

City Chic Collective Limited

Appendix 4E

Preliminary final report

1. Company details

Name of entity:	City Chic Collective Limited
ABN:	43 057 569 169
Reporting period:	For the 52-week period ended 28 June 2020
Previous period:	For the 52-week period ended 30 June 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	31.0% to	194,492
Profit from ordinary activities after tax attributable to the owners of City Chic Collective Limited	down	35.8% to	9,160
Profit for the period attributable to the owners of City Chic Collective Limited	down	39.6% to	9,657

Comments

Reconciliation of net profit after income tax from continuing operations to Underlying EBITDA (Earnings before interest, taxation, depreciation, amortisation, impairment and other adjustments) from continuing operations is provided as follows:

	Consolidated	2020 \$'000	2019 \$'000
Net profit after tax from continuing operations	9,160	14,265	
Net interest (income)/expense (excluding AASB 16 impact)	535	(373)	
Tax expense from continuing operations	7,532	4,980	
Depreciation, amortisation, and impairment expense (excluding AASB 16 impact)	5,845	3,942	
Transition costs ¹	778	2,625	
US logistics consolidation ²	921	-	
Transaction costs ³	1,599	-	
Release of store exit costs	-	(289)	
Provision for onerous lease and contract	-	(272)	
Net AASB 16 impact	149	-	
Underlying EBITDA from continuing operations	26,519	24,878	

Refer to 'Operating and financial review' in the Directors' Report for detailed commentary in relation to the results for the reporting period.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security ⁴	9.9	15.1

¹ FY2020 Transition costs related to costs to integrate Avenue. FY2019 Transition costs related to costs incurred to implement the separation of the divested brands to Noni B Limited (now Mosaic Brands Limited) and the organisational transformation.

² Costs in relation to consolidation of US logistics operations.

³ FY2020 Transaction costs related to executing the acquisition of Avenue.

⁴ The value of right-of-use assets is excluded from this calculation.

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4. Control gained over entities

Not applicable.

5. Loss of control over entities

Specialty Fashion Group (Shanghai) Limited Company was dormant and deregistered in China during the year.

6. Dividends

Current period

There were no dividends paid, recommended or declared with respect to the current financial period.

Previous period

		Amount per security Cents	Franked amount per security Cents
Final ordinary dividend	Paid	30 September 2019	1.5
Interim ordinary dividend	Paid	19 March 2019	2.5
Special dividend	Paid	19 March 2019	2.5

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

11. Attachments

Details of attachments (if any):

The Annual Report of City Chic Collective Limited for the period ended 28 June 2020.

12. Signed



Phil Ryan
Chief Executive Officer and Managing Director

27 August 2020
Sydney

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ANNUAL REPORT



city chic collective

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City Chic Collective

A GLOBAL COLLECTIVE OF PLUS-SIZE BRANDS

City Chic Collective is a global retailer specialising in plus-size women's apparel, footwear, and accessories.

Our customer-led offering, which appeals to fashion-forward women, has a strong following in Australia, USA and New Zealand with a rapidly-growing presence in Europe and the United Kingdom.

Our omni-channel model comprises of multiple websites in Australasia and the USA, marketplace and wholesale partnerships with major US retailers and wholesale partners in Europe and the United Kingdom.

OUR VISION

LEADING A WORLD OF CURVES

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city chic
FIERCELY FASHIONABLE



avenue®
EVERYDAY ESSENTIAL FASHION



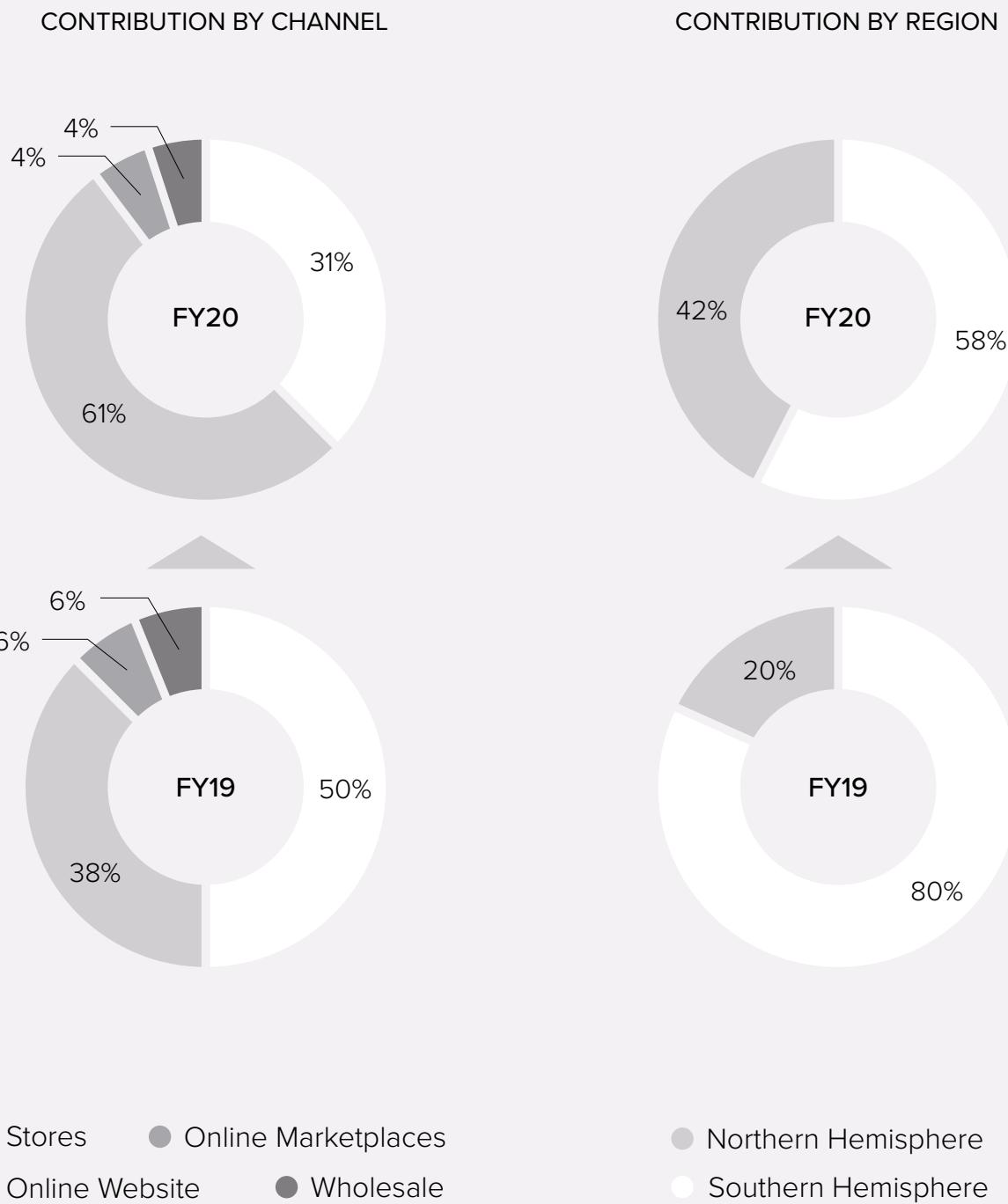
Hips & Curves FOX&ROYAL
LUSTFUL LINGERIE



CCX
SERIOUS STREET STYLE

Growing into a Global Digital Retailer

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Customer-Centric Operating Model

OUR
CUSTOMERS
ARE AT THE HEART
OF EVERYTHING
WE DO!

Highly-engaged and
growing customer base.

Omni-channel customer
touchpoint strategy.

Reactive, customer-
led supply chain.

Longstanding
Executive Team.

663k Active Customers Globally



Message from Our Chairman and CEO

The 2020 financial year was an eventful year during which we grew our business and traded profitably through the challenges faced from COVID-19. With a strengthened balance sheet, we are well positioned to accelerate our global growth strategy.



Chairman Michael Kay

It is an understatement to say the 2020 financial year was eventful. After a strong first half which included the acquisition of the Avenue business in the United States, COVID-19 burst onto the world stage early in the second half, impacting supply lines, health and mortality rates, sapping consumer confidence and putting enormous pressure on businesses, governments and the world economy. Retail was particularly hard-hit and quite a number of businesses have not survived. We expect to see more failures, particularly companies reliant on large store footprints with lease terms that are no longer commercially viable in a world where malls and 'bricks and mortar' stores were already under pressure before the advent of COVID-19.



CEO & Managing Director Phil Ryan

We are pleased with the way City Chic performed under these challenging circumstances. Here are some of the financial highlights:

- FY2020 sales revenue of \$194.5m, this represents 31.0% year on year total sales growth and 0.4% comparable sales growth (6.4% excluding the period of store closures and partial closures).

Southern hemisphere sales declined 4.8% for the full year; with growth of 9.9% in 1H, and a decline of 21.5% in 2H reflecting the impact of COVID-19 and store closures. There has been an improvement in sales since the initial hit of COVID-19 in April. Total southern hemisphere sales (stores and online) were down 47% in April, down 37% in May and down in 26% in June versus the prior year. ANZ online was strong at 57%

YoY growth whilst stores were closed.

Northern hemisphere sales grew by 166% in 2H and 179% for the full year. This growth was driven principally by the expanded US customer base following the acquisition of Avenue. Strong growth for CC US website in 1H and positive growth for CC US website in 2H but aided by discounting and promotional activity.

Underlying EBITDA of \$26.5m (pre-AASB 16, includes share-based payments expense of \$2.8m), representing 6.6% YoY growth and an EBITDA margin of 13.6%.

Gross Profit Margin of 48.1% (vs 57.8% in FY19) driven by a shift in mix to lower GM% (but more profitable) online channels including Avenue, as well as discounting during the COVID-19 period.

Underlying CODB as a percentage of sales dropped from 41.3% in FY19 to 34.4% in FY2020, reflecting the lower cost online model and the relatively low fixed cost base. We implemented early action to realise cost efficiencies including rental reductions through COVID-19.

Normalised operating cash flows of \$20.9m for FY2020

Relatively low ongoing capital requirements (\$3.7m of capital expenditure for FY2020)

Net cash of \$3.9m at June 2020 with significant headroom from a \$40m finance facility (noting \$4.7m of deferred tax payments). We also announced an equity capital raise in July 2020 to support future growth including opportunities arising from businesses under pressure as a result of the pandemic.

In navigating through the significant disruptions from COVID-19, our omni-channel model put us in an advantageous position, particularly during periods of store closures. Our business is geographically diversified and more than half our business is sold online. Our focus and emotional connection with our plus-size customers means our loyal customer base trust the consistent quality and fit of our products when buying from us online.

However, one of the lessons learned from COVID-19 is that companies should diversify their sources of production to mitigate the risk of those sources being shut down, unavailable or impacted with delays. While City Chic was not unduly impacted on the supply side during the current pandemic, the current environment has highlighted the importance of flexibility in our operations and we believe it is prudent to mitigate future risk, with the growth in our business allowing us to do this without materially impacting our current suppliers.

The Board and management have absolute clarity about our strategy and what we think will make our company successful. Our vision is to 'Lead a World of Curves' and our focus remains solely on the \$50bn plus-size market. Our three strategic pillars for profitable growth are:

- Curvy is all we do. We continue to expand our categories and lifestyle coverage for the plus-size customer and now have expanded beyond City Chic's 'bold, sexy and glamorous' products to offerings in other parts of our customers' lives, namely:
 - conservative and value-conscious through Avenue
 - playwear and intimates through Fox and Royal launched in Australia
 - footwear through Cloudwalker with specialty wide-fit shoes
 - expanding the breadth of our product offering production to over 800 items a month.
- Global Digital expansion
 - Online penetration is now 65%, up from 44% last year
 - Northern hemisphere now represents 42% of sales up from 20% last year, with the USA comprising the majority of sales.
- Customer acquisition and enhanced customer service
 - Customer numbers globally have increased by 72% to 663k, up from 385k last year
 - The online channel provides an 'infinite' store through which we can leverage our intimate knowledge of the plus-size segment from our deep, longstanding engagement with our customers. Our efficient production process and logistics capabilities allow us to give our customer what she wants, when she wants it and ensure the right quality, fit and price point.

Our key operational highlights for FY2020:

- Acquisition and integration of Avenue.

In September 2019 Avenue was placed into Chapter 11 bankruptcy in the USA. This gave us the opportunity to bid for a strong brand in our segment with a large customer base and a solid online presence, however, one that had been commercially undermined by legacy store and leasing issues. We acquired the online business, brand and customer base for US\$16.5m in October 2019. Avenue is well known in the north/north-east of the USA and has garnered a loyal customer following for over thirty years. The Avenue brand is more conservative than City Chic and appeals to a more mature, value conscious customer.

We have now completed the integration of Avenue into our operations and supply chain. We are pleased with this acquisition which has been materially accretive in its first year of operation in our collective and has exceeded our expectations. It proved to be an important addition to our business, offsetting the COVID-19 store closures in Australia and New Zealand and contributing valuable sales and cash-flow in the midst of the pandemic. The success of the transition and integration of Avenue has given us the confidence to continue to invest in growth outside Australia, including inorganic opportunities. The success and the learnings from this acquisition have also provided a blueprint for future acquisitions to be integrated within our business.

- We successfully launched our new global eCommerce platform which provides enhanced functionality and scalability for new brands. It enables us to have all the collective's brands operating on the same platform providing efficiencies and support and reinforcement across the portfolio from both a cross-sell and search engine optimisation (SEO) perspective.
- The launch of a new customer relationship management (CRM) platform allows us to gain further customer insights and predictive modelling. Our new email platform is underway to achieve more targeted communication with our customer and improve the customer journey.
- Inventory has been carefully managed through the pandemic with a clean stock position as we enter the new financial year.

- There has been a material increase in our online range, providing more choice for our customers. This diversification of our product range increases sales opportunities and also mitigates the risks from fluctuations in fashion. We increased our intimates and sleepwear offerings, which was an important part of managing our performance through COVID-19 when demand weakened for party and occasion apparel.
- We continue to employ talented people to facilitate our profitable growth and to ensure our organisational capability remains ahead of the growth curve. Building our team bench strength will again be a key priority in FY2021.
- We continued to conduct trials in Europe and the UK to give us insights into those markets. We grew our partnership with Zalando in Europe 51% (off a small base) and launched on Amazon Europe. We will also consider sensibly priced inorganic opportunities that align with our strategic objectives to advance our foothold in Europe/UK.
- During COVID-19 we worked closely with landlords to put in place rent deals that ensure the economics of our store portfolio is appropriate for the future. This is an important part of ensuring we have a sustainable business model as the balance between stores and online continues to adjust. Through this process, we closed 14 stores in holdover and continue to regularly assess our portfolio and review new opportunities against our required returns.
- In July 2020, after financial year end, we announced that we had been chosen as 'stalking horse' bidder for the brand and online assets of Catherines, a plus-size brand owned by the Ascena Group in the USA which recently went into Chapter 11 bankruptcy. Whilst being stalking horse does not guarantee that we will ultimately acquire Catherines, it does give us an advantage over other potential bidders. Catherines is in a similar segment to Avenue but is geographically diversified, being predominantly in the southern and mid-western states of the USA.
- In conjunction with the Catherines bid, we announced an equity raise by way of an \$80m institutional placement and a share purchase plan which raised a further \$31m. We were very pleased with the success of the equity raising and the support of our existing and new shareholders.

Throughout the peak of the COVID-19 pandemic, the Board of Directors and the executive management team met weekly to ensure all reasonable and sensible steps were taken to mitigate the impact of COVID-19 on the business, our team and our customers. In particular:

- We prioritised the health and safety of our team members – we closed all stores by end of March and set head office team members up to work from home in mid-March.
- We did not stand any team members down without pay in stores or head office.
- We assisted casual team members not covered by JobKeeper to navigate the changes and provided guidance to other avenues of support.
- We offered training and development opportunities while stores were closed.
- We provided programs, and offered support, to maintain the mental health of our team including dealing with the stresses of COVID-19 and associated restrictions.
- After restrictions eased, we trained store team members on COVID-19 safety measures to take in store. We also trialled select stores to learn and improve before opening the broader portfolio of stores.

City Chic was eligible for the JobKeeper payment subsidy in Australia and Wage Subsidy Scheme in New Zealand. In relation to the reporting period, City Chic received JobKeeper and Wage Subsidy payments totalling A\$3.9m. These were passed through in their entirety to team members. The majority of the payments to team members represented the period stores were closed and top-up amounts above actual hours worked.

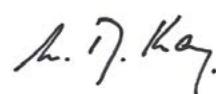
At the time of writing, the state of Victoria is in stage 4 lockdown and there is great uncertainty around the world as to the ongoing impact of the COVID-19 virus medically, socially and economically. As such, it is difficult to predict how our business will be affected. As can be seen from the foregoing, we have taken steps to strengthen our balance sheet, improve cash generation, diversify our geographical footprint and broaden our product offering. We believe our deep understanding of the niche market in which we operate, and the growing volume of our business sold online, will hold us in good stead should COVID-19 persist through FY2021.

Accordingly, whilst being mindful of the risks COVID-19 poses, we must balance those risks with the taking of sensible opportunities to meaningfully change the scope and scale of our business. As a result of the current environment and the accelerating shift from physical stores to online, inorganic opportunities such as Catherines are emerging. We believe we are well placed to take advantage of them.

We wish to express our gratitude to the wonderful team members at City Chic. Their ongoing commitment to the company and its customers is the bedrock of our success. In the face of COVID-19, whether working from home, in the office, or in stores, our people simply got on with the job of serving our customers and doing it well.

We also express our sincere thanks to our customers for continuing to support City Chic throughout this global crisis, ensuring our business can continue and our people stay safe and employed.

Whether economic conditions normalise or not during FY2021 and into FY2022, we believe City Chic has demonstrated the resilience of its business model. The journey to ‘Lead a World of Curves’ has just begun and by delivering on our promises and taking opportunities, we believe we can continue to prosper and grow for many years to come.



Michael Kay
Chairman



Phil Ryan
CEO & Managing Director

Board of Directors



Chairman and Non-Executive Director
MICHAEL KAY

Michael Kay joined the Board in October 2018 as an independent non-executive director and was subsequently appointed Chairman on 9 November 2018. Mr. Kay is a member of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.

Mr. Kay has significant listed company Board experience; he is the Chairman of Omni Bridgeway, and was previously Chairman of Lovisa. Mr. Kay has also held a number of senior executive roles during his career including CEO of McMillan Shakespeare and CEO of AAMI.



Non-Executive Director
MICHAEL HARDWICK

Michael Hardwick joined the Board in May 2012. Mr. Hardwick is an independent non-executive director. Mr. Hardwick is also the Chair of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.

Mr. Hardwick is a Chartered Accountant, Graduate member of the AICD and currently a director and the CFO of the CottonOn Group. Mr. Hardwick was previously a partner with the New York-based private equity firm Hudson Valley Capital Partners and has worked at PwC in both Melbourne and New York.

Board of Directors (continued)

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Non-Executive Director
MEGAN QUINN

Megan Quinn joined the Board in October 2012 as an independent non-executive director. She is the Chair of the Nomination and Remuneration Committee and a member of the Audit and Risk Committee.

Ms. Quinn is a specialist consultant working across a broad range of industries including financial and professional services, healthcare, consumer and digital, and is an international speaker. Ms Quinn was a co-founder of NET-A-PORTER and is a non-executive director at Reece and InvoCare.



Chief Executive Officer and Managing Director
PHIL RYAN

Phil Ryan was announced CEO of City Chic Collective in September 2018 and joined the Board in February 2019 as an executive director.

Mr. Ryan is the original Brand Director of City Chic. In 2006 Mr. Ryan led a team of six people that created the City Chic brand. He is responsible for the strategic direction and operational leadership that has seen City Chic take a market leading position in the global plus-size industry.

City Chic Annual Recap

FY2020

FY2020 was another transformative year for City Chic, delivering excellent top line sales growth with a solid financial result and strong balance sheet. As part of our growth strategy, we acquired US based plus-size brand Avenue in October 2019 and this has been successfully integrated into our operating model and supply chain with strong growth in our global customer base of 278,000 in FY2020.



USA EXPANSION

City Chic has continued its successful expansion into the USA market through growing its customer base.

