

# city chic collective

## **ASX ANNOUNCEMENT**

25 October 2023

### **FY23 Annual Report Imaging Correction**

City Chic Collective Limited (ASX:CCX) advises that in the FY23 CCX Annual Report published on 18 October 2023 on the Market Announcements Platform imaging issues on the digital version resulted in some unreadable text from page 66 onwards. Shareholders are directed to the updated version of the FY23 Annual Report which corrects this imaging issue. CCX also notes the duplication of pages 57 and 58 on pages 59 and 60. To avoid confusion with page numbering in the printed and digital versions this error has not been corrected.

There are no changes to the content of the FY23 Annual Report published on 18 October 2023.

ENDS

The release of this announcement was authorised by the Company Secretary

### **About City Chic Collective**

City Chic Collective is a global omni-channel retailer specialising in better dressing plus-size women's apparel, footwear and accessories. Its omni-channel model comprises a network of 86 stores across Australia and New Zealand (ANZ) and websites operating in ANZ, the USA, and third-party marketplace and wholesale partners in Australia, New Zealand, USA, Canada,.

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city chic collective

**2023** ANNUAL REPORT



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**avenue**

EVERYDAY ESSENTIAL FASHION

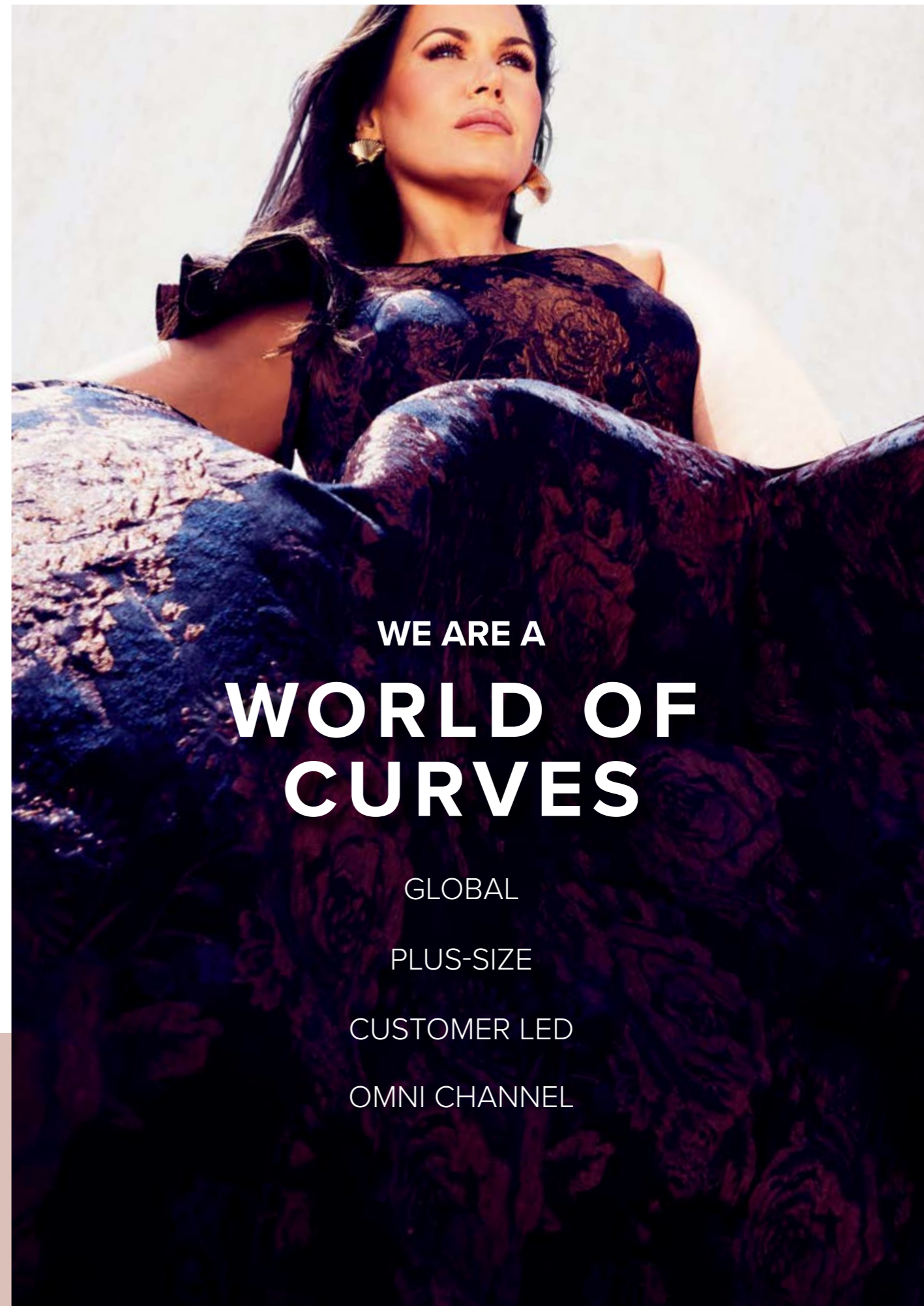


**city chic**

FIERCELY FASHIONABLE

**A GLOBAL COLLECTIVE OF PLUS-SIZE BRANDS**

City Chic Collective is a global omni-channel retailer specialising in plus-size women's apparel, footwear and lingerie. It is a collective of customer-led brands and has a strong following in Australia, New Zealand and USA. Our omni-channel model comprises of a network of stores across Australia and New Zealand (ANZ) and websites operating in ANZ and the USA. The collective of brands are also available through third-party marketplace and wholesale partners.



