City Chic Collective Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	City Chic Collective Limited
ABN:	43 057 569 169
Reporting period:	For the 26 week period ended 1 January 2023
Previous period:	For the 26 week period ended 26 December 2021

2. Results for announcement to the market[1]

				$'000
Revenues from ordinary activities	down	7.9%	to	168,567
(Loss) after tax for the period attributable to the owners of City Chic Collective Limited	down	321.5%	to	(27,230)

Comments

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

	Consolidated	
	1 Jan 2023 $'000	26 Dec 2021 $'000
Net (loss) / profit after tax	(27,230)	12,294
Net interest expense (excluding AASB16 impact)	756	218
Tax expense	(1,077)	5,832
Depreciation, amortisation and impairment expense (excluding AASB16 impact)	3,544	3,130
Transaction costs[2]	382	348
Transition costs[3]	166	693
Strategic logistic review[4]	627	-
Other[5]	-	641
Net AASB16 impact[6]	(240)	346
Underlying EBITDA– pre-AASB 16	(23,072)	23,502
Redemption/Repayment of lease liabilities	5,240	4,074
Underlying EBITDA– post-AASB 16	(17,832)	27,576
Additional inventory obsolescence provision[7]	19,646	-
Underlying operational EBITDA – pre-AASB 16[8]	(3,426)	23,502

[1] This appendix 4D should be read in conjunction with the 2022 Annual Report
[2] HY23 Transaction costs associated with other acquisition opportunities; HY22 costs related to executing the acquisition of Navabi.
[3] HY23 and HY22 Transition costs related to costs to integrate Navabi into the business.
[4] HY23 strategic review of northern hemisphere logistics.
[5] HY22 costs (HY23: nil) related mainly to the impact of additional on-costs in respect of the vesting of the performance rights over ordinary shares during the reporting period and the outstanding performance rights and loan funded shares at the end of the reporting period; these costs were net of a favourable impact from the forfeiture of performance rights and loan funded shares in HY22.
[6] Net impact of the AASB16 Leases adjustments to reflect pre AASB 16 rent expense in Underlying EBITDA.
[7] Total inventory obsolescence provision increase is $21.7m, of which $19.6m is considered additional (refer to Note 5).
[8] Underlying operational EBITDA is the underlying EBITDA-pre AASB 16 before the $19.6m additional inventory provision.

	1 Jan 2023 Cents	26 Dec 2021 Cents
Basic earnings per share	(11.7)	5.3
Diluted earnings per share	(11.7)	5.3

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	45.2	53.4

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

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10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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11. Attachments

Details of attachments (if any):

The Interim Report of City Chic Collective Limited for the period ended 1 January 2023 is attached.

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12. Signed

Signed ______________________________

Phil Ryan
Chief Executive Officer and Managing Director
Sydney

Date: 27 February 2023

City Chic Collective Limited

ABN 43 057 569 169

Interim Report - 1 January 2023

General information

The condensed consolidated interim financial statements cover City Chic Collective Limited as a consolidated entity consisting of City Chic Collective Limited and the entities it controlled at the end of, or during the 26 week period ended 1 January 2023. The financial statements are presented in Australian dollars, which is City Chic Collective Limited's functional and presentation currency.

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 February 2023.

The directors present their report, together with the interim financial statements, on the consolidated entity (referred to hereafter as the 'Group', 'consolidated entity' or 'City Chic') consisting of City Chic Collective Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the 26 week period ended 1 January 2023 (referred to hereafter as 1 January 2023).

Directors

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

Michael Kay
Megan Quinn
Phil Ryan
Neil Thompson
Natalie McLean

Principal activities

City Chic Collective is a global omni-channel retailer specialising in plus-size women's apparel, footwear and accessories. It is a collective of customer-led brands including City Chic, Avenue, Evans, CCX, Hips & Curves, Fox & Royal and Navabi. City Chic and CCX are better dressing for plus women and its omni-channel model comprises; of a network of 90 stores across Australia and New Zealand (ANZ) and websites operating in ANZ, the US, UK and Europe. Navabi (Germany-based), Avenue (US-based) and Evans (UK-based) target a broad customer base across the conservative segment, all with a long history and significant online customer following. Hips & Curves and Fox & Royal are online intimate brands. City Chic Collective also sells its collective of brands through third-party marketplace and wholesale partners in Australia, New Zealand, US, Canada, UK, Europe and the Middle East.

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

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

There were no dividends paid, recommended or declared during the previous financial period.

Operating and financial review
The Group achieved revenue of $168.6m, down 8% on the previous period (26 December 2021: $183.1m) but up 38% on the same period ending 27 December 2020. The net loss after tax was $27.2m (26 December 2021: profit of $12.3m). This result includes an additional provision for inventory of $19.6m and unrecognised Deferred Tax Assets from tax losses of $4.1m, both predominately driven from the EMEA region.

Globally, the Group experienced a contraction in demand throughout the period, particularly in the key trading period from Black Friday through to the Boxing Day clearance at the end of December. Demand was impacted by economic headwinds, consumers returning to physical stores and changes to post-COVID shopping patterns. Promotional activity was required to stimulate demand and in response to competitor activity. This had a negative impact on the Group's margins. Margins were also impacted by higher logistics input costs embedded in the stock-base and inventory provisions.