In October 2019, City Chic acquired the eCommerce assets of Avenue in the US, a plus-size retailer with a large, loyal customer following throughout the USA. Avenue has been successfully integrated into our operating model and supply chain and reflects our strategy to grow our global customer base and international presence, exceeding expectations for FY2020.

We have also seen solid growth in the City Chic and Hips & Curves websites as we invest in our customer experience and tailored approach for the USA operations. We have entered into new partnerships with Dillard's and Bare Necessities, expanding our northern hemisphere touchpoints and driving brand awareness.

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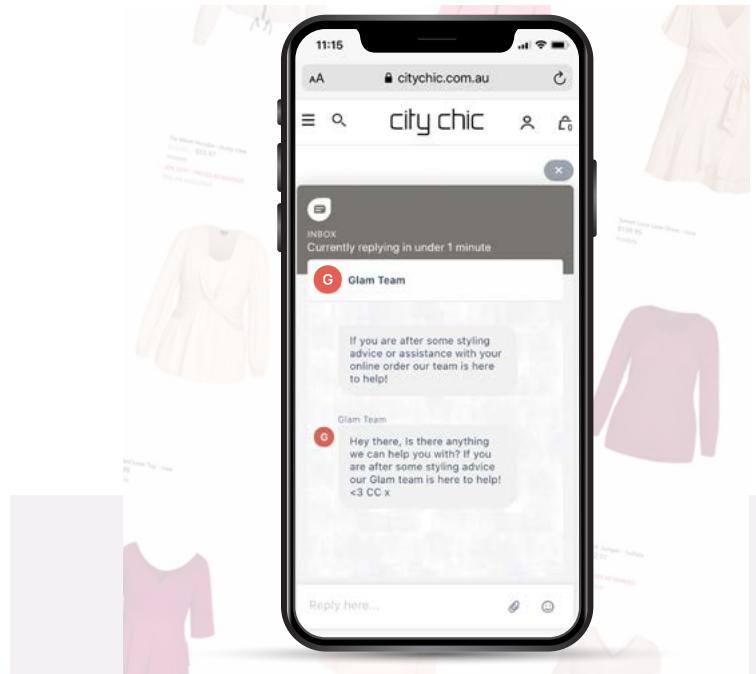


EXPANSION OF PRODUCT OFFERING

City Chic has further expanded its product offerings across its online websites, now offering 3.5x the range available in stores.

The expanded range includes the launch of Fox and Royal in the southern hemisphere, a plus-sized intimates and sleepwear brand, and segment expansion with Avenue in the northern hemisphere which is everyday fashion at a mid-market price point.

The collective expanded into the more conservative, mid-market segment through the acquisition of Avenue. There is now opportunity to take this segment into other regions in which the collective operates.



ENHANCED CUSTOMER EXPERIENCE

City Chic launched a new customer relationship management system to gain further customer insights and allow predictive modelling. Our new email platform is underway to achieve more targeted communication with our customer and improve the customer journey.

Our new global eCommerce platform also provides the customer with an enhanced online experience when navigating our sites, and flexibility to expand with new brands, partners and geographies.

24-hour live chat is available across our global websites and we have improved our packaging and fulfilment capabilities.

NAVIGATING THE PANDEMIC

COVID-19 had a substantial impact on operations in FY2020. With the safety of our staff and customers at the forefront, City Chic has focused on managing the risk and disruption from the pandemic.

Store closures across Australia and New Zealand came into effect at the end of March 2020 to suitably comply with Government directives around distancing and imposed restrictions, with a staged re-opening from May 2020 onwards, including assessment of store layouts and heightened hygiene measures.

City Chic successfully negotiated with landlords for reduced rents during the period of store closures and have put in place appropriate go-forward rents to reflect the changing retail landscape. With a portfolio of 93 stores after closure of 14 stores in holdover, City Chic continues to assess sites for new stores or larger store conversions where the rent structure is economically suitable. City Chic was eligible for the JobKeeper payment in Australia and Wage Subsidy Scheme in New Zealand.

During the period of disruption, City Chic was more promotional in order to manage cash flow and inventory in our online channels, and in response to changed customer buying habits, however it continued to trade profitably. City Chic's long-standing partnerships with a supportive supply chain have facilitated flexibility in stock purchases to ensure commercial levels of stock were maintained globally, with a clean inventory position at year end, while remaining responsive and true to our customer-centric model.

City Chic has maintained a lean operating model and strong cash management with normalised cash flow of \$20.9m for FY2020. City Chic ended the year with net cash of \$3.9m, with significant headroom in the \$40m debt facility.

Current market conditions are favourable to explore opportunities to expand the global customer base. City Chic believes it is well positioned to leverage its lean, customer-centric operating model to drive scale as it continues to grow its global online footprint.



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STRONG TOP LINE GROWTH & FINANCIAL RESULT

Sales revenue grew by 31.0% on the previous corresponding period (pcp) to \$194.5m while achieving comparable sales growth. City Chic reported 6.6% growth in underlying EBITDA and our business continued to shift towards online, our most profitable channel, which now represents 65% of global sales. FY2020 was also a strong year for our northern hemisphere business which contributed 42% of sales compared to 20% in the prior year.

CUSTOMER LOYALTY

City Chic has 663,000 active customers that shopped on our websites and in our stores in FY2020 across Australia, NZ and the USA.

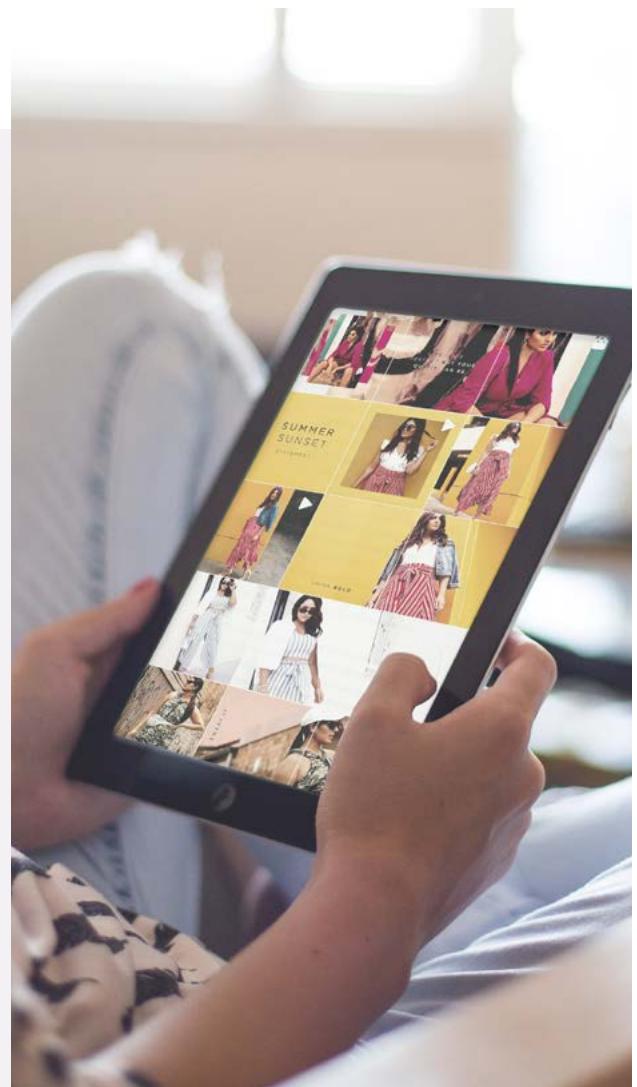
These customers interact with the brand on a regular basis across a number of touchpoints

663,000

ACTIVE CUSTOMERS

\$194M

SALES FY20



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2021 Outlook

Optimise and further expand US customer base

Drive ANZ sales growth through category and segment expansion

Build on trial in Europe and the UK

Select store roll-out across ANZ and conversion to larger format

Explore expansion of collective of brands

Ongoing investment to enhance customer touchpoints

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WORLD
of curves

Diversity

Workplace diversity recognises and values the contribution of people from different backgrounds, experiences and perspectives. It is City Chic's aim to ensure that all team members have equal opportunity to participate and advance in their careers.

City Chic values and recognises the diversity of our Team Members and the added value diversity provides to achieving our overall objectives. City Chic's Diversity Policy outlines our diversity objectives in relation to gender, age, race, cultural background, disability, religion, gender identity, sexual orientation and professional background.

City Chic's Diversity Policy is underpinned and supported by a suite of processes and practices that are applicable to all who work for City Chic and seek to create an environment that promotes inclusivity and attracts, retains and provides opportunities for well qualified employees, senior management and Board candidates, regardless of gender identity or minority group membership, and is reflective of diversity of thought and experience.

63%

of the Executive Team
is female

INCLUSIVITY METRIC

In the 2020 Engagement Survey 78% of our workforce said they felt part of an inclusive team and culture. This is a 5% increase on the 2019 results.

GENDER BALANCE

Our ongoing commitment to reporting on Diversity is in line with the Workplace Gender Equality Act 2012 (WGE Act 2012). The proportion of women employed at different levels across City Chic was as follows:

- 1 of 3 non-executive directors is a woman and 1 of 4 Board members (including executive and non-executive directors) is a woman;
- 63% of the Executive Team (CEO, KMP and Other Executives/General Managers) are women;
- 85% of our Managers (Senior Managers and Other Managers) are women and 98% of our workforce are women.

FLEXIBLE WORKING CONDITIONS

We offer employees flexible working conditions. Access to these entitlements increased due to the business impact of COVID-19 and we had 100% uptake in our Head Office when we entered the new financial year.

In regard to our FY2020 return rate from parental leave, we sit at 100% for head office employees and 73% for retail employees. We attribute this to our commitment to keeping them engaged and connected through their leave and offer a variety of flexible work arrangements to ensure they return on flexible terms that balance their needs and those of the business.

Objectives established for achieving gender diversity and progress towards achieving them during the year ended 28 June 2020 are set out below:

FY2020 Diversity Strategy

OBJECTIVE	ACHIEVEMENT
Conduct a Diversity Survey for a new CCX baseline	Not Completed
Develop Diversity strategy for FY2021	Not Completed
Submit the Workplace Gender Equality Report	Completed
Implement feedback collected from team through engagement survey process around career & development	Completed
Review Diversity Policy, ensuring it is robust and current	Completed

Objective 1 and 2 were not completed due to the impact that COVID-19 had on HR objectives and company resources. These objectives have been incorporated into our plan for FY2021.

Objectives established for achieving gender diversity and targeted progress to the end of June 2021 are set out below:

FY2021 Diversity Strategy

OBJECTIVE
Conduct a Diversity Survey for a new CCX baseline
Develop Diversity strategy and associated metrics for FY2021
Review Diversity Policy to ensure it aligns with Diversity Strategy
Rollout a workplace volunteering program that partners with NFP organisations that share our Diversity Policy objectives
Use FY2021 WGEA Report to set gender-related diversity objectives for FY2022

Corporate Social Responsibility

SOURCING PRODUCT IN A RECOGNISED, RESPONSIBLE AND TRANSPARENT SUPPLY CHAIN.

Our transparency journey continues by seeking to be open and transparent about our vendor partnerships and by giving our customers visibility on our ethical sourcing policies, allowing our customers to make more informed purchasing decisions.

We publish our:

- Vendor Code of Conduct
- Vendor Rules of Engagement
- Ethical Sourcing Policies (including our human rights, environmental and animal welfare policies and commitments)
- Our Factory List

Over the year we continued to develop our factory onboarding process to help communicate our ethical sourcing policies along with educating vendors on the importance of:

- Living Wage
- Gender Equality
- Eradicating Modern Slavery and Child Labour

We believe the success to embedding these policies is to encourage our vendors to drive these ethical sourcing policies within their factories and throughout their own supplier base and supply chains.

With training and open dialogue, we seek to partner with our vendors to improve the working conditions and safety of workers and improve transparency in the supply chain.

This year, with the acquisition of a new brand, we have focused on choosing and onboarding a select group of new factories and vendors into our supply chain and into our ethical trade framework. Our onboarding of these new factories and vendors will continue into the FY2021 reporting period.

WORKING TOGETHER TO EMPOWER OUR WORKERS AND TO GIVE THEM A VOICE IN THE SUPPLY CHAIN.

Our grievance mechanism and worker voice hotline remain a key tool for seeking to empower factory workers to have a voice via:

- Hotlines, email and WeChat
- Training and information cards which are provided to factory workers
- We train and audit factory management to help spread the worker voice message
- We encourage workers to set up worker appointed safety committees within the factory

We believe that worker voice is an important part of developing a transparent supply chain and the next phase of our work will be to conduct worker surveys as another avenue for workers to have their say.

WE CARE FOR THE ENVIRONMENT AND THE MANAGEMENT OF WASTE IN OUR SUPPLY CHAIN.

As part of our audit program we seek to ensure that all textile processing and waste management is in line with the legislation of the manufacturing country. We require all our factories in China to register and provide an Environmental Impact Assessment (EIA) on their factory.

Our factory social audits also encompass an environmental piece to audit against this EIA and put in place corrective action where required, which is monitored to track progress and remediation actions.

These audits include Environmental and Waste Management checks for

1. Legal Authorisations – such as the EIA
2. Solid & Hazardous wastes
3. Waste water, Air Emissions and Noise
4. Energy & Water reductions

IMPACTS OF COVID-19 IN OUR SUPPLY CHAIN.

We believe we have an important role to play in our supply chain, so that workers enjoy a safe and healthy working environment free of any form of exploitation.

As we navigate through this global pandemic, we continue to place great importance on all our ethical trade policies and responsible sourcing practices. We believe that all workers have a right to a decent working life that pays them a fair and liveable wage, and we want to give all workers, no matter how deep they are in the supply chain, the opportunity to have a voice.

In support of the COVID-19 Fashion Commitments, we endorse the following six commitments within our supply chain:

1. Support workers' wages by honouring supplier commitments
2. Identify and support the workers at greatest risk
3. Listen to the voices and experience of workers
4. Ensure workers' rights and safety are respected
5. Collaborate with others to protect vulnerable workers
6. Build back better for workers and the world

We remain committed to being transparent and working responsibly with all our partners and factories.

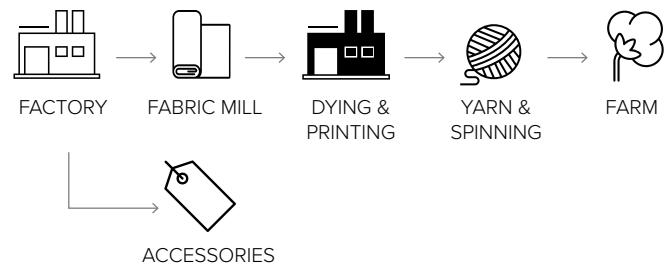
We acknowledge that to influence real systemic change, throughout the layers of our supply chain, we need to collaborate with our stakeholders including our partners, community, and other businesses to drive sustainable change.

We will continue to enhance, communicate, and embed our core policies throughout our supply chain to help deliver on these fashion commitments.

As we continue to map our supply chain beyond Tier

one, we recognise the challenges in getting access or visibility down to the lowest levels of the chain.

We also recognise that there is heightened risk of modern slavery or worker exploitation as a direct impact of this global pandemic. As a result, we are working on adapting our modern slavery risk assessments to include a focus on understanding any new or hidden risks as we work towards seeking to eradicate modern slavery in the supply chain.



WE BELIEVE IT IS THE RIGHT OF EVERY WORKER IN OUR SUPPLY CHAIN TO ENJOY SAFE AND HEALTHY WORKING CONDITIONS IN AN ENVIRONMENT WHERE THEY ARE NOT EXPLOITED.

As part of the audits and factory visits conducted by our team and our third-party auditors, we check that working conditions are clean and safe and workers are not performing any unsafe work. We monitor that factories are clear on our rules of engagement and operate within those guidelines.

With this global pandemic comes increased risks of poor labour practices in the supply chain. We are working on adapting our audits and how we assess our modern slavery risks in order to understand how we can best support the most vulnerable in our supply chain.

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City Chic Collective Limited

Directors' report

28 June 2020

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group', 'consolidated entity' or 'City Chic') consisting of City Chic Collective Limited (referred to hereafter as the 'company', 'parent entity', or 'CCX') and the entities it controlled at the end of, or during, the 52 week period ended 28 June 2020.

Directors

The following persons were directors of City Chic Collective Limited during the whole of the financial period and up to the date of this report:

Michael Kay
Michael Hardwick
Megan Quinn
Phil Ryan

Company Secretary and Other Key Management Personnel

Marta Kielich (Company Secretary, appointed 7 July 2020)
Mark Ohlsson (Company Secretary, resigned 6 July 2020)
Munraj Dhaliwal (Chief Financial Officer)

Principal activities

The principal activity of the Group during the financial year was the retail sale of plus-size woman's apparel, footwear, and accessories through a variety of customer-led brands. At 28 June 2020, the business has 93 retail stores in operation across Australasia, multiple websites operating in Australasia and the USA and marketplace and wholesale partnerships in the USA, Europe and UK.

There was no significant change in the nature of the activities of the Group during the period.

Dividends

Fully franked dividends paid during the financial period and the previous period were as follows:

	Consolidated	2020	2019
	\$'000	\$'000	\$'000
Interim ordinary dividend for the period (2019: 2.5 cents per ordinary share)		-	4,806
Special dividend for the period (2019: 2.5 cents per ordinary share)		-	4,806
Final dividend for the period (2019: 1.5 cents per ordinary share)		2,884	-
Total dividends		2,884	9,612

Operating and financial review

The Group achieved revenue from continuing operations of \$194.5m (30 June 2019: \$148.4m). Net profit after tax for continuing operations was \$9.2m (30 June 2019: \$14.3m).

The Group ended the year with net cash of \$3.9m at 28 June 2020 (30 June 2019: net cash of \$23.2m).

The reported operating cash flow generated for the year is \$25.2m (30 June 2019: cash used \$(3.8m)).

The Underlying EBITDA from continuing operations was \$26.5m (30 June 2019: \$24.9m).

On 16 October 2019, the Group acquired the eCommerce assets of Avenue Stores LLC through a new subsidiary Avenue Online LLC (Avenue) for cash consideration of US\$16.5m (AU\$24.6m). The acquisition is part of the Group's strategy to accelerate US customer growth and expand across plus size segments. Avenue traded profitably throughout the period.

On 23 August 2019, the Group amended its external finance facilities from a working capital facility of \$15.0m to a general corporate purpose facility of \$5.0m. On 11 October 2019 in order to fund the acquisition of Avenue, the Group secured an additional "Acquisition Facility" of \$12.5m to be repaid over a 12-month period.

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In February 2020, the Group refinanced the \$5.0m general corporate purpose facility and the \$12.5m Acquisition Facility with a \$35.0m 3-year facility. In May 2020, the Group executed on an \$5.0m accordion, taking the total facility to \$40.0m, expiring in February 2023.

In February 2020, the Group and Mosaic Brands Limited (formerly Noni B Limited) reached a confidential settlement in relation to the post completion working capital adjustment associated with the divestment of brands in July 2018.

At the time of announcing the interim results in February 2020, the impact of COVID-19 was limited to potential supply disruption in China. At that point in time, the company's expectations were for the sales growth momentum in the first half to continue into the second half of the financial year.

On 19 March 2020, City Chic flagged the ongoing spread of COVID-19 and the escalation of government containment measures globally were impacting consumer spending and sales. On 27 March 2020, City Chic announced the temporary closure of Australian and New Zealand (ANZ) stores and the implementation of various cost reduction and working capital management initiatives.

On 25 May 2020, City Chic advised of a staged reopening of stores and profitable trading during store closures driven by 57% ANZ online sales growth and a resilient Avenue customer base. On 15 June 2020, City Chic finalised negotiations with landlords on reduced rents during store closures and market appropriate go-forward rents. As part of the process, City Chic decided to close 14 holdover stores where it was unable to reach agreement on appropriate post COVID-19 rents. The impact of these store closures to the Group's future earnings is expected to be minimal as customers are redirected to nearby stores and the online channel.