**WE ARE A  
WORLD OF  
CURVES**

GLOBAL

PLUS-SIZE

CUSTOMER LED

OMNI CHANNEL



## 2023 Snapshot



SALES

\$268.4M



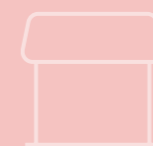
970K

ACTIVE CUSTOMERS<sup>1</sup>



ANNUAL ONLINE TRAFFIC<sup>2</sup>

49.9M



NUMBER OF STORES

86



76%

ONLINE PENETRATION<sup>3</sup>



688

EMPLOYEES

<sup>1,2,3</sup> Please refer to page 119

## Message from Our Chairman and CEO



CHAIRMAN MICHAEL KAY



CEO &amp; MANAGING DIRECTOR PHIL RYAN

Fellow shareholders, on behalf of the Board, we are pleased to present City Chic Collective's Annual Report for the 2023 financial year. In what has been a challenging year for City Chic we took decisive action to address our inventory and balance sheet issues. We, and many other retailers, did not anticipate the material drop off in demand in all territories, but particularly in our case in UK & Europe. Had we known of the serious challenges to global demand in advance, we would not have built inventory during FY22 in order to mitigate supply chain inflation risk to the extent we did. This inventory build in turn led to heavy promotional activity as businesses competed hard for the reduced demand in order to clear inventory. Self-evidently, this had a very material impact on the FY23 performance. We have now cleared almost all the old inventory, we have taken action on our cost base (internal and supply chain) and with newness and a tighter range of higher margin product coming online and in stores in Q2FY23, we are confident we can return the business to its traditional position of strength.

We also embarked on a strategic review to chart a course back to profitability at the earliest opportunity. This comprehensive review saw us evaluate our international and online operations, identify areas for operational improvement and develop a strategic roadmap. We reported the outcomes of this review with our FY23 result along with the actions we are taking.

### FINANCIAL PERFORMANCE OVERVIEW

The year saw us navigate challenging trading conditions across all of our markets, with increased pressure on consumer demand necessitating heavy promotional activity to drive sales. We also prioritised the rightsizing of our inventory base, reducing inventory by 72.5% to \$53.8 million, which is a more appropriate level given current and forecast trading conditions. As a result, we achieved a net cash position of \$10.9 million at the year-end, a \$14.9m improvement on the prior year.

Revenue for the year from the continuing businesses (excluding EMEA) was \$268.4 million, down 15.8% from FY22 (adjusted for the 53rd week in FY22), but up 7% compared to FY21. Underlying EBITDA was a loss of \$24 million, and NPAT from continuing operations was a loss of \$45 million.

The ANZ market showed resilience during the first half, maintaining steady trade, however as we progressed into the second half, we saw a negative trend particularly in the online business. In the US market, we witnessed signs of recovery in the latter part of the year. However, this was impacted by movements within our warehousing infrastructure, which affected our operational efficiency. We remain committed to adapting and optimising our operations to best serve our markets.

Throughout the fiscal year, we undertook substantial promotional activities aimed at driving sales and reducing our inventory levels. While these efforts were effective in rightsizing our inventory, they had a notable impact on our margins. Our gross margin declined by 18.7% as a percentage of revenue during FY23, with almost half of this decline attributed to inventory provisions and write-downs.

Logistics costs increased on a global scale during FY23. However, we have begun to observe a recent downward trend in these costs. Additionally, fulfillment costs increased due to higher storage expenses and inflationary pressures. To mitigate these cost pressures, City Chic took proactive steps to streamline its warehousing operations, closing nine warehouses throughout the year, and engaged in retendering freight contracts with our customers.

### STRATEGIC REVIEW

The comprehensive review undertaken during the year reaffirmed the substantial market opportunities that exists in both the ANZ and US markets. Furthermore, it has provided a clear direction for City Chic's return to profitability by refocusing on what made us great.

Our strategy revolves around three fundamental pillars:

- 1. Amplifying our focus on HER – our valued customers.** By forging genuine emotional connections and leveraging the extensive insights into her preferences, fit, fabric, and styling choices, we intend to target our higher-value customers, characterised by higher selling prices, increased lifetime values, and a tendency for repeat purchases. We anticipate that this approach will lead to higher Average Order Values (AOV), improved retention rates, and enhanced profitability.
- 2. Revitalizing our product assortments with a keen emphasis on higher-value products.** Drawing upon our robust design and sourcing capabilities, we aim to offer a more refined and desirable product selection. The expected outcomes include a return to a 60% gross margin and achieving three stock turns.
- 3. Simplifying our business operations and driving down costs.** Through the streamlining of our supply chain and the initiation of a significant cost reduction program, we anticipate annualised cost savings of \$15 million, leading to a sustainable cost base from the second half of 2024. These cost savings will primarily be realised in logistics and support functions in the ANZ and US markets.



