MOSAIC BRANDS LTD

2021 Annual Report

Millers Woman · NONI B · W.LANE · KATIES · rockmans · crossroads · AUTOGRAPH · beme · rivers · EZIBUY

"EVERYTHING SHE WANTS.
WHERE SHE WANTS IT.
WHEN SHE WANTS IT."

ABN: 96 003 321 579

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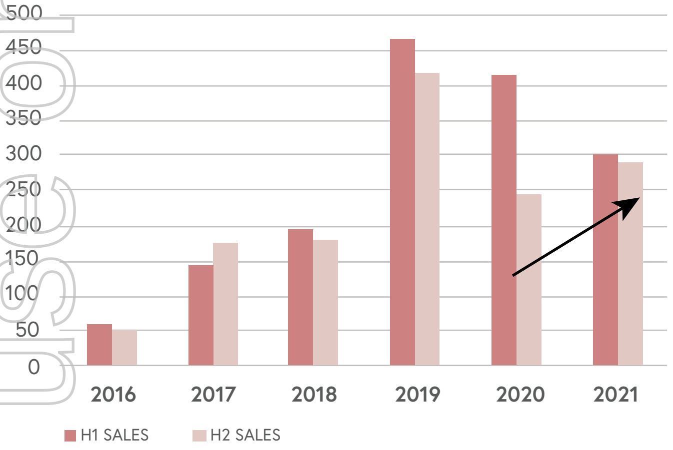

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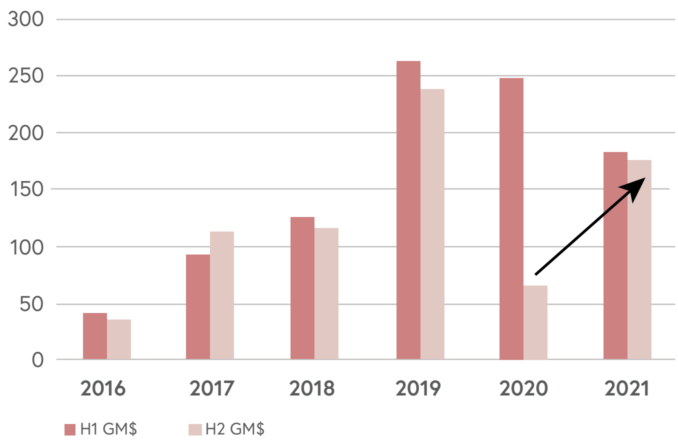

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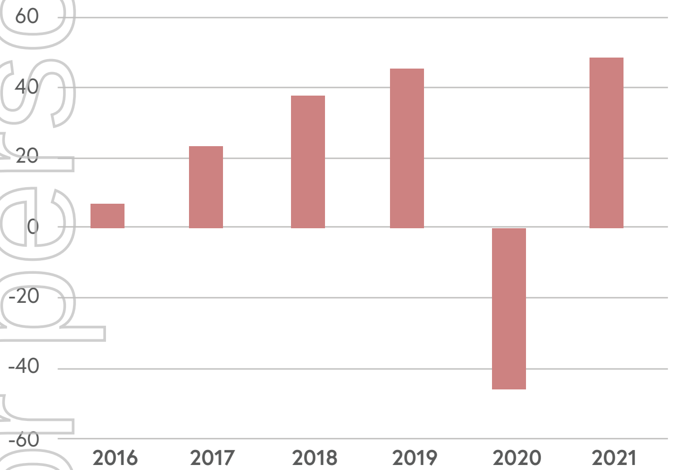

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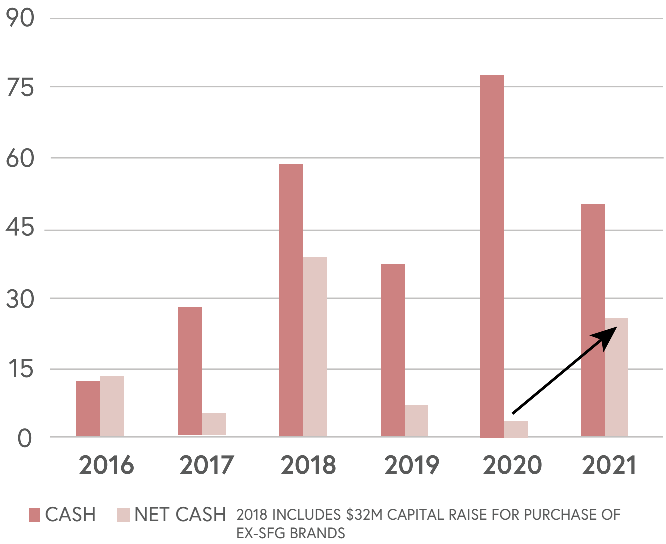
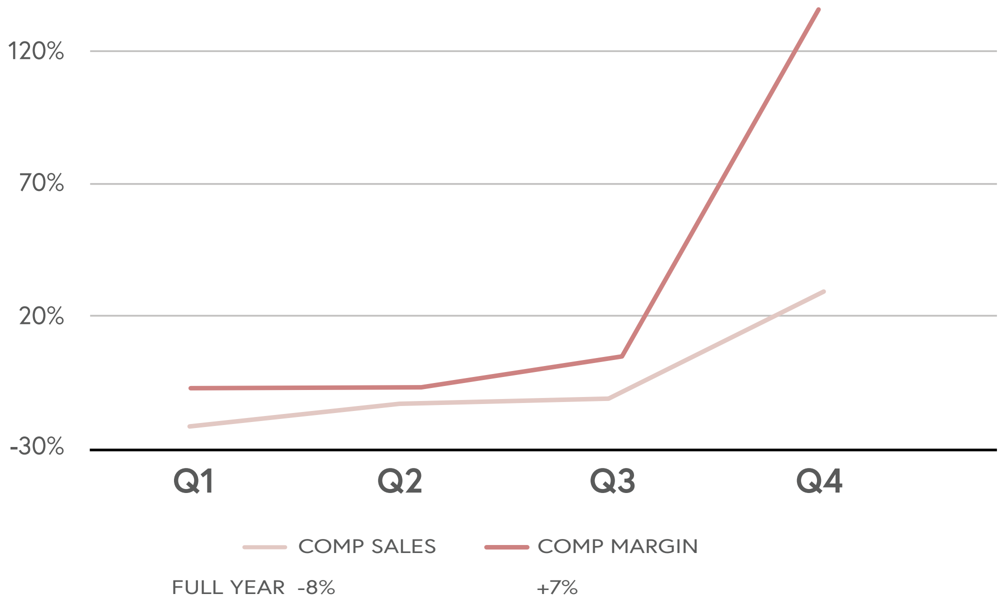


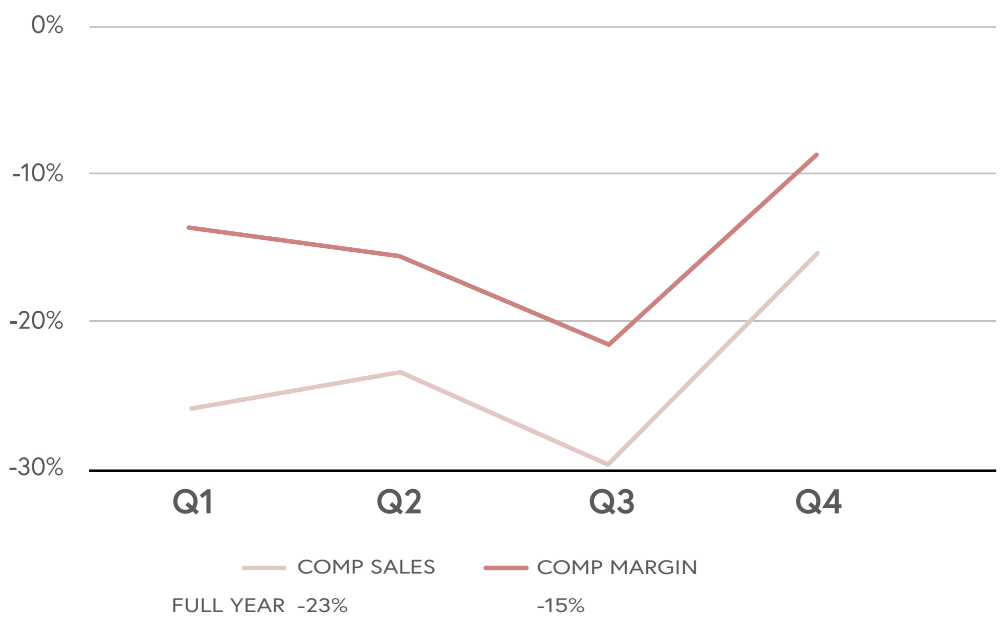
*EBITDA is a non-AASB financial measure, defined for the purposes of this document as earnings before interest, tax, depreciation, amortisation, non-recurring income/expenditure and certain non-cash items such as share based payments and unrealised foreign exchange gains/losses and excludes restructure and acquisition costs and has been adjusted to normalise the impact of AASB16 accounting treatment.

PERFORMANCE HIGHLIGHTS

COMPARABLE SALES & MARGIN VS FY20 BY QUARTER (EXCL EZIBUY)



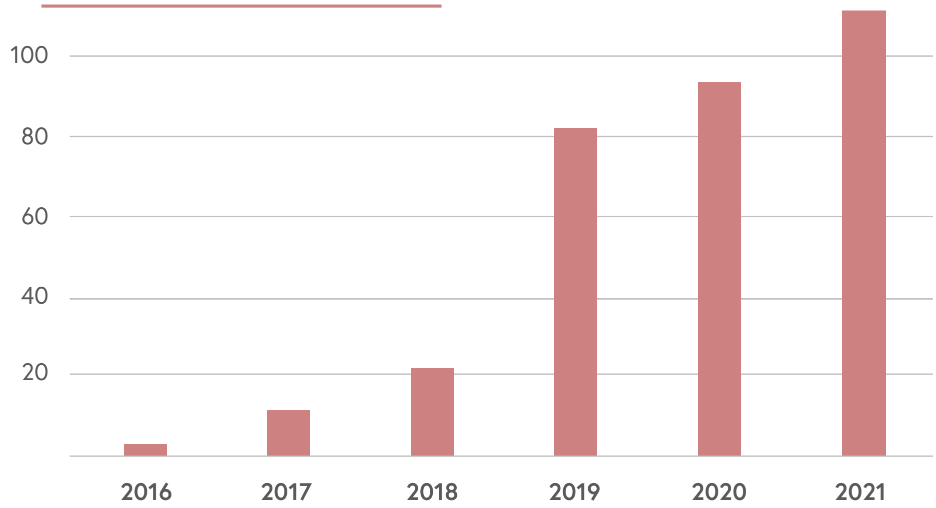
COMPARABLE SALES & MARGIN VS FY19 BY QUARTER (EXCL EZIBUY)



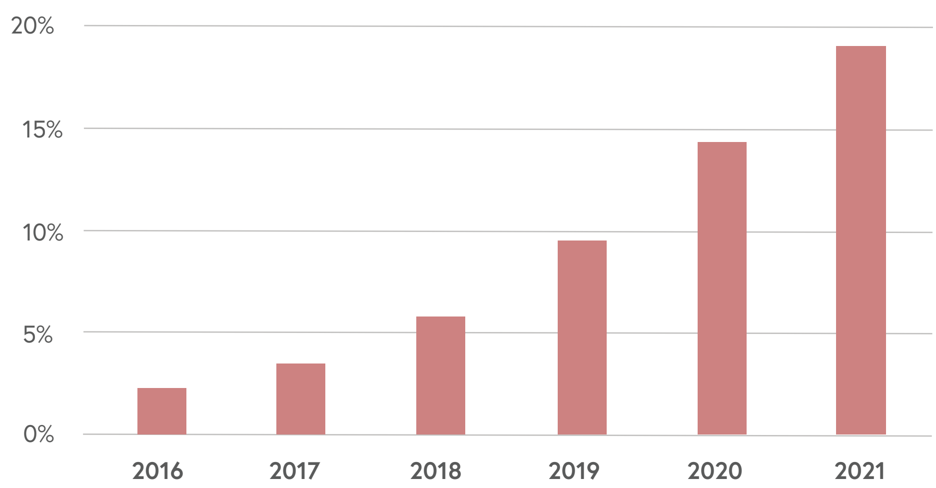
DIGITAL HIGHLIGHTS

The following charts reflect Mosaic Brand's journey since 2016

ONLINE SALES $M (EXCL. EZIBUY)

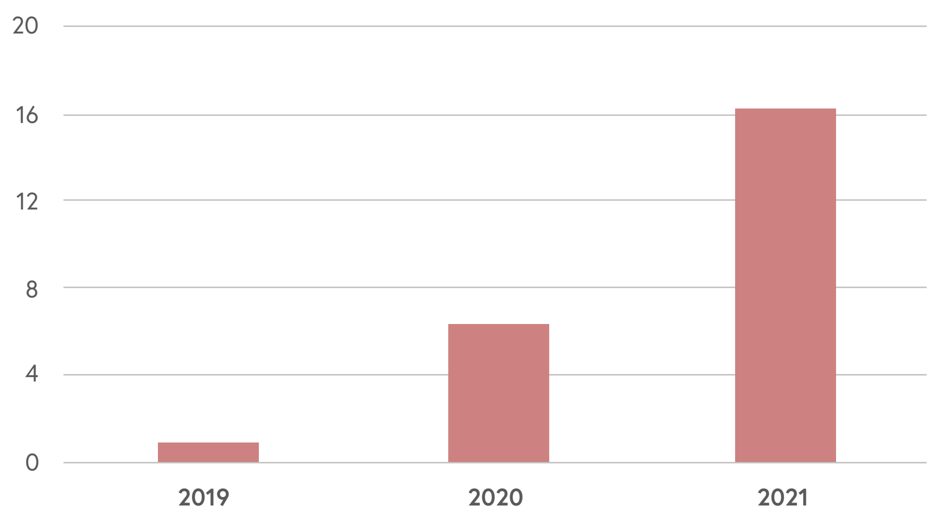


ONLINE SALES % REVENUE (EXCL. EZIBUY)

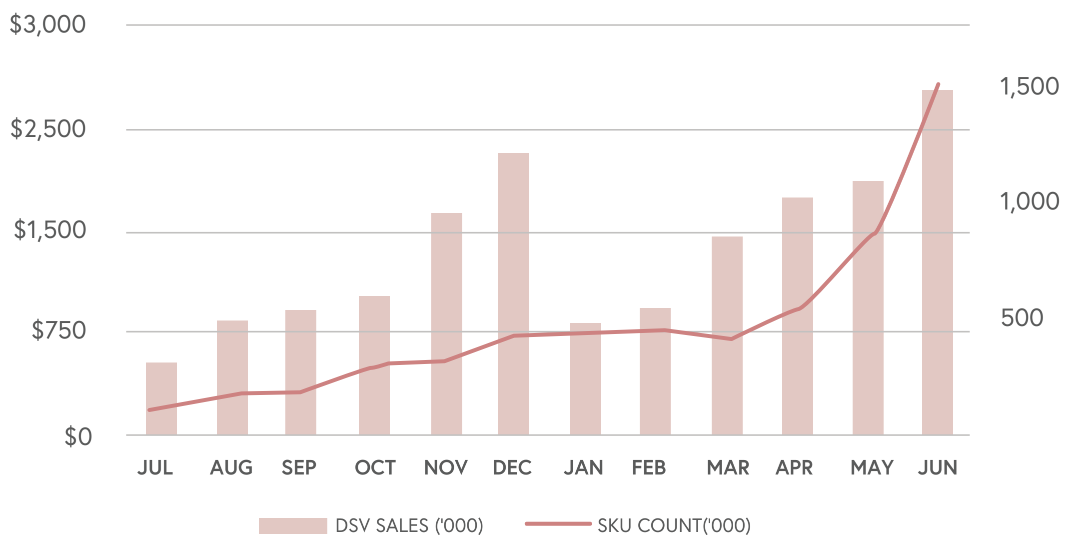


DIGITAL HIGHLIGHTS

3RD PARTY SELLER SALES $M (EXCL. EZIBUY)



FY21 3RD PARTY SELLER SALES & SKU COUNT GROWTH



CHAIRMAN'S **REPORT**

In the midst of one of the longest and most significant crises our country has faced in a generation, Mosaic Brands acted quickly and decisively. Notwithstanding the difficulties of the past year, we believe your company is well positioned for a strong future.

As Managing Director Scott Evans highlights in his report, our customers were uniquely and heavily impacted by COVID-19. So, we had to decisively respond to the ongoing challenges presented by the pandemic.

We were one of the first national retailers to shutter our stores for the health and safety of our customers and team members. In the last year, we continued to respond quickly to major lockdowns by closing stores, including, more recently, the June Delta outbreak.

As an operator of 1,091 physical stores nationally, we were also a leader in publicly addressing uncommercial and inflexible lease arrangements that the pandemic served to highlight.

Deprived of stimulus tailwinds that benefitted some other retailers, we took a series of difficult decisions within the business aimed at lifting margins, reducing stock, preserving cash and positioning the Group for the future.

In being one of the first to make and implement these decisions, your company, on occasion, found itself being scrutinised or questioned for actions that are now becoming common place in our industry.

Your Board is, however, acutely aware of the impact on shareholders after a strong and consistent record of profitability leading into the pandemic.

Directors have focussed on how, as one of the retailers most impacted by the pandemic, we can be one of the strongest to come out of it.

The foundations are in place with Group EBITDA now returning to pre-pandemic levels, with 288 fewer stores, a rapidly growing digital business, and with improving margins and lower, more efficient stock levels.

The initial surge of in-store sales from late April reflected our absolute conviction that the changes we've made and a newly confident, vaccinated customer base, would see the Group perform strongly.