The closure of ANZ stores in April and May resulted in total sales in ANZ being 47% down in April and 37% down in May. As restrictions eased in June and stores re-opened, sales in ANZ recovered from the April lows, to be down 26% in June. ANZ sales growth was 9.9% in the first half, followed by a 21.5% fall in the second half driven by the impact of COVID-19 and the store closures.

The strong growth momentum experienced by City Chic USA website in the first half slowed and gross margins heavily affected in the second half with the impact of COVID-19 and the drop in demand for City Chic's major dress category in the US. Sales via the Avenue website were resilient throughout the second half but showed some weakness versus the momentum achieved in January and February 2020.

The Group implemented a number of measures to reduce costs in response to COVID-19 in the second half. Activity driven by stores was reduced, as well as more broadly across the head office. City Chic negotiated reduced rents with landlords, which is reflected in the reduction in rent paid from \$7.6m in the first half, to \$6.3m in the second half. The Group received \$3.9m relating to FY2020 for the JobKeeper subsidy in Australia and the Wage Subsidy Scheme in New Zealand, which was paid in its entirety to team members. However, the majority of the payments to team members covered the period in which stores were closed and therefore represented top-up amounts above actual hours work. As such, these subsidies were pass-through in nature rather than savings for the Group.

Subsequent to year-end, the Group completed a fully underwritten \$80.0m equity raise and a non-underwritten Share Purchase Plan (SPP), which raised \$31.1m and closed on 18 August 2020. See 'Matters subsequent to the end of the financial period' below for full details.

Outlook

In the early part of FY2021, City Chic is pleased to advise the Group has continued to deliver positive comparable sales growth and the Avenue customer base in the US continues to be resilient. However, City Chic acknowledges the economic impact caused by COVID-19 globally and the uncertain outlook for consumer demand.

The Group is very well capitalised and remains focused on the execution of various initiatives to drive growth including:

- Potential acquisition and integration of the Catherines brand;
- Improve engagement with and customer experience of the Avenue customer base, and migrate store customers to the online channel;

City Chic Collective Limited

Directors' report

28 June 2020

- Ongoing review of store portfolio with roll-out of new stores and conversion to larger format stores, where store economics are appropriate;
- Continuing expansion of lifestyles and categories online;
- Expand into Everyday Fashion product stream in the southern hemisphere;
- Customer acquisition and driving brand awareness in the northern hemisphere, including adding new partners and building on trial in the UK and Europe; and
- Ongoing investment to enhance customer touchpoints.

Material business risks

The Group operates in an environment of change and uncertainty. There are a range of factors, both specific to the Group and general in nature which may impact the operating and financial performance of the Group. The impact of these risks is regularly reviewed for their possible impact.

COVID-19 pandemic

The ongoing COVID-19 pandemic has had a significant impact on the global and Australian economy and the ability of businesses, individuals and governments to operate. Emergency powers and restrictions have been enacted which, amongst other things, has restricted travel and the ability of many individuals to leave their homes and travel to places of work.

City Chic has already experienced an adverse impact on its sales and supply chain, borne out of ongoing international and domestic travel restrictions, government lock down measures, and broader global uncertainty around a recovery of business activity.

COVID-19 has already increased unemployment in City Chic's key markets Australia, New Zealand and the United States and could reduce further consumer and business discretionary spending and demand for City Chic's products, particularly after the various fiscal stimulus measures are brought to an end by respective governments. Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not currently possible to assess the full impact of COVID-19 on City Chic's business. COVID-19 forced City Chic to close its stores during April and May 2020 and again its Victorian stores in July 2020 and some New Zealand stores in August 2020. There is a risk that further store closures may occur in other locations if the COVID-19 outbreak cannot be adequately contained.

A number of aspects of City Chic's business may be directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including disruption to City Chic's supply chain and workforce, particularly the availability of products and logistics (including shipping of products) and government-imposed shut downs of manufacturing and distribution centres affecting the supply of products to customers.

Having been able to navigate the pandemic to-date and trade profitably even at the height of restrictions, management is confident in being able to manage these risks. This will be done through the strength of the Group's business model, with high online penetration and geographic diversity, and the flexibility of its supply chain, helping manage stock levels and production times. In addition, having significant liquidity headroom and a strong balance sheet gives flexibility to continue operating the business, maintaining key relationships with suppliers, and ensuring the right, long term strategic decisions are being made.

Competition and Consumer discretionary spending

The Group operates in a retail environment where quality and value for money are critical to the customers it services. The retail fashion market continues to consolidate and feel the effects of globalisation. City Chic is in a unique situation of having high online penetration, a global footprint and a nimble and fast supply chain that adapts to changes within customer buying patterns.

Exchange rates and duties

The Group relies significantly on imported products (directly sourced or via local or overseas wholesalers) and as a result the cost of the product may be subject to movements in the exchange rate of the Australian dollar. The Group also has significant operations in the USA which provide a natural hedge against currency movements

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on purchases. Any additional risk in exchange rate movement is monitored and can be mitigated through the use of forward hedging. However, it is noted that no hedges have been put in place in FY2020.

Workplace Health and Safety (WHS)

The Group has over 640 employees as well as the customers who visit its physical stores across ANZ. The Group has a high focus on Occupational Health and Safety (OHS) with investment in training and development of its employees a high priority.

Environmental changes

The Group is exposed to risks arising from environmental changes, scarcity of natural resources and the continuing global development of legislation and regulations in this area. Many of these risks are greatest in the Group's supply chain activities and these activities and the related risks are largely managed through the principals laid out in the Corporate Social Responsibility report. The Group manages environmental risks, such as droughts and floods by diversifying its vendors and material sourcing. The Group has dedicated resources to ensure continued compliance across all regulatory requirements in the markets operated in by the Group.

Significant changes in the state of affairs

On 16 October 2019, the Group acquired the eCommerce assets of Avenue Stores LLC for cash consideration of US\$16.5m (AU\$24.6m), excluding net working capital adjustments. The acquisition is part of the Group's strategy to accelerate US customer growth and expand across plus-size segments. Please refer to details in Note 33. Business combinations.

As noted above, in early 2020, there was an outbreak of COVID-19 in China which subsequently evolved into a global pandemic. The Group was initially impacted from a supply perspective as the Chinese Government imposed restrictions across the country. The spread of the virus across the globe resulted in restrictions imposed by governments in all countries in which the Group does business. This resulted in a material reduction in consumer confidence and spending globally, as well as stores being closed in Australia and New Zealand for all of April 2020 and the majority of May 2020.

There were no other significant changes in the state of affairs of the consolidated entity during the financial period.

Matters subsequent to the end of the financial period

The impact of COVID-19 on economic conditions and the heightened level of uncertainty is likely to have a near-to-medium term impact on the level of business activity and sales for the Group. As at the date these financial statements are authorised for issue, the Directors consider that the financial effects of any potential changes cannot be reasonably estimated for future financial periods. However, there is confidence that the measures put in place to drive cash flow generation in the last four months of FY2020 provide a strong foundation to manage future disruption and uncertainty. There is a potential that the lower levels of forecast activity may impact the future recoverability of the Group's assets, including debtors, inventory, plant and equipment and intangible assets.

The Directors continue to monitor COVID-19 related developments and are closely working with management to assess and navigate the potential implications for team members, suppliers, customers, and operations. The focus is to maintain production and supply of products and services whilst minimising the risk of spread of COVID-19 amongst our team members, our customers, and the societies in which the Group operates.

In early July, the Victorian State Government reinstated restrictions in relation to COVID-19 in metropolitan Melbourne. To protect the health and safety of the team and customers, City Chic temporarily closed 20 stores in Melbourne. In early August, following the escalation of the spread of the COVID-19 virus in Victoria, the remaining four stores in regional Victoria were also temporarily closed.

In mid-August 2020, an increase in the number of COVID-19 cases resulted in the New Zealand government imposing restrictions in Auckland. City Chic has temporarily closed its four stores in Auckland.

The remainder of the store portfolio in ANZ remain open and traded well in July and August. City Chic's online channel continues to operate without disruption in all geographies. The health and safety of the team and customers, as well as the guidelines provided by the government, will drive any decision on reopening of stores.

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On 24 July 2020, City Chic was selected as Stalking Horse Bidder and signed an asset purchase agreement (APA) for the eCommerce assets of the US-based brand Catherines, owned by Ascena Retail Group Inc (Ascena), which filed for bankruptcy on the same day. City Chic's Stalking Horse Bid includes upfront cash consideration of US\$16.0m, subject to an inventory adjustment. The APA is subject to conditions precedent, including City Chic being the highest bidder through the US bankruptcy auction process and approval by a US Bankruptcy Court. There is therefore no guarantee City Chic will be successful in its bid and the auction process may result in the purchase price being higher. If City Chic is the successful acquirer, the expected date of completion would be late in the third quarter or early fourth quarter of 2020. Further details on the Catherines business and the US bankruptcy process are included in the announcement and investor presentation released to the Australian Securities Exchange on 24 July 2020.

In combination with the announcement of the potential acquisition of the eCommerce assets of Catherines on 24 July 2020, City Chic completed a fully underwritten \$80.0m Placement of new fully paid ordinary shares to eligible professional and sophisticated institutional investors. The Placement was conducted at \$3.05 per share, resulting in 26.2 million new shares being issued, representing 13.1% of City Chic's existing issued capital. New shares issued under the Placement settled on 30 July 2020 and commenced trading on 31 July 2020.

Following the completion of the Placement, City Chic offered all eligible shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP). City Chic raised \$31.1m through the SPP, which closed on 18 August 2020. The SPP was conducted at \$3.05 per share, resulting in 10.2 million new shares being issued. The Placement and SPP together raised \$111.1m and resulted in 36.4 million new shares being issued.

Subsequent to year-end the Group has repaid its \$17.5m of debt in full, with the \$40.0m available debt facility maturing in February 2023.

No other matter or circumstance has arisen since 28 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Certain likely developments in the operations of the consolidated entity and the expected results of operations in financial years subsequent to the period ended 28 June 2020 are referred to in the preceding operating and financial review and outlook.

Environmental regulation

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

City Chic Collective Limited

Directors' report

28 June 2020

Information on directors

Michael Kay

Title:

Qualifications:

Experience and expertise:

Chairman and non-executive director

B.LLB

Michael Kay joined the City Chic Collective Board on 1 October 2018 as an independent non-executive director and was subsequently appointed Chairman on 9 November 2018. Mr Kay has significant listed company experience, as detailed more fully below, and is also a non-executive director of Royal Automobile Club Insurance (WA). A qualified lawyer, Mr. Kay brings a broad range of commercial experience to the Board. Mr Kay was Chief Executive Officer and Managing Director of McMillan Shakespeare Limited (ASX:MMS) for six years and previously held a number of senior executive roles at AAMI including Chief Executive Officer. He also spent 12 years in private legal practice specialising in commercial law during his executive career.

Mr. Kay is currently Chairman of Omni Bridgeway Ltd (ASX: OBL) (formerly called IMF Bentham Limited (ASX:IMF)).

Mr. Kay was Chairman of Lovisa Holdings Limited (ASX:LOV) until his retirement on 30 October 2018 where he led the Board during a period of substantial growth. He was previously a non-executive director of Quintis Ltd (ASX:QIN) until 18 June 2018 and Chairman and non-executive director of ApplyDirect Limited (ASX:AD1) until 19 March 2019.

Chairman of the Board; Member of the Audit and Risk Committee (ARC); Member of the Nomination and Remuneration Committee (NRC)

609,914 ordinary shares

None

None

Other current directorships:

Former directorships (last 3 years):

Special responsibilities:

Interests in shares:

Interests in options:

Interests in rights:

Michael Hardwick

Title:

Qualifications:

Experience and expertise:

Non-executive director

B.Comm

Michael Hardwick joined the City Chic Collective Limited Board in May 2012. He is an independent, non-executive director. Mr. Hardwick is a director and the Chief Financial Officer of the Cotton On Group, and a director of the Cotton On Foundation. Mr. Hardwick is also a non-executive director of the Grill'd Group of Companies which includes Australia's largest privately-owned chain of Burger Restaurants and also Koko Black, a premium branded Australian chocolatier. Mr. Hardwick is a Chartered Accountant and Graduate member of the AICD. He spent 10 years at PwC in both Melbourne and New York in the transaction advisory practice and also spent 10 years as a partner with the New York-based private equity firm Hudson Valley Capital Partners.

Mr. Hardwick does not hold any other listed company directorships.

Mr. Hardwick has not held any other listed company directorships in the last three years.

Chairman of the ARC; Member of the NRC

495,000 ordinary shares

None

None

Other current directorships:

Former directorships (last 3 years):

Special responsibilities:

Interests in shares:

Interests in options:

Interests in rights:

Megan Quinn

Title:

Qualifications:

Experience and expertise:

Non-executive director

GAICD

Megan Quinn joined the City Chic Collective Limited Board in October 2012 as an independent non-executive director. She is a specialist consultant working across a broad range of industries including financial and professional services, healthcare, consumer and digital, and is an international speaker. Ms. Quinn has more than 25 years' experience working internationally with organisations including Harrods, Dell, and Westpac. Ms Quinn was also a Board and National Committee member of UNICEF Australia. Her strong strategic, operational, supply chain and financial expertise is complemented by her capabilities around brand, marketing, innovation, transformation, digital, and customer service and experience across all channels. She is recognised as a global brand expert for her game-changing role as a co-founder of NET-A-PORTER. Known for her creative, energetic, and disruptive thinking, Ms. Quinn has the unique ability to define gaps in the market and develop market-leading business strategies for commercial and creative outcomes.

Ms. Quinn is currently a non-executive director at Reece Limited (ASX:REH) and InvoCare Limited (ASX:IVC).

Ms. Quinn retired as non-executive director at zipMoney Limited (ASX:ZIP) on 1 November 2017.

Chair of the NRC; Member of the ARC

None

None

None

Other current directorships:

Former directorships (last 3 years):

Special responsibilities:

Interests in shares:

Interests in options:

Interests in rights:

City Chic Collective Limited

Directors' report

28 June 2020

Phil Ryan

Title:

Qualifications:

Experience and expertise:

Chief Executive Officer and Managing Director

MBA, B.Bus

Phil Ryan is the original Brand Director of City Chic. In 2006 Mr. Ryan led a team of six people that created the brand. He is responsible for the strategic direction and operational leadership that has seen City Chic take a market leading position in the global plus size industry, with a collective of customer-led brands including City Chic, Avenue and Hips & Curves. Under Mr. Ryan's leadership City Chic now has more than 90 stores in Australia and New Zealand. Online sales represent ~65% of total sales globally and in the US, UK, and Europe City Chic trades exclusively in a digital capacity. Mr. Ryan has driven successful partnerships with Nordstrom, Macy's, and Bloomingdale's in the USA; ASOS in the UK and Zalando in Germany. Mr. Ryan is a global authority in the plus size consumer. He has over 25 years' experience in senior and strategic retail apparel management. Mr. Ryan's family had a fashion manufacturing, wholesale and retail business called Ambition in the 1980's and 1990's and from this he knows all areas of a rag trade business; from the cutting table to the retail shop floor.

Mr. Ryan does not hold any other listed company directorships.

Mr. Ryan has not held any other listed company directorships in the last three years.

Special responsibilities:

Chief Executive Officer; Managing Director

Interests in shares:

124,000 ordinary shares

Interests in options:

2,161,235 ordinary shares issued under CCX's 2019 Employee Share Plan and escrow provisions

Interests in rights:

2,640,740 performance rights over ordinary shares

Other current directorships:

Former directorships (last 3 years):

Interests in shares:

Interests in options:

Interests in rights:

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Marta Kielich joined City Chic as General Counsel and Company Secretary on 7 July 2020. Ms. Kielich has held company secretarial and senior legal positions for several ASX-listed companies. Ms. Kielich also has broad international experience across various sectors.

The former Company Secretary was Mark Ohlsson, FCPA. Mr. Ohlsson was appointed to the position of Company Secretary on 10 May 2019 and resigned on 6 July 2020. Mr. Ohlsson has been involved in business management and venture capital for over 35 years. He is a Fellow of CPA Australia and a Registered Tax Agent.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the period ended 28 June 2020, and the number of meetings attended by each director were:

	Full Board		NRC		ARC	
	Attended	Held	Attended	Held	Attended	Held
Michael Kay	27	27	2	2	2	4
Michael Hardwick	26	27	2	2	2	4
Megan Quinn	24	27	2	2	2	4
Phil Ryan	26	27	N/A	N/A	N/A	N/A

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

In the context of the spread and impact of COVID-19 on the Group, the Board elected to hold a Board meeting weekly from March 2020, where it monitored the financial performance, financial position and cash flow of the business, as well as assess opportunities to capitalise on the market environment.

Retirement, election, and continuation in office of directors

At the 21 November 2019 Annual General Meeting ("AGM"), 99.86% of the votes received supported the re-election of director Michael Hardwick as part of the company's constitution that specifies all directors must stand for re-election every three years.

City Chic Collective Limited

Directors' report

28 June 2020

Remuneration report (audited)

The remuneration report, which has been audited as required by section 308(3C) of the *Corporations Act 2001*, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the *Corporations Act 2001* and its Regulations.

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

- (a) Introduction
- (b) Remuneration strategy and policy
- (c) Remuneration framework
- (d) Remuneration outcomes for key management personnel
- (e) Service agreements
- (f) Disclosures relating to share options and performance rights
- (g) Additional disclosures relating to key management personnel

a. Introduction

This report outlines the remuneration strategy, framework, and other conditions of employment for key management personnel and details the role and accountabilities of the Board and relevant Committees that support the Board on these matters. Key management personnel (KMP) are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including all directors.

Key management personnel of the consolidated entity were also the key management personnel of City Chic Collective Limited (the parent entity) for the years ended 28 June 2020 and 30 June 2019. The key management personnel consisted of the following directors and senior executives of City Chic Collective Limited:

Name	Role
Non-executive directors:	
Michael Kay	Chairman and non-executive director
Michael Hardwick	Non-executive director
Megan Quinn	Non-executive director
Executive directors:	
Phil Ryan	Chief Executive Officer and Managing Director
Other key management personnel:	
Munraj Dhaliwal	Chief Financial Officer

b. Remuneration strategy and policy

The Nomination and Remuneration Committee (referred to hereafter as the "NRC" or the 'Committee') is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract and retain talented and motivated executives who can enhance the Group's performance through their contributions and leadership.

Principles used to determine the nature and amount of remuneration

The objectives of the Group's executive remuneration framework are as follows:

- competitiveness and sustainability;
- acceptability to the Group's strategic and business objectives and the creation of shareholder value;
- performance linkage/alignment of executive compensation;
- transparency and acceptability to shareholders.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- including economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets; and
- attracting and retaining high calibre executives.

City Chic Collective Limited

Directors' report

28 June 2020

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth; and
- provides a clear structure for earning rewards.

Remuneration policies are developed to provide market competitive remuneration arrangements that support the attraction, engagement, and retention of talented team members, and that are aligned with shareholders' interests.

c. Remuneration framework

In accordance with best practice corporate governance, the structures of non-executive directors and executive remuneration are separate.

Non-executive directors' remuneration

Non-executive directors receive fees and do not receive share-based payments or other incentives. The Chairman's fees are determined independently to the fees of other non-executive directors and are based on comparable roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. The NRC review non-executive directors' fees and payments annually. The NRC may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 21 November 2019, where the shareholders approved a maximum annual aggregate remuneration of \$1,000,000. The NRC has reviewed the fee and deemed the maximum annual aggregate remuneration is still appropriate.

Executive directors and other key management personnel

The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration that has both fixed and variable components, as well as a blend of short and long-term incentives. Executive remuneration comprises base pay and benefits, short-term incentives, long-term incentives, and superannuation contributions.

(i) Fixed Remuneration

Executives receive a base pay and benefits which reflect their roles, experience, and level of responsibility. This is reviewed annually to ensure the executive's pay is competitive with the market. Other benefits include car and travel allowances.

(ii) Short-term Incentives

The NRC reviews the short-term incentives (STI) for executives and employees annually. If the NRC determines that STI should be made available for executives and/or employees, the cash incentives (bonuses) are payable should the Group achieve pre-determined targets following finalisation and announcement of the full year audited results. Using value creation targets ensures variable awards are only available when value has been created for shareholders and when profit is consistent with the business plan.