Notably, the EMEA region has posed particular challenges for City Chic over the past two years. In response, the Board made a strategic decision as part of its review to divest the Evans brand and close down the EMEA businesses post period end.

By redirecting resources and focusing on the ANZ and US markets, City Chic aims to consolidate its efforts in areas with more promising prospects for growth and profitability. It has resulted in a less complex and more efficient business structure, supported by valuable customer data insights.

#### **STRENGTHENED FINANCIAL POSITION**

The sale of Evans for GBP 8 million post the period end has further strengthened our financial position. Our close collaboration with our banking partners has ensured our banking facilities are aligned with the evolving needs of our business.

Post the sale of Evans, we have secured a \$20 million working capital facility, which will be strategically stepped down to \$15 million for the FY25 year. This is part of our broader strategy to strengthen our financial resilience and position us for a more robust future.

#### **TRADING AND OUTLOOK**

While early trading in FY24 was impacted by market conditions and residual inventory clearance, we have returned to a more commercial inventory position to support sales from the second quarter with new seasonal product. In line with our strategy, our focus in the second half will be on high-value ranges and high-value customers, and we are now in a much better position.

The board and management believe that the actions taken resulting from our strategic review will bring profitability back to the business, notwithstanding the continued economic uncertainty. We have set our sights on achieving this in the second half of fiscal year 2024, and maintaining our positive cash position.

We extend our sincere thanks to shareholders who have continued to support us through difficult times. We did not perform at an acceptable level in FY23 and particularly in the light of our track record of success over many years. Through the changes we have announced, we intend to reinstate that record of success as quickly as possible and we look forward to reporting on our progress in FY24 and beyond.

We would also like to thank our loyal customer base for their support at a time when their households are under extreme inflationary pressure. We are determined to provide you with excellent products at an affordable price that make you look and feel great. And finally, thank you to our hard working and fantastic team members. With your passion and energy, we will lead a world of curves.

Michael Kay  
Chairman

Phil Ryan  
CEO & Managing Director

# Board of Directors



*Chairman and Non-Executive Director*  
**MICHAEL KAY**

Michael Kay joined the City Chic Collective Limited Board on 1 October 2018 as an independent non-executive director and was subsequently appointed Chairman on 9 November 2018. Mr. Kay has significant listed company experience, as detailed more fully below, and is also a non-executive director of the Pharmacy Guild of Australia (and its various subsidiaries).

A qualified lawyer, Mr. Kay brings a broad range of commercial experience to the Board. Mr. Kay was Chief Executive Officer and Managing Director of McMillan Shakespeare Limited (ASX: MMS) for six years and previously held a number of senior executive roles at AAMI including Chief Executive Officer. He also spent 12 years in private legal practice specialising in commercial law.



*Chief Executive Officer and Managing Director*  
**PHIL RYAN**

Phil Ryan is the original Brand Director of City Chic. In 2006, Mr. Ryan led a team of six people that created the City Chic brand. He is responsible for the strategic direction and operational leadership that has seen CCX take a market leading position in the global plus size industry. Under Mr. Ryan's leadership, CCX now has more than 86 stores in Australia and New Zealand with online sales representing more than 73% of total sales globally. Mr. Ryan has driven successful partnerships with Nordstrom, Macy's, Target and Amazon in the USA.

Mr. Ryan is a global authority in the plus size consumer. He has over 25 years' experience in senior and strategic retail apparel management. Mr. Ryan's family had a fashion manufacturing, wholesale and retail business called Ambition in the 1980's and 1990's and from this he knows all areas of a rag trade business; from the cutting table to the retail shop floor.



*Non-Executive Director*  
**MEGAN QUINN**

Megan Quinn joined the City Chic Collective Limited Board in October 2012 as an independent non-executive director. She has more than 30 years' international experience as a senior executive, advisor, and Non-Executive Director across a broad range of industries including financial and professional services, retail, luxury, healthcare, consumer and digital.

Ms Quinn is recognised as an entrepreneur and global brand expert for her game-changing role as a co-founder of NET-A-PORTER. She brings exceptional customer, governance, strategic, marketing, operational and business skills, with particular strength in people experience, digital transformation, disruption, innovation, service and risk.



*Non-Executive Director*  
**NATALIE MCLEAN**

Natalie McLean joined the City Chic Collective Limited Board on 5 August 2021 as an independent, non-executive director. Mrs. McLean has over 25 years of retail experience having worked in senior positions domestically in Australia and internationally with companies including Giordano, Rip Curl and the Cotton On Group.

Mrs McLean has extensive experience across operations, product, marketing and commercial areas of the retail sector including partnership strategies and geographic growth. Mrs. McLean is currently a director and the Chief Retail Officer of the Cotton On Group and a director of the Cotton On Foundation.