The subsequent stalling and confusion around the national vaccine roll-out has been profoundly disappointing from the perspective of our customers' health and safety, and, for the ongoing impact on our financial performance.

> **"Mosaic Brands has acted quickly and decisively"**

Our focus however didn't waiver and I want to acknowedge the ongoing commitment of our Mosaic Brands team nationally in the most testing of times.

In June the Board farewelled Non-Executive Director Sue Morphet who decided to step down after seven years, which included helping guide the Group through a number of major acquisitions and transactions.

We thank Sue for her significant contribution and guidance, particularly through challenging times recently with bushfires and COVID. We wish her all the best for the future.

In FY21 the Group also launched its Modern Slavery Statement.

Global supply chains, especially in the time of a pandemic, are incredibly complex and mulitlayered.

Our commitment in this area though is resolute.

The last two financial years have presented unprecedented challenges, many of which were not in our direct control to manage.

Yet in acting decisively and with confidence we have navigated the Group through lengthy periods of store closures and community lockdowns.

The often difficult and complex decisions we've taken, including the new reforms to the business that now positions Mosaic Brands to rebound strongly in a post-pandemic retail sector.

- RICHARD FACIONI
CHAIRMAN

“We have positioned Mosaic Brands to rebound strongly in a post-pandemic retail sector”

MANAGING DIRECTOR'S **REPORT**

The last financial year saw the Group return to its history of delivering year-on-year profit growth as seen in the six successive profitable years leading into the pandemic. Achieving $48m EBITDA* (excl. EziBuy) for FY21 highlights the agility, resilience and ability that is unique to the Mosaic Group's culture.

From the outset of COVID-19, it was clear that the impact on the Group's customer segment would be profound, unique, and unavoidable.

As with FY20, we continued to prioritise the health and safety of our customers and team members by shuttering stores in all impacted areas regardless of restriction levels. Every step and every change within the business in the last financial year was not simply a reaction to the immediate challenges we faced, but rather to reset and position Mosaic Brands strongly for the post-pandemic road ahead.

Whilst continued state lockdowns and border closures, created a lack of certainty, and low sentiment to our unique customer segment, the Group continued its pinpointed focus on executing its Business Reset Programme along with delivering on its 3 pillars of growth strategy.

The focus and the execution of the reset programme over the past 12 months has improved efficiencies across the entire Group and resulted in reducing the cost of doing business by $43m (net of Jobkeeper). Further material savings as a result of the reset programme will be realised in FY22.

The Group continued to engage with landlords in reshaping our retail store rentals to the realities brought on by the pandemic. Accordingly, the Group closed 242 shops throughout the period where economical rentals could not be achieved.

Improved sourcing and superior range collections allowed the Group, as foreshadowed, to return quickly to profitability. Reduced discounting lifted margins significantly resulting in the Group achieving a record 59% margin for the year vs. 48% in the prior corresponding period (PCP) delivering $37m more in margin dollars.

This was complimented by a clean stockholding position now being normalised at $78m less than pre-COVID levels, resulting in a much improved balance sheet and delivering a net cash position of $25m vs prior year $3.6m.

$48M

EBITDA*

Our Rivers offering of well established, international branded products, at low prices, continues to deliver positively and now represents 17% of its overall stockholding.

As a shareholder of EziBuy we have worked with them to return to profitability after 2 years of losses and delivered an EBITDA of $3.7m.

Throughout the year EziBuy focused on improving its stockholding health, improved capital management and increasing its product offering. These three core elements continued to be executed which allowed the brand to have a quarter-on-quarter sales improvement as the year progressed.

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“

EVERYTHING SHE WANTS.
WHERE SHE WANTS IT.
WHEN SHE WANTS IT.

”

+$37M

ADDITIONAL GROSS MARGIN

$111M

ONLINE SALES

More widely across the Group customer confidence improved on a monthly basis throughout the second half of the year. This improvement in sentiment combined with the actions taken by the Group saw the last quarter of the financial year deliver its second most profitable 4th quarter result in its history.

Achieving comparable store growth of $23.5m (+27.9%) and comparable margin growth of $35.6m against PCP for the period and -8% comparable store growth and +7% comparable margin growth for FY21.

Neither the Group, nor its customers, were receiving Jobkeeper payments in this period and a significant segment of our customer set received few Government subsidies throughout FY21.

"EVERYTHING SHE WANTS, WHERE SHE WANTS IT, WHEN SHE WANTS IT".

Reflecting the trends occurring globally, our customers are embracing online shopping. This has resulted in the Group achieving $111m in online sales in FY21 (excl. EziBuy), growing by 19% on PCP and contributing 19% to the annual turnover.

Over the past two years the Group has continued to invest heavily in its online capabilities and logistic fulfilment functions, along with expanding its online categories and SKU offering.

Throughout FY21 SKU's grew from 150k to now over 1.5m resulting in a sales growth on non-Mosaic products of 192% achieving $16.2m (vs $5.5m PCP).

Our customers continue to embrace digital channels with almost 200k in-store only shoppers converting to multi-channel shoppers during the 12 month period, and an additional 200k new customers shopping with us online of which 50k were attracted to our sites, via our new categories of non apparel products.

+19%

ONLINE SALES GROWTH

This core growth pillar is allowing the Group to not only, increase the share of wallet of the current customer base but also attract new customers.

As customers returned in-store during the second half of the financial year and on the back of the vaccine roll-out our online sales remain strong.

Our approach is to deliver - "Everything she wants. Where she wants it. When she wants it".

OUTLOOK

The Group has not assumed that things will return to the way they were, but rather, shaped itself for a different retail sector for the years ahead.

Mosaic Brands is ready to serve a very different generation of customer, albeit one whose continued loyalty to our brands is never taken for granted.

I want to acknowledge, thank, and commend our 6,000 plus strong team who have had to manage through a challenging time for them personally and professionally.

The decisions we have taken in the last financial year have seldom been easy. They have though, been taken early, decisively and in recognising the changing needs and wants of our customers.

As such, Mosaic Brands will come out of the pandemic a fundamentally stronger business.

- SCOTT EVANS

MANAGING DIRECTOR

$16M

THIRD PARTY PRODUCT SALES

BOARD OF DIRECTORS

Joined the Board in November 2014

RICHARD FACIONI

CHAIRMAN, NON-EXECUTIVE DIRECTOR

Richard is an experienced investment professional with over 25 years' experience in private equity, principal investment, mergers and acquisitions and restructurings. Richard is founder & CEO of ACTA Capital, a boutique private equity firm that specialises in retail and consumer investments and growth capital across industries. Richard previously led the private equity practice of Alceon Group and represents Alceon's investment in Mosaic Brands. He is also Executive Chairman of Alquemie Group, a retail and consumer brands investment and growth platform. Previous roles include Managing Director of Silverfern Group, a global private equity origination and coinvestment firm where he co-led the group's activities in Australasia, Co-founder of Shearwater Capital Group, a private credit opportunities investment firm, and various roles at Macquarie Group over a career spanning 15 years, including Head of Acquisition Finance and Head of Principal Transactions Group.

QUALIFICATIONS: Bachelor of Engineering (Honours I) from the University of Sydney: Master of Business Administration from the Wharton School at the University of Pennsylvania; Graduate Member of the Australian Institute of Company Directors; Fellow of the Financial Services Institutes of Australasia (FINSIA).

SPECIAL RESPONSIBILITIES: Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee.

Joined the Board in November 2014

SCOTT EVANS

CEO, MANAGING DIRECTOR

Scott has over 25 years' experience in international retailing leading both private and public companies. Scott started in the United Kingdom with Marks & Spencer before transitioning to Managing Director of Greenwoods Menswear (150 store chain) where Scott orchestrated the sale of the business to Chinese brand Bosideng. Scott moved to Australia and joined Specialty Fashion Group leading both Millers (largest ladies' specialty business in the country with a 400 store chain) and Crossroads (150 store chain) at the time. Scott then transitioned to the role of CEO at Bras N Things under the BBRC Group.

In 2014 Scott was appointed Chief Executive Officer of Noni B (220 store chain) who in 2016 led the acquisition of the Pretty Girl Fashion Group (378 store chain) which held brands such as Rockmans, W.Lane and Beme. In 2018 Scott then led the acquisition of the Millers, Autograph, Rivers, Crossroads and Katie's brands (832 store chain) from the Specialty Fashion Group to create a 9 branded Group now known as Mosaic Brands.

QUALIFICATIONS: Scott holds a BTEC National Diploma in Business and Finance.

Joined the Board in May 2019

JACQUELINE FRANK

NON-EXECUTIVE DIRECTOR

Jackie is one of Australia's most successful and highly regarded media executives with over 30 years' experience in publishing, management and marketing, brand innovation and retail consulting.

From 2014 to 2018, Jackie was General Manager of the health, fashion, beauty and lifestyle group at Pacific Magazines and successfully led the brand's multi-platform transformation, and new online-only brand launches.

In 2018, Jackie started her own company, Be Frank Group, helping brands engage with the female economy and to date has consulted to Hearst US, Bumble Australia, SEED Heritage, SCCI, Westfield, EziBuy, French Connection, Sapphire Group and McCann Agency Australia.

SPECIAL RESPONSIBILITIES: Member of the Remuneration and Nomination Committee and Audit and Risk Committee.

BOARD OF DIRECTORS

DAVID WILSHIRE

Joined the Board in November 2014

NON-EXECUTIVE DIRECTOR

David has over 20 years' experience in principal investment, mergers and acquisitions and capital markets.

He is co-head of Alceon's Private Equity business and is a Director of Alceon's other retail investments, Alquemie Group and Cheap as Chips Discount Stores. Prior to Alceon, David held roles within the corporate finance group of Babcock & Brown and the investment banking divisions of Goldman Sachs and Macquarie Group.

QUALIFICATIONS: David holds a Bachelor of Commerce from Monash University and is a Member of the Australian Institute of Company Directors.

SPECIAL RESPONSIBILITIES: Member of the Remuneration and Nomination Committee and Chair of the Audit and Risk Committee.

SUE MORPHET

Resigned 22nd June 2021

FORMER NON-EXECUTIVE DIRECTOR

Sue Morphet has over 30 years of brand management and retail experience across Australia and New Zealand.

Sue is currently a Non-Executive Director of Arnott's Biscuits Limited (since 2020). Sue was previously CEO of Pacific Brands Limited (2007 – 2012) having worked in the organisation for 12 years, most notably as Group General Manager of Bonds. Other prior roles include Chairperson of Manufacturing Australia (2013 – 2015), Non-Executive Director at Fisher & Paykel Appliances Ltd (2014 – 2018), Non-Executive Director of Godfreys Group Limited (2014 – 2018), Chairperson of National Tiles Pty Ltd. (2015 - 2020), Non-Executive Director of Asaleo Care Ltd (2014 – 2021) and President of Chief Executive Women (2018 – 2020).

QUALIFICATIONS: Sue holds a Bachelor of Science and Education, University of Melbourne; Scholar, Mt Eliza Business School

SPECIAL RESPONSIBILITIES: Not applicable as no longer a Director

LUKE SOFTA

Joined the Board in March 2015

CFO, COMPANY SECRETARY

Luke has over 16 years' experience as a Chief Financial Officer within the Asian, American and Australian markets.

Luke has spent 18 years in the service industry and held a number of roles within the Millward Brown Group, including regional Chief Financial Officer for Africa Asia Pacific, before transitioning to Michael Page International as their Asia Pacific Chief Financial Officer. Luke then moved into the retail industry as the Chief Financial Officer at Bras N Things before taking on the opportunity at Noni B in March 2015 now known as Mosaic Brands.

QUALIFICATIONS: Luke holds a Bachelor of Commerce, Graduate Member of the Australian Institute of Company Directors and is a Fellow Certified Practising Accountant.

SPECIAL RESPONSIBILITIES: Secretary to the Remuneration and Nomination Committee and Audit and Risk Committee.

MOSAIC BRANDS RESET

EBITDA*
$48M

GM GROWTH
+$37M

CODB
SAVINGS
$43M

CASH BALANCE
$50M

INVENTORY
REDUCTION vs 2019
$78M

LEASE EXPIRY
88%
IN 2 YEARS

NUMBERS EXCLUDE EZIBUY UNLESS OTHERWISE STATED

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DIGITAL ACCELERATION

ONLINE SALES
$111M

ONLINE SALES CONTRIBUTION
19%

ONLINE SALES GROWTH
+19%

3RD PARTY PRODUCT SALES
$16.2M
(+192% VS LY)

EZIBUY
SALES
$121M

EZIBUY
EBITDA*
$3.7M

NUMBERS EXCLUDE EZIBUY UNLESS OTHERWISE STATED

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OUR BRANDS

“EVERYTHING SHE WANTS. WHERE SHE WANTS IT. WHEN SHE WANTS IT.”

NONI B

Noni B believes that every day is a special occasion worth feeling fabulous for. Curating classic, timeless styles through beautiful collections, Noni B is the style authority for smart casual and elevated elegance.

ONLINE VISITS
8.2M

EMAIL SUBSCRIBERS
707K

184
STORES

1.4M
MEMBERS

NONIB.COM.AU

Millers
WOMAN

Millers is a destination for value, quality and ageless fashion. Reliable and trusted by many. Creating collections to inspire and make her feel vibrant and help her express her individuality with confidence.

ONLINE VISITS
10.7M

EMAIL SUBSCRIBERS
1.9 M

255
STORES

4.8M
MEMBERS

MILLERS.COM.AU

W·LANE

W.Lane excudes understated and timeless elegance by keeping styles relaxed, natural and fresh. W.Lane is the home of natural fibres, offering luxury through rich colours and prints that inspire.

ONLINE VISITS

5.3 M

EMAIL SUBSCRIBERS

654K

74

STORES

1.4 M

MEMBERS

WLANE.COM.AU

KATIES

Katies create unique and versatile fashion with personality and individual style to suit any busy lifestyle. Our range offers a taste of European style and relaxed sophistication for the modern woman.

ONLINE VISITS
11.4M

EMAIL SUBSCRIBERS
1.6 M

128
STORES

3.1M
MEMBERS

KATIES.COM.AU

rockmans

Bright, happy, fun and free is our motto at Rockmans, with a focus on creating unique prints, shapes and details that help our customers stand out in a crowd.

ONLINE VISITS
8.8 M

EMAIL SUBSCRIBERS
1.4 M

227
STORES

4 M
MEMBERS

ROCKMANS.COM.AU

AUTOGRAPH

Embracing curves with a signature style, Autograph covers all occasions from relaxed casual to work. With natural and breathable fabrics that create a true fit and comportable silhouette. Autograph is "The art of affordable fashion."

ONLINE
VISITS
6.8M

EMAIL
SUBSCRIBERS
709K

79
STORES

1.4M
MEMBERS

AUTOGRAPHFASHION.COM.AU

beme

beme empowers and instils confidence in every 'body', with stylish fashion that fits well and feels great. beme is Australia's go-to for plus on-trend fashion; offering apparel, beauty, lingerie, accessories and much more.

ONLINE VISITS
4.6M

EMAIL SUBSCRIBERS
467K

802K
MEMBERS

BEME.COM.AU

crossroads

Crossroads is the one-stop-shop for fashion and home. We strive to make women look good and feel great by offering her on-trend outfits for all occasions, plus everything she needs for her home, family, and everything in-between.

ONLINE VISITS
4.8M

EMAIL SUBSCRIBERS
1.2M

2.6M
MEMBERS

CROSSROADS.COM.AU

Rivers have been providing quality fashion for the everyday Australians since 1979. Now home to the biggest brands at the lowest prices, Rivers is the trusted go-to destination for exceptional value, giving our customers the freedom to live life confidently.

ONLINE VISITS
11.4M

EMAIL SUBSCRIBERS
2.9M

143
STORES

4M
MEMBERS

RIVERS.COM.AU

EZIBUY

Ezibuy is the leader in the apparel and homeware catalogue market, mailing over 15 million catalogues annually and processing more than 1.4 million orders a year to customers in Australia and New Zealand.

Ezibuy made significant progress on its turnaround strategy and delivered a $3.7m EBITDA in FY21.

ONLINE VISITS
24.2M

EMAIL SUBSCRIBERS
3.8M

6
STORES

2.6M
MEMBERS

EZIBUY.COM.AU
EZIBUY.COM.NZ


EZIBUY.COM
WINTER 1
SHOP OUR TOP
WINTER
TRENDS & NEED
NOW KNITS
THE
ICONIC
JACKET
THE BIKER AND TRUCKER
MADE PRETTY IN SOFT HUES.
CHOOSE FROM SUEDE
OR LEATHER
free
DELIVERY*
SEE PAGE 2

OUR CUSTOMER EXPERIENCE

“The shopping experience is just as important as our products. We invite customers to discover; we create surprise; and we deliver great service that’s second-to-none.”

OUR CUSTOMER EXPERIENCE

"We continue to invest in our stores and teams to ensure that we always improve our instore experience and service."

OUR PEOPLE &
OUR CULTURE

We put the customer at the heart of everything we do through our core focus on service, execution and differentiation.

- CUSTOMERS ARE AT THE HEART OF EVERYTHING WE DO
- INSPIRE AND MOTIVATE EACH OTHER
- OWN WHAT YOU DO
- GO ABOVE AND BEYOND
- KNOW AND SHARE AND TALK MORE

OUR VALUES

With the unprecedented challenges of the COVID-19 pandemic continuing into FY21, there has never been a more important time for Mosaic Brands to go above and beyond and to put our customers and teams safety first.

We have ensured our COVID safe practices are kept current, effective and well communicated with our teams at all times. We have consistently monitored, assessed and reviewed the support options for our teams, including financial support and resources.

We also provide direct well-being support to our team members and their families, including access to our Employee Assistance Program, as we navigate these challenging times.