Fulfilment costs were higher than last year due to inflationary pressures resulting in rate card increases from 3PL operators; increased storage costs with elevated levels of inventory; and higher returns. Ongoing management of other Cost of Doing Business remains a key focus, with marketing and advertising down 34% and capital expenditure down 54% against the same period ending 26 December 2021.

Inventory reduction programs remain on track. City Chic reduced its inventory at 1 January 2023 by $32.6m to $163.3m (from 3 July 2022) before additional inventory provisions. An additional $19.6m provision was taken against inventory predominantly in EMEA, due to duplicate logistics and duty costs for inventory to be moved to ANZ and the Americas as part of the rebalancing of inventory; warehouse consolidations in the Northern Hemisphere; and slow moving categories in EMEA. Post the additional provisions the inventory balance was $143.7m. The equivalent year-end adjusted target of $105m - $115m remains on track as the Group continues to sell through seasonal stock and reduce forward orders.

At 1 January 2023, the Group's net debt was $13.4m with $35.5m drawn down and cash of $22.1m.

Considering the current business performance, the CEO has elected not to receive any FY23 incentives, including the Performance Rights proposed to be issued under the Company's Equity Incentive Plan that had been previously approved by shareholders at the 2022 AGM. Other members of the senior management team have also elected not to receive any FY23 incentives, and the Board has elected to reduce Non-Executive Director Fees with effect from February 2023.

Pathway to sustainable profitable growth:

City Chic's management team are driving four key focus areas to return margin and fulfilment costs to historic levels, simplify its supply chain and return to a more agile business model to provide a platform for sustainable, profitable growth:

1. Increasing margin by lowering promotional activity in line with market improvement and lower inbound logistics costs;
2. Returning logistics costs to historical levels by consolidating its warehouses and reducing supply chain complexity;
3. Continuing to focus on reducing controllable operating costs; and
4. Scaling its international and partner businesses to increase sales and margins and generate operating leverage.

Significant changes in the state of affairs

No matters to note as of the reporting date.

Matters subsequent to the end of the financial period

In January 2023, City Chic has also amended its multi-currency debt facility to $46.5m and increased the amount available for working capital. The amendments also include the previous Net Leverage Ratio and Fixed Cover Ratio covenants being replaced by a Liquidity Ratio for from 19 January 2023 to 2 July 2023. Further, subsequent to half year-end, the Financiers have agreed to continue with the Liquidity Ratio rather than the Net Leverage Ratio and Fixed Cover Ratio covenants through to 30 June 2024. The facility limit will be reduced by a further $10m from 3 July 2023 in line with the Group's expectations of being in a positive net cash position by the end of FY23.

No other matter has arisen since 1 January 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Rounding of amounts

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

Michael Kay
Chairman

Phil Ryan
Chief Executive Officer and Managing Director

27 February 2023
Sydney

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Auditor's independence declaration to the directors of City Chic Collective Limited

As lead auditor for the review of the half-year financial report of City Chic Collective Limited for the half-year ended 1 January 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of City Chic Collective Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Yvonne L Barnikel
Partner
27 February 2023

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Independent auditor's review report to the members of City Chic Collective Limited

Conclusion

We have reviewed the accompanying half-year financial report of City Chic Collective Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 1 January 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 1 January 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 1 January 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Yvonne L Barnikel
Partner
Sydney
27 February 2023

City Chic Collective Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 1 January 2023

	Note	Consolidated 1 Jan 2023 $'000	26 Dec 2021 $'000
Revenue from continuing operations	3	168,567	183,107
Interest and other revenue	3	421	544
Expenses from continuing operations			
Purchase and inbound-related costs of inventory	4	(101,138)	(73,246)
Fulfilment costs	4	(36,837)	(30,860)
Cost of sales		(137,975)	(104,106)
Selling, general, and administrative expenses	4		
Employee benefits expense		(24,478)	(22,729)
Depreciation, amortisation and impairment expense		(7,844)	(7,091)
Rental-related recoveries, concessions and expenses		(1,376)	(1,445)
Other expenses		(24,154)	(29,445)
Finance costs		(1,468)	(709)
(Loss) / Profit before income tax expense		**(28,307)**	**18,126**
Income tax benefit/(expense)		1,077	(5,832)
(Loss) / Profit after income tax expense for the period attributable to the owners of City Chic Collective Limited	15	**(27,230)**	**12,294**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		871	3,532
Other comprehensive income for the period, net of tax		871	3,532
Total comprehensive (loss) / income for the period attributable to the owners of City Chic Collective Limited		**(26,359)**	**15,826**

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

City Chic Collective Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the period ended 1 January 2023

	Note	Consolidated 1 Jan 2023 Cents	 26 Dec 2021 Cents
Earnings per share for (loss) / profit attributable to the owners of City Chic Collective Limited			
Basic earnings per share	19	(11.7)	5.3
Diluted earnings per share	19	(11.7)	5.3

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

City Chic Collective Limited
Condensed consolidated statement of financial position
As at 1 January 2023

