs | (1,627,194) | (1,586,093) |
| Profit before income tax | 22,522,553 | 23,505,779 |
| Income tax expense | (7,006,781) | (7,258,261) |
| Profit after income tax | 15,515,772 | 16,247,518 |
| | 2022 \$ | 2021 \$ |
| Equity – retained profits | | |
| Retained profits at the beginning of the financial year | 22,998,066 | 14,011,793 |
| Profit after income tax | 15,515,772 | 16,247,518 |
| Dividends paid | (11,706,621) | (7,261,245) |
| Retained profits at the end of the financial year | 26,807,217 | 22,998,066 |

Notes to the Consolidated Financial Statements continued

| Balance sheet | 2022 \$ | 2021 \$ |
|--------------------------------------|--------------------|--------------------|
| Current assets | | |
| Cash and cash equivalents | 7,959,762 | 6,776,967 |
| Trade and other receivables | 4,611,345 | 6,045,998 |
| Inventories | 20,839,588 | 16,901,376 |
| Total current assets | 33,410,695 | 29,724,341 |
| Non-current assets | | |
| Property, plant and equipment | 10,019,707 | 10,124,140 |
| Right-of-use assets | 20,927,894 | 20,782,850 |
| Deferred tax assets | 12,738,696 | 14,408,100 |
| Intangible assets | 54,231,942 | 53,977,696 |
| Total non-current assets | 97,918,239 | 99,292,786 |
| Total assets | 131,328,934 | 129,017,127 |
| Current liabilities | | |
| Trade and other payables | 20,050,908 | 21,755,199 |
| Lease liabilities | 10,399,894 | 10,092,845 |
| Current tax liabilities | 1,387,490 | 2,044,397 |
| Total current liabilities | 31,838,292 | 33,892,441 |
| Non-current liabilities | | |
| Lease liabilities | 14,885,866 | 15,623,484 |
| Deferred tax liabilities | 6,716,435 | 6,613,310 |
| Total non-current liabilities | 21,602,301 | 22,236,794 |
| Total liabilities | 53,440,593 | 56,129,235 |
| Net assets | 77,888,341 | 72,887,892 |
| Equity | | |
| Issued capital | 49,492,703 | 48,872,261 |
| Reserves | 1,588,420 | 1,017,565 |
| Retained profits | 26,807,217 | 22,998,066 |
| Total equity | 77,888,341 | 72,887,892 |

28. Contingent liabilities

There are no contingent liabilities recognised by the Group.

29. Related parties

Subsidiaries

Interests in subsidiaries are set out in note 26.

Key management personnel

Key management personnel remuneration, (excluding Directors Fees), included within employee expenses for the year is shown below:

| | Consolidated | |
|--|------------------|------------------|
| | 2022 \$ | 2021 \$ |
| Short-term employee benefits | 1,988,735 | 1,935,686 |
| Post-employment benefits | 79,428 | 77,554 |
| Share based payments | 361,578 | 245,674 |
| Total remuneration for the year | 2,429,741 | 2,258,914 |

Detailed remuneration disclosures are provided in the Remuneration Report.

Loans to/from related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

| | Consolidated | |
|----------------------------------|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Current receivables: | | |
| Loans to KMP and related parties | 81,377 | 81,377 |

The loans to KMP resulted from a share incentive scheme implemented prior to the Shaver Shop Employee Share Plan (refer Note 31). Interest is payable on the KMP loans based on the Australian Taxation Office benchmark rate from time to time. KMP loans are repayable after a maximum period of six years or upon disposal of the shares.

Notes to the Consolidated Financial Statements continued

30. Cash flow information

| | Consolidated | |
|--|-------------------|-------------------|
| | 2022 \$ | 2021 \$ |
| Profit after income tax for the year | 16,692,476 | 17,472,504 |
| Non-cash flows in profit: | | |
| Depreciation and amortisation | 14,397,705 | 14,065,851 |
| Disposal/write-down of property, plant & equipment | 39,911 | 28,090 |
| Share based payments expense | 567,227 | 409,672 |
| Net exchange differences | (42,082) | 1,442 |
| Change in operating assets and liabilities: | | |
| (Increase)/Decrease in trade, leases and other receivables | 551,273 | 430,285 |
| Increase in inventories | (4,050,394) | (872,499) |
| Decrease in deferred tax assets | 1,772,921 | 1,687,367 |
| Increase in trade and other payables | (1,406,968) | 1,390,841 |
| Increase/(decrease) in income taxes payable | (206,635) | 1,426,956 |
| Net cash from operating activities | 28,315,434 | 36,040,509 |

31. Share-based payments

In FY2017, the Company established a Long-Term Incentive Plan (LTI Plan) to assist in the motivation, retention and reward of Senior Executives. The LTIP is designed to align the interests of Senior Executives more closely with the interests of Shareholders by providing an opportunity for eligible Shaver Shop managers and executives to acquire shares (Plan Shares) in the Company subject to the conditions of the LTIP. Plan Shares that are granted under the plan may be funded by a limited recourse loan to the eligible participant from the Company or one of its subsidiaries. The Plan Shares rank pari passu in all respects with the ordinary shares of the Company.