MOSAIC ACADEMY

The Mosaic Academy is an innovative online traineeship program we launched in April 2021.

The Mosaic Academy offers team members the opportunity to gain a nationally recognised qualification in either Certificate III or Certificate IV in Retail. The academy is designed to deliver targeted online development opportunities for team members, providing flexible and accessible learning opportunities at their fingertips as well as practical on-the-job training to gain sought after transferable skills.

UNIQUE APPROACH

In the retail industry, typically traineeship academies are offered only to new team members who are eligible for government subsidies. We have taken a unique approach, as our training and The Mosaic Academy are offered to all team members, regardless of their eligibility of any government subsidies. This enables us to recognise, engage and develop all of our exceptional talent, as well as attracting great people to our brands.

As of June, we have 212 team members enrolled, with 93 completing a Certificate III in Retail, and 119 completing a Certificate IV in Retail Management, with more joining our Academy each day.

"EVERYTHING SHE WANTS. WHERE SHE WANTS IT. WHEN SHE WANTS IT."

DIRECTOR'S REPORT

The Directors present their report, together with the financial statements, on the Consolidated Entity consisting of Mosaic Brands Limited and the entities it controlled at the end of, or during, the year ended 27 June 2021.

GENERAL INFORMATION

DIRECTORS

The following persons were Directors of Mosaic Brands Limited during the financial year and up to the date of this report, unless otherwise stated:

Richard Facioni	Non-Executive Director
Scott Evans	Chief Executive Officer and Managing Director
David Wilshire	Non-Executive Director
Jacqueline Frank	Non-Executive Director
Sue Morphet	Former Non-Executive Director (resigned 22 June 2021)

PRINCIPAL ACTIVITIES

Mosaic Brands Limited owns and operates nine retail clothing brands, predominately within women's apparel and accessories within Australia and New Zealand, sold through its network of circa 1,100 stores and its online digital department platforms. Mosaic also has a 50.1% ownership of EziBuy a New Zealand Online digital apparel brand.

DIVIDENDS PAID, DECLARED OR RECOMMENDED

Due to the continuing impact and challenges caused by the COVID-19 pandemic no dividends were declared or paid during the current financial year from the dividend profit reserve.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 23 December 2019, Mosaic Brands Limited acquired 50.1% of the ordinary shares of EziBuy Limited from its substantial shareholder Alceon Retail for the total consideration of $1.00 effective from 28 October 2019. The purchase includes an option call to either acquire the remaining 49.9% equity interest on or prior to 30 September 2021 for a consideration of $11,000,000 made payable before 31 December 2021 or alternatively return the current shareholding to Alceon Retail. The exercise date was extended by 3 months from the previous date of 30 June 2021 (original date being 31 December 2020) following an agreement between the buyer and seller due to the continued impact of the Coronavirus (COVID-19) pandemic and changes in economic conditions. There were no other significant changes in the state of affairs during the period.

During the 2021 financial year the Group continued to be impacted by the global COVID-19 pandemic which resulted in operational changes in order to manage the effect on the Group and its environment. As a result, due to Government requirements and safety reasons the Group was forced into various shutdowns across the states.

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The impact of the Coronavirus (COVID-19) pandemic is ongoing and the circulation of the Delta variant in the community means past health orders don't guarantee the same outcomes. Health officials and political leaders have made it clear that until nationwide vaccine rates reach at least 80% there will be continued challenges and some uncertainty regarding the length and breadth of any current or future lockdowns across Australia. Any additional economic support or stimulus measures to, outside of what has been announced to 31st August, are also unclear.

While the Group has no ability to influence or control the above factors it has been among the first national retailers to respond in closing impacted stores for the health and safety of its team and customers, from the outset of the pandemic. That approach continues through temporarily closing stores and limiting operations based on adhering to Government health orders and its own risk assessment. Please see note 1(a) to the financial report for more detail.

Following the end of the financial year, Mosaic Brands intends to commence a capital raising process.

Apart from the above, no other matter or circumstances has arisen since 27 June 2021 that has significantly affected, or may significantly affect the Groups operations, the results of those operations, or the state of affairs in future financial years.

LIKELY FUTURE DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the Group and the expected results of those operations in financial years subsequent to the year ended 27 June 2021 is included in the operational and financial highlights section of this report. No additional information is included on the likely developments in the operations of the Group and the expected results of those operations as the Directors reasonably believe that the disclosure of such information would be likely to result in unreasonable prejudice to the economic entity if included in this report, and it has therefore been excluded in accordance with section 299(3) of the *Corporations Act 2001*.

ENVIRONMENTAL REGULATION

The Group's operations are not subject to any significant environmental obligations or regulations under Australian Commonwealth or State Law.

OPERATING AND FINANCIAL REVIEW

Review of operations

Mosaic Brands Limited operates within the women's fashion and retail sector in Australia and New Zealand through brands such as Noni B, Millers, W.Lane, Rockmans, Katies, Crossroads, Autograph, beme and Rivers. Mosaic Brands uses EziBuy as the online multi-channel business which predominantly operates in New Zealand with a growing presence in Australia.

Review of financial performance

Group revenue for 2021 financial year ended on $708,766,000 (2020: $736,777,000) with total gross margin 11.8% higher than the prior year ending on 59.4% (2020: 47.6%). Profit before income tax ended on $12,250,000 (2020: loss of $212,170,000) with earnings per share for the year being 2.81 cents (2020: loss of $1.76).

Non-AASB financial measures are financial measures other than those defined or specified under all relevant accounting standards. The Consolidated Entity uses non-AASB financial measures to monitor and report on the performance of the business on an ongoing basis. In particular, the Consolidated Entity reports on Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) and Underlying EBITDA, as the Board and management of the Consolidated Entity believe that these are the best measures of the underlying performance of the business. These measures are in common and widespread use across the sectors in which the business operates.

A reconciliation of operating profit before income tax to underlying EBITDA is provided as follows:

	Mosaic $'000	**EziBuy $'000**	**Group $'000**
Underlying EBITDA	48,198	3,749	51 ,947
Transaction and restructuring costs*	(5,941)	(815)	(6,756)
Interest (finance costs)	(7,613)	(2,462)	(10,075)
Interest received	82	2	84
Depreciation and amortisation:			
– Plant and equipment	(13,957)	(286)	(14,243)
– Right-of-use assets	(75,468)	(3,400)	(78,868)
– AASB 16 rent amortisation	86,552	5,826	92,378
– Amortisation (non-AASB 16)	(2,030)	(1,706)	(3,736)
Impairment:			
– Non-current assets	101	–	101
– Right-of-use assets and plant and equipment	(8,122)	(3,562)	(11,684)
– Brand names	(8,419)	–	(8,419)
– Goodwill	(13,565)	–	(13,565)
COVID-19 rent concessions from prior period **	25,259	-	25,259
Other items***	(7,381)	(2,792)	(10,173)
Profit before income tax	**17,696**	**(5,446)**	**12,250**

* Transaction costs of $913,000 and restructuring costs of $5,843,000 were recognised throughout the year and are included in the consolidated statement of profit or loss and other comprehensive income.

** These relate to the extinguishment of lease payable liabilities for the year ended 28 June 2020 which were agreed during the current financial year.

*** Other items include share based payment expense ($355,000), unrealised foreign exchange gains and losses ($6,996,000) and one-off stock assessment for EziBuy ($2,822,000)

Review of financial position

The Group ended the year with a cash and cash equivalent balance of $57,831,000 (2020: $86,928,000). Net cash position after loans and borrowings was $26,381,000 (2020: $437,000) with Group cash from operating activities resulting in an inflow of $128,943,000 (2020: $105,998,000). Total Trade and other Payables ended $33,014,000 lower than last year ending on $197,646,000 (2020: $230,660,000).

Outlook

The Group entered the 2022 financial year with solid momentum, clean stock holding and a much improved cash position and, although the severe lockdowns have impacted this in the short term, the Group continues to see continued digital online department store acceleration and sees +13.3% growth YTD.

Once lockdowns cease and the vaccine roll-out gets back on track, Mosaic Brands is well positioned to come out of the current environment strongly, as evidenced in Q4 trading, and return to sustainable profitability.

MEETINGS OF DIRECTORS

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 27 June 2021, and the number of meetings attended by each Director were:

	Board meeting		Audit and risk management committee		Remuneration and nomination committee	
	Held	Attended	Held	Attended	Held	Attended
Richard Facioni	12	12	3	3	3	3
Scott Evans	12	12	–	–	–	–
David Wilshire	12	12	3	3	3	3
Jacqueline Frank	12	12	–	–	3	3
Sue Morphet[1]	11	11	3	3	3	3

Held: Represents the number of meetings held during the time the Directors held office.

1. Sue Morphet resigned 22 June 2021

INDEPENDENT DIRECTORS

The Directors considered by the Board to be independent is Jacqueline Frank (transitioned to employee 1st March 2021).

In determining whether a Non-Executive Director is considered by the Board to be independent, the following relationships affecting independence will be taken into account:

(1) whether the Director is a substantial shareholder of the Group or an officer of, or otherwise associated directly with a substantial shareholder of the Group (as defined in section 9 of the Corporations Act);

(2) whether the Director is employed or has been employed in an Executive capacity by the Group or another group member and there has not been a period of at least three years between ceasing such employment and serving on the Board;

(3) whether the Director is or has been a principal of a material professional adviser or a material consultant to the Group or another group member, or an employee materially associated with the service provided;

(4) whether the Director is or has been employed by, or a partner in, any firm that has been the Group's external auditors;

(5) whether the Director is a material supplier or customer of the Group or any other group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;

(6) whether the Director has a material contractual relationship with the Group or another group member other than as a Director of the Group; and,

(7) whether the Director is free from any interest and any business or other relationship which could materially interfere with the Director's ability to act in the best interests of the Group.

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 Directors (Executive and Non-Executive) and the Senior Executives received the amounts set out in the table of benefits and payments and explained in this section of the report as compensation for their services as Directors and/or Executives of the Group during the financial year ended 27 June 2021.

Specific matters included in this Report are set out below under separate headings, as follows:

1. **Details of remuneration**
2. **Remuneration policy**
3. **Service Agreements**
4. **Additional information**

1. DETAILS OF REMUNERATION

Key Management Personnel

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

The key management personnel of the Group consisted of the following Directors of Mosaic Brands Limited and Chief Executive Officer of EziBuy:

Richard Facioni	Chairman
Scott Evans	Chief Executive Officer and Managing Director
David Wilshire	Non-Executive Director
Jacqueline Frank	Non-Executive Director
Sue Morphet	Former Non-Executive Director (resigned 22 June 2021)

And the following Senior Executives:

Luke Softa	Chief Financial Officer and Company Secretary
Stephen Gosney	Chief Executive Officer of EziBuy

Remuneration of Key Management Personnel

Details of the nature and amount of each element of compensation for services for key management personnel of the Group paid in the financial year are as follows:

	Short term benefits				Post employment benefits		Long term benefits	Share based payments	
2021	Cash salary and fees $	Cash bonuses STI $	Cash bonuses LTI $	Non-monetary benefits $	Super-annuation $	Termi-nation benefits $	Long service leave $	Equity settled $	Total $
Directors									
Executive Directors									
Scott Evans*	1,436,800	–	–	8,272	24,828	–	18,412	–	1,488,312
Non-executive Directors									
Richard Facioni**	185,000	–	–	–	–	–	–	153,586	338,586
David Wilshire**	100,000	–	–	–	–	–	–	–	100,000
Sue Morphet***	100,000	–	–	–	–	–	–	–	100,000
Jacqueline Frank	100,000	–	–	–	3,167	–	–	–	103,167
Other key management personnel									
Luke Softa*	662,222	–	–	2,850	24,828	–	10,233	23,217	723,350
Stephen Gosney****	533,654	–	–	–	21,694	–	8,333	26,154	589,835
Total	**3,117,676**	**–**	**–**	**11,122**	**74,517**	**–**	**36,978**	**202,957**	**3,443,250**

* Includes one-off annual leave entitlement payout, resulting from COVID workthrough

** Richard Facioni and David Wilshire are both Directors of EziBuy.

*** Sue Morphet resigned as Non-Executive Director on 22 June 2021

**** Stephen Gosney is key management personnel for EziBuy and currently holds the position of Director and Chief Executive Officer.

	Short term benefits				Post employment benefits		Long term benefits	Share based payments	
2020	Cash salary and fees $	Cash bonuses STI $	Cash bonuses LTI $	Non-monetary benefits $	Super-annuation $	Termi-nation benefits $	Long service leave $	Equity settled $	Total $
Directors									
Executive Directors									
Scott Evans	1,068,789	–	–	23,606	24,941	–	16,698	–	1,134,034
Non-executive Directors									
Richard Facioni*	232,545	–	–	–	–	–	–	153,586	386,131
David Wilshire*	147,545	–	–	–	–	–	–	–	147,545
Sue Morphet	100,000	–	–	–	–	–	–	–	100,000
Jacqueline Frank	100,000	–	–	–	–	–	–	–	100,000
Other key management personnel									
Luke Softa	557,932	–	–	1,309	24,904	–	9,258	23,217	616,620
Stephen Gosney**	278,014	–	–	–	10,501	–	4,770	26,154	319,439
Total	**2,484,825**	**–**	**–**	**24,915**	**60,346**	**–**	**30,726**	**202,957**	**2,803,769**

* Richard Facioni and David Wilshire are both Directors of EziBuy. Both Directors received $47,545 each in cash salary and fees during the period 28 October 2019 to 28 June 2020

** Stephen Gosney is key management personnel for EziBuy and currently holds the position of Director and Chief Executive Officer. The information above represents the period 28 October 2019 to 28 June 2020

2. REMUNERATION POLICY

Non-Executive Directors

Non-Executive Director remuneration is set by the Board's Remuneration and Nomination Committee and is subject to shareholder approval as detailed below based on independent external advice with regard to market practice, relativities, and Director duties and accountability. Company policy is designed to attract and retain competent and suitably qualified Non-Executive Directors, to motivate these Non-Executive Directors to achieve Mosaic Brand's long term strategic objectives and to protect the long term interests of shareholders.

Fee Pool

Non-Executive Directors' fees are set by resolution of shareholders at the annual general meeting. It is currently set at $750,000 per annum in aggregate. The remuneration does not include any participation by Independent Directors in Company Share schemes which is separately approved by the Board and ratified by shareholders at the annual general meeting.

Fees

The Non-Executive Directors' base fee is set at $100,000 per annum and the Chairman's fee is set at $185,000 per annum. During the financial year ended 27 June 2021 the Group held a total of 18 formal meetings, including committee, Board and shareholder meetings.

Equity participation

Non-Executive Directors may receive rights, options or shares as part of their remuneration, subject only to shareholder approval. As referenced below, no rights, options or shares have been issued to any of the Non-Executive Directors during the financial year.

Retiring Allowance

No retiring allowances are paid to Non-Executive Directors.

Executive Directors and Senior Executives

Mosaic Brand's overall Group remuneration policy is set by the Board's Remuneration and Nomination Committee. The policy is reviewed on a regular basis to ensure it remains contemporary and competitive.

For the specified Executives, the policy is intended to be consistent with the remuneration recommendations and guidelines set down in *Principle 8* of the Australian Security Exchange's "best practice" corporate governance guidelines. Broadly, Mosaic Brand's policy is intended to ensure:

- for each role, that the balance between fixed and variable (performance) components is appropriate having regard to both internal and external factors;
- that individual set objectives will result in sustainable beneficial outcomes;

- that all performance remuneration components are appropriately linked to measurable personal, business unit or Group performance; and
- that total remuneration (that is the sum of fixed plus variable components of the remuneration) for each Executive is fair, reasonable and market competitive.

Mosaic Brand's achievement of these objectives is checked on a regular basis using independent external remuneration consultants.

Components of Executive remuneration

Generally, Mosaic Brand's provides selected Senior Executives with three components of remuneration, as follows:

- fixed remuneration is made up of basic salary, benefits, superannuation and other salary sacrifices. This is reflective of their roles, experience and level of responsibility and is reviewed annually against market data for comparable positions. Benefits may include car allowances;
- short term incentives (STI) – paid in cash / options, directly earned upon the successful achievement of specific financial and operational targets. A portion of this STI may be provided in Mosaic Brand's shares subject to service and/or performance conditions. All STI awards are based on performance measures which are set and reviewed by the Remuneration and Nomination Committee annually;
- long term incentives (LTI) – provides selected and invited Senior Executives with the right to acquire shares, only where specific future service requirements and future financial and operational targets that improve shareholder returns have been exceeded. Performance measures are set and reviewed by the Remuneration and Nomination Committee annually.

The objective of the reward schemes (STI and LTI) is to both reinforce the key financial goals of the Group and to provide a common interest between management and shareholders.

The fair value at grant date of share plan and performance share rights are independently determined using a Binomial Approximation Option Valuation Model and the Black Scholes Valuation Model that takes into account the exercise price, the term of the rights over shares, 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 rights over shares.

Details of rights over ordinary shares in the Group provided as remuneration to each of the key management personnel of the Company and the Group are set out below.

Offer for performance share rights

Performance Share Rights

These have a variety of market conditions (volume weighted average price) and non-market conditions being qualifying and non-qualifying leaver provisions.