	Note	1 Jan 2023	03 Jul 2022 (Restated)	26 Dec 2021
		Consolidated		
		$'000	$'000	$'000
Assets				
Current assets				
Cash and cash equivalents		22,113	9,953	38,705
Trade and other receivables		8,486	11,011	9,315
Inventories	5	143,662	195,936	125,732
Other assets	6	5,929	4,845	13,435
Total current assets		**180,190**	**221,745**	**187,187**
Non-current assets				
Plant and equipment	7	14,946	15,355	12,552
Right-of-use assets	11	37,645	26,255	26,795
Intangibles	8	84,411	84,666	82,969
Deferred tax		12,136	7,330	8,152
Total non-current assets		**149,138**	**133,606**	**130,468**
Total assets		**329,328**	**355,351**	**317,655**
Liabilities				
Current liabilities				
Trade and other payables	9	46,504	80,325	69,814
Lease liabilities	11	9,641	9,090	9,956
Income tax payable		4,462	3,284	2,503
Provisions		8,506	8,788	8,127
Borrowings (restated)	10	34,000	14,000	-
Other liabilities		3,709	4,304	2,859
Total current liabilities		**106,822**	**119,791**	**93,259**
Non-current liabilities				
Lease liabilities	11	35,661	24,176	23,819
Provisions		465	422	912
Borrowings (restated)	10	1,500	-	-
Other liabilities		-	385	547
Total non-current liabilities		**37,626**	**24,983**	**25,278**
Total liabilities		**144,448**	**144,774**	**118,537**
Net assets		**184,880**	**210,577**	**199,118**
Equity				
Issued capital	13	182,167	182,167	185,475
Reserves	14	(27,442)	(28,975)	(33,759)
Retained Profits	15	30,155	57,385	47,402
Total equity		**184,880**	**210,577**	**199,118**

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

City Chic Collective Limited
Condensed consolidated statement of changes in equity
For the period ended 1 January 2023

Consolidated	Issued capital $'000	Share-based payments $'000	Foreign currency translation reserve $'000	Loss reserve $'000	Retained profits $'000	Total equity $'000
Balance at 28 June 2021	182,000	(16,490)	(6,725)	(10,991)	35,108	182,902
Profit after income tax expense for the period	-	-	-	-	12,294	12,294
Other comprehensive income for the period, net of tax	-	-	3,532	-	-	3,532
Total comprehensive income for the period	-	-	3,532	-	12,294	15,826
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs	3,475	-	-	-	-	3,475
Share-based payments	-	(3,085)	-	-	-	(3,085)
Balance at 26 December 2021	185,475	(19,575)	(3,193)	(10,991)	47,402	199,118

Consolidated	Issued capital $'000	Share-based payments $'000	Foreign currency translation reserve $'000	Loss reserve $'000	Retained profits $'000	Total equity $'000
Balance at 4 July 2022	182,167	(16,840)	(1,144)	(10,991)	57,385	210,577
Loss after income tax expense for the period	-	-	-	-	(27,230)	(27,230)
Other comprehensive income for the period, net of tax	-	-	871	-	-	871
Total comprehensive income for the period	-	-	871	-	(27,230)	(26,359)
Share-based payments	-	662	-	-	-	662
Balance at 1 January 2023	182,167	(16,178)	(273)	(10,991)	30,155	184,880

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

City Chic Collective Limited
Condensed consolidated statement of cash flows
For the period ended 1 January 2023

	Note	Consolidated 1 Jan 2023 $'000	26 Dec 2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		186,272	196,864
Payments to suppliers and employees (inclusive of GST)		(186,113)	(212,958)
Interest received		12	32
Other revenue		369	486
Interest and other finance costs paid		(768)	(250)
Income taxes paid		(1,558)	(3,548)
Net cash (used) in operating activities		**(1,786)**	**(19,374)**
Cash flows from investing activities			
Payments for plant and equipment	7	(1,768)	(4,358)
Payments for intangibles	8	(648)	(935)
Net payment for purchase of business	20	-	(4,254)
Net cash (used) in investing activities		**(2,416)**	**(9,547)**
Cash flows from financing activities			
Repayment of lease liabilities		(5,240)	(4,074)
Proceeds from borrowings		21,500	-
Net cash from / (used in) financing activities		**16,260**	**(4,074)**
Net increase / (decrease) in cash and cash equivalents from continuing operations		**12,058**	**(32,995)**
Cash and cash equivalents at the beginning of the financial period		9,953	71,457
Effects of exchange rate changes on cash and cash equivalents		102	243
Cash and cash equivalents at the end of the financial period		**22,113**	**38,705**

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 1 January 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the 53 week period ended 03 July 2022 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Rounding of amounts

The company is of a kind referred to in *Corporations Instrument 2016/191* relating to 'rounding-off', issued by the Australian Securities and Investments Commission. 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.

Comparative amounts

Where management has considered appropriate to achieve more relevant and reliable presentation of the entity's financial performance, the presentation of certain items in the financial statements has changed since the prior year. Where this re-presentation of results requires reclassification of comparative amounts, the comparatives have been re-presented to achieve more relevant and reliable presentation and comparability. Refer to Borrowings (Note 10) for specific re-statement of prior period disclosure.