Under the terms of the LTIP and relevant offer letters, vesting of the LTIP shares is subject to the achievement of performance conditions as well as service conditions. Vesting of 70% of the LTIP shares is subject to the achievement of a minimum Total Shareholder Return (TSR) and 30% of the LTIP shares is subject to the achievement of EPS conditions. If the minimum TSR and EPS performance conditions are achieved, then the relevant service condition attaching to the shares must also be met. In the event the participant leaves the Company prior to the vesting date, the options will generally lapse.

In FY2017, the Company issued 1,300,000 Plan Shares to eligible participants. In FY2018, the Company broadened the eligible participant base with 1,910,000 shares issued to eligible participants. In FY2019, the Company issued a further 1,990,000 shares to eligible participants. In FY2020 the Company issued 2,300,000 Plan Shares to eligible participants. In FY2021 the company issued 2,350,000 Plan Shares to eligible participants. In FY2022 the company issued 2,200,000 Plan Shares to eligible participants. The Plan Shares have been treated as equity-settled, share-based payment transactions in the Company's financial accounts.

Details of the number of Plan Shares granted and the fair value of the Plan Shares on the relevant Grant Date is set out below.

| | 2022 | 2021 | 2020 | 2019 |
|-------------------------------|-----------|-----------|-----------|-----------|
| Grant Date | 10 Nov 21 | 28 Oct 20 | 30 Oct 19 | 21 Nov 18 |
| Number of Plan Shares Granted | 2,200,000 | 2,350,000 | 2,300,000 | 1,990,000 |
| Issue Price of Plan Shares | \$1.0252 | \$1.0651 | \$0.6344 | \$0.3969 |

The number of LTIP shares outstanding and the relative exercise price of the LTIP shares is set out below.

| | FY2022 LTIP (Shares) | FY2021 LTIP (Shares) | FY2020 LTIP (Shares) | FY2019 LTIP (Shares) |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| Outstanding at the beginning of the year | – | 2,350,000 | 2,300,000 | 630,002 |
| Granted during the year | 2,200,000 | – | – | – |
| Vested during the year | – | – | (1,399,997) | (596,668) |
| Forfeited during the year* | – | (701,662) | (200,000) | (33,334) |
| Outstanding at the end of the year | 2,200,000 | 1,648,338 | 700,003 | – |
| Average exercise price | \$1.0252 | \$1.0651 | \$0.6344 | \$0.3969 |

* 548,328 shares issued under Tranche 1 of the FY2021 LTIP grant were forfeited by participants during FY2022 as they did not meet the required Performance Condition. In addition, one participant left Shaver Shop and accordingly all of their FY2019 Tranche 3 LTI shares, all of their FY2020 LTI share allocation and all of their FY2021 LTI share allocation are to be compulsorily divested. However at the time of writing this report, not all of these shares had been compulsorily divested in accordance with the Plan rules. These shares are expected to be sold on the ASX in early FY2023.

The fair value at grant date of the LTIP shares is independently determined using an adjusted form of Monte Carlo model for TSR LTIP Shares and a Black-Scholes model for EPS based shares. The model takes into account the vesting criteria, the current share price, the expected dividend yield, the risk-free interest rate, the expected volatility of the shares and the correlations and volatilities of peer group companies. The assessed fair value at grant date of Plan Shares granted during the year ended 30 June 2022 varied from \$0.36 per Plan Share to \$0.44 per Plan Share depending on the Grant Date and the relevant vesting criteria (FY2021 – \$0.26 to \$0.46).