Richard Facioni

Grant date	Expiry date	Fair value at grant date	Share price at grant date	Exercise price	Volatility	Risk free interest rate	Number of rights available	Number of rights vested
19/08/2016	18/08/2021	$ 0.47	$ 1.33	$ 1.25	35%	1.54%	1,200,000	1,160,000
19/08/2016	18/08/2021	$ 0.39	$ 1.33	$ 1.50	35%	1.54%	300,000	290,000
19/08/2016	18/08/2021	$ 0.32	$ 1.33	$ 1.75	35%	1.54%	300,000	290,000

Luke Softa

Grant date	Expiry date	Fair value at grant date	Share price at grant date	Exercise price	Volatility	Risk free interest rate	Number of rights available	Number of rights vested
19/08/2016	18/08/2021	$ 0.47	$ 1.33	$ 1.25	35%	1.54%	250,000	245,833

Tranche 1 Performance Rights – these shares are issued to Scott Evans only

Grant date	Expiry date	Fair value at grant date	Share price at grant date	Exercise price	Volatility	Risk free interest rate	Number of rights available	Number of rights vested
26/06/2015	01/07/2020	$ 0.36	$ 0.70	$ 0.51	43.8%	2.78%	882,479	882,479

Tranche 2 Performance Rights – these shares are issued to Scott Evans only

Grant date	Expiry date	Fair value at grant date	Share price at grant date	Exercise price	Volatility	Risk free interest rate	Number of rights available	Number of rights vested
26/06/2015	01/07/2020	$ 0.37	$ 0.70	$ 0.51	43.8%	2.78%	882,479	882,479

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		Long term incentive	
Name	**2021**	2020	**2021**	2020
Non–Executive Directors				
Richard Facioni	**55%**	60%	**45%**	40%
David Wilshire	**100%**	100%	**–**	–
Jacqueline Frank	**100%**	100%	**–**	–
Sue Morphet[1]	**100%**	100%	**–**	–
Executive Directors				
Scott Evans	**100%**	100%	**–**	–
Other key management personnel				
Luke Softa	**97%**	96%	**3%**	4%
Stephen Gosney	**96%**	92%	**4%**	8%

1. Sue Morphet resigned 22 June 2021

3. SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements.

Details of these agreements are as follows:

Name:	**Scott Evans**
Title:	Chief Executive Officer
Duration of agreement:	Employment agreement for Chief Executive Officer operative until terminated by either party.
Termination payment:	Maximum payment to be made to Chief Executive Officer on termination is 3 months'. Total Remuneration (being Total Fixed Remuneration plus Short Term Incentives, Long Term Incentives and benefits). To be paid in the following circumstances: 1) Redundancy; or 2) Fundamental Change.
Notice of termination:	On termination by Mosaic Brand or the Executive – 3 months' notice. Payment in lieu of notice can be made by Mosaic Brand in all circumstances, if Mosaic Brand so chooses.
Restraint Conditions:	Restraint period of 6 months

Name:	**Luke Softa**
Title:	Chief Financial Officer and Company Secretary
Duration of agreement:	Employment agreement for Chief Financial Officer operative until terminated by either party.
Termination payment:	Maximum payment to be made to the Chief Financial Officer on termination is 3 months'. Total Remuneration (being Total Fixed Remuneration plus Short Term Incentives, Long Term Incentives and benefits). To be paid in the following circumstances: 1) Redundancy; or 2) Fundamental Change.
Notice of termination:	On termination by Mosaic Brand or the Executive – 3 months' notice. Payment in lieu of notice can be made by Mosaic Brand in all circumstances, if Mosaic Brand so chooses.
Restraint Conditions:	Restraint period of 6 months
Name:	**Stephen Gosney**
Title:	Chief Executive Officer (EziBuy)
Duration of agreement:	Employment agreement for Chief Executive Officer operative until terminated by either party.
Termination payment:	Maximum payment to be made to the Chief Executive Officer on termination is 3 months'. Total Remuneration (being Total Fixed Remuneration plus Short Term Incentives, Long Term Incentives and benefits). To be paid in the following circumstances: 1) Redundancy; or 2) Fundamental Change.
Notice of termination:	On termination by EziBuy or the Executive – 3 months' notice. Payment in lieu of notice can be made by EziBuy in all circumstances, if EziBuy so chooses.
Restraint Conditions:	Restraint period of 6 months

4. ADDITIONAL INFORMATION

The earnings of the Group for the five years to 27 June 2021 are summarised below:

	2021 **$'000**	2020 $'000	2019 $'000	2018 $'000	2017 $'000
Revenue	**708,766**	736,777	881,920	372,426	316,756
Profit / (loss) after income tax	**2,715**	(170,485)	8,130	17,293	3,253

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2021	2020	2019	2018	2017
Share price at financial year end ($)	**$0.63**	$0.71	$2.72	$2.94	$1.75
Basic earnings / (loss) per share (cents per share)	**2.81**	(176.0)	8.4	21.3	4.6
Total dividends (cents)	**–**	5.5	13.0	13.0	–

Options held by Directors and key management personnel

There are options outstanding at end of the financial year ended 27 June 2021.

Relevant interest in shares by Directors and key management personnel

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.

Directors and key management personnel	Shareholding at 28 June 2020 No.	Shares purchased or (sold) ordinary No.	Shares acquired under performance rights plan ordinary No.	**Shareholding at 27 June 2021 No.**
Richard Facioni	1,800,000	–	–	1,800,000
Scott Evans	4,788,869	–	–	4,788,869
David Wilshire	–	–	–	–
Jacqueline Frank	–	–	–	–
Luke Softa	945,029	–	–	945,029
Stephen Gosney	333,735	–	–	333,735
TOTAL	**10,328,417**	**–**	**–**	**10,328,417**

Note: Sue Morphet resigned on 22 June 2021 and therefore is not applicable as no longer a Director.

This concludes the remuneration report which has been audited.

SHARES UNDER OPTION AND ISSUED ON THE EXERCISE OF OPTIONS

Details of the shares issued under the exercise of options and unissued ordinary shares under option at the date of this report can be found in note 22 and 35 respectively.

INDEMNITY AND INSURANCE OF DIRECTORS AND OFFICERS

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

During the financial year, the Group paid a premium in respect of a contract to insure the Directors and Executives of the Group 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 Group has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Group or any related entity against a liability incurred by the auditor.

During the financial year, the Group has not paid a premium in respect of a contract to insure the auditor of the Group 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 Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

NON-AUDIT SERVICES

The details of amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

AUDITOR

BDO continues in office in accordance with section 327 of the *Corporations Act 2001*.

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 Director's report.

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.

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

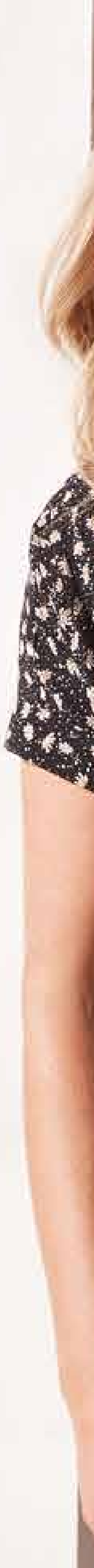
Richard Facioni
Chairman

Sydney 31 August 2021

Scott Evans
Managing Director

Sydney 31 August 2021

FINANCIAL REPORT



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DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF MOSAIC BRANDS LIMITED

As lead auditor of Mosaic Brands Limited for the year ended 27 June 2021, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mosaic Brands Limited and the entities it controlled during the period.

John Bresolin
Director

BDO Audit Pty Ltd

Sydney

31 August 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 27 JUNE 2021

	Note	**2021 $'000**	2020 $'000
Continuing operations			
Revenue	3	**676,759**	713,580
Other income	3	**32,007**	23,197
Cost of goods sold		**(299,667)**	(384,253)
Expenses (excluding finance costs)	4	**(358,034)**	(450,216)
Transaction and restructuring costs		**(6,756)**	(3,657)
Finance costs	4	**(10,075)**	(13,435)
Impairment of brand names	13	**(8,419)**	(33,364)
Impairment of goodwill	13	**(13,565)**	(64,022)
Profit / (loss) before income tax		**12,250**	(212,170)
Income tax (expense) / benefit	5	**(9,535)**	41,685
Profit / (Loss) attributed to members of the parent entity		**2,715**	(170,485)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**66**	123
Other comprehensive income, net of tax		**66**	123
Total comprehensive income for the year attributed to members of the parent entity, net of tax		**2,781**	(170,362)
Earnings / (loss) per share			
Basic earnings / (loss) per share (cents)	34	**2.81**	(176.0)
Diluted earnings / (loss) per share (cents)	34	**2.81**	(176.0)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSTION AS AT 27 JUNE 2021

	Note	2021 $'000	2020 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**57,831**	86,928
Other receivables	7	**1,747**	22,590
Inventories	8	**110,083**	102,329
Derivative financial instruments	9	**576**	–
Other current assets	10	**3,982**	5,812
Income tax receivable	5	**5,100**	–
TOTAL CURRENT ASSETS		**179,319**	217,659
NON-CURRENT ASSETS			
Plant and equipment	11	**15,865**	31,045
Right-of-use assets	12	**70,855**	140,793
Intangible assets	13	**19,978**	42,943
Deferred tax assets	5	**80,003**	117,866
Other non-current assets		**51**	24
TOTAL NON-CURRENT ASSETS		**186,752**	332,671
TOTAL ASSETS		**366,071**	550,330
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	**197,646**	230,660
Borrowings	15	**16,450**	41,502
Provisions	16	**33,301**	29,112
Derivative financial instruments	17	**109**	534
Lease liabilities	18	**64,636**	87,544
Income tax payable	5	**–**	145
Other current liabilities	19	**43**	95
Deferred consideration	20	**9,620**	9,580
Contract liabilities	21	**13,408**	15,871
TOTAL CURRENT LIABILITIES		**335,213**	415,043
NON-CURRENT LIABILITIES			
Borrowings	15	**15,000**	44,989
Provisions	16	**2,042**	2,828
Lease liabilities	18	**58,643**	111,013
Deferred tax liabilities	5	**32,168**	56,656
Other non-current liabilities	19	**178**	110
TOTAL NON-CURRENT LIABILITIES		**108,031**	215,596
TOTAL LIABILITIES		**443,244**	630,639
NET ASSETS		**(77,173)**	(80,309)
EQUITY			
Issued capital	22	**108,034**	108,034
Reserves	23	**31,292**	17,868
Accumulated losses		**(216,499)**	(206,211)
TOTAL EQUITY		**(77,173)**	(80,309)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 27 JUNE 2021

	Note	Issued capital $'000	Equity reserve $'000	Foreign currency translation reserve $'000	Dividend profit reserve $'000	Accumulated losses $'000	Total $'000
Balance at 30 June 2019		**107,605**	**3,723**	**31**	**5,667**	**(10,904)**	**106,122**
Adjustment for changes in accounting policy – AASB 16		**–**	**–**	**–**	**–**	**(11,521)**	**(11,521)**
Loss after income tax for the year		–	–	–	–	(170,485)	(170,485)
Transfer profit after income tax for the half-year	23	–	–	–	13,301	(13,301)	–
Other comprehensive income for the year, net of tax		–	–	123	–	–	123
Total comprehensive income for the year		**–**	**–**	**123**	**13,301**	**(195,307)**	**(181,883)**
Transactions with owners in their capacity as owners:							
Shares issued during the year	22	429	–	–	–	–	429
Share based payment expense	35	–	266	–	–	–	266
Dividends paid or provided for	23,24	–	88	–	(5,331)	–	(5,243)
Balance at 28 June 2020	**22,23**	**108,034**	**4,077**	**154**	**13,637**	**(206,211)**	**(80,309)**
Profit after income tax for the year		–	–	–	–	2,715	2,715
Transfer profit after income tax for the half-year*	23	–	–	–	13,003	(13,003)	–
Other comprehensive income for the year, net of tax		–	–	66	–	–	66
Total comprehensive income for the year		**–**	**–**	**66**	**13,003**	**(10,288)**	**2,781**
Transactions with owners in their capacity as owners:							
Share based payment expense	35	–	355	–	–	–	355
Balance at 27 June 2021	**22,23**	**108,034**	**4,432**	**220**	**26,640**	**(216,499)**	**(77,173)**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.
**The transfer into the dividend profit reserve was recorded based on the profit recognised for the half-year ended 27 December 2020. No dividend has been declared or paid during the 2021 financial year.*

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 27 JUNE 2021

	Note	**2021 $'000**	2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**786,743**	811,837
Payments to suppliers and employees (inclusive of GST)		**(743,378)**	(724,079)
Receipts from Government grants		**94,836**	31,056
Transaction and restructuring costs paid		**(6,756)**	(5,656)
Interest received		**84**	94
Interest and other finance costs paid		**(2,164)**	(13,160)
Income taxes (paid) / received		**(422)**	5,906
Net cash provided by operating activities	33	**128,943**	105,998
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for the purchase of business, net of cash acquired		**–**	2,460
Payment for plant and equipment		**(1,812)**	(4,790)
Payment for software assets		**(61)**	(4,378)
Proceeds from the sale of plant and equipment		**48**	51
Net cash used in investing activities		**(1,825)**	(6,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**48,671**	93,797
Repayment of borrowings		**(103,762)**	(43,483)
Payment of lease liabilities		**(101,124)**	(94,168)
Dividends paid		**–**	(5,243)
Net cash used in financing activities		**(156,215)**	(49,097)
Net (decrease) / increase in cash and cash equivalents		**(29,097)**	50,244
Cash and cash equivalents at the beginning of the financial year		**86,928**	36,684
Cash and cash equivalents at the end of the financial year	6	**57,831**	86,928

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The financial report of Mosaic Brands Limited for the 52 weeks ended 27 June 2021 was authorised for issue in accordance with a resolution of the Directors on 31 August 2021.

Mosaic Brands is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The Consolidated Entity is primarily involved in the retailing of women's apparel and accessories and has acquired 50.1% with an option to acquire the remaining 49.9% interest in a multi-category Omni channel New Zealand based entity (EziBuy). The nature of the operations and principal activities are described in the Directors' Report.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern evaluation

During the 2021 financial year the Group continued to be impacted by the global COVID-19 pandemic which continued to see operational changes in order to manage the effect on the Group and its environment. The impact and management of the effects of the COVID-19 pandemic resulted in the Group ending with an improved net current liability position of $155,894,000 (2020: $197,384,000) as at 27 June 2021. Current liabilities include $64,636,000 (2020: $87,544,000) in current lease liabilities, contract liabilities of $13,408,000 (2020: $15,871,000) and employee benefit provisions which may not be settled in cash over the next twelve months of $6,792,000 (2020: $8,690,000) and inventory is included at cost and not at its net realisable value.

The Directors believe it is appropriate to prepare the financial report on a going concern basis after considering the following factors:

- During the second half of the financial year management successfully negotiated an extension of the Group's working capital facility (note 15) with ANZ to the end of September 2022.
- The working capital facility with the ANZ includes various covenants that are required. Based on the forecast for the next 12 months' management remain confident that the Group will remain compliant with all covenants.
- Based on the future cash flow forecast and various sensitivity scenarios, management is satisfied that the Group will have sufficient cash and finance facilities to continue as a going concern. The sensitivity scenarios evaluated by the Group assumed lockdowns to continue for New South Wales and Victoria to the end of October 2021 and limited COVID-19 impact for the remainder of the financial year.
- Management were able to successfully manage working capital during COVID-19 pandemic across the 2020 and 2021 financial years. This included major shutdowns across the states which involved management following the below strategies:
    - cancelling or delaying inventory orders
    - continuing to pursue operating efficiencies including store wages and operating hours
    - re-negotiating and extending payment terms with key suppliers
    - negotiating rental concessions and modified rental agreements with landlords

  Management will continue to follow these strategies should the COVID-19 pandemic continue.

    - Following on from the strategies implemented by management, the Group ended the 2021 financial year with a high cash and cash equivalent balance of $57,831,000 and net cash position after loans and borrowings of $26,381,000. This included a $20,000,000 loan repayment in line with the loan agreement. In addition, in line with the Group strategy on reduced inventory as a business and focus on higher margin sales the Group gross margin ended with an improvement of 11.8% on the prior year ending on 59.4% (2020: 47.6%). Additional sale events can also be used as a strategy to generate cash flows should the lockdown situation continue longer than anticipated.
- During the 2021 financial year, EziBuy posted a positive EBITDA of $3,749,000 as the acquired company was able to realise a full year benefit in synergies. The EziBuy acquisition is still in its review period with the call/put option timeline being extended to 30 September 2021.
- In addition to the extension of the current working capital facility as mentioned above the Group is working through documentation on a top-up working capital facility through one of its shareholders Alceon should it be needed.

Following the end of the financial year, Mosaic Brands intends to commence a capital raising process.

The Directors have concluded that there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due. On this basis the financial report has been prepared on a going concern basis.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) 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 are most relevant to the consolidated entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mosaic Brands Limited as at 27 June 2021. Mosaic Brands 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

(c) Fair value measurement

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(d) Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial instruments at fair value through profit or loss.

Financial 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. The consolidated entity's cash and cash equivalents and other receivables are classified as at amortised cost.

Certain investments qualify to be recognised and measured subsequently at fair value through other comprehensive income ('OCI') on exercise of an irrevocable election at the time of initial recognition, otherwise they are recognised at fair value through profit or loss.

Financial liabilities are subsequently measured at amortised cost. Derivatives are recognised at fair value through profit or loss.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The consolidated entity recognises a loss allowance for expected credit losses on debt instruments 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. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

(e) Foreign currency translation

The financial statements are presented in Australian dollars, which is the functional and presentation currency for Mosaic Brands Limited.

Foreign currency transactions

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

Foreign operations

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

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

(f) Employee benefits

Employees of the Group receive defined contribution superannuation entitlements for which the Group pays the fixed superannuation guarantee contribution (2021: 9.5% of the employee's average ordinary salary, 10% from 1st July 2021) to the employee's superannuation fund of choice. All contributions in respect of employees' defined contribution entitlements are recognised as an expense when they become payable. The Group's obligation with respect to employees' defined contribution entitlements is limited to its obligation for any unpaid superannuation guarantee contributions at the end of the reporting period. All obligations for unpaid superannuation guarantee contributions are measured at the (undiscounted) amounts expected to be paid when the obligation is settled and are presented as current liabilities in the Group's statement of financial position.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO) and New Zealand Inland Revenue Department (IRD).