Going concern

The Directors have prepared the financial statements on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the discharge of liabilities in the ordinary course of business.
The Group incurred a loss after income tax for the half-year ended 1 January 2023 of $27.2m (26 December 2021 profit of $12.3m). This result includes a non-cash write down of inventory to net realisable value for $19.6m and an unrecognised Deferred Tax Assets from tax losses for $4.1m The remainder of the current period loss has been driven by the higher than expected volatility in demand and the more aggressive use of promotional activity required to stimulate demand. This promotional activity has continued to impact the Group's gross margin and directly increase fulfilment costs due to cost inflation as well as the higher amounts of goods needing to be fulfilled as a percentage of sales.

Despite these volatile trading conditions, the Group has been able to trade the net inventory balance, before additional inventory provisions, to a $163.3m inventory position, down 16.6% from 3 July 2022 ($195.9m) and below target (Net inventory is $143.7m after additional provisions). This is expected to continue in the second half of FY23, generating strong positive cashflows and allowing the Group to move from its current net debt position of $13.4m to a net cash position by year-end.

Note 1. Significant accounting policies (continued)

In line with current business requirements and to reduce line fee costs, City Chic has also amended its multi-currency debt facility to $46.5m and increased the amount available for working capital. The amendments also include the previous Net Leverage Ratio and Fixed Cover Ratio covenants being replaced by a Liquidity Ratio for from 19 January 2023 to 2 July 2023. Further, subsequent to half year-end, the Financiers have agreed to continue with the Liquidity Ratio rather than the Net Leverage Ratio and Fixed Cover Ratio covenants through to 30 June 2024. The facility limit will be reduced by a further $10m from 3 July 2023 in line with the Group's expectations of being in a positive net cash position by the end of FY23.

The Directors are confident in the Group's ability to meet its forecasts or execute an appropriate capital management plan and, accordingly, the financial statements have been prepared on the going concern basis.

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial half-year ended 1 January 2023 and are not expected to have any significant impact for the full financial year ending 2 July 2023.

Standards in issue but not yet effective: New or revised requirement	When effective
AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Effective for annual reporting periods beginning on or after 1 January 2023
AAASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020 - 6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	Effective for annual reporting periods beginning on or after 1 January 2024
AASB 2022-5 Amendments to Australian Accounting standards – Lease Liability in a Sale and Leaseback	Effective for annual reporting periods beginning on or after 1 January 2024
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	Effective for annual reporting periods beginning on or after 1 January 2025

The Group has not yet assessed the impact of the remaining new or amended Accounting Standards and Interpretations.

Note 2. Operating Segments

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

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

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

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

Revenue by geographical area
The Group operates in the following geographical regions:

- Asia Pacific (APAC) – current operations in Australia and New Zealand. Both regions serviced by stores, website and marketplace
- Americas – current operations in United States and Canada. US sales are comprised of online (website and marketplace) and wholesale; Canadian business is wholesale and online (marketplace only)
- Europe, Middle East and Africa (EMEA) – current operations in UK and Europe. UK sales are comprised of online (website and marketplace) and wholesale; Europe is online (website) only; Middle East business is solely wholesale.

Refer to Note 3. Revenue for details on revenue by geographical area.

Note 2. Operating Segments (continued)

Reconciliation of net profit to Underlying EBITDA

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

	Consolidated	
	1 Jan 2023 $'000	26 Dec 2021 $'000
Net (loss) / profit after tax	(27,230)	12,294
Net interest expense (excluding AASB16 impact)	756	218
Tax expense	(1,077)	5,832
Depreciation, amortisation and impairment expense (excluding AASB16 impact)	3,544	3,130
Transaction costs[9]	382	348
Transition costs[10]	166	693
Strategic logistic review[11]	627	-
Other[12]	-	641
Net AASB16 impact[13]	(240)	346
Underlying EBITDA– pre-AASB 16	(23,072)	23,502
Repayment of lease liabilities	5,240	4,074
Underlying EBITDA– post-AASB 16	(17,832)	27,576
Additional inventory obsolescence provision[14]	19,646	-
Underlying operational EBITDA – pre-AASB 16[15]	(3,426)	23,502

Note 3. Revenue

	Consolidated	
	1 Jan 2023 $'000	26 Dec 2021 $'000
Sales of goods	168,567	183,107
Interest revenue	12	32
Other revenue	409	512
	421	544
Revenue	**168,988**	**183,651**

Previously delivery fee income recovered from customers (HY21: $4.8m) was presented in purchase and inbound-related costs of inventory. In the current year this has been reclassified to revenue from Sale of goods. Refer the 2022 Annual Report for details of reclassification.