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|-----------|-----------|-----------|-----------|-----------|
| Grant Date | 10 Nov 21 | 28 Oct 20 | 30 Oct 19 | 21 Nov 18 | 10 Nov 17 |
| Closing share price on Grant Date | \$1.06 | \$1.04 | \$0.645 | \$0.40 | \$0.50 |
| Exercise price | \$1.0252 | \$1.0651 | \$0.6344 | \$0.3969 | \$0.6829 |
| Volatility | 45% | 50% | 40% | 45% | 45% |
| Dividend yield (Nil as used to pay off loan value) | Nil | Nil | Nil | Nil | Nil |
| Risk free rate | 1.31% | 0.27% | 0.86% | 2.33% | 2.19% |

Total expenses arising from share-based payment transactions recognised during the period as part of Employment Benefit Expense were as follows:

| | Consolidated | |
|---|--------------|------------|
| | 2022 \$ | 2021 \$ |
| Expense for Plan Shares issued under LTI Plan | 567,227 | 409,672 |

Notes to the Consolidated Financial Statements continued

Accounting policy for share-based payments

Share-based compensation benefits are provided to employees via the Company's Long Term Incentive Plan (LTIP).

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The fair value of shares granted under the Shaver Shop Group Limited's LTIP is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example the entity's share price);
- excluding the impact for any service and non-market performance vesting conditions (for example, sales growth targets, profitability and an employee remaining an employee of the entity over a specified time period); and
- including the impact of non-vesting conditions (for example, the requirement for employees to hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. At the end of each period, the entity revises estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

32. Events occurring after the reporting date

Subsequent to year end, the Directors declared a final dividend of 5.5 cents per share (100% franked) to shareholders of record on 6 September 2022. The dividend payment date is 20 September 2022.

After 30 June 2022, Shaver Shop finalised the renegotiation of its debt facilities. The new bank facilities (aggregating \$30.0 million in available capacity) include a \$19.5 million term debt facility, an uncommitted \$10.0 million trade finance facility and a \$0.5m contingent liability facility (for bank guarantees). The new bank facility has similar covenants to the expiring facility and has a maturity date of 31 July 2024.

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

33. Parent entity information

The following information has been extracted from the books and records of the parent, Shaver Shop Group Limited and has been prepared in accordance with Accounting Standards.

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Shaver Shop Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

The financial information for the parent entity, Shaver Shop Group Limited, has been prepared on the same basis as the consolidated financial statements.

| | 2022 \$ | 2021 \$ |
|-----------------------------------|--------------------|--------------------|
| Assets | | |
| Current assets | 18,579,975 | 18,579,975 |
| Non-current assets | 28,714,799 | 28,714,799 |
| Total assets | 47,294,774 | 47,294,774 |
| Liabilities | | |
| Current liabilities | 1,387,490 | 2,035,397 |
| Total liabilities | 1,387,490 | 2,035,397 |
| Equity | | |
| Contributed equity | 49,492,703 | 48,872,260 |
| Reserves | 1,728,597 | 1,017,563 |
| Retained losses | (5,341,480) | (4,630,446) |
| Total equity | 45,879,820 | 45,259,377 |
| Profit for the period | 11,082,979 | 6,851,573 |
| Total comprehensive income | 11,082,979 | 6,851,573 |
| Opening retained losses | (4,630,446) | (4,220,774) |
| Profit for the period | 11,082,979 | 6,851,573 |
| Dividends paid or provided for | (11,794,013) | (7,261,245) |
| Closing retained losses | (5,341,480) | (4,630,446) |

Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

Contractual commitments

The parent entity did not have any commitments as at 30 June 2022 or 30 June 2021.

Notes to the Consolidated Financial Statements continued

34. Summary of other significant accounting policies

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Foreign currency transactions and balances

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Shaver Shop Group Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are recorded at the spot rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit and loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Impairment of assets

Goodwill and 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 assets are tested 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. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

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.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flows.

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 consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

35. Company details

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

Shaver Shop Group Limited
Level 1, Chadstone Tower One
1341 Dandenong Road
CHADSTONE VIC 3148

Directors' Declaration

30 June 2022

The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2022 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position and performance of the consolidated Group.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. In the directors' opinion, there are reasonable grounds to believe that the Company and its subsidiary which have entered into a Deed of Cross Guarantee 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Broderick Arnhold
Director

Melbourne
22 August 2022

Independent Auditor's Report



Independent auditor's report

To the members of Shaver Shop Group Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2022
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

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

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Independent Auditor's Report continued



Our audit approach

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

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

|  | |
|---|--|
| Materiality | Audit scope |
| <p>For the purpose of our audit we used overall Group materiality of \$1.2 million, which represents approximately 5% of the Group's profit before tax.</p> <p>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</p> <p>We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</p> <p>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</p> | <p>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</p> <p>The Group sells personal grooming and beauty appliances to customers across Australia and New Zealand, through retail stores and the Group's website. The products are held in the Group's warehouse in Melbourne, and across the retail stores. The accounting processes are structured around a group finance function located at the head office in Melbourne.</p> |