The NRC considers the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 28 June 2020, the NRC determined that executives will not be eligible for the STI plan, as their incentives would be solely in relation to the long-term incentives, detailed below.

City Chic Collective Limited

Directors' report

28 June 2020

(iii) Long-term Incentives

The Group's long-term incentives rewards executives for high performance and ongoing commitment over a three to five-year horizon and recognises the important role executives play in delivering the long-term growth of the Group.

The Group's long-term incentives are comprised of the Long-Term Incentive Plan (LTIP) and the Loan Funded Share Plan (LFSP). The following share-based payment arrangements were in existence during the current year:

Tranche	Grant date	Performance period end date	Share price at grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/forfeited	Balance at the end of the period
1	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	895,552	-	-	(113,704)	781,848
2A	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2B	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2C	13/11/2018	30/06/2023	\$1.17	35.00%	3.50%	2.12%	2,475,000	-	-	-	2,475,000
Total Performance Rights							5,845,552	-	-	(113,704)	5,731,848
3	21/11/2019	30/06/2024	\$2.68	35.00%	N/A	2.12%	-	7,533,448	-	-	7,533,448
3	03/03/2020	30/06/2024	\$2.79	35.00%	N/A	2.12%	-	667,464	-	-	667,464
Total Loan Funded Shares							-	8,200,912	-	-	8,200,912

LTIP Tranches

Vesting conditions of the LTIP tranches are set out below.

Tranche 1

Vesting Condition 1
Vesting Condition 2

Continued service to August 2021, with no holding lock on resulting shares;
Compound annual growth rate (CAGR) in the Group's earnings per share before tax (EPS) during the three years to June 2021 in accordance with the following schedule:

EPS CAGR across the Tranche 1 Performance Period

Below 5.0%
5.0%
5.0% ≤ EPS CAGR ≤ 20.0%

Proportion of Tranche 1 Performance Rights held that will satisfy Vesting Condition 2

Nil
25%
Straight line pro-rata vesting between 25% and 100% (inclusive)

Tranche 2A

Vesting Condition

Continued service to August 2021, with no holding lock on resulting shares.

Tranche 2B

Vesting Condition 1
Vesting Condition 2

Continued service to August 2021, with no holding lock on resulting shares;
Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2021

Below \$0.0975 (1.3 x FY202018 EPS)
\$0.0975 ≤ EPS < \$0.1050 (1.4 x FY202018 EPS)
EPS ≥ \$0.1050

Proportion of Tranche 2B Performance Rights held that will satisfy Vesting Condition 2

Nil
50%
100%

Tranche 2C

Vesting Condition 1
Vesting Condition 2

Continued service to August 2023, with no holding lock on resulting shares;
Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2023

Below \$0.1125 (1.5 x FY202018 EPS)
\$0.1250 ≤ EPS < \$0.1200 (1.6 x FY202018 EPS)
\$0.1200 ≤ EPS < \$0.1275 (1.7 x FY202018 EPS)
EPS ≥ \$0.1275

Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2

Nil
50%
75%
100%

City Chic Collective Limited

Directors' report

28 June 2020

LFSP Tranche

During the current year, the Group established the 2019 Employee Share Plan approved by shareholders at the Annual General Meeting on 21 November 2019.

The plan was introduced following a review of existing remuneration arrangements of the Group. The purpose of the plan is to further align the incentive arrangements for the executive team and the Group's success.

The key terms of the LFSP are listed as follows:

- Loan funded (LF) shares are issued at the Company's share price on the ASX at the time of issue.
- The Company advances money to pay for the subscription price of the LF Shares (Loan).
- The Loan has an interest payable of 1.9% and is repayable on the earlier of cessation of employment (6 or 12 month grace periods may be applied) or 7 years from the agreement by the Board to issue LF Shares under the Plan (Vesting period is 5 years to 30 June 2024).
- The Company's recourse in the event it seeks to recover the Loan is limited to the LF Shares. Where a Participant does not repay the Loan by the repayment date, the Participant is deemed to have agreed to sell to the Company pursuant to an employee share scheme buy-back, that number of LF shares required to repay the Loan to the Company.
- The Company will apply the after-tax amount of any dividends payable in respect of a Participant's LF Shares towards repayment of the outstanding balance of the Loan.
- The LF Shares offered are subject to Vesting Conditions, which if not met, the unvested LF Shares will be forfeited and bought back by the Company at the issue price and the Loan will be deemed repaid.

Vesting conditions of the LF Shares are set out below:

Tranche 3

Vesting Condition 1
Vesting Condition 2

Continued service to 30 June 2024.

Compound annual growth rate (CAGR) in the Group's earnings per share after tax (AEPS) prescribed by the Board over the 3 year period commencing on 1 July 2019, in which case (subject to satisfaction of Vesting Period Condition) the LF shares held will vest in accordance with the following vesting scale:

AEPS 3-year CAGR from 1 July 2019	Proportion of Tranche 3 LF Shares that will satisfy Vesting Condition 2
12.5%	25%
20.0%	100%
12.5% ≤ AEPS CAGR ≤ 20.0%	Straight-line pro rata vesting between 25% and 100% (inclusive)

The LF shares issued under the Plan have been treated as 'in substance options' which have been valued using a Modified Binomial Lattice option pricing model which allows for varying exercise price. The resulting value is amortised over the vesting period on a probability adjusted basis. The probability is assessed with consideration of management's expectation of future earnings and the financial hurdles for vesting. The total expense recorded for the period was \$0.8m.

Use of remuneration consultants

During the financial period ended 30 June 2019, the consolidated entity, through the NRC, engaged PricewaterhouseCoopers, remuneration consultants, to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTIP programs. This resulted in share-based payments remuneration in the form of performance rights being implemented. PricewaterhouseCoopers was paid \$69,998 for these services. During the financial period ended 28 June 2020, Lonergan Edwards and Arnold Block Leibler were engaged to advise and establish the LFSP. Lonergan Edwards and Arnold Block Leibler were paid \$107,400 for these services.

Voting and comments made at the company's 21 November 2019 AGM

At the 21 November 2019 AGM, 99.80% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

d. Remuneration outcomes for key management personnel

(a) Payments and benefits

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables

	Cash salary & fees	Allowances	Total short-term	Post-employment superannuation	Other long-term leave benefits	Share-based payments	Total	Proportion of performance related remuneration
2020	\$	(A) \$	\$	\$	(B) \$	(C) \$	\$	%
<i>Non-executive directors</i>								
Michael Kay	150,598	-	150,598	14,307	-	-	164,905	0%
Michael Hardwick	70,673	-	70,673	6,714	-	-	77,387	0%
Megan Quinn	70,673	-	70,673	6,714	-	-	77,387	0%
<i>Executive directors</i>								
Phil Ryan	699,039	6,300	705,339	21,003	59,984	1,037,153	1,823,478	57%
<i>Other key management personnel</i>								
Munraj Dhaliwal	399,231	4,500	403,731	21,003	30,850	277,829	733,413	38%
Total	1,390,213	10,800	1,401,013	69,741	90,834	1,314,982	2,876,570	

(A) This comprises car and travel allowances.

(B) In accordance with *AASB 119 Employee Benefits*, accrued annual leave and long service leave is classified as other long-term employee benefit.

(C) The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award multiplied by probability of vesting. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

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	Cash salary & fees	Bonus	Short-term Allowances	Total	Post-employment superannuation	Other long-term leave benefits	Termination benefit	Share-based payments	Total	Proportion of performance related remuneration
2019	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<i>Non-executive directors</i>										
Michael Kay ¹	116,790	-	-	116,790	11,095	-	-	-	127,885	0%
Michael Hardwick	75,000	-	-	75,000	7,125	-	-	-	82,125	0%
Megan Quinn	75,000	-	-	75,000	7,125	-	-	-	82,125	0%
Anne McDonald ²	48,077	-	-	48,077	4,567	-	-	-	52,644	0%
Ashley Hardwick ³	28,846	-	-	28,846	2,740	-	-	-	31,586	0%
<i>Executive directors</i>										
Phil Ryan ⁴	527,500	195,000	11,002	733,502	24,351	151,257 ⁵	-	508,692	1,417,802	50%
Daniel Bracken ⁶	294,228	-	-	294,228	5,133	-	20,023	-	319,384	0%
<i>Other key management personnel</i>										
Munraj Dhaliwal ⁷	130,154	108,000	-	238,154	6,350	6,106	-	96,797	347,407	59%
Tim Fawaz ⁸	249,789	112,000 ⁹	16,346	378,135	15,399	40,615	-	-	434,149	N/A
Total	1,545,384	415,000	27,348	1,987,732	83,885	197,978	20,023	605,489	2,895,107	

- (A) The short-term incentive bonus in relation to Phil Ryan and Munraj Dhaliwal is for performance during the respective financial year. The amount was finally determined at a Board meeting held on 26 August 2019 and was paid in January 2020.
- (B) This comprises car and travel allowances.
- (C) In accordance with *AASB 119 Employee Benefits*, accrued annual leave and long service leave expensed in the period, is classified as other long-term employee benefit
- (D) The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award multiplied by probability of vesting. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

¹ Michael Kay appointed as non-executive director on 1 October 2018 and Chairman on 9 November 2018.

² Anne McDonald resigned on 9 November 2018.

³ Ashley Hardwick resigned on 9 November 2018.

⁴ Phil Ryan appointed as Chief Executive Officer on 1 October 2018 and Managing Director on 12 February 2019.

⁵ Other long-term leave benefits in FY2019 include long service leave and annual leave accrued in the period, as well as adjustment for opening leave liability balances to reflect current annual salary.

⁶ Daniel Bracken was appointed on 12 February and resigned 30 September 2018.

⁷ Munraj Dhaliwal was appointed on 14 February 2019.

⁸ Tim Fawaz was appointed on 1 July 2017 and resigned on 14 February 2019.

⁹ Cash bonus paid in relation to service during transition after the divestment on 2 July 2018.

City Chic Collective Limited
Directors' report
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The proportion of remuneration linked to performance and the fixed proportion assuming full STI is received and that the LTI fully vests are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI		Cash bonus paid/payable		Cash bonus forfeited	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<i>Executive director:</i>										
Phil Ryan	38%	47%	N/A	14%	62%	39%	N/A	100%	N/A	0%
<i>Other key management personnel:</i>										
Munraj Dhaliwal	55%	63%	N/A	19%	45%	18%	N/A	100%	N/A	0%
Tim Fawaz	N/A	100%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

City Chic Collective Limited

Directors' report

28 June 2020

e. Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Phil Ryan

Title:	Chief Executive Officer and Managing Director
Term of agreement:	None
Details:	<ul style="list-style-type: none"> Notice period of 6 months • Remuneration review at board discretion • Eligible for short-term incentives • Eligible for long-term incentives • No severance period • No termination benefits (except for statutory entitlements) • No other benefits

Munraj Dhaliwal

Title:	Chief Financial Officer
Term of agreement:	None
Details:	<ul style="list-style-type: none"> Notice period of 3 months • Remuneration review period every 12 months • Eligible for short-term incentives • Eligible for long-term incentives • No severance period • No termination benefits (except for statutory entitlements) • No other benefits

All non-executive directors stand for re-election at least every 3 years and have no notice period, no annual remuneration review, no eligibility for short-term incentives, no eligibility for long-term incentives, no severance period, no termination benefits and no other benefits.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

f. Disclosures relating to share options and performance rights

Issue of share options and performance rights

There were no options issued to key management personnel as part of compensation during the period ended 28 June 2020.

There were no performance rights issued to key management personnel as part of compensation during the period ended 28 June 2020.

The number of loan funded shares issued as part of the Company's 2019 Employee Share Plan to key management personnel as part of compensation during the period ended 28 June 2020 and performance rights over ordinary shares granted during period ended 30 June 2019 are set out below:

Name	Loan funded shares				Performance rights			
	Granted during the period		Vested during the period		Granted during the period		Vested during the period	
	2020	2019	2020	2019	2020	2019	2020	2019
Phil Ryan	2,161,235	-	-	-	-	2,640,740	-	-
Munraj Dhaliwal	1,234,991	-	-	-	-	483,333	-	-
Total	3,396,226	-	-	-	-	3,124,073	-	-

The number of performance rights over ordinary shares and loan funded shares held by key management personnel as at 28 June 2020 are shown below:

Tranche Name	Performance rights				Total	Loan funded shares 3
	1	2A	2B	2C		
Phil Ryan	240,740	600,000	600,000	1,200,000	2,640,740	2,161,235
Munraj Dhaliwal	133,333	87,500	87,500	175,000	483,333	1,234,991
Total	374,073	687,500	687,500	1,375,000	3,124,073	3,396,226

City Chic Collective Limited

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28 June 2020

Additional information

The following earnings information reflects the basis for which financial hurdles are considered for the share-based payments and measure executive performance in delivering long term growth of the Group:

	2020	2019
Profit/(loss) before income tax for continuing underlying operations	\$20.1m	\$21.3m
EPS (underlying before income tax) - Tranche 1	10.5 cents per share	11.1 cents per share
Profit/(loss) before income tax for continuing underlying operations (before share-based payments)	\$22.9m	\$22.4m
EPS (underlying before income tax and share-based payments) - Tranche 2B and 2C	11.9 cents per share	11.6 cents per share
Profit/(loss) after income tax for continuing underlying operations	\$11.6m	\$15.7m
EPS (underlying after income tax) - Tranche 3	6.0 cents per share	8.2 cents per share

g. Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
<i>Directors' shareholding</i>					
Michael Kay	509,914	-	100,000	-	609,914
Michael Hardwick	495,000	-	-	-	495,000
Phil Ryan	124,000	-	-	-	124,000
<i>Other key management personnel shareholding</i>					
Munraj Dhaliwal	80,000	-	-	-	80,000
Total	1,208,914	-	-	-	1,308,914

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Vested	Expired/ forfeited	Balance at the end of the period
<i>Performance rights over ordinary shares</i>					
Phil Ryan	2,640,740	-	-	-	2,640,740
Munraj Dhaliwal	483,333	-	-	-	483,333
Total	3,124,073	-	-	-	3,124,073

Loan funded shareholding

The number of loan funded shares in the company held during the financial period by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the period	Granted	Vested	Expired/ forfeited	Balance at the end of the period
<i>Loan funded shares</i>					
Phil Ryan	-	2,161,235	-	-	2,161,235
Munraj Dhaliwal	-	1,234,991	-	-	1,234,991
Total	-	3,396,226	-	-	3,396,226

City Chic Collective Limited
Directors' report
28 June 2020

The following transactions occurred with key management personnel and their personally related parties:

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Payment for other expenses:</i>		
Services provided by Southern Cross Shopfitting, a company that is associated with the Cotton On Group, of which Michael Hardwick is a Director and the CFO ¹	2,552,160	965,129
Services provided by Southern Cross Shopfitting (NZ), a company that is associated with the Cotton On Group, of which Michael Hardwick is a Director and the CFO ²	67,386	332,249
Total related party transactions	<u>2,619,546</u>	<u>1,297,378</u>

All transactions were made on normal commercial terms and conditions and at market rates.

This concludes the remuneration report, which has been audited.

¹ Michael Hardwick was not involved in decision making relating to Southern Cross Shopfitting and its dealings with the Group.

² Michael Hardwick was not involved in decision making relating to Southern Cross Shopfitting (NZ) and its dealings with the Group.

City Chic Collective Limited

Directors' report

28 June 2020

Shares under option

There were no unissued ordinary shares of City Chic Collective Limited under option outstanding at the date of this report.

Shares under performance rights

There were no unissued ordinary shares of City Chic Collective Limited under performance rights outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of City Chic Collective Limited issued on the exercise of options during the period ended 28 June 2020 and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of City Chic Collective Limited issued on the exercise of performance rights during the period ended 28 June 2020 and up to the date of this report.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in Note 28 to the financial statements.

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

Officers of the company who are former partners of Deloitte Touche Tohmatsu

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

Rounding of amounts

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

Auditor's independence declaration

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

City Chic Collective Limited

Directors' report

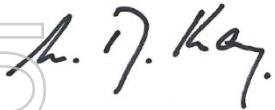
28 June 2020

Auditor

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

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

On behalf of the directors



Michael Kay
Chairman

27 August 2020
Sydney



Phil Ryan
Chief Executive Officer and Managing Director

The Board of Directors
City Chic Collective limited
151-163 Wyndham Street
Alexandria, NSW 2015

27 August 2020

Dear Board Members

Auditor's Independence Declaration to City Chic Collective Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of City Chic Collective Limited and its subsidiaries.

As lead audit partner for the audit of the financial report of City Chic Collective Limited and its subsidiaries for the 52 week period ended 28 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully


DELOITTE TOUCHE TOHMATSU


Annalisa Amiradakis
Partner
Chartered Accountants

Independent Auditor's Report to the Members of City Chic Collective Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of City Chic Collective Limited (the "Company") and its subsidiaries (the "Group") which comprises the statement of financial position as at 28 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 52 week period then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- (i) giving a true and fair view of the Group's financial position as at 28 June 2020 and of its financial performance for the 52 week period then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Key Audit Matters

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

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Avenue Acquisition As set out in Note 33, on 16 October 2019, CCX acquired the distressed e-commerce business of Avenue Stores LLC (Avenue) based in the USA for US\$16.55 million (AUD \$25.7 million).</p> <p>During the 52-week period ending 28 June 2020, the accounting for the acquisition of Avenue assets was finalised. In accordance with Australian Accounting Standards the assets and liabilities of the acquired business are initially recognised at fair value. The fair value of the net assets acquired is \$13.1 million with a residual goodwill balance identified of \$12.6 million.</p> <p>Accounting for the acquisition of a business includes the determination of whether the transaction is the acquisition of a business or the acquisition of assets in accordance with AASB 3 Business Combinations as the accounting consequences are different. Identifying and determining the fair value of acquired assets, particularly intangible assets, can be complex and involves the significant use of assumptions. In finalising the accounting for the business combination, management engaged an external valuation expert to assist.</p> <p>Management's accounting for the acquisition included:</p> <ul style="list-style-type: none"> • Determining that the transaction is the acquisition of a business • Identification of all assets acquired, and liabilities assumed. • Appropriate measurement at fair value of the assets acquired, and liabilities assumed at acquisition. • The appropriate recognition of deferred tax consequences relating to the assets acquired and liabilities assumed. • The expensing of transaction costs associated with the business combination. 	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Reading the Purchase Agreement with Avenue LLC to understand the terms and conditions of the transaction and identify the date that CCX acquired control of Avenue. • Evaluating management's assessment that the acquisition should be accounted for as the acquisition of a business in accordance with the requirements of the accounting standards • Assessing the completeness of the assets acquired and liabilities assumed in management's workings, including the recognition of assets and liabilities that had not previously been recognised by Avenue, including customer relationships and brands. • Assessing the competence, independence and objectivity of the external valuation expert engaged by management. • Obtaining, reading and understanding the finalised Purchase Price Allocation (PPA) report as prepared by management's external valuation expert. • In conjunction with our own internal valuation specialists, assessing management's procedures and assumptions in determining the fair value of the assets acquired and liabilities assumed. This was done by performing a benchmark analysis over assumptions including discount rate, long term growth rates, contributory asset charges and royalty relief rates by comparing management's assumptions to data from other independent sources to assess the appropriateness of key financial assumptions applied in the PPA. This permitted an independent challenge to the assumptions in the PPA. • Considering the tax consequences of the various assets acquired and liabilities assumed and recalculating the deferred tax balances as part of the net assets acquired. • Recalculating the goodwill recognised as the residual balance, being the difference between the consideration paid and the fair value of the net assets acquired; and • Testing the acquisition costs incurred were appropriately expensed and valid by selecting a sample of invoices. <p>We also assessed the appropriateness of the disclosures in Notes 1, 2, 13 and 33 to the financial statements.</p>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Goodwill impairment assessment</p> <p>As set out in Note 13, as at 28 June 2020, the carrying value of goodwill totalled \$22.5 million.</p> <p>In accordance with accounting standards goodwill must be assessed for impairment at least on an annual basis. To perform the impairment test goodwill is allocated to the cash-generating units (CGUs) which are expected to benefit from the synergies of the business combination and the goodwill is tested for impairment at that level. Further, the accounting standards require that the CGUs to which goodwill is allocated are the lowest level at which management monitor the goodwill and that the CGUs are not larger than the operating segments. Therefore, in determining the appropriateness of management's determination of the CGU's to which goodwill is allocated we were also required to consider management's determination of operating segments. As set out in Note 3, there is one operating segment, fashion retail.</p> <p>Once the appropriate CGU is established, the recoverable value of the CGU is determined. Management has used a discounted cash flow model to determine the value in use of goodwill balances. This process is complex and requires the significant use of a number of key assumptions and judgements, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • In determining the appropriate CGU: <ul style="list-style-type: none"> ◦ Obtaining, understanding and assessing management reports and board reports for an understanding of the level of information used in decision making; ◦ Holding discussions with the Chief Executive Officer, Chief Financial Officer and the Board to understand the business strategy and business model; ◦ Understanding who the customer is for each brand, how the products are distributed through different channels as an omni-retailer, how the centralisation of decision making impacts the running of the business and who the Chief Operating Decision Makers are and how the business is monitored; ◦ Applying our understanding of the above against the criteria in the Australian Accounting Standards to evaluate management's determination of the cash generating unit in consultation with subject matter experts in technical accounting; ◦ Evaluating management's determination that there is one operating segment, being fashion retail; and ◦ Considering both supporting and contradictory information in applying judgement to the determination of the CGU. • In assessing the recoverable value of the cash generating unit, our audit procedures then included, amongst others: <ul style="list-style-type: none"> ◦ Assessing the reasonableness of management's ability to forecast accurately by comparing historical pre-covid actual results to pre covid-budgets as well as comparing actual results from April 2020 onwards to covid-adjusted forecasts from April 2020 to year end; ◦ Agreeing inputs in the model for FY21 to board approved budgets for that year; ◦ For the cash flow periods FY21 to FY25, assessing the assumptions used by management such as the sales growth rates, margins, inflation rates against our understanding of the historical performance of the business but also forward looking independent sources of information for any supporting or contradictory information;