[9] HY23 Transaction costs associated with other acquisition opportunities; HY22 costs related to executing the acquisition of Navabi.
[10] HY23 and HY22 Transition costs related to costs to integrate Navabi into the business.
[11] FY23 strategic review of northern hemisphere logistics.
[12] HY22 costs related mainly to the impact of additional on-costs in respect of the vesting of the performance rights over ordinary shares during the current reporting period and the outstanding performance rights and loan funded shares at the end of the reporting period; these costs are net of a favourable impact from the forfeiture of performance rights and loan funded shares in HY22.
[13] Net impact of the AASB16 Leases adjustments to reflect pre AASB 16 rent expense in Underlying EBITDA.
[14] Total inventory obsolescence provision increase is $21.7m, of which $19.6m is considered additional (refer to Note 5).
[15] Underlying operational EBITDA is the underlying EBITDA-pre AASB 16 before the $19.6m additional inventory provision.

Note 3. Revenue (continued)

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

	Consolidated	
	1 Jan 2023 $'000	26 Dec 2021 $'000
Timing of revenue recognition		
Goods transferred at a point in time	168,567	183,107
Geographical regions		
ANZ	79,467	81,955
Americas	68,937	80,148
EMEA	20,163	21,004
	168,567	**183,107**
Channel		
Online website	115,426	143,269
Stores	35,859	31,659
Online marketplace	14,677	5,884
Wholesale	2,605	2,295
	168,567	**183,107**

Note 4. Expenses

	Consolidated	
	1 Jan 2023 $'000	26 Dec 2021 $'000
Purchase and inbound-related costs of inventory	101,138	73,246
Fulfilment costs[16]	36,837	30,860
Depreciation, amortisation, and impairment expense (excluding AASB16 charges)	4,300	3,961
Depreciation on ROU assets	3,544	3,130
Rental-related expenses	1,376	1,445
Employee benefits expense excluding superannuation and share-based payments	22,111	19,925
Defined contribution superannuation expenses	1,705	1,476
Share-based payments expense	662	1,328
	171,673	135,371
Other expenses		
Utility and maintenance expenses	2,387	2,348
Transactional fees and charges	3,341	4,065
Marketing expenses	3,581	4,241
Advertising expenses	7,244	12,065
Professional, consulting and insurance	4,427	3,458
Sundry	3,174	3,268
	24,154	29,445
Total	195,827	164,816

[16] Fulfilment costs represent warehousing and freight costs to deliver online sales. Previously fulfilment costs (net) included delivery fee income recovered from customers (HY21: $4.8m). In the current year this has been reclassified to revenue from continuous operations, refer to note 3.

Note 5. Inventories

	Consolidated	
	1 Jan 2023	3 Jul 2022
	$'000	$'000
Current assets		
Finished goods at cost	170,273	200,882
Provision for obsolescence	(26,611)	(4,946)
Total inventories (current)	**143,662**	**195,936**

Finished goods has reduced 15% from $200.9m at 3 July 2022 to $170.3m at 1 January 2023. The provision for obsolescence has increased by $21.7m over the same period.

As a result of the current economic and trading conditions, particularly in EMEA and the US, Management has reassessed the basis of the estimates used in determining the inventory provision. This consideration has included the current and forecast margins that the Group is able to realise inventory at as well as the cost of moving inventory to higher margin locations to maximise the return on investment in inventory. The majority of the provision relates to inventory currently held in EMEA.

Note 6. Other assets

	Consolidated	
	1 Jan 2023	3 Jul 2022
	$'000	$'000
Current assets		
Prepayments	4,191	3,248
Right of return assets	1,738	1,597
Total Other assets	**5,929**	**4,845**

The right of return assets corresponds to the sales return provision balance of $3.6m (3 July 2022: $3.7m) which is classified in current provisions.

Note 7. Plant and equipment

	Consolidated	
	1 Jan 2023	3 Jul 2022
	$'000	$'000
Non-current assets		
Plant and equipment - at cost	32,271	30,505
Less: Accumulated depreciation	(17,325)	(15,150)
Total Plant and equipment	**14,946**	**15,355**

Note 7. Plant and equipment (continued)

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

Consolidated	Total Plant and Equipment $'000
Balance at 3 July 2022	**15,355**
Additions	1,768
Depreciation expense	(2,207)
Accelerated depreciation	(3)
Exchange differences	33
Balance at 1 January 2023	**14,946**

Given the loss making position of the company in the current period and its market capitalisation in comparison to its net asset position at the end of the period, a full impairment assessment has been carried out. Based on the work performed, no stores were impaired.

Note 8. Intangibles

	Consolidated 1 Jan 2023 $'000	Consolidated 3 Jul 2022 $'000
Non-current assets		
Goodwill - at cost	52,485	52,153
Brand value – at cost	28,266	28,116
Other intangible assets - at cost	9,846	9,071
Less: Other intangible assets - accumulated amortisation	(7,366)	(6,400)
Total Other intangibles	**2,480**	**2,671**
Customer relationships - at cost	3,964	3,871
Less: Customer relationships – accumulated depreciation	(2,784)	(2,145)
Total Customer relationships	**1,180**	**1,726**
Total intangibles	**84,411**	**84,666**

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

Consolidated	Goodwill $'000	Brand value $'000	Other intangibles $'000	Customer relationships $'000	Total $'000
Balance at 3 July 2022	**52,153**	**28,116**	**2,671**	**1,726**	**84,666**
Additions	-	-	648	-	648
Amortisation expense	-	-	(797)	(558)	(1,355)
Exchange differences	332	150	(42)	12	452
Balance at 1 January 2023	**52,485**	**28,266**	**2,480**	**1,180**	**84,411**

Note 8. Intangibles (continued)

Impairment
Intangible assets with a finite life are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether there are any indicators of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units.