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 Trade and other receivables or payables in the statement of financial position.

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

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

(h) Period

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. The current reporting period, 29 June 2020 to 27 June 2021, represents 52 weeks and the comparative reporting period is from 1 July 2019 to 28 June 2020 which represents 52 weeks.

(i) 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.

(j) Critical accounting estimates and judgments

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. The key estimates and judgements have been included within the notes to the financial report.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates, and the resulting financial impacts and disclosures. The estimates and judgments made in the financial statements following the impacts from the Coronavirus (COVID-19) pandemic is in Inventories (note 8) and Right-of-use assets (note 12).

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) 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 29.

(l) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 27 June 2021. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

(m) Leases

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use 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.

Right-of-use 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. Right-of-use assets are subject to impairment or adjusted for any re-measurements 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, and 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 right-of-use asset is fully written down.

During the year, certain lease agreements were varied or lease obligations relieved due to COVID-19. Where a lease agreement is amended prospectively, the consolidated entity recognises the amendment as a modification and remeasures the lease liability and right-of-use asset accordingly. Where the consolidated entity enters into an agreement which relieves the consolidated entity from existing lease payable obligations, this is recognised as an extinguishment of the rent payable liability and recognised immediately in profit or loss.

(n) 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.

(o) Government grants

Government Grants are recognised on the Consolidated Statement of Profit or Loss and Other Comprehensive Income when there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grant will be received. Such grants are presented on a net basis on the Statement of Profit or Loss and Other Comprehensive Income within employee benefits expense.

(p) Reclassification

Certain amounts in the financial report have been reclassified to conform to current year presentation.

NOTE 2. OPERATING SEGMENT

Management has determined the operating segments based on internal reports reviewed and used by the Chief Executive Officer (CEO) in assessing performance and in determining the allocation of resources. The Group operates predominately in Australia and also within New Zealand and is organised into two operating segments.

Fashion retail (Mosaic Brands Australia and New Zealand)

The fashion retail segment shares similarities in its offering (fashion clothing) with the same customer demographic across different brands and are supported by one integrated support function. The integrated support functions include finance, information technology, marketing (both in the processes and the target customer) as well as the production and distribution processes.

Multi-channel retail (EziBuy New Zealand)

The multi-channel retail segment consists of EziBuy which is based in New Zealand and services customers across both Australia and New Zealand. The multi-channel retail segment sells various products targeting a variety of customers and operates with its own separate support functions for areas including finance, information technology, marketing and distribution.

The information reported to the CEO is on at least a monthly basis, including weekly reporting on key revenue metrics. The accounting policies adopted for internal reporting to the CEO are consistent with those adopted in the financial statements.

At the end of the reporting period the Groups geographic areas of operation consisted of Australia and New Zealand:

GEOGRAPHIC SEGMENTS

	Fashion retail				Multi-channel			
	Australia		New Zealand		New Zealand		Total	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Revenue and other income:								
Revenue	555,844	630,109	8,506	9,158	112,409*	74,313*	676,759	713,580
Other income	23,480	17,259	192	183	8,335	5,755	32,007	23,197
Total revenue and other income	579,324	647,368	8,698	9,341	120,744	80,068	708,766	736,777
Total revenue and other income per the statement of profit or loss and other comprehensive income							708,766	736,777
Results:								
Cost of sales	234,784	339,183	3,964	4,752	60,919	40,318	299,667	384,253
Employee benefits expense	97,249	144,874	1,466	1,803	19,913	12,004	118,628	158,681
Depreciation	88,721	115,464	704	1,030	3,686	3,945	93,111	120,439
Amortisation	2,030	6,740	–	–	1,706	2,141	3,736	8,881
Impairment of brand names	8,419	33,364	–	–	–	–	8,419	33,364
Impairment of goodwill	13,565	64,022	–	–	–	–	13,565	64,022
Impairment of right-of-use assets and PPE	8,166	14,944	(44)	44	3,562	1,121	11,684	16,109
Interest	7,577	11,401	36	46	2,462	1,988	10,075	13,435
Profit / (loss) before tax expense	17,075	(205,680)	621	106	(5,446)	(6,596)	12,250	(212,170)
Tax expense / (benefit)	10,357	(41,161)	178	18	(1,000)	(542)	9,535	(41,685)

* Revenue includes $61,000,000 (2020: $39,300,000) which was derived in Australia. Revenue is the only indicator that is measured by management at a geographical segment

NOTE 2. OPERATING SEGMENTS (CONTINUED)

GEOGRAPHIC SEGMENTS

	Fashion retail				Multi-channel			
	Australia		New Zealand		New Zealand		Total	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Assets and liabilities:								
Segment assets	300,429	475,825	2,614	2,452	63,028	72,053	366,071	550,330
Segment liabilities	367,894	550,372	2,091	2,375	73,259	77,892	443,244	630,639

NOTE 3. REVENUE AND OTHER INCOME

	Consolidated Group	
	2021 $'000	2020 $'000
Revenue:		
Sale of goods	**676,759**	713,580
Other income:		
Interest	**84**	94
Jewellery commission	**14,243**	13,312
Other	**17,680**	9,791
Total other income	**32,007**	23,197

Recognition and measurement

Revenue arising from sales of goods is recognised at the point in time when the customer has obtained control of the goods which is considered to be fulfilment of the performance obligation. Revenue is measured with consideration to any trade discounts and volume rebates.

i. Retail sales revenue is recognised at the point of sale, which is where the customer has obtained control of the goods.

   Refund liabilities are recognised where the Group receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the Group does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used to estimate such returns at the time of sale based on an expected value methodology.

ii. Jewellery commission revenue is recognised at the point of sale when the customer has obtained control of the goods.

iii. Other income is mainly comprised of dropship and postage income which is in the ordinary course of our online business.

iv. Revenue from the sale of gift cards is recognised upon redemption of the gift card. The amount of gift cards which expire unredeemed is not significant.

v. The Group operates a customer loyalty scheme which provides rebate vouchers to be issued to customers twice yearly, based on customer's purchases during the loyalty period. The vouchers have expiry dates six weeks after issue. The Group defers this revenue until such point at which the sale of goods is made. The deferred portion is included in sundry payables as a contract liability and is recognised as revenue only after all the rebate obligations have been fulfilled.

vi. Interest revenue is recognised when it is earned.

NOTE 4. PROFIT / (LOSS) FOR THE YEAR

	Consolidated Group	
	2021	2020
	$'000	$'000
a) Expenses (excluding finance costs)		
Marketing and selling expenses	**157,861**	208,366
Occupancy expenses*	**59,958**	86,904
Administrative expenses	**138,543**	149,224
Other expenses	**1,672**	5,722
Total expenses (excluding finance costs)	**358,034**	450,216

* Included in occupancy expenses is the extinguishment of lease payable liabilities of $34,663,000. $25,259,000 relates to the year ended 28 June 2020 which were agreed during the current financial year, and $9,404,000 relates to lease payments due and agreed to in the current year.

	Consolidated Group	
	2021	2020
	$'000	$'000
b) Profit / (loss) before income tax from continuing operations includes the following specific expenses:		
Expenses		
Finance costs comprising interest attributed to:		
– interest and borrowing expense	**2,051**	2,594
– interest expense on lease liabilities	**8,024**	10,841
Total finance costs	**10,075**	13,435
All finance costs are expensed in the period in which they are incurred.		
Depreciation – plant and equipment	**14,243**	17,399
Depreciation – right-of-use assets	**78,868**	103,040
Amortisation	**3,736**	8,881
Impairment and write-off of non-current assets	**(101)**	1,991
Impairment – right-of-use assets	**11,684**	16,109
Impairment of Brand Names and Goodwill	**21,984**	97,386
Write-off and write down of obsolete stock and inventory	**6,004**	32,151
Rental expenses attributed to:		
– low value assets	**61**	55
– variable lease payments – outgoings	**17,695**	21,984
– short term lease payments – other property costs	**43,558**	12,580
Total rental expenses	**61,314**	34,619
Employee benefits expense*	**118,628**	158,681
Superannuation expense	**12,383**	15,140
Share based payment expense	**355**	266
Unrealised foreign exchange loss / (gain)	**6,996**	(6,671)

* Employee benefits expense for the year is net of $75,847,000 (2020: $48,564,000) in Government grants which was provided as a result of the COVID-19 pandemic.

NOTE 5. INCOME TAX

	Consolidated Group 2021 $'000	Consolidated Group 2020 $'000
Major components of income tax expense / (benefit)		
Deferred tax	**(4,974)**	(17,534)
Current tax	**14,509**	(24,151)
Income tax expense / (benefit)	**9,535**	(41,685)
Reconciliation between income tax expense / (benefit) and prima facie tax on accounting profit		
Accounting profit / (loss)	**12,250**	(212,170)
Tax at 30% (2020-30%)	**3,675**	(63,651)
Tax effect on non-deductible expenses / (non-assessable items):		
Share based payment expense	**107**	80
Impairment of goodwill	**4,070**	19,207
Permanent differences	**256**	1,255
Impact of AASB 16	**768**	(528)
Tax rate difference	**63**	129
Adjustment to opening deferred tax asset position	**–**	554
Tax losses not booked	**1,234**	1,305
Under / over from prior year	**(126)**	(190)
Forfeiture of withholding tax	**(87)**	36
Non-deductible items	**(425)**	118
Income tax expense / (benefit)	**9,535**	(41,685)
Income tax		
Income tax receivable / (payable)	**5,100**	(145)
Applicable tax rate		
The applicable tax rate is the national corporate tax rate in Australia of 30%		
Analysis of deferred tax assets:		
Employee entitlements	**6,257**	7,888
Lessors fit out contribution	**38**	62
Accruals	**5,048**	4,606
Inventory temporary differences	**11,366**	10,041
Depreciation temporary differences	**7,119**	6,139
Foreign currency balances	**–**	160
Provision for customer loyalty	**313**	379
Contract liabilities	**1,154**	1,667
Future tax benefit of tax losses	**4,863**	25,442
Business capital expenditure	**92**	289
Other provisions	**5,144**	1,688
Lease liabilities	**37,868**	59,113
Other temporary differences	**741**	392
Total deferred tax assets	**80,003**	117,866
Analysis of deferred tax liabilities:		
Depreciation and amortisation temporary differences	**662**	206
Brand names	**4,892**	7,426
Trademarks	**14**	82

	Consolidated Group	
	2021 **$'000**	2020 $'000
Accrued wages	**–**	5,258
Foreign currency balances	**3,568**	1,057
Right-of-use assets	**22,317**	41,803
Lease incentive	**702**	805
Other temporary differences	**13**	19
Total deferred tax liabilities	**32,168**	56,656

Recognition and measurement

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the income tax rate, adjusted by 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 rate 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 profit nor taxable profit or loss; and
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of recognised 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.

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

Recoverability of deferred tax assets

The Group has recorded a deferred tax asset relating to the future benefit of tax losses of $4,863,000 (2020: $25,442,000). Tax losses of $20,579,000 were utilised in the 2021 financial year. The Group assesses the impairment of deferred tax assets by taking into account its projected profitability over the foreseeable future and hence its ability to recover the value of the deferred tax asset by reducing future liabilities for income tax. Management's forecasts project that the deferred tax asset is fully recoverable based on the below:

- A continued growth in sales and margin in the 2022 and future financial years
- Continuation of the tight cost management and inventory intake strategies which has proven to be successful over the past 7 years

Where actual results are lower than expectations as described above a proportion of the deferred tax asset may not be used, and a write-off of the deferred tax asset may be required.

Tax consolidation

Mosaic Brands Limited (the 'head entity') and its wholly-owned Australian controlled entities formed an income tax consolidated group under the tax consolidation regime as of 1 July 2005. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. In addition to its own current and deferred amount, the head entity also recognises the current tax assets/liabilities of each subsidiary in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Mosaic Brands Limited for any current tax payable and are compensated by Mosaic Brands Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

NOTE 6. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2021 $'000	2020 $'000
Cash at bank and on hand	**57,831**	86,928

Recognition and measurement

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

NOTE 7. OTHER RECEIVABLES

	Consolidated Group	
	2021 $'000	2020 $'000
Sundry debtors	**1,747**	5,083
Government grants	**–**	17,507
	1,747	22,590

Recognition and measurement

Sundry debtors are non-interest bearing and are generally on 30 to 60 day terms which include amounts from repeat customers, suppliers and landlord contributions. An allowance for credit losses is recognised based on the expected credit loss from the time the financial asset is initially recognised. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets and are subsequently measured at amortised cost which have not been discounted.

NOTE 8. INVENTORIES

	Consolidated Group	
	2021 $'000	2020 $'000
Finished goods at cost, net of obsolescence and shrinkage	**110,083**	102,329

Recognition and measurement

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a weighted average cost basis. Cost comprises all costs of purchase and conversion and an appropriate proportion of fixed and variable overheads, net of settlement discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Stock in transit is stated at the lower of cost and net realisable value. Costs comprise of purchase and delivery costs, net of rebates and discounts received or receivable.

Key estimate and judgement

The provision for obsolescence and shrinkage of inventories assessment requires a significant degree of estimation and judgement. The level of the provision is assessed by taking into account the sales experience, the classification and ageing of inventories and other factors that affect inventory obsolescence. Managements provision for obsolescence is based on three key assessments: (i) the assessment of the aged inventory, (ii) the sell-through test for the seasonal inventory, (iii) management's assessment on the judgment of sales which includes the impact of the ongoing COVID-19 global pandemic to the customer sentiment and closure of stores for an extended period.

NOTE 9. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Group	
	2021	2020
	$'000	$'000
Forward exchange contracts	**576**	–

Refer to note 25 for further information on financial instruments.

NOTE 10. OTHER CURRENT ASSETS

	Consolidated Group	
	2021	2020
	$'000	$'000
Prepayments	**1,332**	2,082
Right of return assets	**2,650**	3,730
	3,982	5,812

Recognition and measurement

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 11. PLANT AND EQUIPMENT

	Consolidated Group	
	2021	2020
	$'000	$'000
a) Plant and Equipment		
Plant and equipment:		
At cost	**129,186**	145,098
Accumulated depreciation and impairment	**(113,321)**	(114,053)
	15,865	31,045

b) Movements in carrying amounts

	Plant and equipment $'000	Total $'000
Consolidated Group:		
Balance at 30 June 2019	**41,101**	41,101
Additions	**4,973**	4,973
Additions through business combination	**4,510**	4,510
Disposals	**(317)**	(317)
Depreciation and impairment expense	**(19,222)**	(19,222)
Balance at 28 June 2020	**31,045**	31,045
Additions	**1,695**	1,695
Additions through business combination	**(2,373)**	(2,373)
Disposals	**(1,778)**	(1,778)
Depreciation and impairment expense	**(12,724)**	(12,724)
Balance at 27 June 2021	**15,865**	15,865

NOTE 11. PLANT AND EQUIPMENT (CONTINUED)

Recognition and measurement

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives covering a period of three to six years.

Key estimate and judgement

The carrying values of plant and equipment are reviewed for impairment annually for events or changes in circumstances that may indicate the carrying value may not be recoverable. If an indication of impairment exists, and where the carrying values exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment indicators are assessed at the store level.

The Group determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold or will be written off or written down.

NOTE 12. RIGHT-OF-USE ASSETS

	Consolidated Group	
	2021 $'000	2020 $'000
Lease rights – property	**286,659**	264,120
Less: Accumulated depreciation and impairment	**(215,804)**	(123,327)
Total right-of-use assets	**70,855**	140,793

The Group leases buildings for its offices and retail outlets under agreements of between one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. During the year the Group had an additional $22,539,000 of new leases.

Key estimate and judgement

The carrying values of store assets include plant and equipment and right-of-use assets are reviewed for impairment annually for events or changes in circumstances that may indicate the carrying value may not be recoverable. If an indication of impairment exists, and where the carrying values exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment indicators are assessed at the store level. For the period ended 27 June 2021, the assessment resulted in a Group impairment loss on right-of-use assets of $11,684,000.

NOTE 13. INTANGIBLE ASSETS

	Consolidated Group	
	2021 $'000	2020 $'000
Goodwill – at cost	**13,565**	74,786
Less: accumulated impairment losses	**(13,565)**	(64,022)
Net carrying value	**–**	10,764
Brand names – at cost	**58,090**	58,090
Less: accumulated impairment losses	**(41,783)**	(33,364)
Net carrying value	**16,307**	24,726
Other intangible assets – at cost	**42,582**	16,334
Less: accumulated amortisation	**(38,911)**	(8,881)
Net carrying value	**3,671**	7,453
Total intangibles	**19,978**	42,943

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

	Consolidated Group			
	Goodwill $'000	Brand names $'000	Other* $'000	Total $'000
Consolidated Group:				
Balance at 30 June 2019	64,022	57,200	2,748	123,970
Additions	–	–	8,408	8,408
Additions from business combination	10,764	890	5,178	16,832
Amortisation expense	–	–	(8,881)	(8,881)
Impairment	(64,022)	(33,364)	–	(97,386)
Balance at 28 June 2020	10,764	24,726	7,453	42,943
Additions	–	–	480	480
Additions from business combination (note 32)	2,801	–	(526)	2,275
Amortisation expense	–	–	(3,736)	(3,736)
Impairment	(13,565)	(8,419)	–	(21,984)
Balance at 27 June 2021	**–**	**16,307**	**3,671**	**19,978**

* Includes software, development costs and trademarks

Goodwill and Brand names

Recognition and measurement

Brand names and goodwill acquired in a business combination are initially measured at cost. Goodwill is the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill on acquisition is included in intangible assets along with Brand names and is allocated to cash generating units (CGUs) for the purposes of impairment testing. Goodwill and Brand names are assessed as having an indefinite useful life and are tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill and Brand names is carried at cost less accumulated impairment losses. Impairment losses are taken to the profit or loss and are, for Goodwill, not subsequently reversed.