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Goodwill impairment assessment (cont)	<ul style="list-style-type: none"> ○ Understanding the sensitivity analysis performed by management by stressing the assumptions used to simulate the impact of alternative scenarios; ○ Performing independent assessments of the recoverable value by challenging the robustness of the key assumptions used such as the discount rate, the sales growth rates, margins and long-term growth rates based on our understanding of the commercial prospects of the CGU; ○ Evaluating the mathematical accuracy of the model, ○ Involving our corporate finance specialists to evaluate the model and reasonability of the assumptions by considering both internal and external supporting or contradictory evidence. <p>We also assessed the appropriateness of the disclosures in Notes 1, 2, and 13 to the financial statements.</p>
Valuation of inventory obsolescence allowance <p>As at 28 June 2020, the carrying value of inventory totalled \$38 million and represents 26% of total assets. Inventory is located in retail stores and also at central warehouses for distribution through online commerce channels, dropship and wholesale. Inventory is subject to risk of obsolescence and/or theft.</p> <p>Management establishes an obsolescence allowance by reference to recent sales, ageing of inventories, seasonal ageing and other factors such as product category.</p> <p>Of particular attention in the current year was understanding the sell through of the inventory acquired with the Avenue business as well as the post-acquisition inventory for this brand. Given the distressed nature of the acquired business, management has had to identify obsolete inventory which it has been either unable to sell since acquisition or only sell at significant discounts. This, in conjunction with the limited sales data history available and the discounting strategies being applied during a volatile retail environment, resulted in significant judgement and estimation being required to assess the appropriateness of the allowance for obsolescence at year end.</p>	<p>Our procedures for all inventory unless stated otherwise, included but were not limited to:</p> <ul style="list-style-type: none"> • Understanding the processes and controls relating to inventory existence and valuation. • Performing tests to evaluate the design and effectiveness of controls for the existence and valuation of inventory and testing the operating effectiveness of controls over the pricing of inventory. • Assessing the performance of each brand relative to each season in the financial year by inspecting sales listing and margin analysis per month. • Evaluating the completeness and valuation of the specific allowances against inventory which has reached end of life and is no longer sellable (terminal inventory). Discussions were held and audit evidence inspected to understand the categorisation of such inventory as terminal inventory. • Meetings were held with the Chief Executive Officer, finance team and product planners to validate the assumptions applied in estimating the allowances and in understanding the current market conditions and strategy of the relevant brands that impacts the inventory on hand available to sell. Where possible supporting evidence was inspected to validate explanations regarding sell through, discounting and decisions taken by management. • Recalculating the mathematical accuracy of the inventory obsolescence and net realisable value allowances. • For all inventory, excluding Avenue products: <ul style="list-style-type: none"> ○ Performing a retrospective review of the allowance balance from FY19 to FY20 to assess the historical accuracy of management's ability to determine the inventory obsolescence allowance. ○ Developing independent estimates of the inventory obsolescence allowance, including:

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of inventory obsolescence allowance (cont)	<ul style="list-style-type: none"> <li data-bbox="1002 260 1375 339">▪ actual inventory losses incurred in the current financial year, <li data-bbox="1002 339 1375 440">▪ the net realisable value with reference to the last selling price of inventory on hand, and <li data-bbox="1002 440 1375 496">▪ consideration of aged inventory. <ul style="list-style-type: none"> <li data-bbox="763 496 1375 530">• In respect of Avenue related inventory: <li data-bbox="859 530 1375 608">◦ Obtaining an understanding of the various categories of at-acquisition and post-acquisition inventory. <li data-bbox="859 608 1375 743">◦ Evaluating management's scenario analysis over the ageing of the inventory and challenging the inputs and assumptions used to further support and justify the allowance percentages used. <li data-bbox="859 743 1375 844">◦ Understanding the sell through of the at-acquisition inventory since acquisition and the clearance rates of inventory which can no longer be sold online. <li data-bbox="859 844 1375 923">◦ Selecting a sample of items for testing and understanding the discount rates applied to sale prices; and <li data-bbox="859 923 1375 979">◦ Performing a sensitivity analysis over the allowance and comparing to managements estimate. <p data-bbox="763 1012 1375 1069">We also assessed the appropriateness of the disclosures in Notes 1, 2 and 10 to the financial statements.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the 52-week period ended but does not include the financial report and our auditor's report thereon. Included in other information is the Corporate Directory, the Directors' Report, the Corporate Governance Statement and Shareholder information and also includes the following information which will be included in the Group's annual report: The Overview; Message from Our Chairman and CEO; Board of Directors; City Chic Annual Recap; 2021 Outlook; Diversity and Corporate Social Responsibility.

Our opinion on the financial report does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 40 of the Directors' Report for the 52-week period ended 28 June 2020.

In our opinion, the Remuneration Report of City Chic Collective Limited for the 52-week period ended 28 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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



DELOITTE TOUCHE TOHMATSU



Annalisa Amiradakis
Partner
Chartered Accountants
Parramatta, 27 August 2020

City Chic Collective Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 28 June 2020

	Note	Consolidated 2020 \$'000	2019 \$'000
Revenue from continuing operations	4	194,492	148,432
Interest and other revenue		934	841
Expenses			
Cost of sales	5	(101,019)	(62,568)
Employee benefits expense	5	(30,340)	(31,011)
Depreciation, amortisation, and impairment expense	5	(17,568)	(3,942)
Rental-related recoveries, concessions, and expenses	5,14	(1,173)	(14,886)
Other expenses	5	(27,298)	(17,403)
Finance costs	16,19	(1,336)	(218)
Profit before income tax expense from continuing operations		16,692	19,245
Income tax expense	6	(7,532)	(4,980)
Profit after income tax expense from continuing operations		9,160	14,265
Profit after income tax (expense)/benefit from discontinued operations	7	497	1,713
Profit after income tax (expense)/benefit for the period attributable to the owners of City Chic Collective Limited	23	9,657	15,978
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Change in the fair value of cash flow hedges taken to equity		-	(126)
Foreign currency translation		(369)	(193)
Income tax benefit/(expense) relating to the components of other comprehensive income		-	38
Other comprehensive income for the period, net of tax		(369)	(281)
Total comprehensive income for the period attributable to the owners of City Chic Collective Limited		9,288	15,697
Total comprehensive income for the period is attributable to:			
Continuing operations		8,791	13,984
Discontinued operations		497	1,713
		9,288	15,697

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

City Chic Collective Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 28 June 2020

	Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of City Chic Collective Limited		
Basic earnings per share	24	4.8
Diluted earnings per share	24	4.7
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of City Chic Collective Limited		
Basic earnings per share	24	0.3
Diluted earnings per share	24	0.3
Earnings per share for profit attributable to the owners of City Chic Collective Limited		
Basic earnings per share	24	5.1
Diluted earnings per share	24	5.0

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

City Chic Collective Limited
Consolidated statement of financial position
As at 28 June 2020

	Note	Consolidated 2020 \$'000	2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	8	21,382	23,214
Trade and other receivables	9	5,073	4,574
Inventories	10	38,073	19,353
Other	11	2,262	1,323
Total current assets		66,790	48,464
Non-current assets			
Plant and equipment	12	8,944	9,306
Right-of-use assets	14	22,252	-
Intangibles	13	39,193	15,153
Deferred tax	6	8,661	12,057
Total non-current assets		79,050	36,516
Total assets		145,840	84,980
Liabilities			
Current liabilities			
Trade and other payables	15	37,528	25,522
Lease liabilities	14	9,193	-
Income tax	6	2,530	5,544
Provisions	17	6,350	5,071
Other	18	77	761
Total current liabilities		55,678	36,898
Non-current liabilities			
Provisions	17	775	1,941
Lease liabilities	14	17,998	-
Borrowings	16	17,500	-
Other	18	-	1,875
Total non-current liabilities		36,273	3,816
Total liabilities		91,951	40,714
Net assets		53,889	44,266
Equity			
Issued capital	21	49,139	49,139
Reserves	22	2,189	(248)
Retained profits/(accumulated losses)	23	2,561	(4,625)
Total equity		53,889	44,266

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

City Chic Collective Limited
Consolidated statement of changes in equity
For the period ended 28 June 2020

Consolidated	Issued capital \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 2 July 2018	49,139	61	88	(1,196)	(10,991)	37,101
Profit after income tax expense for the period	-	-	-	-	15,978	15,978
Other comprehensive income for the period, net of tax	-	-	(88)	(193)	-	(281)
Total comprehensive income for the period	-	-	(88)	(193)	15,978	15,697
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 20)	-	1,080	-	-	-	1,080
Dividends paid (note 25)	-	-	-	-	(9,612)	(9,612)
Balance at 30 June 2019	49,139	1,141	-	(1,389)	(4,625)	44,266

Consolidated	Issued capital \$'000	Share-based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Retained earnings/ (Accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2019	49,139	1,141	-	(1,389)	(4,625)	44,266
Adjustment for change in accounting policy (AASB 16) (note 1)	-	-	-	-	413	413
Balance at 1 July 2019 - restated	49,139	1,141	-	(1,389)	(4,212)	44,679
Profit after income tax expense for the period	-	-	-	-	9,657	9,657
Other comprehensive income for the period, net of tax	-	-	-	(369)	-	(369)
Total comprehensive income for the period	-	-	-	(369)	9,657	9,288
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments (note 20)	-	2,806	-	-	-	2,806
Issue of loan funded shares (note 21)	22,052	-	-	-	-	22,052
Loan funded shares held in trading lock (note 21)	(22,052)	-	-	-	-	(22,052)
Dividends paid (note 25)	-	-	-	-	(2,884)	(2,884)
Balance at 28 June 2020	49,139	3,947	-	(1,758)	2,561	53,889

Note reference

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

City Chic Collective Limited
Consolidated statement of cash flows
For the period ended 28 June 2020

	Note	Consolidated 2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		208,984	163,351
Payments to suppliers and employees (inclusive of GST)		(181,540)	(165,875)
Interest received		55	591
Other revenue		246	250
Government grants received		2,510	-
Interest and other finance costs paid		(590)	(218)
Income taxes paid		(4,440)	(1,933)
Net cash from/(used in) operating activities	19	25,225	(3,834)
Cash flows from investing activities			
Payments for plant and equipment	12	(3,283)	(4,936)
Payments for intangibles	13	(2,247)	(5,692)
Proceeds from disposal of business		-	31,099
Payment for purchase of business	33	(25,658)	-
Net cash (used in)/from investing activities		(31,188)	20,471
Cash flows from financing activities			
Repayment of lease liabilities		(11,588)	-
Dividends paid	25	(2,884)	(9,612)
Proceeds from borrowings		22,500	-
Repayment of borrowings		(5,000)	(12,860)
Net cash from/(used in) financing activities		3,028	(22,472)
Net decrease in cash and cash equivalents from continuing operations		(2,935)	(5,835)
Net increase in cash and cash equivalents from discontinued operations		1,072	-
Cash and cash equivalents at the beginning of the financial period		23,214	28,929
Effects of exchange rate changes on cash and cash equivalents		31	120
Cash and cash equivalents at the end of the financial period	8	21,382	23,214

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

City Chic Collective Limited

General Information

28 June 2020

The financial statements cover City Chic Collective Limited as a consolidated entity consisting of City Chic Collective Limited and the entities it controlled at the end of, or during, the period. The financial statements are presented in Australian dollars, which is City Chic Collective Limited's functional and presentation currency.

City Chic Collective Limited is a listed public company limited by shares, incorporated, and domiciled in Australia. Its registered office and principal place of business is:

151-163 Wyndham Street
Alexandria, NSW 2015
Telephone: (02) 9059 4300

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 August 2020. The directors have the power to amend and reissue the financial statements.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 1. Significant accounting policies

Basis of preparation

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

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the valuation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income.

Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2. Critical accounting judgements, estimates and assumptions.

Offsetting financial assets and liabilities

Financial assets and financial liabilities have been offset and the net amount presented in the statement of financial position where the consolidated entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 32. Parent entity disclosures.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of City Chic Collective Limited ('company' or 'parent entity') as at 28 June 2020 and the results of all subsidiaries for the period then ended. City Chic Collective Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 1. Significant accounting policies (continued)

Foreign currency translation

The financial statements are presented in Australian dollars, which is City Chic Collective Limited's functional and presentation currency.

Foreign currency transactions

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

Foreign operations

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

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

Current and non-current classification

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

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

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

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

Financial assets

Financial assets are initially measured at fair value. Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 1. Significant accounting policies (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Refer to Note 9. Trade and other receivables for detail.

Impairment of non-financial assets

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

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

Finance costs

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

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

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

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

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

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

Rounding of amounts

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

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards (AASs) 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 28 June 2020. The consolidated entity has made a preliminary assessment of the impact of these new or amended Accounting Standards and Interpretations and does not expect a significant impact to the financial statements.

Standards in issue but not yet effective:

New or revised requirement	When effective
AASB 2014-10 Amendments to AASs - Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Applicable to annual reporting periods beginning on or after 1 January 2022
AASB 2018-6 Amendments to AASs- Definition of a Business	Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
AASB 2018-7 Amendment to AASs - Definition of Material	Effective for annual periods beginning on or after 1 January 2020
AASB 2019-1 Amendments to AASs - References to the Conceptual Framework	Effective for annual reporting periods beginning on or after 1 January 2020
AASB 2019-3 Amendments to AASs - Interest Rate Benchmark Reform	Effective for annual reporting periods beginning on or after 1 January 2020
AASB 2019-5 Amendments to AASs - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia	Effective for annual reporting periods beginning on or after 1 January 2020
AASB 2020-1 Amendments to AASs - Classification of Liabilities as Current or Non-current	Effective for annual reporting periods beginning on or after 1 January 2022

New or amended Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations adopted for the year are most relevant to the consolidated entity:

AASB Interpretation 23 Uncertainty over Income Tax Treatment

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

AASB 16 Leases (AASB 16) on the Group as a lessee

The Group has adopted AASB 16 from 1 July 2019 as a lessee. The standard replaces AASB 117 *Leases* (AASB 117) and for lessees eliminated the distinction between operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use (ROU) assets and corresponding lease liabilities are recognised in the statement of financial position for all leases. Straight-line operating lease expense recognition is replaced with a depreciation charge for the ROU assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 1. Significant accounting policies (continued)

Impact of adoption as a lessee

AASB 16 was adopted using a hybrid model by lease approach which included modified retrospective approach and as such the comparatives have not been restated. Lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. ROU assets were measured at either:

- Their carrying amount as if AASB 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application - the Group applied this approach to leases which have not expired.
- An amount equal to the lease liability where leases have expired and are currently on holdover as well as leases due to expire in the next 12 months. The Group has considered the likelihood of renewal options or staying on past lease expiry based on historical data to reassess the lease term.

Refer below for reconciliation of operating lease commitments to lease liabilities recognised:

	2020 \$'000
Operating lease commitments disclosed as at 30 June 2019	18,048
Less: short-term leases recognised on a straight-line basis as expense	(33)
Add: adjustments as a result of a different treatment of extension and termination options (holdover leases – refer to Note 2)	17,419
Add: adjustments as a result of different rental increase estimates	211
Less: discounting using the incremental borrowing rate at 1 July 2019	<u>(804)</u>
Lease liabilities recognised at 1 July 2019	<u><u>34,841</u></u>

The weighted average lessees incremental borrowing rate of 3.00% was applied to lease liabilities recognised on 1 July 2019.

The following table shows balances at 30 June 2019 and balances adopted at transition on 1 July 2019:

Balance sheet line item	30 June 2019 \$'000	1 July 2019 \$'000	Movement \$'000
Right-of-use assets	-	30,120	(30,120)
Lease liabilities – current	-	(12,123)	12,123
Lease liabilities – non-current	-	(22,718)	22,718
Provisions – current	(1,487)	(465)	(1,022)
Provisions – non-current	(1,644)	-	(1,644)
Other liabilities – current	(761)	-	(761)
Other liabilities – non-current	(1,875)	-	(1,875)
Tax entry on transition		(168)	168
Total	(5,767)	(5,354)	(413)

Impact on AASB 16 adoption has been recognised in retained earnings.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 1. Significant accounting policies (continued)

Practical expedients applied on transition

On transition, the Group has applied the practical expedient to grandfather the assessment of which contracts are leases. AASB 16 has only been applied to contracts entered into before 1 July 2019 that were identified as leases in accordance with AASB 117 and Interpretation 4 which has resulted in the recognition of new ROU assets and lease liabilities for its store leases and head office lease. The Group store portfolio consists of a high number of stores where leases have expired and are currently on holdover as well as leases due to expire in the next 12 months. While the lease commitments on these leases were minimal under AASB 117 reporting, the Group has considered the likelihood of renewal options or staying on past lease expiry based on historical data to reassess the lease term.

The Group has elected to apply practical expedients in AASB 16 C10 which includes the following:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- Not to recognise ROU assets and lease liabilities for short-term leases that have a lease term or 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight-line basis over the lease term;
- The exclusion of initial direct costs for the measure of the ROU asset at the date of initial application; and
- The use of hindsight, in determining the lease term, if the contract contains options to extend or terminate the lease.

ROU assets

A ROU asset is recognised at the commencement date of a lease. The ROU asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

ROU assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. ROU assets are subject to impairment and adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the ROU asset is fully written down.

Please refer to Note 5. Expenses and Note 14. Leases on additional current year considerations in light of COVID-19 developments.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 2. Critical accounting judgements, estimates and assumptions

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

Additional considerations have been made at 28 June 2020, surrounding the impact of the COVID-19 on all areas of critical accounting judgements, estimates and assumptions by considering conservative scenarios to assess sensitivity of judgements and estimations. These have been incorporated into all of the below areas and the corresponding notes to the financial statements

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by considering the recent sales experience, the ageing of inventories and other factors such as end of life or terminal inventory, that affect inventory obsolescence. Refer to Note 10. Inventories for further information.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to Note 13. Intangibles for further information.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease or the ability of staying on past lease expiry date (in holdover) if it is reasonably certain to be exercised. The Group has historically always had several lease contracts in holdover. The Group applies judgement in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period. Refer to Note 14. Leases for further information.