Given the loss making position of the company in the current period and its market capitalisation in comparison to its net asset position at the end of the period, a full impairment assessment has been carried out.

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

The discounted cash flow valuations were calculated using projected five-year future cash flows based on Board approved business plans. Historically business plans have been modelled assuming like for like sales growth based on historical performance and considering changing market conditions. Given the decline in results during the current period and remaining volatility expected in discretionary spending in coming periods, these projections have been considerably reduced from those used at the end of FY22.

The key assumptions used in setting the financial budgets for the initial five-year period were as follows:

(i) Forecast sales growth rates
Forecast sales growth rates are based on past experience adjusted for economic conditions and the strategic decisions made in respect of the CGU.

(ii) Gross margin rates
Gross margin rates against sales are estimated based on sales channel and region mix and adjusted for economic conditions and the strategic decisions made in respect of the CGU.

(iii) Fulfilment costs
Fulfilment costs assumptions are based on long-term third-party logistics agreements in each region and market freight rates.

(iv) Operating profits
Operating profits are forecasted based on historical experience of operating margins, adjusted for the above impact of changes to product and fulfilment costs and cost saving initiatives.

(v) Cash conversion
Cash conversion is the ratio of operating cash flow to operating profit. Forecasted cash conversion rates are based on historical experience.

The discount rates used in the value-in-use calculations are post-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGU. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. The discount rate applied in the current year value-in-use model is 15.8% (2022: 15.8%), which converts to 22.7% post tax. Historically the upper-end of the discount rate range has been applied, as a conservative measure within our high-growth sales outlook. However in light of diminishing macroeconomic conditions our half-year assessment indicates holding our higher year-end discount rate, would appropriately reflect risk-adjusting our forecasted cashflows.

Note 8. Intangibles (continued)

The higher risk due to the current volatility in economic conditions is appropriately reflected in using a discount rate at the upper end of the range. Any reasonable change in the key assumptions used in the calculations also needs to be reflected in a lower risk profile in the discount rate. In performing various sensitivity analyses around these assumptions, management believes that any reasonably possible change would not cause the carrying amount to exceed its recoverable amount.

Brand assessment

(i) Avenue Brand

On 16 October 2019, the Group acquired the e-commerce assets of Avenue Stores LLC for cash consideration of US$16.5m ($24.6m). Brand assets of $10.3m were recognised. The recoverable amount of the Avenue Brand was determined independently using the Relief from Royalty ('RFR') valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life.

(ii) Hips & Curves Brand

On 29 April 2019, the Group acquired select assets of CMI Enterprises LLC trading as Hips & Curves, a US based plus-size online retailer, for cash consideration of US$2.0m. Brand assets of $2.5m were recognised. The recoverable amount of the Hips & Curves brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discounted rates and an assumed indefinite useful life.

(iii) Evans Brand

On 23 December 2020, the Group completed the acquisition of the Evans brand, and the e-commerce and wholesale businesses, for cash consideration of $40.2m. Brand assets of $14.0m were recognised. The recoverable amount of the Evans brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life.

(iv) Navabi Brand

On 23 July 2021, the Group acquired the Navabi brand, an online marketplace, for the cash consideration of €6.0m ($9.6m). Brand assets of $1.3m were recognised. The recoverable amount of the Navabi brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life.

Brand asset impairment assessment

The five-year revenue forecast used in independently determining the recoverable amount of each brand using the RFR valuation method was based on Board approved business plans. Business plans are modelled assuming like for like sales growth based on historical performance taking into account changing market conditions. The royalty rates used in the valuation model were based on rates observed in the various markets, ranging from 2% - 8%.

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

The discount rates used in the fair value calculations are post-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGUs. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. The discount rate is applied in the current year value-in-use model is 15.8% (2022: 15.8%). This converts to a pre-tax rate range of between 19% and 21.5% for the various brands. Historically the upper-end of the discount rate range has been applied, as a conservative measure within our high-growth sales outlook. However in light of diminishing macroeconomic conditions our half-year assessment indicates holding our year-end discount rate, would appropriately reflects risk-adjusting our forecasted cashflows.

Note 8. Intangibles (continued)

A terminal growth rate of 2.5% (2021: 2.5%) has been assumed in the fair value calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.
The calculations confirmed that there was no impairment of any of the Brands (2022: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID-19 and diminishing macro-economic conditions, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amounts to exceed their recoverable amount. The expected continued promotion and marketing of the various brands supports the assumption that each brand has an indefinite life.

Note 9. Trade and other payables

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 $'000
Current liabilities		
Trade creditors	9,354	37,815
Sundry creditors	18,933	23,655
Other payables	18,217	18,855
Total Trade and other Payables	**46,504**	**80,325**

Refer to Note 17. Financial Instruments for further information on financial instruments.