Impairment of brand names is determined comparing the recoverable amount of brand calculated using the relief from royalty method to the carrying value of the brand. The relief from royalty method is a calculation of the amount of the hypothetical royalty that would be paid if the brands were licensed from an independent third party. When the recoverable amount of the brand is less than the carrying amount, an impairment loss is recognised.

Impairment of goodwill is determined by assessing the recoverable amount of the CGUs, which is done at the brand level. Each brand is a fashion and retail brand selling both in stores and online. When the recoverable amount of the CGU is less than the carrying amount of the CGU (after any impairment of individual assets is recognised), an impairment loss is recognised. The recoverable amount of the CGU has been determined based upon the value in use approach.

Trademarks were acquired through the acquisition of the Millers, Autograph, Katies, Crossroads and Rivers brands. These trademarks are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 years, and are tested annually for impairment.

Costs associated with software and development cost are amortised on a straight-line basis over the period of their expected benefit being their finite life of 2-5 years and is tested annually for impairment.

Key estimates and judgements to account for business combinations

On 5 September 2016, the Group acquired 100% of the shares of the Pretty Girl Fashion Group (PGFG). The brands within the Pretty Girl Fashion Group include Rockmans, W. Lane and beme. An independent valuation of the brand names acquired as part of the transaction resulted in a total brand valuation of $36,300,000.

On 2 July 2018, the Group acquired the Millers, Autograph, Rivers, Crossroads and Katies brands from the Specialty Fashion Group through a business combination (collectively known as MARCK). An independent valuation of the brand names acquired as part of the transaction resulted in a total brand valuation of $20,900,000 with value attributable to all brands except Crossroads.

The fair value of the acquired Brands was determined based upon the relief from royalty method at acquisition date. The royalty rates used in the valuation were based on rates observed in the market. Brand names are assessed as having an indefinite useful life. The indefinite useful life reflects management's intention to continue to operate these brands to generate net cash inflows into the foreseeable future.

NOTE 13. INTANGIBLE ASSETS (CONTINUED)

Impairment indicators

During the course of the 2020 financial year and subsequently continued to be seen in the 2021 financial year, the global Coronavirus (COVID-19) pandemic continued to have economic consequences and market uncertainty within the retail industry. The impacts have included store closures for the non-performing stores during the period for the Mosaic Brands. For EziBuy the impact resulted in delays in the logistics for the sourcing and delivery for new and seasonally core products which as a Group contributed to downward trends in both revenue and gross margin and financial performance. On the basis of these factors management determined that impairment losses should be recognised totalling $8,419,000 for brand names (2020: $33,364,000). More detail on the calculation of these impairment losses is included below.

Determination of key assumptions and inputs

Forecasts

Management has prepared forecasts for a four-year period derived from the approved budget for FY22. These forecasts include assumptions around sales prices and volumes, operating costs and working capital movements. Management assesses the reasonableness of its forecasting by reviewing historical projections as well as future growth objectives.

Risk adjusted discount rates

The discount rates are derived from the Group's weighted average cost of capital as adjusted for the specific risks related to each brand.

Long-term growth rate

To forecast into perpetuity beyond the discrete forecast period, a long-term growth rate is used. To establish an appropriate rate, management considers long-term inflation and GDP forecasts and adjusts for industry specific impacts.

Royalty rate

Royalty rates have been reviewed by management with reference to the rates which were determined on initial recognition of the brands. Where considered necessary these rates have been revised to factor in subsequent changes in the economic environment that impact the ability of a market participant to derive the same level of royalties.

Sensitivity analysis

The results of the Group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. A reasonably possible change in key assumptions could lead to a change of the amount of impairment recognised by the Group. The Group has therefore conducted an analysis of the sensitivity of the impairment conclusions to changes in the key assumptions used to determine the recoverable amount for each brand name. This is included below.

Impairment of brand names

The relief from royalty calculation is based on the discrete cash flow projections as at June 2021 for a period of four years, and a terminal value. The key assumptions utilised within the model are:

- Projections based on the FY2022 budget approved by the board and projected for a further three years based on a growth rate estimated by management of 4.8% in FY2023 (2020: 2.0% to 4.5%), 3.5% in FY2024 (2020: 1.0% to 1.5%) and 2.3% in FY2025 (2020: 1.0%).
- A terminal growth rate of 1.0% (2020: 1.0%)
- A tax rate applied of 30% is based on the corporate tax rate in Australia (2020: 30%)

Royalty rates and post-tax discount rates are included within the table below:

	Royalty rate		Post-tax discount rate	
	2021	2020	**2021**	2020
Rockmans	**1.0%**	1.0%	**15.5%**	17.0%
beme	**–**	2.0%	**15.5%**	17.0%
W Lane	**–**	1.5%	**–**	17.0%
Millers	**0.5%**	0.5%	**16%**	17.5%
Autograph	**1.0%**	1.0%	**16%**	17.5%
Rivers	**0.5%**	0.5%	**16%**	17.5%
Katies	**0.5%**	0.5%	**16%**	17.5%

The reconciliation of the carrying values of the brands at the beginning and end of the current and previous financial year is set out below:

	Rockmans $'000	W Lane $'000	beme $'000	Millers $'000	Autograph $'000	Rivers $'000	Katies $'000	EziBuy $'000	Total $'000
Balance at 1 July 2019	19,400	10,000	6,900	4,700	4,200	8,600	3,400	–	57,200
Additions from business combinations	–	–	–	–	–	–	–	890	890
Impairment expense	(11,989)	(6,647)	(5,443)	(818)	(1,736)	(5,264)	(1,467)	–	(33,364)
Balance at 28 June 2020	7,411	3,353	1,457	3,882	2,464	3,336	1,933	890	24,726
Impairment expense	(1,463)	(3,353)	(1,457)	(423)	(514)	–	(319)	(890)	(8,419)
Balance at 27 June 2021	**5,948**	**–**	**–**	**3,459**	**1,950**	**3,336**	**1,614**	**–**	**16,307**
Impact on recoverable amount of the following changes in assumptions:									
– 1% increase in discount rate	(416)	–	–	(213)	(115)	(214)	(96)	–	
– 1% decrease in discount rate	477	–	–	244	132	244	109	–	
– 0.5% (PGFG)/ 0.25% (MARCK) increase in royalty rate	3,394	–	–	1,802	488	1,806	807	–	
– 0.5% (PGFG)/ 0.25% (MARCK) decrease in royalty rate	(3,394)	–	–	(1,802)	(488)	(1,806)	(807)	–	

Impairment of goodwill

During the 2020 financial year the Coronavirus (COVID-19) pandemic had major economic consequences which continued to be seen during the 2021 financial year and continues to create market uncertainty within the retail industry. The impact of COVID-19 created store closures for safety reasons and delays in the logistics regarding the sourcing and delivery of the new and seasonal core products creating a downward trend in revenue, gross margin year on year and financial performance. On the basis of these factors management determined that impairment losses should be recognised totalling $13,565,000 for goodwill from the EziBuy transaction.

NOTE 14. TRADE AND OTHER PAYABLES

	Consolidated Group	
	2021 $'000	2020 $'000
Trade payable	**95,818**	141,339
Accruals	**41,025**	35,506
Stock in transit	**18,770**	17,176
Sundry payables	**42,033**	36,639
	197,646	230,660

Recognition and measurement

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 – 90 days of recognition of the liability. Due to the short-term nature they are measured at amortised cost and are not discounted.

During the year, a number of settlement discounts were negotiated with suppliers. Where these settlement discounts represent a partial extinguishment of the liability, they have been recognised as a gain in profit or loss.

NOTE 15. BORROWINGS

	Consolidated Group	
	2021 $'000	2020 $'000
CURRENT		
Secured liabilities:		
Commercial hire purchase liabilities	**12**	16
Bank loans	**10,000**	28,974
Loans from related parties	**6,438**	12,512
Total current borrowings	**16,450**	41,502
NON-CURRENT		
Secured liabilities:		
Bank loans	**15,000**	44,989
Total non-current borrowings	**15,000**	44,989

Bank loans are recognised at the fair value of the consideration less directly attributable transaction costs. Fees paid on establishment of loan facilities are amortised over the term of the facility. At 27 June 2021, the Group had total outstanding loans and borrowings of $31,450,000 (2020: $86,491,000) of which $25,000,000 was from bank loans (2020: $74,105,000), $12,000 was from commercial hire liabilities (2020: $16,000) and $6,438,000 was provided as loans from related parties (2020: $12,512,000). At reporting date, bank loan facilities of $25,000,000 were available to the Group (2020: $103,800,000). Of this facility, all of this was used (2020 unused amount: $19,895,000). Bank loans are secured by both the warehouse inventory and a general security deed which is a fixed and floating charge over the business. Interest of 0-9% is charged on the loans. The carrying amount of bank loans approximates their fair value.

Recognition and measurement

Borrowing costs are directly attributable to the loan. They are subsequently measured at amortised costs using the effective interest method.

Finance facilities

The following lines of credit were available at reporting date:

	Consolidated Group 2021 $'000	Consolidated Group 2020 $'000
Amount of credit facilities available		
Bank card	**507**	500
Market rate facility	**25,000**	88,000
Related party finance facilities (note 28)	**6,500**	15,800
Bank guarantees and lines of credit	**6,585**	9,535
Total	**38,592**	113,835
Amount of credit facilities unused		
Bank card	**317**	329
Market rate facility	**–**	13,895
Related party finance facilities (note 28)	**–**	6,000
Bank guarantees and lines of credit	**–**	4,835
Total	**317**	25,059

The finance facilities available contain specific financial covenants which the Group is required to meet. For the period ended 27 June 2021 the Group was able to meet its financial covenants and remained compliant for the period ended.

NOTE 16. PROVISIONS

	Consolidated Group 2021 $'000	Consolidated Group 2020 $'000
CURRENT		
Employee benefits	**18,453**	23,469
Other provisions	**14,848**	5,643
Total current provisions	**33,301**	29,112
NON-CURRENT		
Employee benefits	**2,042**	2,828
Total non-current provisions	**2,042**	2,828

Movements in provisions during the current financial year, other than employee benefits, are set out below:

Consolidated Group:	Lease make good $'000	Bonus $'000	Total $'000
Carrying amount at 29 June 2020	5,643	–	5,643
Amounts utilised	(2,517)	–	(2,517)
Additional provisions recognised	5,222	6,500	11,722
Carrying amount at the end of the year	**8,348**	**6,500**	**14,848**

Other long-term employee benefits

Recognition and measurement

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, the Group does not expect the full amount of annual leave or long service leave balances classified as current liabilities to

NOTE 16. PROVISIONS (CONTINUED)

be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Group does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement. The amount that is not expected to be taken within the next twelve months including on costs is $6,792,000 (2020: $8,690,000).

Long-term benefits are benefits (other than termination benefits) that are not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur. The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Key estimate and judgement

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Other provisions include:

Lease make good

At the end of the reporting period management reviews the exposure for store closures after assessing factors such as customer demographic, landlord portfolio, lease status tenure and its commercial terms, internal rebranding opportunities and store performance (profit or loss-making). Based on this information, the Group then assess the closure risk rating of every store such as 'low', 'medium', 'high', 'definite closure' or 'rebranding'. An assessment is then made of the make good liability in accordance with the requirements of AASB 137. This assessment includes the existence of a present obligation, the probability that an outflow will be required and reliable estimation of the make good obligation.

Bonus

The provision represents the estimated amount to be paid to team members based on the FY2021 performance which were approved prior to year-end.

NOTE 17. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated Group	
	2021 $'000	2020 $'000
Forward exchange contracts	**–**	28
Interest rate swaps	**109**	506
	109	534

Refer to note 25 for further information on financial instruments.

NOTE 18. LEASE LIABILITIES

	Consolidated Group	
	2021	2020
	$'000	$'000
CURRENT		
Lease liability	**64,636**	87,544
NON-CURRENT		
Lease liability	**58,643**	111,013
Total lease liabilities	**123,279**	198,557

The following table reflects the Group's lease liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Consolidated Group	
	2021	2020
	$'000	$'000
Maturity < 1 month	**6,981**	8,906
Maturity 1 – 3 months	**12,999**	17,026
Maturity 3 – 12 months	**44,656**	61,612
Maturity > 1 year	**58,643**	111,013
	123,279	198,557

Key estimates and judgements

Lease term

Determining the lease term of contracts with renewal options

The Consolidated Entity 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 Consolidated Entity has historically always had several lease contracts in holdover. The Consolidated Entity applies judgment in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period.

Holdover leases

The Consolidated Entity has historically always had several lease contracts in holdover. The Consolidated Entity applies judgment in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period. Given the current economic environment the Consolidated Entity does not consider the extension of the lease term beyond 12 months to be reasonably certain and therefore recognises these leases as short term. A range of one to ten years' extension is estimated based on average lease terms.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

NOTE 19. OTHER LIABILITIES

	Consolidated Group	
	2021 **$'000**	2020 $'000
CURRENT		
Fitout contributions and lease incentives	**43**	95
NON-CURRENT		
Fitout contributions and lease incentives	**178**	110

Deferred lease incentives

The liability represents lease incentives received relating to variable leases. The incentives are allocated to the profit and loss on a straight-line basis over the lease term.

NOTE 20. DEFERRED CONSIDERATION

	Consolidated Group	
	2021 **$'000**	2020 $'000
Deferred consideration	**9,620**	9,580

As part of the purchase of EziBuy from Alceon Retail, it was agreed that as part of the nominal consideration of $1.00 for a 50.1% economic interest, the buyer will be entitled to exercise an option over the remaining 49.9% equity interest on or prior to 30 September 2021 for an exercise price of $11,000,000 made payable before 31 December 2021. The exercise date was extended by 3 months from the previous date of 30 June 2021 (original date being 31 December 2020) following an agreement between the buyer and seller due to the continued impact of the Coronavirus (COVID-19) pandemic and change in economic conditions. The 49.9% is considered by the Group as a present ownership interest and the option exercise price included in the fair value of the deferred consideration recorded at the date of acquisition (note 32). The $11,000,000 exercise price has been discounted and adjusted for cash acquired and related loans to arrive at the deferred consideration balance in accordance with the revised term of the option.

NOTE 21. CONTRACT LIABILITIES

	Consolidated Group	
	2021 **$'000**	2020 $'000
Contract and customer liabilities	**13,408**	15,871

Recognition and measurement

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

Key estimate and judgement

Contract liabilities are calculated based on historical sales claim information, sales levels and any trends that may suggest future liabilities could differ from historical amounts.

The Group operates a loyalty program. This is recognised as a customer loyalty provision within sundry payables and is based on (i) loyalty events and (ii) an estimate of the loyalty redemption by the loyalty customers. The estimate considers historical experience and other factors relevant to customer spending.

NOTE 22. ISSUED CAPITAL

	Consolidated Group	
	2021 **$'000**	2020 $'000
Fully paid ordinary shares		
Balance at the beginning of the financial year	**108,034**	107,605
Issue of shares	**–**	429
Less transaction costs	**–**	–
Ordinary shares	**108,034**	108,034
	NO.	NO.
Balance at the beginning of the financial period	**96,812,930**	96,914,779
Issue of shares during the period	**–**	148,151
Share buy-back (i)	**(150,000)**	(250,000)
Balance at the end of the financial period	**96,662,930**	96,812,930

(i) 150,000 shares were issued to Senior Management however they were cancelled by the Company during the year.

Ordinary shares

Ordinary shares are classified as equity and entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Group 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. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from proceeds.

NOTE 23. RESERVE

	Consolidated Group	
	2021 **$'000**	2020 $'000
Reserves comprise:		
Equity reserve	**4,432**	4,077
Foreign currency translation reserve	**220**	154
Dividend profit reserve	**26,640**	13,637
Total reserves	**31,292**	17,868

Equity reserve

The equity reserve is used to record the value of the share based payments provided to employees. In accordance to the Rules of the Director and Senior Management Share Plan, dividends paid on the Plan Shares will be applied to the value of shares. As no dividends were paid during the 2021 financial year no dividends were applied to the Plan Shares (2020: $88,000).

Foreign currency translation reserve

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

Dividend profit reserve

To the extent that any current year profits are not distributed as dividends, the Group may set aside some or all of the undistributed profits to a separate dividend profit reserve to facilitate the payment of future dividends, rather than maintaining these profits within accumulated losses. During the year the Directors decided to transfer the profit for the period ended 27 December 2020 of

NOTE 23. RESERVE (CONTINUED)

$13,003,000 (2020: $13,301,000) to the dividend profit reserve which will enable the declaration of a future dividend. The transfer into the dividend profit reserve was recorded based on the profit recognised for the period ended 27 December 2020. No dividends were declared or paid during the 2021 financial year. The Directors consider the requirements of s254T of the Corporations Act in the declaration of dividends

NOTE 24. DIVIDENDS PAID

Dividends

	Consolidated Group					
	2021			2020		
	Cents per share	**Date of payment**	**Total amount $'000**	Cents per share	Date of payment	Total amount $'000
Current year interim	**–**	**–**	**–**	–	–	–
Prior year final	**–**	**–**	**–**	5.5	24/10/2019	5,331
			–			5,331

All dividends are fully franked at a 30% tax rate.

Due to the continuing impact and challenges caused by the COVID-19 pandemic, the Board of Directors have decided to take a prudent approach and not declare a final dividend to be paid from the dividend profit reserve.