Key audit matters

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



| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Carrying value of goodwill <i>(Refer to note 12) \$53.3 million</i></p> <p>At 30 June 2022 the Group recognised \$53.3 million of goodwill in the consolidated balance sheet.</p> <p>The Group assesses goodwill for impairment annually, irrespective of whether there are indicators of impairment and has determined that there is only one Cash Generating Unit (CGU).</p> <p>The carrying value of goodwill was a key audit matter due to:</p> <ul style="list-style-type: none"> the financial significance of the goodwill balance; and the level of judgement involved in assessing the recoverable amount of the goodwill including forecasting future cash flows and estimating the discount rate and terminal growth rate. | <p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> Assessed the historical accuracy of the Group's cash flow forecasts by comparing prior budgets to actual performance. Compared the forecast cash flows used in the Group's impairment model to the latest budgets and business plans. Assessed the appropriateness and supportability of the cash flow forecasts by considering the key factors upon which they were based and the underlying drivers for growth. Compared growth rate assumptions used in the impairment model to historical results and economic and industry forecasts. Tested the mathematical accuracy of the calculations made in the impairment model. Engaged internal experts to assess the appropriateness of the discount rate used in the model. Evaluated the appropriateness of the disclosures made in note 12, against the requirements of Australian Accounting Standards. |
| <p>Carrying value of inventory <i>(Refer to note 9) \$22.2 million</i></p> <p>At 30 June 2022 the Group recognised \$22.2 million of inventory in the consolidated balance sheet valued at the lower of cost and net realisable value.</p> <p>The identification of products expected to be sold below net realisable value depends, in part, on estimated sales below estimated costs for the sale.</p> <p>The carrying value of inventory was a key audit matter due to:</p> <ul style="list-style-type: none"> the financial significance of the inventory balance; and the level of judgement and estimation required in determining the net realisable value of inventory including assumptions of expected future selling prices and related costs. | <p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> Compared inventory balances within the inventory provision calculation to total inventory on hand to ensure the completeness of the assessment. Evaluated the appropriateness of significant assumptions used to develop the provision for net realisable value in the context of Australian Accounting Standards, by having regard to: <ul style="list-style-type: none"> aggregate inventory sold below cost during the financial period; and expected weeks cover based on historical information. For a sample of inventory items, compared the current selling price (net realisable value) to the recorded cost. Evaluated the appropriateness of the disclosures made in note 9, against the requirements of Australian Accounting Standards. |

Independent Auditor's Report continued



| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p>Accounting for supplier rebates (Refer to note 9)</p> <p>The Group has entered into a number of arrangements with various suppliers under which they receive rebates for purchasing goods. There are a range of rebate types with the majority being supplier volume rebates. The rebates vary depending on the specific terms agreed with each supplier in relation to the rebate rate(s) and the range of products included. We considered rebates to be a key audit matter because:</p> <ul style="list-style-type: none"> • supplier rebates recognised during the year are material to the financial report; • supplier arrangements are complex in nature and vary between suppliers; and • judgement is involved by the Group to determine the amount of rebates that should be recognised in the cost of sales and the amount that should be deferred to inventory. | <p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"> • For rebates receivable at balance date we either: <ul style="list-style-type: none"> – sent confirmations to a sample of suppliers; and – for a sample of suppliers, agreed key rebate terms and agreed the receivable balance at year end to supporting documentation; and – for a sample of rebates receivable, checked that when the related inventory was still on hand at balance date, the rebate amount had been appropriately deducted from inventory. • For a sample of invoices recognised as a reduction to cost of sales, we obtained a confirmation from a supplier. |

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Director's Report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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



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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 25 to 40 of the directors' report for the year ended 30 June 2022.

In our opinion, the remuneration report of Shaver Shop Group Limited for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

A stylized, handwritten-style signature of 'PricewaterhouseCoopers' in a dark grey or black ink.

PricewaterhouseCoopers

A handwritten signature of 'Brad Peake' in a dark grey or black ink.

Brad Peake
Partner

Melbourne
22 August 2022

Shareholder Information

For the year ended 30 June 2022

The Shareholder information set out below is based on information in the Company's share register as at 2 September 2022.