Note 10. Borrowings

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 (Restated) $'000
Current liabilities		
Bank loans	34,000	14,000
Non-current liabilities		
Bank loans	1,500	-

On 22 June 2022, the company entered into a new, multicurrency, revolving debt facility of $60.0m, maturing on 22 June 2025, including both working capital and acquisition tranches. Included in the facility are covenants regarding the Groups Fixed Charge Cover Ratio and Net Leverage Ratio. The group was in compliance with all covenants during the financial period ended 1 January 2023. The interest rate is BBSY plus an agreed margin.

Reclassification of borrowings
Historically all borrowings have been classified as non-current on the basis of the maturity date of the debt facility being greater than 12 months from the reporting date. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Upon further review of the lending arrangements, the working capital tranche was incorrectly classified as non-current and the prior year has been restated to reclassify the balance of $14.0 million from non-current to current borrowings.

Note 10. Borrowings (continued)

As of the end of the reporting period, the Group had an undrawn $23.9m debt facility maturing in June 2025 (includes borrowings plus $0.6m in bank guarantees).

As disclosed in the subsequent event note, in January 2023, the company has amended its multi-currency debt facility to $46.5m (previously $60.0m) and increased the amount available for working capital. From 3 July 2023, the facility limit will be reduced by a further $10.0m, to $36.5m.

These and subsequent amendments also include the current Net Leverage Ratio and Fixed Cover Ratio covenants being replaced by a Liquidity Ratio from 19 January 2023 until 30 June 2024 and will revert to the previous Net Leverage Ratio and Fixed Cover Ratio covenants from 1 July 2024.

Note 11. Right-of-use assets and lease liabilities

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 $'000
Non-current assets		
Right-of-use assets	53,192	39,560
Less: Accumulated depreciation	(15,547)	(13,305)
Total right-of-use assets	**37,645**	**26,255**

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

Consolidated	Total Right of Use Asset $'000
Balance at 3 July 2022	**26,255**
Additions	15,614
Disposal	(2,057)
Accumulated depreciation on disposal	2,057
Depreciation expense	(4,300)
Exchange differences	76
Balance at 1 January 2023	**37,645**

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 $'000
Current liabilities		
Lease liabilities	9,641	9,090
Non-current liabilities		
Lease liabilities	35,661	24,176
Total lease liabilities	**45,302**	**33,266**

Note 11. Right-of-use assets and lease liabilities (continued)

Refer to Note 17. Financial Instruments for further information on financial instruments.

	Consolidated	
	1 Jan 2023 $'000	26 Dec 2021 $'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	4,300	3,961
Interest expense on lease liabilities	700	459
Expense relating to short-term/low-value leases	1,173	760

Note 12. Share-based payments

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

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

Tranche	Grant date	Performance period end date	Share price at grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the period
2C	13/11/2018	30/06/2023	$1.17	40.00%	3.50%	2.33%	2,300,000	-	-	-	2,300,000
Total Performance Rights							2,300,000	-	-		2,300,000
3	21/11/2019	30/06/2024	$2.68	35.00%	N/A	0.81%	6,298,457	-	-	-	6,298,457
3	03/03/2020	30/06/2024	$2.79	35.00%	N/A	0.81%	667,464	-	-	-	667,464
3	16/09/2020	30/06/2024	$3.33	40.00%	N/A	0.29%	474,576	-	-	-	474,576
Total Loan Funded Shares							7,440,497	-	-	-	7,440,497

Note 13. Issued capital

	Consolidated			
	1 Jan 2023 Shares	3 Jul 2022 Shares	1 Jan 2023 $'000	3 Jul 2022 $'000
Ordinary shares - fully paid	239,360,583	239,360,583	182,167	182,167
Total issued capital	**239,360,583**	**239,360,583**	**182,167**	**182,167**

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	3 July 2022	239,360,583	182,167
Balance	1 January 2023	**239,360,583**	**182,167**

There were no movements in the ordinary share capital or other issued share capital of the Company in the current reporting period.

Ordinary shares

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

Note 13. Issued capital (continued)

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.

Note 14. Reserves

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 $'000
Foreign currency reserve	(273)	(1,144)
Share-based payments reserve	4,144	3,482
Loan funded shares held in trust	(20,322)	(20,322)
Loss Reserve	(10,991)	(10,991)
	(27,442)	**(28,975)**

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. The decrease in the foreign currency reserve is mainly attributable to the decrease in the Australian dollar against the US dollar (1 January 23: spot rate of $0.678, 3 July 22: spot rate of $0.683).

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

Loan funded shares
The LF shares issued under the Plan have been treated as 'in substance options' which have been valued using a Modified Binomial Lattice option pricing model which allows for varying exercise price. Under the LFSP, the participants are granted a loan by the company to purchase the beneficial interest in shares. These are limited recourse loans to the participants and any dividends received in respect of the loan funded shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. The shares held by the company have been deducted from equity as shares are held in trading lock until vesting in line with accounting standards.

Note 15. Retained Profits

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 $'000
Retained profits at the beginning of the financial period	57,385	35,108
(Loss) / Profit after income tax expense for the period	(27,230)	22,277
Retained profits at the end of the financial period	**30,155**	**57,385**

Note 16. Dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous corresponding financial period.