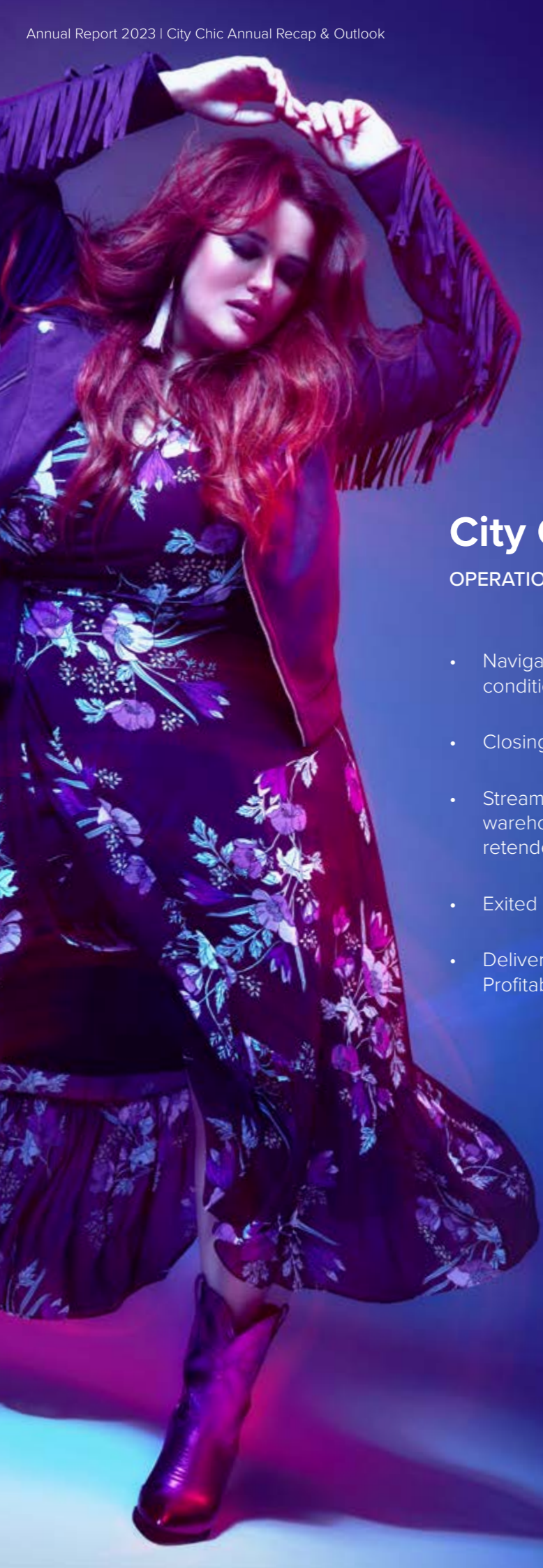


*Non-Executive Director*  
**NEIL THOMPSON**

Neil Thompson joined the City Chic Collective Limited Board on 5 August 2021 as an independent, non-executive director. Mr. Thompson has over thirty years of financial, operational and strategic experience from a broad range of roles and industries with global reach, including freight and logistics, industrial products and software sectors.

Mr. Thompson is currently a Finance Operating Partner at private equity firm Potentia Capital and was previously the Chief Financial Officer of Ascender HCM (a payroll software and services company). He is also a director of the Australian World Orchestra.





## City Chic Annual Recap

### OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Navigating through challenging economic conditions reducing inventory from \$196m to \$54m
- Closing net cash position of \$10.9m
- Streamlined global fulfillment structure closing 9 warehouses, relocating the US warehouse and retendering product delivery services
- Exited loss making EMEA business
- Delivered Strategic Review; The Path to Profitable Growth

## Strategic Review

### THE PATH TO PROFITABLE GROWTH

As a result of the strategic review we are renewing focus on our core customer and product, simplifying the business and reducing costs.

#### Amplify our focus on Her, forging genuine emotional connections

- Put Her first: leverage our rich customer understanding developed over many years of connection.
- Target our more valuable customer with attractive customer economics.
- Deliver products She sees value in that fit, exceed expectations and make Her feel amazing.
- Continue to listen and anticipate the evolving needs of HER.

#### Revitalise product assortments, focusing on higher value product

- Simplify range and focus on high-value and fashionable styling.
- Deliver newness to drive customer engagement.
- Disciplined assortment management and shorter lead times.
- Creating styles that increase average sell price and deliver a better margin.

#### Simplify the business and drive down costs

- Focus on attractive core markets.
- Streamline the operating model.
- Simplifying our supply chain.
- Drive down operating costs.
- Create a culture of cost containment focused on delivering a quality garment at a great price.

# Our People

Our 'Core Capabilities' are at the foundation of our culture; they support our goal and purpose to "lead a world of curves." Our Core Capabilities are the skills and behaviours we use as guiding principles to lead, grow and deliver exceptional experiences for her, our customer. The core capabilities are:

### WE PUT HER FIRST

She is at the heart of every decision;

### WE ARE PASSIONATE CONNECTORS

We love what we do, and we work as one team;

### WE KNOW IT, OWN IT, DO IT

We are knowledgeable, we are accountable, and we are disciplined;

### WE MOVE FAST, KEEP IT SIMPLE AND THINK BIG PICTURE

We act decisively, react quickly and are measured in our approach;

### WE ARE FEARLESS AGILE THINKERS

We express ideas, take calculated risks, and embrace change.