Distribution of holdings of fully paid ordinary shares

| Range | Securities | % | No. of holders | % |
|----------------------|--------------------|---------------|----------------|---------------|
| 100,001 and Over | 95,497,772 | 72.89 | 119 | 4.32 |
| 10,001 to 100,000 | 28,584,951 | 21.82 | 883 | 32.04 |
| 5,001 to 10,000 | 4,343,251 | 3.32 | 509 | 18.47 |
| 1,001 to 5,000 | 2,306,062 | 1.76 | 775 | 28.12 |
| 1 to 1,000 | 280,458 | 0.21 | 470 | 17.05 |
| Total | 131,012,494 | 100.00 | 2,756 | 100.00 |
| Unmarketable Parcels | 7,980 | 0.01 | 106 | 3.85 |

As at 2 September 2022, there were 106 holders of an unmarketable parcel of shares.

Substantial shareholders

The following is a summary of the substantial shareholders in the Company pursuant to notices lodged with the ASX in accordance with Section 671B of the Corporations Act as at 2 September 2022.

| Name of Shareholder | No. of Shares | % of Issued Capital ⁽¹⁾ |
|--|---------------|------------------------------------|
| Alsop Pty Limited ATF the Johnston Trust | 14,277,125 | 11.00% |

(1) % of issued capital specified in the relevant notice.

Top 20 Shareholders

| Rank | Name | 02 Sep 2022 | %IC |
|----------------------------|---|--------------------|---------------|
| 1 | ALSOP PTY LTD | 14,277,125 | 10.90 |
| 2 | PACIFIC CUSTODIANS PTY LIMITED | 7,855,369 | 6.00 |
| 3 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 7,754,616 | 5.92 |
| 4 | CITICORP NOMINEES PTY LIMITED | 6,697,204 | 5.11 |
| 5 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 5,559,738 | 4.24 |
| 6 | NATIONAL NOMINEES LIMITED | 5,287,411 | 4.04 |
| 7 | ZARA HOLDINGS PTY LTD | 4,160,004 | 3.18 |
| 8 | ARKINDALE PTY LTD | 3,258,004 | 2.49 |
| 9 | C N BOTTING & ASSOCIATES PTY LTD | 2,699,990 | 2.06 |
| 10 | DOVALI PTY LTD | 2,500,000 | 1.91 |
| 11 | MR BRODIE ERNST ARNHOLD | 2,000,000 | 1.53 |
| 12 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,987,896 | 1.52 |
| 13 | MR CAMERON FOX | 1,800,024 | 1.37 |
| 14 | NEWECONOMY COM AU NOMINEES PTY LIMITED | 1,504,249 | 1.15 |
| 15 | ANACACIA PTY LTD | 1,467,178 | 1.12 |
| 16 | BNP PARIBAS NOMS PTY LTD | 1,126,563 | 0.86 |
| 17 | MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED | 881,454 | 0.67 |
| 18 | CS FOURTH NOMINEES PTY LIMITED | 772,558 | 0.59 |
| 19 | T MITCHELL PTY LTD | 762,047 | 0.58 |
| 20 | BNP PARIBAS NOMINEES PTY LTD | 682,266 | 0.52 |
| Total | | 73,033,696 | 55.75 |
| Balance of register | | 57,978,798 | 44.25 |
| Grand total | | 131,012,494 | 100.00 |

Shareholder Information continued

Unquoted Equity Securities

There are currently no unquoted equity securities of the Company.

Shaver Shop Website

www.shavershop.com.au

Corporate Governance Information

Copies of the Company's Policies and Charters, including its Corporate Governance Statement are available at the Corporate Governance section of Shaver Shop's Investor Relations website: investors.shavershop.com.au

Voting Rights for Fully Paid Ordinary Shares

The Constitution provides for votes to be cast at a meeting of members:

- (1) on a show of hands, each member has 1 vote; and
- (2) on a poll:
 - (a) for each fully paid share held by a member, 1 vote; and
 - (b) for each partly paid share, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited).

On-Market Buy-Back

There is no current on-market buy-back of the Company's Shares.

Investor Relations Information

Lawrence (Larry) Hamson,
CFO and Company Secretary

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investors.shavershop.com.au

Corporate Information

Directors

Broderick Arnhold
Cameron Fox
Craig Mathieson
Trent Peterson
Brian Singer
Debra Singh

Company Secretary

Lawrence Hamson

Registered office

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Share registry

Link Market Services Limited
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Auditors

PricewaterhouseCoopers

Solicitors

Norton Rose Fulbright

Bankers

Commonwealth Bank of Australia

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