Franking credits

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 $'000
Franking credits available at the reporting date based on a tax rate of 30%	68,384	66,826
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	2,290	946
Franking credits available for subsequent financial years based on a tax rate of 30%	**70,674**	**67,772**

Note 17. Financial instruments

Financial assets and financial liabilities are accounted for at amortised cost. The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

	Consolidated	
	1 Jan 2023 $'000	3 Jul 2022 $'000
Financial assets (at amortised cost)		
Cash and cash equivalents	22,113	9,953
Trade and other receivables	8,486	11,011
	30,599	**20,964**
Financial liabilities (at amortised cost)		
Trade and other payables	46,504	80,325
Other liabilities	3,709	4,304
Lease liabilities – current	9,641	9,090
Lease liabilities – non-current	35,661	24,176
Borrowings – current	34,000	14,000
Borrowings – non-current	1,500	-
	131,015	**131,895**

Note 18. Related party transactions

Parent entity
City Chic Collective Limited is the parent entity.

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

	Consolidated 1 Jan 2023 $	26 Dec 2021 $
Payment for other expenses:		
Services provided by Southern Cross Shopfitting, a company that is associated with the Cotton on Group, of which Natalie McLean is Director and Chief Retail Officer[17]	548,544	1,531,470
Services provided by International Southern Cross Shopfitting (NZ), a company that is associated with the Cotton On Group, of which Natalie McLean is Director and Chief Retail Officer[18]	18,521	6,061

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 1 Jan 2023 $	26 Dec 2021 $
Current payables:		
Trade payables to related parties	153,033	92,001

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

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates. Proposals are sought from various suppliers and awarded to the best proposal, meaning a number of suppliers were engaged for shopfitting services over the period.

17 Natalie McLean was not involved in decision making related to Southern Cross Shopfitting and its dealings with the Group.
18 Natalie McLean was not involved in decision making related to International Southern Cross Shopfitting (NZ) and its dealings with the Group.

Note 19. Earnings per share

	Consolidated	
	1 Jan 2023 $'000	26 Dec 2021 $'000
(Loss) / Profit after income tax attributable to the owners of City Chic Collective Limited	**(27,230)**	**12,294**

	Consolidated	
	1 Jan 2023	26 Dec 2021
Weighted average number of ordinary shares		
Ordinary shares - fully paid	239,360,583	239,450,309
Less: Loan funded shares	(7,440,497)	(8,675,488)
Weighted average number of ordinary shares used in calculating basic earnings per share	**231,920,086**	**230,774,821**
Adjustments for calculation of diluted earnings per share		
Performance rights	-	1,162,589
Loan funded shares	-	1,438,835
	-	**2,601,424**
Weighted average number of ordinary shares used in calculating diluted earnings per share	**231,920,086**	**233,376,245**

Performance rights of 1,828,976 shares have not been considered for dilution for the current year as they are anti-dilutive for the period presented.

	Consolidated	
	1 Jan 2023 Cents	26 Dec 2021 Cents
Basic earnings per share		
Continuing operations	(11.7)	5.3
Diluted earnings per share		
Continuing operations	(11.7)	5.3

Note 20. Business combinations

On 23 July 2021, the Group completed the acquisition of the Navabi business, where CCX acquired all the assets and liabilities of Navabi for cash consideration of €6.0m ($9.6m).

During the 53-week period ending 3 July 2022, the provisional accounting for the acquisition of the Navabi Assets was finalised.

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

	Fair value $'000
Cash	5,377
Inventory	904
Prepaid deposits and other assets	608
Customer relationships	164
Brand	1,347
Deferred tax asset	190
Deferred tax liability	(453)
Provisions and payables	(3,545)
Tax liabilities	(1,903)
Net assets acquired	2,689
Goodwill	6,942
Acquisition-date fair value of the total consideration transferred	9,631
Representing:	
Amount settled in cash on acquisition	9,631
Acquisition costs expensed to profit or loss	486

The goodwill is attributable to the profitability of the acquired business. It will not be deductible for tax purposes.

Revenue contributions
The acquired business contributed revenues of $6.4m to the Group for the period from 23 July 2021 to 3 July 2022. For the 53 weeks ending 3 July 2022 revenue was $6.6m.

Note 21. Events after the reporting period

In January 2023, City Chic has also amended its multi-currency debt facility to $46.5m and increased the amount available for working capital. The amendments also include the previous Net Leverage Ratio and Fixed Cover Ratio covenants being replaced by a Liquidity Ratio from 19 January 2023 to 2 July 2023. Further, subsequent to year end, the Financiers have agreed to continue with the Liquidity Ratio rather than the Net Leverage Ratio and Fixed Cover Ratio covenants through to 30 June 2024. The facility limit will be reduced by a further $10m from 3 July 2023 in line with the Group's expectations of being in a positive net cash position by the end of FY23.

No other matter has arisen since 1 January 2023 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

City Chic Collective Limited
Directors' declaration
1 January 2023

In the directors' opinion:

- the attached consolidated financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;

- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 1 January 2023 and of its performance for the financial period ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Michael Kay
Chairman

Phil Ryan
Chief Executive Officer and Managing Director

27 February 2023
Sydney