Holdover leases

The Group has historically always had several lease contracts in holdover. The Group applies judgement in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period. A range of 2 to 5 years extension is estimated based on average lease terms. Refer to Note 14. Leases for further information.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 3. Operating segments

Identification of reportable operating segments

The Group's overall strategy remains to operate as a global omni-channel retailer, focused on the plus-size market and as such the consolidated entity is organised into one operating segment, being fashion retail. Despite having numerous brands and geographies, the Chief Executive Officer (who is identified as the Chief Operating Decision Makers ('CODM')) assesses the performance and determines the allocation of resources at a single segment, consolidated level with each part of the business exhibiting similar long-term financial performance and economic characteristics.

The CODM assess the performance of the operating segment based on a measure of EBITDA (Earnings before interest, tax, depreciation, amortisation and impairment, and other adjustments). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis, including weekly reporting on key metrics.

Major customers

There is no revenue that is significant from any particular customer. Segment revenue from external parties, assets and liabilities are all reported to the CODM in a manner consistent with the financial statements.

Revenue by geographical area

The Group operates in the following geographical regions:

- Southern hemisphere – includes Australia and New Zealand; both regions serviced by stores and website
- Northern hemisphere – includes US, Europe, and UK. US sales are comprised of online (website and marketplace) and wholesale; European and UK business is solely wholesale.

Refer to Note 4. Revenue for details on revenue by geographical area.

Reconciliation of net profit to Underlying EBITDA

Reconciliation of net profit after income tax from continuing operations to Underlying EBITDA (Earnings before interest, taxation, depreciation, amortisation, impairment, and other adjustments) from continuing operations is provided as follows:

	Consolidated	
	2020 \$'000	2019 \$'000
Net profit after tax from continuing operations	9,160	14,265
Net interest (income)/expense (excluding AASB 16 impact)	535	(373)
Tax expense from continuing operations	7,532	4,980
Depreciation, amortisation, and impairment expense (excluding AASB 16 impact)	5,845	3,942
Transition costs ¹	778	2,625
US logistics consolidation ²	921	-
Transaction costs ³	1,599	-
Release of store exit costs	-	(289)
Provision for onerous lease and contract	-	(272)
Net AASB 16 impact	149	-
Underlying EBITDA from continuing operations	26,519	24,878

AASB 16 accounts

	Consolidated	
	2020 \$'000	2019 \$'000
Depreciation on ROU assets	11,723	-
Interest expense on lease liabilities and make good provisions	746	-
Redemption/repayment of lease liabilities	(12,320)	-
Net AASB 16 impact	149	-

¹ FY2020 Transition costs related to costs to integrate Avenue. FY2019 Transition costs related to costs incurred to implement the separation of the divested brands to Noni B Limited (now Mosaic Brands Limited) and the organisational transformation.

² Costs in relation to consolidation of US logistics operations.

³ FY2020 Transaction costs related to executing the acquisition of Avenue.

City Chic Collective Limited
Notes to the consolidated financial statements
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Note 4. Revenue

	Consolidated 2020 \$'000	2019 \$'000
<i>From continuing operations</i> Sale of goods	<u>194,492</u>	<u>148,432</u>

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2020 \$'000	2019 \$'000
<i>Timing of revenue recognition</i> Goods transferred at a point in time	<u>194,492</u>	<u>148,432</u>
<i>Geographical regions</i> Southern hemisphere	113,685	119,466
Northern hemisphere	80,807	28,966
	194,492	148,432
<i>Channel</i> Stores	60,232	74,588
Online website	118,671	55,571
Online marketplace	7,970	9,162
Wholesale	7,619	9,111
	194,492	148,432

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 4. Revenue (continued)

Contract liabilities for vendor funded markdown provision

In determining the level of vendor funded markdown provision required the consolidated entity has made judgements in respect of expected vendor discounting and likelihood of vendor achieving their guaranteed margin. The provision is based on estimates from historical margin achieved by the vendor. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause any significant change to this estimate.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Retail sales

Revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods. Amounts disclosed as revenue are net of sales returns, trade discounts and commission paid. Return policy on sale of goods range from 30 to 90 days and provision is made based on historical return percentage. Please refer to Note 17. Provisions on sales return raised and Note 11. Other assets on corresponding right-of-return assets recognised.

Wholesale revenue

Revenue is recognised at time of delivery less an allowance for estimated customer returns, rebates, and other similar allowances.

City Chic Collective Limited
Notes to the consolidated financial statements
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Note 5. Expenses

	Consolidated	2020 \$'000	2019 \$'000
Profit before income tax from continuing operations includes the following specific expenses:			
Cost of sales		101,019	62,568
Depreciation, amortisation, and impairment expense (excluding AASB 16 charges)		5,845	3,942
Depreciation on ROU assets (AASB 16)		11,723	-
Rental-related expenses		2,495	14,866
Rent concessions		(1,322)	-
Defined contribution superannuation expense		2,026	1,934
Share-based payments expense		2,805	1,080
Employee benefits expense excluding superannuation		29,441	27,997
Government grants		<u>(3,932)</u>	<u>-</u>
Subtotal		<u>150,100</u>	<u>112,407</u>
<i>Other expenses</i>			
Utility and maintenance expenses		5,470	3,228
Transactional fees and charges		4,172	2,304
Marketing expenses		7,515	4,576
Professional, consulting and insurance		4,412	4,165
Other		5,729	3,130
Subtotal		<u>27,298</u>	<u>17,403</u>
Total		<u>177,398</u>	<u>129,810</u>

Accounting policy for government grants

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in profit or loss of the period in which it becomes receivable, on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

During FY2020 the Group has received Government grants from the Australian and New Zealand Governments relating to employee expense subsidies as a result of the COVID-19 pandemic. The grants have been deducted in the reporting against the employee benefits expense. The New Zealand Wage Subsidy was paid in advance for the 12-week period leading up to 28 June 2020. The Australian JobKeeper was paid monthly, in arrears, for the last three months of FY2020. As such there is a receivable balance related to the June payment on the balance sheet for \$1.4m. The New Zealand wage subsidy concluded at 28 June 2020 however the eligibility for JobKeeper is expected to continue till 27 September 2020. For the period thereafter management will need to assess eligibility.

Accounting policy for rent concessions

Refer to Note 14. Leases.

City Chic Collective Limited
Notes to the consolidated financial statements
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Note 6. Income tax

	Consolidated	2020	2019
	\$'000	\$'000	
<i>a) Income tax expense</i>			
Current tax		2,152	4,490
Deferred tax - origination and reversal of temporary differences		5,261	(2,230)
Prior year current tax over/(under) provisions		46	(1,123)
Adjustment on prior year estimated capital gains tax		-	3,843
Foreign exchange		73	-
Aggregate income tax expense		<u>7,532</u>	<u>4,980</u>
Income tax expense/(benefit) is attributable to:			
Profit from continuing operations		7,532	4,980
Profit/(Loss) from discontinued operations		<u>2,143</u>	<u>(4,012)</u>
Aggregate income tax expense		<u>9,675</u>	<u>968</u>
<i>b) Numerical reconciliation of income tax expense and tax at the statutory rate</i>			
Profit before income tax from continuing operations		<u>16,692</u>	<u>19,245</u>
Tax at the statutory tax rate of 30%		5,007	5,774
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:			
Entertainment expenses		2	2
CFC income		-	55
LTIP and LFSP		841	323
Sundry items		264	118
		<u>6,114</u>	<u>6,272</u>
Prior year deferred tax over/(under) provisions		46	(1,123)
Adjustment on prior year estimated capital gains tax		-	3,843
Difference in overseas tax rates		(489)	25
Adjustment in US effective tax rate (see note d)		1,861	-
Deferred tax recognised on prior year tax losses		-	(4,037)
Income tax expense from continuing operations		<u>7,532</u>	<u>4,980</u>

c) Capital losses

Unused tax losses related to capital losses of \$147.2m (2019: \$147.0m) carried forward to which no deferred tax asset has been recognised. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed. The settlement of the NBL divestment in the current year has crystallized the revenue and capital gains from a taxation perspective. The true-up of the tax impact has been considered in Note 7.

d) Income tax losses

As at 28 June 2020, the consolidated entity had carried forward income tax losses of \$12.3m from its US and New Zealand businesses (2019: \$20.8m).

At 30 June 2019 the Group had a blended state and federal US effective tax rate of 27.98%, resulting in the losses being recognised as a deferred tax asset of \$5.3m. At 28 June 2020, the Group had a blended state and federal US effective tax rate of 21.0% in calculating value of its deferred tax asset. The reason for the change in effective tax rate is that the Group is unlikely to have a taxable presence in California beyond FY2021. This reduced the deferred tax asset from tax losses by \$1.9m.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 6. Income tax (continued)

e) Tax consolidation legislation

City Chic Collective Limited and its wholly owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003. The accounting policy in relation to this legislation is set out in Note 1.

f) Deferred tax assets

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Tax losses	2,733	5,822
Plant and equipment	(630)	(1,101)
Employee benefits	857	773
Other provisions and accruals	4,144	5,841
Leases	1,543	-
Deferred lease incentives	-	728
Inventories	(3)	(144)
Other	17	138
Deferred tax asset	8,661	12,057
<i>Movements:</i>		
Opening balance	12,057	5,349
Foreign exchange on opening balance	111	-
(Charged)/Credited to profit or loss - continuing	(5,261)	2,230
(Charged)/Credited to profit or loss - discontinued (note 7)	(836)	4,440
(Charged)/Credited to Business Combination and Retained Earnings	2,590	38
Closing balance	8,661	12,057
Provision for income tax	2,530	5,544

Accounting policy for income tax

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

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

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

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 6. Income tax (continued)

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

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

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

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

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

The amount receivable/payable under the tax funding agreement is due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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

City Chic Collective Limited
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Note 7. Discontinued operations

Description

On 2 July 2018, the Group divested five of its brands to Noni B Limited (now Mosaic Brands Limited) for cash consideration of \$31.0m (before post completion adjustments, transaction, and separation costs). The Group retained ownership of the brand City Chic.

Independent experts were appointed to determine the outcome of the completion adjustment and other aspects of the Business Sale Agreement. As announced by the Group to the ASX on 24 June 2019, those disputes were determined by independent experts in the Group's favour. On 31 July 2019, Noni B Limited filed proceedings in the Supreme Court of New South Wales seeking orders setting aside the independent experts' determination. In February 2020, the parties reached a confidential settlement. The profit for discontinued operations reflects the terms of the settlement.

Financial performance information

	Consolidated	Consolidated
	2020 \$'000	2019 \$'000
Expenses	(162)	(3,366)
Loss before income tax (expense)/benefit from discontinued operations	(162)	(3,366)
Income tax (expense)/benefit	(2,143)	4,012
(Loss)/profit after income tax (expense)/benefit	(2,305)	646
Gain on disposal of disposal group	2,802	1,067
Profit after income tax (expense)/benefit from discontinued operations	497	1,713

Details of the disposal

The following table shows the comparison of balance updates made based on best estimate at FY2020 and the final FY2020 position based on settlement in February 2020.

	Consolidated	Consolidated
	Adjusted FY2020 \$'000	Adjusted FY2019 \$'000
<i>Breakdown - gain/(loss) on disposal</i>		
Net assets held for sale - reported	31,737	33,272
Adjustments to assets held for sale	639	(1,535)
Net assets held for sale - adjusted	<u>32,376</u>	<u>31,737</u>
Proceeds from sale	31,000	31,000
Adjustments to proceeds	3,441	-
Proceeds from sale - adjusted	<u>34,441</u>	<u>31,000</u>
Gain/(Loss) on disposal of net assets	2,065	(737)

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Note 8. Cash and cash equivalents

	Consolidated	Consolidated
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Cash at bank	21,382	10,214
Term deposit	-	13,000
Total cash and cash equivalents	21,382	23,214

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Trade and other receivables

	Consolidated	Consolidated
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Trade receivables	2,670	4,263
Less: Allowance for expected credit losses	(354)	(82)
Other receivables	2,757	393
Total trade and other receivables	5,073	4,574

Past due but not impaired

As at 28 June 2020, trade receivables of \$0.6m (2019: \$0.4m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Consolidated	Consolidated
	2020 \$'000	2019 \$'000
30 to 60 days	278	310
60 to 90 days	300	80
90 days and over	60	13
Trade receivables – past due but not impaired	638	403
Current		
Total trade receivables	2,032	3,860
	2,670	4,263

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Note 9. Trade and other receivables (continued)

Allowance for expected credit losses

The Group has recognised a loss of \$0.3m (2019: \$0.1m) in profit or loss in respect of the expected credit losses for the year ended 28 June 2020. The recoverability of trade and other receivables at 28 June 2020 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues were noted. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

	Consolidated	
	2020 \$'000	2019 \$'000
Current	12	-
30 to 60 days	30	-
60 to 90 days	252	69
90 days and over	60	13
Allowance for expected credit loss	354	82

Movement of allowance for expected credit loss

	2020 \$'000	2019 \$'000
<i>Allowance for expected credit loss</i>		
Carrying amount at the start of the period	82	133
Additional allowance recognised	324	220
Amount used	(52)	(271)
Carrying amount at the end of the period	354	82

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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Note 10. Inventories

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Inventories on hand at lower of cost and net realisable value	38,073	19,353

Accounting policy for inventories

Finished goods are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method and include purchase and delivery costs, net of rebates and discounts received or receivable. 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.

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. The allowances against inventory are recognised to account for obsolescence, the expected sales below cost and inventory expected to be lost through shrinkage. In recognising the allowance for inventory, judgement has been applied by considering a range of factors including historical loss-making sales, historical inventory shrinkage trends, inventory ageing, seasonality, and product lifecycle.

Note 11. Other assets

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Prepayments	800	859
Right of return assets	1,462	464
Total other assets	2,262	1,323

Accounting policy for right of return assets

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

Note 12. Plant and equipment

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	23,070	23,766
Less: Accumulated depreciation	(14,126)	(14,460)
Total plant and equipment	8,944	9,306

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Note 12. Plant and equipment (continued)

Reconciliations

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

Consolidated	Total plant and equipment \$'000
Balance at 2 July 2018	6,684
Transfer between asset classes - prior year	(110)
Adjustment to assets held for sale	992
Additions	4,936
Depreciation expense	(3,149)
Impairment write-back	82
Exchange differences	(129)
Balance at 1 July 2019	9,306
Additions	3,283
Depreciation expense	(2,966)
Accelerated depreciation	(948)
Impairment write-back	283
Exchange differences	(14)
Balance at 28 June 2020	8,944

Accelerated depreciation

During the current period, the Group closed a number of stores. The carrying value of these stores was extinguished to nil through accelerated depreciation.

Accounting policy for plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment (excluding land) over their expected useful lives, which range from 2 to 10 years.

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

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

Impairment of assets

Plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

Numerous stores were selected for testing at year-end and the calculations confirmed that there was no impairment (2019: nil).

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Note 13. Intangibles

	Consolidated 2020 \$'000	2019 \$'000
<i>Non-current assets</i>		
Goodwill - at cost	22,466	10,095
Brand Value - at cost	12,691	2,547
Other intangible assets - at cost	6,085	3,855
Less: Other intangibles - accumulated amortisation	(3,154)	(1,344)
	2,931	2,511
Customer relationships - at cost	1,453	-
Less: Customer relationships - accumulated amortisation	(348)	-
	1,105	-
Total intangibles	39,193	15,153

Reconciliations

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

Consolidated	Goodwill \$'000	Brand Value \$'000	Other intangibles \$'000	Customer relationships \$'000	Total intangibles \$'000
Balance at 2 July 2018	10,095	-	-	-	10,095
Transfer between asset classes	-	-	110	-	110
Additions	-	2,547	3,145	-	5,692
Exchange differences	-	-	131	-	131
Amortisation expense	-	-	(875)	-	(875)
Balance at 1 July 2019	10,095	2,547	2,511	-	15,153
Additions through business combinations (note 33)	12,601	10,319	-	1,453	24,373
Additions	-	-	2,247	-	2,247
Amortisation expense	-	-	(1,867)	(348)	(2,215)
Exchange differences	(230)	(175)	40	-	(365)
Balance at 28 June 2020	22,466	12,691	2,931	1,105	39,193

Accounting policy for intangible assets

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

Goodwill

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

Brand

Brand is recognised on acquisition of brand assets. Brand assets have been determined to be indefinite life intangibles and is not amortised. Brand is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on brand are taken to profit or loss and are not subsequently reversed.

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Note 13. Intangibles (continued)

Customer relationships

Acquired customer relationships are carried at original cost based on independent valuation obtained at the date of acquisition less accumulated amortisation. They are amortised on a straight-line basis over a useful life of 3 years. The estimated useful life and amortisation period is reviewed at the end of each annual reporting period.

Other intangible assets

Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 4 years.

Significant costs associated with software are deferred and amortised on a diminishing value basis over the period of their expected benefit, being their finite life of 2-4 years.

Impairment

Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether there are any indicators of impairment. 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 purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units.

Goodwill assessment

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units (CGUs) to which the goodwill has been allocated. These calculations reflect an estimated cash flow projection based on a five-year forecast and requires the use of assumptions, including estimated discount rates; growth rates of estimated future cash flows; and terminal growth rates. The CGU for goodwill is assessed at a consolidated Group level, in line with the one operating segment used in its reporting. This is consistent with the prior year assessment.

The discounted cash flow valuations were calculated using projected five-year future cash flows based on Board approved business plans. Business plans are modelled assuming like for like sales growth based on historical performance considering changing market conditions.

The discount rates used in the value-in-use calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGUs. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rate applied in the current year value-in-use model: 9.7% (2019: 10.1%). A terminal growth rate of 2.0% (2019: 2.0%) has been assumed in the value-in-use calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculations confirmed that there was no impairment of goodwill (2019: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amount to exceed its recoverable amount.

Brand assessment

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

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Note 13. Intangibles (continued)

The five-year revenue forecast was based on Board approved business plans. Business plans are modelled assuming like for like sales growth based on historical performance taking into account changing market conditions. The royalty rates used in the valuation model were based on rates observed in the market.

The discount rates used in the calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGUs. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rate applied in the current year model: 9.7%. A terminal growth rate of 2.0% has been assumed in the calculation and reflects the long-term growth expectations beyond the five-year forecast horizon. The royalty rate applied ranged from 1.5% to 3.0%, taking into account the range observed in the market.

The other Brand intangible is related to Hips & Curves. In FY2019 the Group acquired select assets of CMI Enterprises LLC trading as Hips & Curves, a US based plus-size online retailer, for cash consideration of US\$2.0m. Brand value of A\$2.5m was recognised per management assessment.

Determining whether brand is impaired requires an estimation of the value-in-use of the CGUs to which the brand has been allocated. These calculations reflect an estimated cash flow projection based on a five-year forecast and requires the use of assumptions, including estimated discount rates; growth rates of estimated future cash flows; and terminal growth rates.

The discounted cash flow valuations were calculated using projected five-year future cash flows based on Board approved business plans. Business plans are modelled assuming like for like sales growth based on historical performance taking into account changing market conditions.

The discount rates used in the value-in-use calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGUs. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rate applied in the current year value-in-use model: 9.7% (2019: 10.1%). A terminal growth rate of 2.0% (2019: 3.0%) has been assumed in the value-in-use calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculation confirmed that there was no impairment of either Brand (2019: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID-19, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amount to exceed its recoverable amount. The expected continued promotion and marketing of the various brands supports the assumption that the brand has an indefinite life.

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Note 14. Leases

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Non-current assets</i>		
ROU assets	31,535	-
Less: Accumulated depreciation	(9,283)	-
Total ROU assets	22,252	-
<i>Current liabilities</i>		
Lease liabilities	9,193	-
<i>Non-current liabilities</i>		
Lease liabilities	17,998	-
Total lease liabilities	27,191	-

The consolidated entity leases land and buildings for its office and retail outlets under agreements of between 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The Group has applied practical expedient per *COVID-19-Related Rent Concessions (Amendment to AASB 16)* and recognised the effect of the rent concession in the profit and loss statement where applicable and have not accounted for COVID-19 related rent concessions as lease modifications.

The lease liability recognised by the Group represents the present value of future lease payments owing to the lessor.

The Group leases office equipment under agreements of less than 5 years. These leases are either short-term or low value, so have been expensed as incurred and not capitalised as ROU assets.