## Who we are and How we do things

Leading a world of curves means putting her first, and creating experiences that makes her feel courageous; feel proud to identify as female; feel empowered to embrace her individuality; and to respect and love the skin she is in.

She is our customer, she is a member of our team, and she is our leader. We listen to her.

We value the learnings we gain from her coming from different backgrounds, experiences, and perspectives. These learnings enable us to develop beautiful products and create exceptional customer and work experiences that understand, respect and meet the diverse needs, preferences and goals she has. We endeavour to make her feel good at every touchpoint and we are committed to continuing to deliver on this promise, at all levels of our business, as our global footprint expands.

## Diversity and Inclusion

Our commitments also extend beyond her. We seek to be a boundaryless organisation that ensures all team members, regardless of gender identity or minority group membership, have equal opportunity to enter, learn and develop within our business.

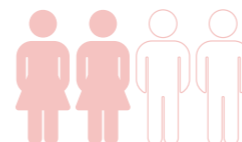
We know that true workplace diversity recognises and values the contribution of people from different backgrounds, experiences and perspectives. The CCX Diversity Policy is underpinned by a suite of policies and practices that provide the support and structure needed to facilitate these opportunities for each individual that enters our workforce. We support the well-being of our people through unlimited access to EAP which includes a suite of specialist helplines specifically tailored to the needs of minority groups. Our learning initiatives and social/culture calendar aim to increase awareness and empathy, and promote our people building genuine connections across all levels of the organisation.

## GENDER DIVERSITY

The proportion of women employed at different levels across the company as at the end of the reporting period was as follows:

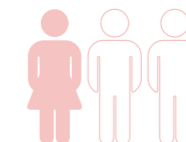
### BOARD

2 of 4 non-executive directors on the Board are woman; 2 of 5 Board members (including non-executive and executive directors) are woman



### C-SUITE

1 in 3 C-Suite leaders is a woman



### LEADERSHIP TEAM



### MANAGERS



### WORKFORCE



## DIVERSITY OBJECTIVES

Objectives established for achieving diversity (including gender diversity) and progress towards achieving them during FY2023 are set out below:

FY23 DIVERSITY OBJECTIVES	ACHIEVEMENT
Seek to maintain gender diversity in the composition of the Board and the C-Suite Leadership Team of no less than 30% of each gender.	Achieved
Achieve a Sense of Belonging Score of 75% or above for all groups by FY23	Achieved
Introduce a Gender Affirmation Policy	Achieved
Undergo an end-to-end 'Job Access' assessment to ensure optimal access to employees with a disability or impairment	Commenced, ongoing in FY24

Our diversity strategy is supported by the following objectives established for FY2024:

FY24 DIVERSITY OBJECTIVES
Seek to maintain gender diversity in the composition of the Board and the C-Suite Leadership Team of no less than 30% of each gender.
Continue end-to-end 'Job Access' assessment for all areas of the HR life cycle to ensure optimal access to employees with a disability or impairment.
Commence corporate partnership with Dress for Success to provide fundraising support and clothing to women seeking independence through employment.

# Environmental, social and corporate governance

## ESG across our supply chain

Seeking to create safe and respectful working environments for all workers in our supply chain has long been, and remains, an overarching priority and focus. Over the last few years with the acquisition of new brands and with the diversification of our sourcing regions, we sought to partner with, and on-board, select new factories and vendors into our supply chain and our ethical trade policies. This year we shifted our focus on consolidating our supply chain and embedding key policies. As we placed more emphasis on tracing high risk materials and regions, it led to streamlining our supply chain where possible.

Our goal remains to work together with all our global partners to have a more positive impact to people and planet.

People continue to be a focus for our organisation as we aim to improve the lives of workers in our supply chain.

We consider every worker in our supply chain an extension of our own business and we are working together with our factories to ensure safe and fair working conditions for all of their employees. Our Ethical Trade program, developed and refined by our long serving team committed to improving practices, outlines our expectations for ourselves and our partners in our supply chain and seeks to hold us to account when it comes to human rights impacts associated with producing our product.

## Social Responsibility

### Our FY2023 Highlights

- Continued to make progress against our Modern Slavery Act roadmap
- Strengthen our Forced Labour policy and tracing
- Completed our pilot DNA / fingerprint testing on cotton product
- Enhanced our chain of custody policy and process for all tiers of the product sourcing supply chain
- Achieved “NICE” Rating on the 2022 Oxfam ‘Naughty or Nice’ list, recognising our commitment to working towards paying a living wage
- Ranked in the top 40% of companies assessed in the ‘Behind the Barcode Report’ / Ethical Fashion Guide by Baptist World Aid
- Continued our engagement with key NGO’s

### We commit to source product in a recognised, responsible, and transparent supply chain

It is important for us to continue to map all levels of our supply chain to understand all potential supply chain risks. As we continue to trace through these layers, we are committed to publishing our supplier list with regular updates.