Franking credits

	Consolidated Group	
	2021 $'000	2020 $'000
Franking credits available for future financial years (tax paid basis, 30% tax rate)	**12,307**	12,307

The above amount represents the balance of the franking account as at the end of the financial year, adjusted for:

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

NOTE 25. FINANCIAL RISK MANAGEMENT

Capital Risk Management

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets. The Group is not subject to any externally imposed capital requirements.

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

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratios for the years ended 27 June 2021 and 28 June 2020 are as follows:

		Consolidated Group	
	Note	**2021 $'000**	2020 $'000
Total debt	15	**31,450**	86,491
Total equity		**(77,173)**	(80,309)
Total capital		**(45,723)**	6,182
Gearing ratio		**(68.8%)**	1,399.1%

Total debt of $31,450,000 predominately consists of the working capital facility of $25,000,000, commercial hire liabilities of $12,000 and loans from related parties of $6,438,000 for EziBuy see note 15.

Financial Risk Management Policies

The Board monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, liquidity risk, and interest rate risk.

The Boards overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk, and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, derivatives and deposits with banks. As sales to retail customers are settled in cash or using major credit cards within 24 hours, the Group is mitigated from any material credit risk exposure to any single debtor or group of debtors. Current trade account receivables are non-interest bearing loans and are generally on 45 day terms.

Market Risk

Foreign currency risk

The Group 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 order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts. These contracts are hedging highly probable forecasted cash flows for the ensuing financial year.

The contracts are timed to mature when payments for certain shipments of inventory are scheduled to be made. The fair value of forward exchange contracts is determined using forward exchange market rates at reporting date.

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

NOTE 25. FINANCIAL RISK MANAGEMENT (CONTINUED)

	Sell AUD dollars		Average exchange rate	
Buy US dollars	**2021 $'000**	2020 $'000	**2021 $**	2020 $
Maturity:				
Less than 1 year	**42,391**	47,829	**0.7623**	0.6841

The derivatives are measured at fair value through profit or loss.

Price risk

The Group is not exposed to any significant price risk.

Interest Rate Risk

The Group's main interest rate risk arises from loans and borrowings. Borrowings with variable rates expose the Group to interest rate risk with borrowings issued at fixed rates exposing the Group to fair value interest risk. The Group currently has interest swaps in order to reduce the exposure to interest rate risk.

As at the reporting date, the Group had the following interest rate borrowings outstanding:

	Loan balance		Average interest rate	
	2021 $'000	2020 $'000	**2021 %**	2020 %
Commercial hire purchase	**12**	16	**6.21%**	6.21%
Bank loans	**25,000**	73,963	**2.06%**	3.12%
Loans from related parties	**6,438**	12,512	**3.74%**	8.37%

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows. At reporting date, bank loan facilities of $25,000,000 were available to the Group (2020: $106,500,000). Of this facility, all of this was used (2020 unused amount: $19,895,000).

The following table reflects the Groups financial liabilities, net and gross settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The tables include both principal and interest cash flows disclosed as remaining contractual maturities and therefore the totals may differ from their carrying amount in the statement of financial position.

	Consolidated Group	
	2021 $'000	2020 $'000
Maturity < 1 month	**119,852**	107,388
Maturity 1 – 3 months	**64,813**	94,539
Maturity 3 – 12 months	**96,475**	151,826
Maturity > 1 year	**71,235**	161,955
	352,375	515,708

Financial liabilities above include undiscounted lease liabilities payable by the Group.

Fair Value of financial instruments

AASB 13, fair value measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 – the fair value is calculated using quoted price in active markets for identical assets or liabilities.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate for the circumstances. The valuation technique on the derivatives is based on quoted mark to market data provided by the bank. The fair value of the deferred consideration is measured by discounting the $11,000,000 exercise price using a formula which incorporates the current year base. There has been no movement between levels and no changes in valuation techniques.

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	Level 1		Level 2		Level 3		Total	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000	**2021 $'000**	2020 $'000
Recurring fair value measurements								
Derivatives Asset / (Liability) held for hedging:								
– Forward exchange forward contracts	**–**	–	**576**	(28)	**–**	–	**576**	(28)
– Interest swaps	**–**	–	**(109)**	(506)	**–**	–	**(109)**	(506)
Deferred consideration	**–**	–	**–**	–	**(9,620)**	(9,580)	**(9,620)**	(9,580)
Total liabilities recognised at fair value	**–**	–	**467**	(534)	**(9,620)**	(9,580)	**(9,153)**	(10,114)

NOTE 26. KEY MANAGEMENT PERSONNEL

Information regarding individual key management personnel (KMP), shareholdings of key management personnel, as well as other transactions and balances with key management personnel and their related parties, as required by Regulation 2M.3.03 of the *Corporations Regulations 2001* is provided in the Remuneration Report section of the Directors' Report.

Directors

The following persons were Directors of Mosaic Brands Limited during the financial year

- Richard Facioni   Chairman
- Scott Evans   Chief Executive Officer
- David Wilshire   Non-Executive Director
- Jacqueline Frank   Non-Executive Director
- Sue Morphet   Former Non-Executive Director (resigned 22 June 2021)

Other key management personnel

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

- Luke Softa   Chief Financial Officer
- Stephen Gosney   Chief Executive Officer of EziBuy

NOTE 26. KEY MANAGEMENT PERSONNEL (CONTINUED)

Compensation

The aggregate remuneration of the Directors and other key management personnel of the Group are as follows:

	Consolidated Group	
	2021	2020
	$	$
Short-term employee benefits	**3,128,798**	2,509,740
Post-employment benefits	**74,517**	60,346
Other long-term benefits	**36,978**	30,726
Share based payments	**202,957**	202,957
Total benefits	**3,443,250**	2,803,769

Short-term employee benefits

These amounts include fees and benefits paid as well all salary, paid leave benefits, fringe benefits and cash bonuses.

Post-employment benefits

These amounts are the current-year's estimated costs of providing for the Group's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of the key management personnel in equity-settled benefit schemes as measured by the fair value of the options, rights and shares granted on grant date.

NOTE 27. AUDITORS' REMUNERATION

During the financial year the following fees were paid or payable for services provided by BDO, the auditor of the Group and its network firms.

	Consolidated Group	
	2021	2020
	$	$
Audit services – BDO		
– Audit and review of the financial statements	**455,000**	465,000
Other services – BDO		
– Tax compliance services including review of company income tax returns	**–**	29,000
– Other advisory services	**–**	211,065
– Other assurance services	**22,410**	43,760
	477,410	748,825

NOTE 28. RELATED PARTY TRANSACTIONS

Parent entity

Mosaic Brands Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

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

Transactions with related parties

The Group paid rent to four Alceon-owned property trusts amounting to $280,000 (2020: $299,000) in relation to stores in Caboolture, Orange, Sale and Gladstone. The rental paid was at normal commercial terms and conditions.

A total of $120,000 was paid in management fees to related party of the Non-Executive Directors during the financial period (2020: $120,000).

Relatives of key management personnel were employed throughout the year with a total salary and wages being paid of $63,240. These were paid in line with the union based awards.

EziBuy paid a total of $2,183,000 to SurfStitch which relates to the use of the Coomera distribution centre and was exited at the end of December 2020.

Receivables 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

At 27 June 2021, a loan amount payable to a related party (Alceon Retail Bidco) of $6,500,000 was owed through EziBuy with total interest paid of $246,000. There were no other loans to or from related parties at the end of the reporting date. Interest of 0-9% is charged on the loans. The loan term is the earlier of the exercise of the option to purchase EziBuy by Mosaic Brands Limited or ten years from inception (being 2029).

NOTE 29. PARENT ENTITY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	Consolidated Group	
	2021 $'000	2020 $'000
Statement of profit or loss and other comprehensive income		
Net profit / (loss) after income tax expense	**40,205**	(104,153)
Total comprehensive income / (loss) for the year	**40,205**	(104,153)
Statement of financial position		
ASSETS		
Current assets	**55,462**	52,907
Non-current assets	**61,158**	107,398
TOTAL ASSETS	**116,620**	160,305
LIABILITIES		
Current liabilities	**135,760**	165,028
Non-current liabilities	**45,991**	100,623
TOTAL LIABILITIES	**181,751**	265,651
EQUITY		
Issued capital	**108,035**	108,035
Reserves	**17,906**	17,897
Accumulated losses	**(191,072)**	(231,277)
TOTAL EQUITY	**(65,131)**	(105,345)

As at 27 June 2021, the parent entity had an excess of current liabilities over current assets of $80,298,000 (2020: net current liability position of $112,121,000).

NOTE 29. PARENT ENTITY INFORMATION (CONTINUED)

Contingent liabilities

There were no contingent liabilities for the period ended 27 June 2021.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Contractual commitments

As at 27 June 2021, the parent entity had no contractual commitments apart from lease liabilities (note 18).

NOTE 30. INTERESTS IN SUBSIDIARIES

Information about the Principal Subsidiaries

The subsidiaries listed below have share capital consisting solely of ordinary shares which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business is also its country of incorporation.

	Country of	Ownership Interest	
Name of Subsidiary	Incorporation	**2021**	2020
Noni B Holdings Pty Limited	Australia	**100%**	100%
Pretty Girl Fashion Group Holdings Pty Ltd	Australia	**100%**	100%
Pretty Girl Fashion Group Pty Ltd	Australia	**100%**	100%
W.Lane Pty Ltd	Australia	**100%**	100%
Noni B Holdings 2 Pty Ltd	Australia	**100%**	100%
Millers Retail Pty Ltd	Australia	**100%**	100%
Autograph Retail Pty Ltd	Australia	**100%**	100%
Rivers Retail Holdings Pty Ltd	Australia	**100%**	100%
Crossroads Retail Pty Ltd	Australia	**100%**	100%
Katies Retail Pty Ltd	Australia	**100%**	100%
Noni B Holdco Pty Ltd	Australia	**100%**	100%
EziBuy Pty Ltd	Australia	**100%***	100%*
Noni B NZ Limited	New Zealand	**100%**	100%
Noni B Holdings NZ Limited	New Zealand	**100%**	100%
New EziBuy Ltd	New Zealand	**100%***	100%*
EziBuy Holdings Ltd	New Zealand	**100%***	100%*
EziBuy Ltd	New Zealand	**100%***	100%*
EziBuy Operations Ltd	New Zealand	**100%***	100%*
Sara Apparel Ltd	New Zealand	**100%***	100%*
Last Stop Shop Ltd	New Zealand	**100%***	100%*
EziBuy Custodian Ltd	New Zealand	**100%***	100%*

* New EziBuy Limited was acquired at 50.1% with an option to acquire the remaining 49.9% which has been accounted for as a present ownership interest (refer Note 32).

NOTE 31. DEED OF CROSS GUARANTEE

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

- Mosaic Brands Limited
- Noni B Holdings Pty Limited
- Noni B Holdings 2 Pty Ltd
- Noni B Holdings NZ Limited
- Millers Retail Pty Ltd
- Autograph Retail Pty Ltd
- Pretty Girl Fashion Group Holdings Pty Ltd
- Pretty Girl Fashion Group Pty Ltd
- Crossroads Retail Pty Ltd
- Katies Retail Pty Ltd
- Rivers Retail Holdings Pty Ltd
- W.Lane Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and Directors' report under ASIC Legislative Instrument 2016/785.

The above companies (including Mosaic Brands Limited as parent entity) represent a 'Closed Group' for the purposes of the legislative instrument. The financial information pertaining to the Closed Group is the consolidated financial information in the report less the information of the parent entity as disclosed in note 29.

Consolidated statement of profit or loss and other comprehensive income

	Closed Group	
	2021 $'000	2020 $'000
Continuing operations		
Revenue	**564,350**	639,267
Other income	**23,672**	17,442
Cost of goods sold	**(238,748)**	(343,935)
Expenses (excluding finance costs)	**(296,037)**	(405,856)
Transaction and restructuring costs	**(5,941)**	(3,657)
Finance costs	**(7,613)**	(11,449)
Impairment of brand names	**(8,419)**	(33,364)
Impairment of goodwill	**(13,565)**	(64,022)
Profit / (loss) before income tax	**17,699**	(205,574)
Income (expense) / benefit	**(10,535)**	41,143
Profit / (loss)	**7,164**	(164,431)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	**128**	(93)
Other comprehensive income, net of tax	**128**	(93)
Total comprehensive income for the year	**7,292**	(164,524)

NOTE 31. DEED OF CROSS GUARANTEE (CONTINUED)

Consolidated statement of financial position

	Closed Group	
	2021	2020
	$'000	$'000
CURRENT ASSETS		
Cash and cash equivalents	**50,136**	77,553
Other receivables	**1,653**	22,589
Inventories	**88,874**	83,349
Derivative financial instruments	**576**	–
Other current assets	**2,493**	2,867
Income tax receivable	**5,096**	–
TOTAL CURRENT ASSETS	**148,828**	186,358
NON-CURRENT ASSETS		
Plant and equipment	**15,085**	27,332
Right-of-use assets	**58,677**	119,665
Intangible assets	**18,393**	39,341
Deferred tax assets	**68,628**	107,856
Other non-current assets	**51**	26
TOTAL NON-CURRENT ASSETS	**160,834**	294,220
TOTAL ASSETS	**309,662**	480,578
CURRENT LIABILITIES		
Trade and other payables	**160,196**	199,880
Borrowings	**10,000**	28,974
Provisions	**32,053**	27,783
Derivative financial instruments	**109**	534
Lease liabilities	**60,768**	83,546
Income tax payable	**–**	154
Other current liabilities	**43**	95
Deferred consideration	**9,620**	9,580
Contract liabilities	**10,106**	12,726
Intercompany payables	**6,628**	2,303
TOTAL CURRENT LIABILITIES	**289,523**	365,575
NON-CURRENT LIABILITIES		
Borrowings	**15,000**	44,989
Lease liabilities	**43,789**	91,611
Provisions	**2,042**	2,828
Deferred tax liabilities	**26,078**	49,935
Other non-current liabilities	**182**	110
TOTAL NON-CURRENT LIABILITIES	**87,091**	189,473
TOTAL LIABILITIES	**376,614**	555,048
NET ASSETS	**(66,952)**	(74,470)
EQUITY		
Issued capital	**108,034**	108,034
Reserves	**26,212**	18,694
Accumulated losses	**(201,198)**	(201,198)
TOTAL EQUITY	**(66,952)**	(74,470)

NOTE 32. BUSINESS COMBINATIONS

On 23 December 2019 an extraordinary general meeting (EGM) was held to approve the purchase of 50.1% of EziBuy for a nominal price of $1.00 effective from 28 October 2019 (date of acquisition). The EGM also approved the grant and exercise of call and put options to either acquire the remaining 49.9% equity interest or return the current shareholding to Alceon Retain for $1.00. The original exercise date was made on or prior to 31 December 2020. However due to the continued impact of the Coronavirus (COVID-19) pandemic and changes in economic conditions an agreement was made between the buyer and seller to extend the date to 30 June 2021. This was subsequently extended by 3 months with a new exercise date on or prior to 30 September 2021 with the consideration of $11,000,000 made payable before 31 December 2021.

EziBuy is a multi-channel retailing business which operates predominately in New Zealand and also Australia. It was acquired to increase the Group's online revenue share by gaining access to the customer portfolio which includes a high customer loyalty base. The acquired business operates in New Zealand and transacts in New Zealand Dollars which has been translated to Australian Dollars (AUD) for the purposes of these accounts.

The acquisition has been accounted for as a business combination under AASB 3 Business Combinations. The Group considers it has a present ownership interest in the 49.9% shareholding currently held by related party Alceon Retail and has therefore accounted for 100% of EziBuy's results.

The Group has recognised a financial liability for the present value of the exercise price of the call option. If the call option expires unexercised, the Group will account for a disposal of its present ownership interest in the 49.9% shareholding, together with any resulting implications under the acquisition agreement.

The fair value of the deferred consideration has been calculated based on the underlying Share Purchase Agreement, and includes the fair value of the exercise price of the call option of $10,800,000, which includes the amount to settle related party loans payable to the owners of the remaining 49.9% equity interest of $3,800,000 and the cash adjustment required to settle the cash acquired in the business of $2,460,000.

The Share Purchase Agreement requires the payment of contingent consideration to Alceon Retail in the event that the Group sells more than 50% of the equity interest in EziBuy within the exercise period.

Details of the acquisition are as follows:

	Fair value $'000
Consideration	
– Cash paid for purchase	–
– Fair value of deferred consideration	9,580
Total cash consideration to be paid	**9,580**
Net identifiable assets / (liabilities) acquired	
– Inventories	30,504
– Other current assets	2,074
– Plant and equipment	2,309
– Right of use assets (AASB 16)	25,543
– Brand names	890
– Intangibles – software	3,488
– Deferred tax assets	12,347
– Cash acquired	2,460
– Trade and other payables	(38,766)
– Deferred tax liabilities	(8,625)
– Loans and borrowings	(6,520)
– Lease liabilities (AASB 16)	(25,543)
– Other provisions	(4,146)
Net identifiable assets / (liabilities) acquired	**(3,985)**
Goodwill on acquisition	**13,565**

NOTE 32. BUSINESS COMBINATIONS (CONTINUED)

Business combinations are initially accounted for on a provisional basis in accordance with AASB3 – Business Combinations, which has now been completed. The Group has retrospectively adjusted the provisional amounts recognising changes to the net identifiable assets acquired during the measurement period based on new information obtained about the facts and circumstances that existed at the acquisition-date. The categories that have been adjusted from 28 June 2020 include write-off for both plant and equipment and intangibles based on asset reviews conducted – software of $2,201,000 and $1,690,000 respectively with an increase in deferred tax assets of $9,715,000 and deferred tax liabilities of $8,625,000. This has resulted in a net increase to goodwill of $2,801,000. At 28 October 2020 the net identifiable assets acquired have now been finalised which is inline with the measurement period being 12 months from the date of acquisition. The resulting goodwill has been tested for impairment (note 13). The effect of the global Coronavirus (COVID-19) pandemic resulted in store closures and delays in the logistics for the sourcing and delivery for new and seasonally core products which contributed to downward trends. This subsequently led to the Group to assess the carrying value for Goodwill which led to an impairment for the full amount. As part of the sale agreement the consideration remains as recorded as the Group will still be liable to pay the deferred purchase price should the option be exercised for the remaining 49.9%.