Reconciliations

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

	Consolidated	Total ROU assets \$'000
Balance at 30 June 2019		-
ROU assets recognised at 1 July 2019		30,129
Balance at 1 July 2019		30,129
Additions		6,638
Disposals		(5,232)
Depreciation expense		(11,723)
Accumulated depreciation on disposals		2,440
Balance at 28 June 2020		22,252
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on ROU assets	11,723	-
Interest expense on lease liabilities	733	-

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link rental payments to store cash flows and reduce fixed cost.

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Note 14. Leases (continued)

Accounting policy for ROU assets

Refer to description of accounting policy in Note 1. Significant accounting policies (New or amended Accounting Standards and Interpretations adopted).

Accounting policy for lease liabilities

Refer to description of accounting policy in Note 1. Significant accounting policies (New or amended Accounting Standards and Interpretations adopted).

Note 15. Trade and other payables

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	15,737	10,622
Other payables	21,791	14,900
Total trade and other payables	37,528	25,522

Refer to Note 26 for further information on financial instruments.

Accounting policy for trade and other payables

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

Note 16. Borrowings

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Non-current liabilities</i>		
Bank loans	17,500	-
<i>Finance costs</i>		
Interest expense on bank loans	590	-

Refer to Note 26. Financial Instruments for further information.

At 28 June 2020, the Group had non-current outstanding borrowings of \$17.5m with maturity in February 2023 (30 June 2019: nil).

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Note 16. Borrowings (continued)

Financing arrangements

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

	Consolidated	
	2020 \$'000	2019 \$'000
Total facilities		
Corporate credit card	1,007	1,500
Bank loans	40,000	15,000
Bank guarantee	-	96
	41,007	16,596
Used at the reporting date		
Corporate credit card	72	243
Bank loans	17,500	-
Bank guarantee	-	96
	17,572	339
Unused at the reporting date		
Corporate credit card	935	1,257
Bank loans	22,500	15,000
Bank guarantee	-	-
	23,434	16,257

Accounting policy for borrowings

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

Note 17. Provisions

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Employee benefits	2,203	2,285
Lease make good	501	372
Onerous contracts	559	777
Sales return provision	3,087	1,299
Stepped lease provision	-	338
Total provisions - current	6,350	5,071
<i>Non-current liabilities</i>		
Employee benefits	339	297
Onerous contracts	436	1,560
Stepped lease provision	-	84
Total provisions - non-current	775	1,941
Total provisions	7,125	7,012

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Note 17. Provisions (continued)

Movements in provisions

Movements of provision during the current financial period, other than employee benefits, are set out below:

Consolidated - 2020	Lease makegood \$'000	Onerous contracts \$'000	Sales return provision \$'000	Stepped lease provision \$'000	Total \$'000
<i>Current provisions</i>					
Carrying amount at the start of the period					
	372	777	1,299	338	2,786
Amounts derecognised on adoption of AASB 16	-	(777)	-	(338)	(1,115)
Recognised on business combinations (note 33)	-	1,266	2,634	-	3,900
Additional provisions recognised	602	-	19,343	-	19,945
Amounts used	(473)	(707)	(20,189)	-	(21,369)
Carrying amount at the end of the period	501	559	3,087	-	4,147
<i>Non-current provisions</i>					
Carrying amount at the start of the period					
	-	1,560	-	84	1,644
Amounts derecognised on adoption of AASB 16	-	(1,560)	-	(84)	(1,644)
Recognised on business combinations (note 33)	-	436	-	-	436
Additional provisions recognised	-	-	-	-	-
Amounts used	-	-	-	-	-
Carrying amount at the end of the period	-	436	-	-	436

Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Lease makegood

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Onerous contracts

Current year balance represents onerous contracts entered into on acquisition of Avenue online assets. Prior year balance represented the present value of the estimated costs for unutilised space at the head office premises. Refer to Note 14. Leases impact of AASB 16 adoption.

Sales return provision

The sales return provision represents managements' best estimate of the future outflow of economic benefits in respect of products sold. The provision is estimated based on historical sales claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Stepped lease provision

The stepped lease provision represents the difference between the contract rental charge and that paid over the lease term. Refer to Note 14. Leases impact of AASB 16 adoption.

Accounting policy for employee benefits provisions

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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Note 17. Provisions (continued)

Other long-term employee benefits

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

Defined contribution superannuation expense

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

Note 18. Other liabilities

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Current liabilities</i>		
Deferred lease incentives	-	761
Contract liabilities - customer loyalty points	77	-
	77	761
<i>Non-current liabilities</i>		
Deferred lease incentives	-	1,875
Total other liabilities	77	2,636

Accounting policy for contract liabilities – customer loyalty points

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to convert points into gift certificates to use on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed when they expire after 12 months.

Accounting policy for deferred lease incentives

Deferred lease incentives were derecognised on adoption of AASB 16, refer description of accounting policy in Note 1. Significant accounting policies (New or amended Accounting Standards and Interpretations adopted).

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Note 19. Cash flow information

Reconciliation of profit after income tax to net cash used in continuing operating activities

	Consolidated	
	2020 \$'000	2019 \$'000
Profit after income tax (expense)/benefit from continuing operations	9,160	14,265
Adjustments for:		
Depreciation, amortisation, and impairment	17,568	3,942
Net gain on disposal of plant and equipment	-	(851)
Share-based payments	2,805	1,080
Discontinued operations	3,102	1,181
Finance costs on lease liabilities and make good provision	746	-
Business combinations	1,285	-
Foreign exchange and other differences	774	926
Change in operating assets and liabilities:		
Increase in trade and other receivables	(499)	(549)
Increase in inventories	(18,720)	(3,534)
Increase in other assets	(939)	-
Decrease in income tax refund due	-	15
Decrease/(increase) in deferred tax assets	3,396	(6,670)
Increase/(decrease) in trade and other payables	12,007	(18,755)
(Decrease)/increase in provision for income tax	(3,014)	5,544
Increase/(decrease) in other provisions	113	(2,167)
(Decrease)/increase in other liabilities	(2,559)	1,739
Net cash from continuing operating activities	25,225	(3,834)

Reconciliation of liabilities arising from financing activities

	2019	Cash flows	Non-cash changes		2020
			Acquisitions	New leases	
Long-term borrowings	-	17,500	-	-	17,500
Lease liabilities	-	(11,588)	-	38,779	27,191
Total liabilities from financing activities	-	5,912	-	38,779	44,691

Note 20. Share-based payments

The Group's long-term incentives rewards executives for high performance and ongoing commitment over a three to five-year horizon and recognises the important role executives play in delivering the long-term growth of the Group.

The Group's long-term incentives are comprised of the Long-Term Incentive Plan (LTIP) and the Loan Funded Share Plan (LFSP). The following share-based payment arrangements were in existence during the current year:

Tranche	Grant date	Performance period end date	Share price at grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/forfeited/other	Balance at the end of the period
1	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	895,552	-	-	(113,704)	781,848
2A	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2B	13/11/2018	30/06/2021	\$1.17	35.00%	3.50%	2.12%	1,237,500	-	-	-	1,237,500
2C	13/11/2018	30/06/2023	\$1.17	35.00%	3.50%	2.12%	2,475,000	-	-	-	2,475,000
Total Performance Rights							5,845,552	-	-	(113,704)	5,731,848
3	21/11/2019	30/06/2024	\$2.68	35.00%	N/A	2.12%	-	7,533,448	-	-	7,533,448
3	03/03/2020	30/06/2024	\$2.79	35.00%	N/A	2.12%	-	667,464	-	-	667,464
Total Loan Funded Shares							-	8,200,912	-	-	8,200,912

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Note 20. Share-based payments (continued)

LTIP Tranches

Vesting conditions of the LTIP tranches are set out below.

Tranche 1

Vesting Condition 1	Continued service to August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's earnings per share before tax (EPS) during the three years to June 2021 in accordance with the following schedule:

EPS CAGR across the Tranche 1 Performance Period	Proportion of Tranche 1 Performance Rights held that will satisfy Vesting Condition 2
Below 5.0%	Nil
5.0%	25%
5.0% ≤ EPS CAGR ≤ 20.0%	Straight line pro-rata vesting between 25% and 100% (inclusive)
Tranche 2A	

Vesting Condition	Continued service to August 2021, with no holding lock on resulting shares.
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Tranche 2B

Vesting Condition 1	Continued service to August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2021	Proportion of Tranche 2B Performance Rights held that will satisfy Vesting Condition 2
Below \$0.0975 (1.3 x FY202018 EPS)	Nil
\$0.0975 ≤ EPS < \$0.1050 (1.4 x FY202018 EPS)	50%
EPS ≥ \$0.1050	100%

Tranche 2C

Vesting Condition 1	Continued service to August 2023, with no holding lock on resulting shares.
Vesting Condition 2	Group EPS performance in accordance with the following schedule:

Group EPS for the year to 30 June 2023	Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2
Below \$0.1125 (1.5 x FY202018 EPS)	Nil
\$0.1250 ≤ EPS < \$0.1200 (1.6 x FY202018 EPS)	50%
\$0.1200 ≤ EPS < \$0.1275 (1.7 x FY202018 EPS)	75%
EPS ≥ \$0.1275	100%

LFSP Tranche

During the current year, the Group established the 2019 Employee Share Plan approved by shareholders at the Annual General Meeting on 21 November 2019.

The plan was introduced following a review of existing remuneration arrangements of the Group. The purpose of the plan is to further align the incentive arrangements for the executive team and the Group's success.

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Note 20. Share-based payments (continued)

The key terms of the LFSP are listed as follows:

- Loan funded (LF) shares are issued at the Company's share price on the ASX at the time of issue.
- The Company advances money to pay for the subscription price of the LF Shares (Loan).
- The Loan has an interest payable of 1.9% and is repayable on the earlier of cessation of employment (6 or 12 month grace periods may be applied) or 7 years from the agreement by the Board to issue LF Shares under the Plan (Vesting period is 5 years to 30 June 2024).
- The Company's recourse in the event it seeks to recover the Loan is limited to the LF Shares. Where a Participant does not repay the Loan by the repayment date, the Participant is deemed to have agreed to sell to the Company pursuant to an employee share scheme buy-back, that number of LF shares required to repay the Loan to the Company.
- The Company will apply the after-tax amount of any dividends payable in respect of a Participant's LF Shares towards repayment of the outstanding balance of the Loan.
- The LF Shares offered are subject to Vesting Conditions, which if not met, the unvested LF Shares will be forfeited and bought back by the Company at the issue price and the Loan will be deemed repaid.

Vesting conditions of the LF Shares are set out below:

Tranche 3

Vesting Condition 1	Continued service to 30 June 2024.
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's earnings per share after tax (AEPS) prescribed by the Board over the 3 year period commencing on 1 July 2019, in which case (subject to satisfaction of Vesting Period Condition) the LF shares held will vest in accordance with the following vesting scale:
AEPS 3-year CAGR from 1 July 2019	Proportion of Tranche 3 LF Shares that will satisfy Vesting Condition 2
12.5%	25%
20.0%	100%
12.5% ≤ AEPS CAGR ≤ 20.0%	Straight-line pro rata vesting between 25% and 100% (inclusive)

The LF shares issued under the Plan have been treated as 'in substance options' which have been valued using a Modified Binomial Lattice option pricing model which allows for varying exercise price. The resulting value is amortised over the vesting period on a probability adjusted basis. The total expense recorded for the period was \$0.8m.

Accounting policy for share-based payments

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

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

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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

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Note 20. Share-based payments (continued)

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether that market condition has been met, provided all other conditions are satisfied.

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

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

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

Note 21. Issued capital

	2020 Shares	Consolidated 2019 Shares	2020 \$'000	2019 \$'000
Ordinary shares - fully paid	200,437,033	192,236,121	71,191	49,139
Less: Loan funded shares	(8,200,912)	-	(22,052)	-
Total issued capital	192,236,121	192,236,121	49,139	49,139

Movements in ordinary share capital

Details	Issue Date	Shares	Issue price	\$'000
Balance at 2 July 2018		192,236,121		49,139
Balance at 30 June 2019		192,236,121		49,139
Issue of Loan funded share plan at \$2.68 per share	21 November 2019	7,533,448	\$2.68	20,190
Issue of Loan funded share plan at \$2.79 per share	3 March 2020	667,464	\$2.79	1,862
Loan funded shares		(8,200,912)		(22,052)
Balance at 28 June 2020		192,236,121		49,139

Ordinary shares

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

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

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Note 21. Issued capital (continued)

Loan funded shares

During the current financial period, 8,200,912 loan funded shares were issued as part of the Company's 2019 Employee Share Plan approved by shareholders at the Annual General Meeting on 21 November 2019. The participants are granted a loan by the company to purchase the beneficial interest in shares. These are limited recourse loans to the participants and any dividends received in respect of the loan funded shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. The shares held by the company have been deducted from equity as shares are held in trading lock until vesting in line with accounting standards.

Share buy-back

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

Capital risk management

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

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

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

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

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

Accounting policy for issued capital

Ordinary shares are classified as equity.

Note 22. Reserves

	Consolidated	
	2020 \$'000	2019 \$'000
Foreign currency reserve	(1,758)	(1,389)
Share-based payments reserve	3,947	1,141
Total reserves	2,189	(248)

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the cost of share-based payments on the Group's employee incentive schemes.

City Chic Collective Limited
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Note 22. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial period are set out below:

Consolidated	Share-based payments reserve \$'000	Hedging reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 2 July 2018	61	88	(1,196)	(1,047)
Revaluation - gross	-	(88)	(193)	(281)
Share-based payments expense	1,080	-	-	1,080
Balance at 1 July 2019	1,141	-	(1,389)	(248)
Foreign currency translation	-	-	(369)	(369)
Share-based payments expense	2,806	-	-	2,806
Balance at 28 June 2020	3,947	-	(1,758)	2,189

Note 23. Retained earnings/(accumulated losses)

	Consolidated	
	2020	2019
	\$'000	\$'000
Accumulated losses at the beginning of the financial period	(4,625)	(10,991)
Adjustment for implementation of AASB 16 (note 1)	413	-
Accumulated losses at the beginning of the financial period - adjusted for the impact of adoption of AASB 16	(4,212)	(10,991)
Profit after income tax (expense)/benefit for the period	9,657	15,978
Dividends paid (note 25)	(2,884)	(9,612)
Retained earnings/(accumulated losses) at the end of the financial period	2,561	(4,625)
	Consolidated	
	2020	2019
	\$'000	\$'000
Retained earnings at the end of the financial period comprises		
Loss reserve ¹	(10,991)	(10,991)
Retained earnings	13,552	6,366
	2,561	(4,625)

Note 24. Earnings per share

	Consolidated	
	2020	2019
	\$'000	\$'000
<i>Earnings per share for profit from continuing operations</i>		
Profit after income tax attributable to the owners of City Chic Collective Limited	9,160	14,265
	Cents	Cents
Basic earnings per share	4.8	7.4
Diluted earnings per share	4.7	7.4

¹ Accumulated losses as at 1 July 2018 of \$(11.0m) were transferred to a Loss reserve.

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Note 24. Earnings per share (continued)

	Consolidated 2020 \$'000	2019 \$'000
<i>Earnings per share for profit/(loss) from discontinued operations</i>		
Profit/(loss) after income tax attributable to the owners of City Chic Collective Limited	<u>497</u>	<u>1,713</u>
	Cents	Cents
Basic earnings per share	0.3	0.9
Diluted earnings per share	0.3	0.9
	Consolidated 2020 \$'000	2019 \$'000
<i>Earnings per share for profit</i>		
Profit after income tax attributable to the owners of City Chic Collective Limited	<u>9,657</u>	<u>15,978</u>
	Cents	Cents
Basic earnings per share	5.1	8.3
Diluted earnings per share	5.0	8.3
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	192,236,121	192,236,121
Adjustments for calculation of diluted earnings per share:		
Adjustments for performance rights	<u>2,812,659</u>	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>195,048,780</u>	<u>192,236,121</u>

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of City Chic Collective Limited, 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 financial period.

Diluted earnings per share

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

Note 25. Dividends

Dividends

Dividends paid during the financial period and prior period were as follows:

	Consolidated 2020 \$'000	2019 \$'000
Interim ordinary dividend for the period (2019: 2.5 cents per ordinary share)	-	4,806
Special dividend for the period (2019: 2.5 cents per ordinary share)	-	4,806
Final dividend for the period (2019: 1.5 cents per ordinary share)	<u>2,884</u>	-
Total dividends	<u>2,884</u>	<u>9,612</u>

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Note 25. Dividends (continued)

Franking credits

	Consolidated	
	2020 \$'000	2019 \$'000
Franking credits available at the reporting date based on a tax rate of 30%	49,083	43,849
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	2,464	5,544
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>51,547</u>	<u>49,393</u>

	Consolidated	
	2020 \$'000	2019 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>51,547</u>	<u>49,393</u>

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:

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

Accounting policy for dividends

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

Note 26. Financial instruments

Financial Assets and Liabilities:

Amounts are accounted for at amortised cost and shown at approximate fair values below:

	Consolidated	
	2020 \$'000	2019 \$'000
Financial assets		
Cash and cash equivalents	21,382	23,214
Trade and other receivables	5,073	4,574
	<u>26,455</u>	<u>27,788</u>
Financial liabilities		
Trade and other payables	37,528	25,522
Borrowings	17,500	-
Lease liabilities	27,191	-
	<u>82,219</u>	<u>25,522</u>

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

The current disruptions to the market caused by the COVID-19 outbreak have also been taken into while assessing these risks.

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Note 26. Financial instruments (continued)

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

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged from the 2019 Annual Report.

In order to maintain or adjust the capital structure, the consolidated entity manages the level of debt that is prudent, facilitates the execution of the operational plan and provides flexibility for growth while managing the amount of equity and expectation of return for dividends.

The consolidated entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. Formal notification of this compliance is confirmed on a quarterly basis.

The capital structure of the consolidated entity consists of net cash (cash and cash equivalents as detailed in Note 8. Cash and cash equivalents, less borrowings as detailed in Note 16. Borrowings) and equity of the consolidated entity (comprising issued capital, reserves and accumulated losses as detailed in Notes 21. Issued Capital, Note 22. Reserves and Note 23. Retained earnings/(accumulated losses)).

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In FY2020 approximately 40% of Group revenue was in USD from its US operations and the consolidated entity was able to source a similar corresponding amount of its inventory also in USD. This natural hedge meant the Group was not required to hedge its foreign exchange exposure. Management monitors this natural hedge on an ongoing basis to ensure that the exposure to foreign exchange is acceptable.

At 28 June 2020, if AUD to foreign currency rates had changed by +/- 10% from the year-end rates with all other variables held constant, the impact on pre-tax profit for the year would have been \$0.6m lower/higher. (2019: \$0.4m lower/higher).

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The Group has exposure to interest rate risk on the long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

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Note 26. Financial instruments (continued)

As at the reporting date, the consolidated entity had the following variable rate borrowings:

Consolidated	2020		2019	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	0.790%	21,382	1.650%	23,214
Borrowings	2.886%	(17,500)	-	-
Net exposure to cash flow interest rate risk		<u>3,882</u>		<u>23,214</u>

At 28 June 2020, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables held constant, the impact on post-tax profit for the year would have been \$0.1m higher/lower (2019: \$0.02m higher/lower).