**61**

Tier 1 Factories



**3**

Sourcing Regions



**21,020**

Workers in Tier 1



**64%**

Female Workers

### MODERN SLAVERY UPDATE

As part of our modern slavery risk assessment, we identified that cotton production right back to farming was a high-risk issue that we need to better understand and address.

CCX is committed to taking steps to try and ensure our supply chain does not source directly or indirectly from known regions that openly engage in the use of forced labour, in line with our responsibilities under the UN Guiding Principles on Business and Human Rights. In addition to strengthening our ban on known regions that endorse the use of forced labour, we have implemented a more diligent tracing program and associated plan for remediation. We worked closely with key suppliers to educate them on key indicators and documentation required to comply with a robust chain of custody process. It is important for us to monitor and validate our processes to assess their effectiveness.

We finalised and completed our pilot program in cotton DNA testing, to help validate the origins and audit products that are part of our supply chain. Testing across a randomly selected collection of products from the supply chain was conducted by accredited 3rd Parties and our team also worked closely on validating chain of custody documentation received from vendors as part of our due diligence.

**Working together to empower workers and give them a voice in the supply chain**

As part of our Worker Voice Program, we were excited to roll out our worker survey tool to more factories and new regions such as Bangladesh. The worker surveys are conducted alongside our factory social audits and are in addition to our worker hotline and grievance mechanisms, as another channel to talk to factory workers about key themes such as:

- Modern Day Slavery
- Labour Practices
- Health & Safety
- Worker Satisfaction

Enhancing our worker voice tools is a key initiative to help support us in gaining a more direct line to all workers. It gives us the ability to contact workers by sending them surveys, training materials, and information to empower workers to have a voice about their individual working conditions.

**Working with factories to recognise that a minimum wage does not always equal a living wage**

We commit to do our part in closing the gap between living wage and minimum wage. We recognise that multi stakeholder initiatives are the best way to drive change and we look to global benchmarking to help determine a basic living wage by region.

Through our audit process we train and then ask our factories to establish a living wage calculation. We believe this empowers all factory owners in understanding what a living wage is made up of and how their wages paid compare. It is important for us to monitor progress of all factories and as a result we have developed our living wage tracker by recording factories that are:

- Paying living wage
- On track to living wage = Paying above minimum wage
- Paying minimum wage (but does not equal living wage)

Through the course of the year, we have worked with our auditing partners to develop a road map to implement a deeper wage gap audit in key factories which we will commence in the coming year.

**The right of every worker in our supply chain to enjoy safe and healthy working conditions in an environment where they are not exploited**

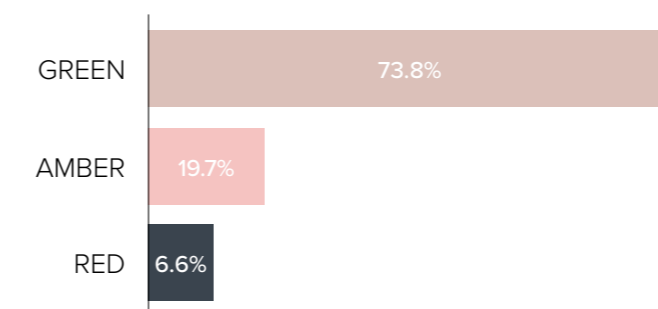
We seek to partner with the vendors in our supply chain to ensure working conditions are clean and safe and workers are not performing any unsafe work.

As we expand and further diversify our sourcing regions, and manage Covid-related risks and travel restrictions, we seek to check and monitor the working environment of workers in our supply chain through the use of our 3rd party auditors.

New suppliers are onboarded into our Ethical Trade Program and as we audit factories, we assign a risk rating to help prioritise corrective actions. Our audit program is one part of our vendor onboarding and it supports and sits alongside our other ethical trade initiatives.

We understand that not all factories will be at the same stage in their ethical trade journey, however, we seek to partner with factories who also are committed in coming on this journey with us. Our overall audit risk ratings and tracker have been updated to reflect our scorecard across our total group of factories and we are pleased to see our average audit score improve.

**FY23 AUDIT RISK RATINGS**



## Environmental Sustainability

### Our FY2023 Highlights

- Introduced a selection of preferred fibres into select range of product
- Continued to develop more sustainable packaging options
- Continued to build knowledge & capacity for future climate strategies
- Developed a risk assessment process on risks related to climate

#### We care for the environment and the management of waste in our supply chain

As part of our audit program, we seek to ensure that all textile processing and waste management is in line with the legislation of the manufacturing country. Our audits include environmental and waste management checks for

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

We request factories only use Oeko-tex 100 certified mills, which forms part of our Tier 2 onboarding.

#### Implementing Initiatives to help Manage & Reduce our Footprint

Our current focus is on those areas where we believe we can help create a more positive and immediate impact on our planet, while continuing to offer affordable product to our customers. These areas include assessing opportunities to utilise preferred materials across product and packaging.

#### Preferred Materials

##### FIBRES

The fibres and materials we choose to use in our supply chain contribute to our overall impact and footprint. We recognize that we need to work towards understanding where there is opportunity to use more sustainable fibres. As a first step, we have initially introduced into a small amount of our product ranges a selection of “better” choice fibres in which we have conducted diligent chain of custody processes to help certify that these fibres were sourced responsibly and were used in our product.