NOTE 33. CASH FLOW INFORMATION

	Consolidated Group	
	2021 $'000	2020 $'000
Reconciliation of Cash Flows from Operating Activities with Profit after income tax		
Profit / (loss) after income tax	**2,715**	(170,485)
Non-cash flows in profit / (loss):		
– depreciation	**93,111**	120,439
– amortisation	**3,736**	8,881
– write-off and write down of obsolete stock	**6,004**	32,151
– impairment and write-off of non-current assets	**(101)**	1,991
– sales return provision	**3,051**	3,175
– impairment of Brand Names and Goodwill	**21,984**	97,386
– net gain on disposal of plant and equipment	**(23)**	(51)
– unrealised foreign exchange loss / (gain)	**6,996**	(6,671)
– share based payment expense	**355**	266
Change in assets and liabilities:		
– decrease / (increase) in trade and other receivables	**22,646**	(958)
– (increase) / decrease in inventories	**(7,754)**	64,622
– decrease / (increase) in deferred tax assets	**37,863**	(85,480)
– (decrease) / increase in deferred tax liabilities	**(24,488)**	37,485
– decrease in trade and other payables	**(35,461)**	(132)
– increase / (decrease) in financial instruments	**151**	(36)
– (decrease) / increase in tax receivable / liability	**(5,245)**	4,991
– increase / (decrease) in provisions	**3,403**	(1,576)
Net cash flow from operating activities	**128,943**	105,998

NOTE 34. EARNINGS / (LOSS) PER SHARE

	Consolidated Group	
	2021 $'000	2020 $'000
Earnings / (loss) per share		
Profit / (loss) after income tax	**2,715**	(170,485)
Profit / (loss) after income tax attributable to the owners of Mosaic Brands Limited	**2,715**	(170,485)
	Number $'000	Number $'000
Weighted average number of ordinary shares used in calculating:		
– basic earnings per share	**96,690**	96,858
– diluted earnings per share	**96,690**	96,858
Basic earnings / (loss) per share (cents)	**2.81**	(176.0)
Diluted earnings / (loss) per share (cents)	**2.81**	(176.0)

Basic earnings per share

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

Diluted earnings per share

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

NOTE 35. SHARE BASED PAYMENTS

The fair value at grant date is independently determined using a Binomial Approximation Option Valuation Model and the Black Scholes Valuation model that takes into account the exercise price, the term of the rights over shares, 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 rights over shares. The volatility calculation is based on historical share prices. These have a variety of market and non-market conditions based on the volume weighted average price (VWAP). The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

A summary of the movement of all rights over share grants during the year ended 27 June 2021 include:

Performance Share Rights

Performance share rights which were outstanding as at 27 June 2021 were as follows:

Grant date	Expiry date	Fair value at grant date	Share price at grant date	Exercise price	Volatility	Interest rate	Number of rights available
08/08/2016	07/08/2021	$ 0.44	$ 1.33	$ 1.33	35%	1.54%	100,000
19/08/2016	18/08/2021	$ 0.47	$ 1.33	$ 1.25	35%	1.54%	1,450,000
19/08/2016	18/08/2021	$ 0.39	$ 1.33	$ 1.50	35%	1.54%	300,000
19/08/2016	18/08/2021	$ 0.32	$ 1.33	$ 1.75	35%	1.54%	300,000
17/02/2017	16/02/2022	$ 0.48	$ 1.46	$ 1.47	35%	1.54%	100,000
24/05/2017	23/05/2022	$ 0.54	$ 1.63	$ 1.64	35%	1.54%	100,000
12/01/2018	11/01/2023	$ 0.45	$ 2.09	$ 1.93	24%	1.55%	25,000
24/09/2018	23/09/2023	$ 1.31	$ 3.58	$ 3.42	54%	1.55%	550,000
21/12/2018	20/12/2023	$ 0.63	$ 2.68	$ 3.42	49%	1.55%	20,000

NOTE 35. SHARE BASED PAYMENTS (CONTINUED)

The weighted average price for the above performance share rights was $1.78.

During the financial period the number of share rights that were exercised was nil (2020: nil), the number of performance share rights which were forfeited was nil (2020: 400,000).

The total charge arising from share based payment transactions during the year as part of employee benefit expense was $355,000 (2020: $266,000).

Recognition and measurement

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the equity reserve. The fair value is determined using the Black-Scholes pricing model. The number of shares expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

NOTE 36. COMMITMENTS AND CONTINGENT LIABILITIES

Contractual commitments

As at 27 June 2021, the Group had no contractual commitments apart from lease liabilities (note 18).

Contingent liabilities

There were no contingent liabilities for the period ended 27 June 2021.

NOTE 37. EVENTS AFTER THE REPORTING DATE

The impact of the Coronavirus (COVID-19) pandemic is ongoing and the circulation of the Delta variant in the community means past health orders don't guarantee the same outcomes. Health officials and political leaders have made it clear that until nationwide vaccine rates reach at least 80% there will be continued challenges and some uncertainty regarding the length and breadth of any current or future lockdowns across Australia. Any additional economic support or stimulus measures to, outside of what has been announced to 31st August, are also unclear.

While the Group has no ability to influence or control the above factors it has been among the first national retailers to respond in closing impacted stores for the health and safety of its team and customers, from the outset of the pandemic. That approach continues through temporarily closing stores and limiting operations based on adhering to Government health orders and its own risk assessment.

Following the end of the financial year, Mosaic Brands intends to commence a capital raising process.

Apart from the above, no other matter or circumstances has arisen since 27 June 2021 that has significantly affected, or may significantly affect the Groups operations, the results of those operations, or the state of affairs in future financial years.

DIRECTORS' DECLARATION

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 27 June 2021 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 31 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

Richard Facioni
Chairman

31 August 2021

Scott Evans
Managing Director

31 August 2021

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MOSAIC BRANDS LIMITED

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Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Mosaic Brands Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mosaic Brands Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 27 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies 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 27 June 2021 and of its financial performance for the year ended on that date; 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 *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 of 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.

Going concern

Key audit matter	*How the matter was addressed in our audit*
At year end the total liabilities of the Group exceeds its total assets by $77.2m (2020: $80.3m) and the current liabilities exceeded current assets by $155.9m (2020: $197.4m). In Note 1(a) to the financial report, management have disclosed their considerations regarding their conclusion that the going concern basis of accounting is appropriate. Our assessment of going concern was considered a key audit matter due to the judgements and assumptions made by management. This includes determining the continued impact of COVID-19 on the Group.	Our audit procedures included, amongst others: • Evaluating the Group's assumptions and estimates used in their cash flow forecasting by assessing the historical accuracy of the prior year cash flow forecast as compared to current year actual cash flows and testing the accuracy of the cash flow forecast for July 2021 as compared to the actual results for the month per the reported management accounts. • Evaluating and challenging management's assessment of the impact of COVID-19 and its future cash flows up to and beyond 12 months from the date of this report including review of management's strategy and ability to manage its working capital during the COVID-19 enforced lockdowns. • Inspecting current financing facilities available to the Group by reviewing agreements in place with finance providers and inspecting the cash flow forecast to ensure that the Group will maintain compliance with all relevant loan covenants in place. • Evaluating the adequacy and accuracy of disclosures made by management related to the use of the going concern basis of accounting in preparation of the financial report.

Valuation of inventory

Key audit matter	*How the matter was addressed in our audit*
The carrying value of inventory as at 27 June 2021 is $110.1m (2020: $102.3m) as disclosed in Note 8 of the financial report. Due to the industry in which the Group operates, the items held in inventory have an inherent risk of obsolescence. The carrying value of inventories	Our audit procedures included, amongst others: • Considering and testing the design and operating effectiveness of key inventory controls; • Discussing with management the Group's current performance and future strategies to assist in evaluating the underlying assumptions applied in the calculation of the inventory obsolescence and

was reduced by for obsolescence and shrinkage factors, which are judgemental in nature. Significant management judgements include categorisation of inventories, fragmentation and sell through rates and shrinkage, which form the basis of management's calculation to determine the net realisable value of inventory. The valuation of inventory is a key audit matter due to the judgements and estimates required in calculating the provision for obsolescence and shrinkage, the deterioration of trading due to COVID-19, and the material nature of the inventory balance.	shrinkage provision, particularly due to the current economic environment ; • Recalculating the arithmetical accuracy of the provision for inventory obsolescence and shrinkage calculation; • Challenging management's assumptions by testing the classifications of the underlying data used within the calculation, performing inventory turnover analysis; and analysing the accuracy of historical obsolescence provisions; and • Agreeing a sample of inventory items on hand at year-end to initial purchase invoices and subsequent sales invoices and comparing the carrying amount to the net realisable value.

Carrying value of intangible assets

Key audit matter	*How the matter was addressed in our audit*
Australian Accounting Standards require intangibles with indefinite useful lives to be tested annually for impairment, and to recognise an impairment charge if the carrying value exceeds recoverable amount. The Group has recognised an impairment of $13.6m in relation to goodwill and $8.4m in relation to brand names. As discussed in Note 13 of the financial report, the assessments of the impairment of the Group's goodwill and other intangible assets incorporates significant judgements and estimates, specifically concerning factors such as forecast cash flows, discount rates, terminal growth rates and royalty rates. The identification of, and allocation of assets to cash generating units was also a key area of judgement. The Group has engaged an expert to assist with the impairment testing. This was considered to be a key audit matter due to the significance of the intangible assets, the material amount of the impairment charge recorded and the judgements and estimates exercised in the impairment testing.	Our audit procedures included, amongst others: • Evaluating whether management's expert had the necessary competence, capabilities and objectivity. We obtained an understanding of the work of management's expert including an understanding of the relevant field of expertise; • Assessing whether the cash generating units were appropriate and consistent with our knowledge of the Group's operations and internal reporting; • Assessing whether the impairment testing methodology used by the Group met the requirements of Australian Accounting Standards; • Testing the mathematical accuracy of models used; • Evaluating the Group's assumptions and estimates used in their cash flow forecasting, and with our internal valuation experts, assessing the growth rates (including terminal growth rate), discount rates and royalty rates used; • Assessing how the Group allowed for any deterioration in the market including the economic effects of COVID-19 and its impact on the valuation of intangibles; and • Evaluating the adequacy of the impairment disclosures in the financial report, particularly those relating to intangible assets and to judgements and estimates.

Continuation of AASB16 - Leases

Key audit matter	How the matter was addressed in our audit
The Group continued the accounting for AASB 16 *Leases* which became effective on 1 July 2019. In addition, the changes to the standard in relation to lease concessions were also considered for the year ended 27 June 2021. The Group has a significant number of lease arrangements due to its large store network. The continuation of AASB16 Leases is a key audit matter due to the quantum of lease liabilities of \$123.3m (2020: \$198.6m) recorded in Note 18 of the financial report and right of use assets of \$70.9m (2020: \$140.8m) recorded in Note 12 of the financial report and significant judgement applied in determining key assumptions, including incremental borrowing rates, exercise of option periods, lease terms and lease concessions received. Management has assessed the right-of-use assets for impairment which was also subject to judgement, including the impact of COVID-19.	Our audit procedures included, amongst others: • Assessing whether the Group's accounting policy for leases is in line with the requirements of AASB 16; • Testing the accuracy of key data inputs to the lease liability and right of use asset calculations by comparing to underlying lease agreements and subsequent variations on a sample basis; • Testing the accuracy of the lease liability and right of use asset by re-performing the calculations on a sample basis; • Assessing the reasonableness of key judgements used in the calculations including the incremental borrowing rate, option periods, lease terms and lease concessions received by the Group in computing the lease liability and right of use asset; • Evaluating the methodology applied in the impairment assessment over right of use assets; and • Considering the adequacy of the disclosures in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 27 June 2021, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

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

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MOSAIC BRANDS LIMITED

BDO

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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 27 June 2021.

In our opinion, the Remuneration Report of Mosaic Brand Limited, for the year ended 27 June 2021, 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.

BDO Audit Pty Ltd

BDO

J Bresolin

John Bresolin
Director

Sydney, 31 August 2021

ADDITIONAL INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 30 July 2021 (Reporting date).

CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the business of the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the *ASX Corporate Governance Principles and Recommendations* (Fourth Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on the Company's website (https://mosaicbrandslimited.com.au), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by the Company and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on its website https://mosaicbrandslimited.com.au.

NUMBER OF HOLDERS

As at the Reporting Date, the number of holders in each class of equity securities:

Class of equity securities	Number of holders	Number of shares on issue
Fully paid ordinary shares	1,956	96,662,930

VOTING RIGHTS OR EQUITY SECURITIES

The only class of equity securities on issue in the Company are ordinary shares.

At a general meeting of the Company, every holder of ordinary shares present in person or by proxy, attorney or representative has one vote on a show of hands and, on a poll, one vote for each ordinary share held. On a poll, every member (or his or her proxy, attorney or representative) is entitled to vote for each fully paid share held and, in respect of each partly paid share, is entitled to a fraction of a vote equivalent to the proportion which the amount paid up (not credited) on that partly paid share bears to the total amounts paid and payable (excluding amounts credited) on that share. Amounts paid in advance of a call are ignored when calculating the proportion.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

The distribution of holders of equity securities on issue in the Company as at the Reporting date is as follows:

Distribution of ordinary shareholdings	Holders	Total units	%
Size of Holding			
1 – 1,000	412	222,179	0.23
1,001 – 5,000	678	1,896,898	1.96
5,001 – 10,000	320	2,543,291	2.63
10,001 – 100,000	466	13,633,395	14.10
100,001 and over	80	78,367,167	81.07
Total Number of Shares	**1,956**	**96,662,930**	**100.00**

LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES (UMP SHARES)

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price at the Reporting date is as follows:

Total shares	UMP shares	UMP holders	% of issued shares held by UMP holders
96,662,930	135,231	325	0.139899545

ADDITIONAL INFORMATION

SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Holder of equity securities	Number of equity securities held	% of total issued securities
Alceon Group Pty Limited	34,674,472	35.87
HSBC Custody Nominees (Australia) Limited	14,750,537	15.26

TWENTY LARGEST SHAREHOLDERS

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

	Ordinary shares	
Holder name	Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,750,537	15.26
ALCEON GROUP PTY LTD <NB NO 1 A/C>	12,353,308	12.78
ALCEON GROUP PTY LIMITED <NB NO.3 A/C>	11,571,543	11.97
ALCEON GROUP PTY LTD <NB NO 2 A/C>	8,262,366	8.55
UBS NOMINEES PTY LTD	4,500,000	4.66
SCOTT GRAHAM EVANS	3,418,862	3.54
ALCEON GROUP PTY LTD <NB NO 4 A/C>	2,487,255	2.57
VACUNA NOMINEES PTY LTD <THE VACUNA A/C>	1,800,000	1.86
MORPHET INVESTMENTS PTY LTD <MORPHET INVESTMENT A/C>	1,448,392	1.50
SIMONE ROBYN EVANS	1,184,313	1.23
FITZROY SUPER PTY LTD <FITZROY SUPER FUND A/C>	1,012,392	1.05
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	880,545	0.91
MR PETER JOHN STIRLING + MRS ROSALIND VERENA STIRLING	680,840	0.70
R & R BROWN PTY LTD <RRTB FAMILY A/C>	562,187	0.58
NSR INVESTMENTS PTY LTD <NSR SUPER FUND A/C>	500,000	0.52
LUKE ANTHONY SOFTA	500,000	0.52
CITICORP NOMINEES PTY LIMITED	435,717	0.45
BN INTERNATIONAL PTY LTD	420,918	0.44
STIRLING SUPERANNUATION PTY LTD	400,000	0.41
WR SIMPSON NOMINEES PTY LTD <SIMPSON SUPER FUND A/C>	389,749	0.40
Total	**67,558,924**	**69.89**

OTHER INFORMATION

On 27 July 2020 the Company announced that it had initiated a new on-market share buyback up to the maximum aggregate amount of 150,000 shares during the period 27 July 2020 to 18 August 2020.

150,000 shares were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

CORPORATE DIRECTORY

DIRECTORS
Richard Facioni
Scott Evans
David Wilshire
Jacqueline Frank
Sue Morphet (resigned 22 June 2021)

COMPANY SECRETARY
Luke Softa

NOTICE OF ANNUAL GENERAL MEETING
Details of the Annual General Meeting of Mosaic Brands:
Virtual Annual General Meeting
Details: To be advised on the ASX
Time: 11:00am
Date: 12th November 2021

REGISTERED OFFICE
Mosaic Brands Limited

Ground Floor, 61 Dunning Avenue
Rosebery NSW 2018

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Facsimile: (02) 8577 7887

ABN: 96 003 321 579

SHARE REGISTER
Computershare Registry Services Pty Limited
Level 5, 115 Grenfell Street
Adelaide SA 5000

Telephone: 1300 556 161

AUDITOR
BDO Audit Pty Limited
1 Margaret Street
Sydney NSW 2000

BANKERS
ANZ
242 Pitt Street
Sydney NSW 2000

STOCK EXCHANGE LISTING
Mosaic Brands Limited shares are listed on the Australian Securities Exchange

ASX Code: MOZ

WEBSITE
www.mosaicbrandslimited.com.au

CORPORATE GOVERNANCE STATEMENT
www.mosaicbrandslimited.com.au

Millers · NONI B · W·LANE · KATIES · rockmans · crossroads · AUTOGRAPH · beme · rivers · EZIBUY