Credit risk

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

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The consolidated entity has a credit risk exposure with trade receivables, which as at 28 June 2020 owed the consolidated entity \$2.7m (2019: \$4.3m). There are no guarantees against this receivable, but management closely monitors the receivable balance monthly and is in regular contact with its customers to mitigate risk. The Group has recognised a loss of \$0.3m (2019: \$0.1m) in profit or loss in respect of the expected credit losses for the year ended 28 June 2020. The recoverability of trade and other receivables at 28 June 2020 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues were noted.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity, and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Prudent liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Inventory management methods and established supplier relationships assist management to prepare rolling forecasts of the consolidated entity's cash flow requirements to monitor the liquidity position and optimise its cash return on investments. Typically the consolidated entity ensures that it has sufficient cash on demand to meet expected operational expenses for the period of 12 months, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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Note 26. Financial instruments (continued)

At balance date, bank loan facilities totalling \$40.0m was available to the Group (30 June 2019: \$15.0m). Management monitors rolling forecasts of the consolidated entity's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents based on expected cash flows. This is generally carried out at local level in the operating companies of the consolidated entity in accordance with practice and limits set by the consolidated entity. These limits vary by location to consider the liquidity of the market in which the entity operates. In addition, the consolidated entity's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2020 \$'000	2019 \$'000
Corporate credit card	935	1,257
Bank loans	22,500	15,000
	<u>23,435</u>	<u>16,257</u>

Remaining contractual maturities

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

Consolidated - 2020	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	37,528	-	-	-	37,528
<i>Interest-bearing - variable</i>						
Bank loans	2.886%	-	-	17,500	-	17,500
Undiscounted lease liabilities	3.000%	9,310	7,364	10,669	1,072	28,415
Total non-derivatives		<u>46,838</u>	<u>7,364</u>	<u>28,169</u>	<u>1,072</u>	<u>83,443</u>

The lease liabilities include holdover assumptions in addition to contractually obligated periods, as disclosed in Note 14. Leases.

Consolidated - 2019	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	25,522	-	-	-	25,522
Total non-derivatives		<u>25,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,522</u>

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

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Note 26. Financial instruments (continued)

Fair value of financial instruments

This note provides information about how the consolidated entity determines fair values of various financial assets and financial liabilities.

Fair values of financial instruments are categorised by the following levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The consolidated entity has financial assets and liabilities which are measured at fair value at the end of each reporting period.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of receivables, trade and other payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 27. Key management personnel disclosures

Directors

The following persons were directors of City Chic Collective Limited during the financial period:

Michael Kay	Chairman and non-executive director
Michael Hardwick	Non-executive director
Megan Quinn	Non-executive director
Phil Ryan	Chief Executive Officer and Managing Director

Other key management personnel

The following persons also had the authority and responsibility for planning, directing, and controlling the major activities of the consolidated entity, directly or indirectly, during the financial period:

Munraj Dhaliwal	Chief Financial Officer
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Compensation

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

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	1,401,013	1,987,732
Post-employment benefits	69,741	83,885
Long-term benefits	90,834	197,978
Termination benefits	-	20,023
Share-based payments	1,314,982	605,489
Total compensation	2,876,570	2,895,107

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Note 27. Key management personnel disclosures (continued)

Shareholding

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

	Balance at the start of the period	Additions during the period	Disposals during the period	Other movements	Balance at the end of the period
<i>Directors' shareholding</i>					
Ordinary shares:					
Michael Kay	509,914	100,000	-	-	609,914
Michael Hardwick	495,000	-	-	-	495,000
Phil Ryan	124,000	-	-	-	124,000
Total	1,128,914	100,000	-	-	1,228,914
<i>Other key management personnel shareholding</i>					
Ordinary shares:					
Munraj Dhaliwal	80,000	-	-	-	80,000
Total	80,000	-	-	-	80,000

Note 28. Remuneration of auditors

During the financial period, the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the company, and its network firms:

	Consolidated		
	2020	2019	
	\$	\$	
<i>Auditor of the parent entity</i>			
Audit services - Deloitte Touche Tohmatsu			
Audit or review of the financial statements	390,044	318,607	
Other services - Deloitte Touche Tohmatsu			
Agreed upon procedures including review of covenant calculations	10,920	5,200	
Tax compliance services including review of company income tax returns	-	20,000	
Tax advisory services	-	104,460	
Total remuneration - auditor of parent entity	400,964	448,267	
<i>Network firms of the parent entity auditor</i>			
Audit services - network firms			
Audit or review of the financial statements	-	7,885	
Other services - network firms			
Tax compliance services including review of company income tax returns	8,260	56,199	
Tax advisory services	8,740	32,335	
Total remuneration - network firms of the parent entity auditor	17,000	96,419	
Total remuneration	417,964	544,686	

It is the consolidated entity's policy to employ Deloitte on assignments additional to their statutory audit duties where Deloitte's expertise and experience with the consolidated entity are important. These assignments are principally tax advice and other advisory services, or where Deloitte is awarded assignments on a competitive basis. It is the consolidated entity's policy to seek competitive tenders for all major consulting projects.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 29. Contingent liabilities

The consolidated entity had contingent liabilities at 28 June 2020 in respect of:

Cross guarantees by and between City Chic Collective Limited and Specialty Fashion Group No.5 Pty Limited. These are described in Note 35. Deed of cross guarantees. No deficiencies of assets exist in any of these companies.

No material losses are anticipated in respect of any of the above contingent liabilities.

Note 30. Commitments

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	7,824
One to five years	-	10,013
More than five years	-	211
Total commitments	-	18,048

FY2019 commitments do not include rental payments which may arise in the event that sales revenue exceeds a pre-determined amount. Lease commitments includes contracted amounts for various retail outlets under non-cancellable operating leases expiring within 1 to 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

From 1 July 2019, the Group has recognised ROU assets for these leases, refer to Note 14. Leases for further information.

Note 31. Related party transactions

Parent entity

City Chic Collective Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in Note 34. Interest in subsidiaries.

Key management personnel

Disclosures relating to key management personnel are set out in Note 27. Key management personnel disclosures and the remuneration report included in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	2020 \$'000	2019 \$'000
<i>Payment for other expenses:</i>		
Services provided by Southern Cross Shopfitting, a company that is associated with the Cotton On Group, of which Michael Hardwick is a Director and the CFO ¹	2,552,160	965,129
Services provided by Southern Cross Shopfitting (NZ), a company that is associated with the Cotton On Group, of which Michael Hardwick is a Director and the CFO ²	67,386	332,249
Total related party transactions	2,619,546	1,297,378

¹ Michael Hardwick was not involved in decision making relating to Southern Cross Shopfitting and its dealings with the Group.

² Michael Hardwick was not involved in decision making relating to Southern Cross Shopfitting (NZ) and its dealings with the Group.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 31. Related party transactions (continued)

Receivable from and payable to related parties

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

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 32. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	2020 \$'000	2019 \$'000
Revenue		105,877	114,636
Expenses		<u>(100,164)</u>	<u>(94,554)</u>
Profit before income tax		5,713	20,082
Income tax expense		<u>(2,712)</u>	<u>(9,505)</u>
Profit after income tax from continuing operations		3,001	10,577
Profit after income tax from discontinued operations		369	2,050
Total profit after income tax for the year from parent entity		3,370	12,627
Other comprehensive (loss)/income		<u>(369)</u>	<u>(581)</u>
Total comprehensive income/(loss) from parent entity		<u>3,001</u>	<u>12,046</u>

Statement of financial position

	Parent	2020 \$'000	2019 \$'000
Total current assets		19,307	34,335
Total assets		120,847	81,786
Total current liabilities		33,770	31,269
Total liabilities		69,151	34,914
Equity			
Issued capital		49,139	49,139
Foreign currency reserve		(7)	(493)
Share-based payments reserve		3,947	1,141
Dividends paid		<u>(2,884)</u>	<u>(9,612)</u>
Retained profits/(accumulated losses)		<u>1,502</u>	<u>6,697</u>
Total equity		<u>51,697</u>	<u>46,872</u>

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 32. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The same guarantee disclosure applies to both parent and consolidated accounts, refer to Note 35. Deed of cross guarantee.

As at 28 June 2020, the parent entity has net current liabilities of \$14.5m (2019: net current assets of \$3.1m). This has arisen due to the classification of intercompany receivables/payables as current/non-current with whole-owned subsidiaries of the parent entity in accordance with AASB 132 *Financial Instruments: Presentation*. These intercompany balances eliminate on consolidation. Notwithstanding the classification of these balances, the parent entity is able to control the timing of the payment of these balances by virtue of its control of the respective subsidiary entities. In addition, the parent entity has raised an additional \$80m in capital subsequent to year-end (Refer to Note 36. Events after reporting period). The directors believe that the Company can meet its debts as and when they fall due.

Contingent liabilities

The above disclosure does not include contingent rental payments which may arise in the event that sales revenue exceeds a predetermined amount.

Capital commitments - plant and equipment

The parent entity had no capital commitments for plant and equipment as at 28 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

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

Note 33. Business combinations

There were no business combinations in the 52-week period ending 30 June 2019.

On 16 October 2019, the Group acquired the eCommerce assets of Avenue Stores LLC for cash consideration of US\$16.5m (AU\$24.6m) (excluding net working capital adjustments). The acquisition is part of the Group's strategy to accelerate US customer growth and expand across plus size segments. The acquisition was funded through cash and cash equivalents and a new Acquisition Facility of \$12.5m.

During the 52-week period ending 28 June 2020, the provisional accounting for the acquisition of Avenue assets was finalised.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 33. Business combinations (continued)

Details of the purchase consideration, and finalised fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	Fair value \$'000
Inventory	6,049
Customer relationships	1,453
Brand	10,319
Other assets	1,149
Deferred tax asset	2,800
Trade and other payables	(1,061)
Onerous contracts	(1,702)
Sales return provisions	(2,634)
Gift cards and customer loyalty liabilities	<u>(3,316)</u>
Net assets acquired	13,057
Goodwill	<u>12,601</u>
Acquisition-date fair value of the total consideration transferred	<u>25,658</u>
Representing:	
Amount settled in cash on acquisition	<u>25,658</u>
Acquisition costs included in the consolidated statement of comprehensive income for the reporting period	<u>1,599</u>

The goodwill is attributable to the profitability of the acquired business.

Revenue and profit contributions

The acquired business contributed revenues of \$47.6m to the Group for the period from 16 October 2019 to 28 June 2020.

Accounting policy for business combinations

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

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

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

Business combinations were initially accounted for on a provisional basis and subsequently finalised for the 52-week period ended 28 June 2020. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 34. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	Ownership interest 2019 %
Specialty Fashion Group No. 5 Pty Limited	Australia	100.0	100.0
City Chic Collective No. 1 Pty Limited	Australia	80.0	80.0
City Chic Collective No. 2 Pty Limited	Australia	100.0	100.0
Specialty Fashion Group No. 6 Pty Limited	Australia	100.0	100.0
City Chic International Pty Limited	Australia	100.0	100.0
City Chic Collective New Zealand Limited	New Zealand	100.0	100.0
Specialty Fashion Group (Shanghai) Limited Company	China ¹	-	100.0
Specialty Fashion Group South Africa (Pty) Ltd	South Africa	100.0	100.0
City Chic Collective USA Incorporated	United States	100.0	100.0
Avenue Online LLC	United States	100.0	-

Note 35. Deed of cross guarantee

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

City Chic Collective Limited
Specialty Fashion Group No.5 Pty Limited

The above companies (where incorporated in Australia) represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by City Chic Collective Limited, they also represent the 'Extended Closed Group'.

All companies in the Closed Group are dormant, except for City Chic Collective Limited. The financial results of the Closed Group are the same as the financial results of the parent entity which are disclosed in Note 32. Parent entity information.

Note 36. Events after the reporting period

The impact of COVID-19 on economic conditions and the heightened level of uncertainty is likely to have a near-to-medium term impact on the level of business activity and sales for the Group. As at the date these financial statements are authorised for issue, the Directors consider that the financial effects of any potential changes cannot be reasonably estimated for future financial periods. However, there is confidence that the measures put in place to drive cash flow generation in the last four months of FY2020 provide a strong foundation to manage future disruption and uncertainty. There is a potential that the lower levels of forecast activity may impact the future recoverability of the Group's assets, including debtors, inventory, plant and equipment and intangible assets.

While as at the date these financial statements are authorised for issue, the Directors consider that the financial effects of any potential changes cannot be reasonably estimated for future financial periods, there is confidence that the measures put in place to drive cash flow generation in the last four months of FY2020, provide a strong foundation to manage future disruption and uncertainty. There is a potential that the lower levels of forecast activity may impact the future recoverability of the group's assets, including debtors, inventory, plant and equipment and intangible assets.

The Directors continue to monitor COVID-19 related developments and are closely working with management to assess and navigate the potential implications for team members, suppliers, customers, and operations. The focus is to maintain production and supply of products and services whilst minimising the risk of spread of COVID-19 amongst our team members, our customers, and the societies in which the Group operates.

¹ Entity was dormant and deregistered during the year.

City Chic Collective Limited
Notes to the consolidated financial statements
28 June 2020

Note 36. Events after the reporting period (continued)

In early July, the Victorian State Government reinstated restrictions in relation to COVID-19 in metropolitan Melbourne. To protect the health and safety of the team and customers, City Chic temporarily closed 20 stores in Melbourne. In early August, following the escalation of the spread of the COVID-19 virus in Victoria, the remaining four stores in regional Victoria were also temporarily closed.

In mid-August 2020, an increase in the number of COVID-19 cases resulted in the New Zealand government imposing restrictions in Auckland. City Chic has temporarily closed its four stores in Auckland.

The remainder of the store portfolio in ANZ remain open and traded well in July and August. City Chic's online channel continues to operate without disruption in all geographies. The health and safety of the team and customers, as well as the guidelines provided by the government, will drive any decision on reopening of stores. On 24 July 2020, City Chic was selected as Stalking Horse Bidder and signed an asset purchase agreement (APA) for the eCommerce assets of the US-based brand Catherines, owned by Ascena Retail Group Inc (Ascena), which filed for bankruptcy on the same day. City Chic's Stalking Horse Bid includes upfront cash consideration of US\$16.0m, subject to an inventory adjustment. The APA is subject to conditions precedent, including City Chic being the highest bidder through the US bankruptcy auction process and approval by a US Bankruptcy Court. There is therefore no guarantee City Chic will be successful in its bid and the auction process may result in the purchase price being higher. If City Chic is the successful acquirer, the expected date of completion would be late in the third quarter or early fourth quarter of 2020. Further details on the Catherines business and the US bankruptcy process are included in the announcement and investor presentation released to the Australian Securities Exchange on 24 July 2020.

In combination with the announcement of the potential acquisition of the eCommerce assets of Catherines on 24 July 2020, City Chic completed a fully underwritten \$80.0m Placement of new fully paid ordinary shares to eligible professional and sophisticated institutional investors. The Placement was conducted at \$3.05 per share, resulting in 26.2 million new shares being issued, representing 13.1% of City Chic's existing issued capital. New shares issued under the Placement settled on 30 July 2020 and commenced trading on 31 July 2020.

Following the completion of the Placement, City Chic offered all eligible shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP). City Chic raised \$31.1m through the SPP, which closed on 18 August 2020. The SPP was conducted at \$3.05 per share, resulting in 10.2 million new shares being issued. The Placement and SPP together raised \$111.1m and resulted in 36.4 million new shares being issued.

Subsequent to year-end the Group has repaid its \$17.5m of debt in full, with the \$40.0m available debt facility maturing in February 2023.

No other matter or circumstance has arisen since 28 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

City Chic Collective Limited

Directors' declaration

28 June 2020

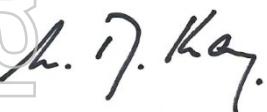
In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 28 June 2020 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 35 to the financial statements.

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

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

On behalf of the directors



Michael Kay
Chairman

27 August 2020
Sydney



Phil Ryan
Chief Executive Officer and Managing Director

City Chic Collective Limited
Corporate Governance Statement
28 June 2020

The directors are committed to the principles underpinning best practice in corporate governance, applied in a manner which is best suited to the Group and its controlled entities and to best addressing the directors' accountability to shareholders and other stakeholders.

In formulating the governance principles that guide the operations of the Group, the directors have taken into account the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations (3rd edition)*. This is supported by an overriding organisation wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

Details of the Group's Corporate Governance Statement as well as key policies and practices and the charters for the Board and each of its committees are available on the Group's website (<https://www.citychiccollective.com.au/corporate-governance>), including performance against measurable objectives. The Corporate Governance Statement will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

The Corporate Governance Statement outlines the Group's main corporate governance practices and policies in place during the 52-week period ended 28 June 2020 (unless otherwise stated) and are current as at 27 August 2020 and have been approved by the Board. The Board is comfortable that the practices are appropriate for a Company of City Chic Collective Limited's size.

City Chic Collective Limited
Shareholder information
28 June 2020

The shareholder information set out below was applicable as at 20 August 2020.

Distribution of equitable securities

Analysis of the number of ordinary shareholders by size of holding:

	Number of holders of ordinary shares	% of equity securities in this class	Number of securities
1 to 1,000	1,737	0.40	876,777
1,001 to 5,000	1,912	2.20	4,811,645
5,001 to 10,000	494	1.71	3,733,645
10,001 to 100,000	417	4.82	10,522,062
100,001 and over	63	90.87	198,521,501
	4,623	100.00	218,465,630
Holding less than a marketable parcel	153	0.00	

Analysis of the number of shareholders, holding restricted and unquoted fully Loan Funded (LF) paid ordinary shares issued pursuant to an employee incentive scheme, by size of holding:

	Number of holders of unquoted ordinary shares	% of equity securities in this class	Number of securities
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	8	100.00	8,200,912
	8	100.00	8,200,912

Analysis of the number of holders, holding restricted and unquoted performance rights issued under an employee incentive scheme, by size of holding:

	Number of holders of performance rights	% of equity securities in this class	Number of securities
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	1	0.97	55,556
100,001 and over	6	99.03	5,676,296
	7	100.00	5,731,852

City Chic Collective Limited

Shareholder information

28 June 2020

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	52,879,859	24.21
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	42,324,040	19.37
NATIONAL NOMINEES LIMITED	28,539,053	13.06
BNP PARIBAS NOMS PTY LTD	7,477,656	3.42
CITICORP NOMINEES PTY LIMITED	7,392,660	3.38
T BATSAKIS PTY LTD	7,230,000	3.31
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP>	6,026,832	2.76
NAAH PTY LTD	5,804,536	2.66
LANDPEAK PTY LTD	4,354,872	1.99
HENOCH INVESTMENTS PTY LTD	4,000,000	1.83
ICESTORM PTY LTD	3,745,288	1.71
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE>	2,772,660	1.27
ONE MANAGED INV'T FUNDS LTD	1,987,286	0.91
UBS NOMINEES PTY LTD	1,954,335	0.89
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	1,573,882	0.72
NAAH INVESTMENTS PTY LTD	1,533,215	0.70
CS THIRD NOMINEES PTY LIMITED	1,476,639	0.68
SANDHURST TRUSTEES LTD	1,111,502	0.51
BNP PARIBAS NOMINEES PTY LTD <HUB24 CUST SERV>	1,043,384	0.48
BRISPOT NOMINEES PTY LTD	926,994	0.42
	<hr/>	<hr/>
	184,154,693	84.29

Unquoted equity securities

The Company has unquoted fully paid ordinary shares issued pursuant to an employee incentive scheme, and unquoted performance rights on issue, as detailed more fully above.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
SPHERIA ASSET MANAGEMENT	16,198,366	8.08
PENDAL GROUP LIMITED	12,837,896	6.40

Voting rights

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

Ordinary shares

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

Performance Rights

Performance rights carry no voting rights.

There are no other classes of equity securities.

City Chic Collective Limited

Corporate directory

28 June 2020

Directors

Michael Kay - Chairman and non-executive director

Michael Hardwick - Non-executive director

Megan Quinn - Non-executive director

Phil Ryan - Chief Executive Officer and Managing Director

Company secretary

Marta Kielich (appointed 7 July 2020)

Mark Ohlsson (resigned 6 July 2020)

Notice of annual general meeting

The Annual General Meeting of City Chic Collective Limited will be held on:

Date: Friday, 20 November 2020

Time: 10:00 am

Registered office

151-163 Wyndham Street
Alexandria, NSW 2015
Telephone: (02) 9059 4300

Principal place of business

151-163 Wyndham Street
Alexandria, NSW 2015
Telephone: (02) 9059 4300

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000
Telephone: (02) 8280 7111
Facsimile: (02) 9287 0303

Auditor

Deloitte Touche Tohmatsu
Chartered Accountants
60 Station Street
Parramatta, NSW 2150

Bankers

National Australia Bank
255 George Street
Sydney, NSW 2000

Stock exchange listing

City Chic Collective Limited shares are listed on the Australian Securities Exchange (ASX code: CCX)

<https://www.citychiccollective.com.au>

<https://www.citychiccollective.com.au/corporate-governance>

ABN

43 057 569 169

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CITY CHIC COLLECTIVE

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