- Organic cotton
- Supima cotton
- FSC approved viscose
- FSC approved bamboo
- Recycled polyester

##### PACKAGING

We have been working with our distribution partners to develop satchels for eCommerce sales that have a high recycled plastics content. Our distribution centres (DC) in Australia and the UK continued to transition their satchels to a minimum of 65% made from recycled materials, and our DC in the USA have commenced the introduction of updated satchels towards the latter part of the year.

This initiative will help contribute to reducing our footprint and driving a more positive impact on our planet.

As part of our global supply chain distribution responsibilities, we continued to register under the relevant Extended Producer Responsibility schemes (EPR) in the UK, Germany and France. Extended Producer Responsibility (EPR) for packaging aims to reduce the environmental and economic burdens of plastic waste management for municipalities by extending producer responsibility to the end-of-life stage.

As part of this commitment, we have established a process to comply with EPR requirements across Europe and UK for packing and textiles wastes and recycling.

# Annual Financial Report 2023

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## Directors Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group', 'consolidated entity' or 'City Chic') consisting of City Chic Collective Limited (referred to hereafter as the 'Company', 'parent entity' or 'CCX') and the entities it controlled at the end of, or during, the 52-week period ended 2 July 2023 (2022: 53 week period ended 3 July 2022).

### Directors

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

Michael Kay  
Megan Quinn  
Phil Ryan  
Neil Thompson  
Natalie McLean

### Other Key Management Personnel

Peter McClelland (Chief Financial Officer)

### Company Secretary

Marta Kielich (resigned 21 July 2023)  
Jacquie Shanahan (appointed 21 July 2023)  
Peter McClelland (additional Company Secretary appointed 21 July 2023)

### 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, CCX, Hips & Curves and Fox & Royal. City Chic and CCX are better dressing for plus-sized women and its omni-channel model comprises of a network of 86 stores across Australia and New Zealand (ANZ) and websites operating in ANZ and the US. Avenue (US-based) targets a broad customer base across the conservative segment, with a long history and significant online customer following. Hips & Curves and Fox & Royal are online intimate brands.

The business made the strategic decision to exit the EMEA region and the Evans and Navabi brands during the period. The financial statements have reflected this decision, with the profit and loss presented for the continuing operations in ANZ and USA and EMEA presented as a discontinued operation, with the related assets as held for sale on 2 July 2023. The Evans business and EMEA inventory has been sold to a third party subsequent to year-end via an asset sale and purchase agreement.

## Dividends

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

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

## Operating and financial review

Prior to 2 July 2023, as part of its ongoing strategic review to simplify and streamline the business, City Chic made the strategic decision to divest its EMEA operations and focus its resources on other parts of the Group. As such the Consolidated statement of profit or loss and associated notes has been presented separately for continuing business and discontinued operations, by separating EMEA from the FY23 and FY22 comparative information and accounted for as an Asset Held for Sale in the FY23 Statement of Financial Position and associated notes.

The Group achieved revenue from continuing operations in FY23 of \$268.4m (3 July 2022: \$324.1m), representing a reduction of 17.2% or 15.8% adjusted for the 53rd week in FY22. The net loss after tax for continuing operations in FY23 was \$45.0m (3 July 2022: net profit \$24.4m).

At 2 July 2023 the continued operation closed with a net inventory balance of \$53.8m (3 July 2022: \$195.9m including inventory held at EMEA), which is a more appropriate level given current and forecast trading conditions and was a focus in FY23 to set the business up to implement its strategic plan into FY24 and beyond. The net cash position was \$10.9m (3 July 2022: Net debt \$4.0m) a \$14.9m improvement and driven by the reduction in inventory.

The Group experienced challenging market conditions and increased pressure on consumer demand in the current year, negatively impacting sales and margin. Australia and New Zealand maintained year-on-year trade in the first half but saw a negative trend in the second half of FY23, particularly for the online business. USA demand on the other hand saw some signs of recovery in the second half but was negatively impacted by warehouse moves where the build to capacity and optimisation of the new technologies was slower than expected.

Gross margin was impacted by higher promotional activity across all regions and channels to drive sales and clear inventory however this did not drive the expected transaction growth. Logistics costs increased globally, increasing product costs however we have seen these trend down in 2HY23. Fulfillment costs also increased from both higher inventory levels increasing storage costs and inflationary pressures, however during the year the Company successfully completed a strategic implementation of warehouse rationalisation and moves in the USA which will deliver improved fulfillment costs per unit in future financial years.

The Group recognised material stock provisions and write-offs relating to duplicated duty costs for relocated inventory, for fragmented stock and aged inventory to ensure a commercial position for inventory at year end. This further negatively impacted gross margin. Operating expenses for the Group versus last year were down.

The year-end inventory balance was also impacted by foreign exchange rates, with USD held inventory translated into higher in AUD reporting currency than the prior year. The inventory balance at year end of \$53.8m finished lower than the target ranges (even allowing for the sale of EMEA inventory) due to the active clearance programs, inventory provisioning and reduced stock purchases in 2HY23.

The Underlying EBITDA from continuing operations post AASB16 was a loss of (\$24.0m) (3 July 2022: \$53.8m). The Underlying EBIT from continuing operations was a loss of \$40.2m (3 July 2022 profit: \$39.3m). The Underlying NPAT from continuing operations was a loss of \$45.0m (3 July 2022 profit: \$24.4m).

Losses attributable to the discontinued EMEA business of \$54.7m resulted in Profit/(Loss) after income tax expense for the period attributable to the owners of City Chic Collective Limited of (\$99.8m) (3 July 2022 profit: \$22.3m).

The Multi Currency Debt Facility was amended during FY23 according to business needs. In May 2023, the facility was amended to reduce the facility limit from 3 July 2023 to \$31.5m. From 1 January 2024 the limit will be reduced by a further \$5m, to \$26.5m and from 1 April 2024 by a further \$5m, to \$21.5m. At year-end the Group had borrowings of \$1.5m (FY22: \$14.0m) and net cash of \$10.9m (FY22: net debt of \$4.0m).

Subsequent to year end the facility was further amended post the sale of the Evans business (see the Matters subsequent to the end of the financial period below for further detail).

## Strategic Review

In FY23 City Chic completed a strategic review, focused on its online and international businesses, to determine the most efficient path to profitable growth, notwithstanding the current economic pressures on customer demand and competition. The outcome of the strategic review will see the business focus on three key areas:

### **AMPLIFY OUR FOCUS ON HER, FORGING GENUINE EMOTIONAL CONNECTIONS**

City Chic will reinvigorate the emotional connection with its core customers by leveraging its strong understanding of Her needs developed over the last 16 years. With extensive insights into her preferences, fit, fabric, and styling choices, it will target customers with higher selling price, lifetime values and repeat purchase tendencies. City Chic will leverage its expertise in higher sales value categories, notably dresses, where Her engagement with the brands and products has demonstrated elevated satisfaction levels.

This strategy will target a higher average order values, retention rates and profitability across a refined customer base. City Chic will focus its marketing investment on targeting these higher-value customers that already constitute nearly half of its total database.

### **REVITALISE PRODUCT ASSORTMENTS, FOCUSING ON HIGHER VALUE PRODUCT**

By leveraging its robust design and sourcing capabilities, the Group is streamlining its product range to focus on core fits and stylish, high-quality options. It will offer a more refined and desirable assortment with fresh lifestyle additions, at higher average selling prices that deliver better margins. This includes deliberately rationalising its product offering away from lower priced styles. It will implement disciplined assortment management to continue to deliver newness and also maintain the relentless streamlining of its supply chain agility to ensure a more rapid response to evolving customer preferences.

City Chic is targeting a return to 60% gross margins and optimised investment to maintain commercial inventory levels, which will also improve inventory stock turns.

### SIMPLIFYING THE BUSINESS AND DRIVING DOWN COSTS

City Chic has streamlined its supply chain by consolidating sourcing origins from 7 to 3 and destinations from 6 to 2, while reducing its factory base from 101 to 61 and its warehouses from 12 to 2. It has also initiated a significant cost reduction program and is targeting fulfilment costs returning to 19% of revenue. Overall, this will result in a sustainable cost base from 2H FY24 and annualised cost savings of \$15m.

In line with the strategic objectives, the Group sold the Evans brand and assets and exited the EMEA region. This has resulted in a leaner, more efficient business in ANZ and the US where its strategy has historically proven to be successful, and the Group can deliver strong returns supported by data-driven insights and disciplined working capital management.

### FY24 Outlook

City Chic will enter FY24 with a healthy inventory position and positive net cash. The board and management believe that the strategic plan will bring profitability back to the business, notwithstanding the continued economic uncertainty. Our plan will implement a refreshed and focused customer and product strategy, targeting our high value core customers with a product mix that delights her and is focused on better end garments. City Chic will also implement cost reduction actions that will reduce costs by approximately \$15m in the continuing business through fulfillment and other cost initiatives, with marketing remaining variable to demand.

During Q1, City Chic will aggressively clear winter inventory in ANZ and Summer in the USA (predominantly the residual EMEA inventory that was relocated) to set up for Q2 and the holiday period to drive sales with new product ranges and at higher margins. Costs initiatives will be implemented during 1H FY24 and The Group expects to trade profitably during H2 FY24 as the benefits of the Strategic Plan are realized.

Inventory is expected to trend toward our targeted 3 stock turns, excluding stock in transit and maintaining positive net cash at year end.

## Material business risks

The Group operates in an environment of change. The level of macro-economic and geopolitical uncertainty globally is currently higher than usual. There are a range of factors, both general in nature and specific to the Group which may impact the operating and financial performance of the Group. The impact of these risks is regularly reviewed for their possible impact.



### CHANGES TO MACROECONOMIC CONDITIONS AND CONSUMER DISCRETIONARY SPENDING

The Group has a significant exposure to the economy of the countries in which it operates. There are a number of general economic conditions, including interest and exchange rate movements, CPI inflation, geopolitical tensions, overall levels of demand, economic and political instability and government fiscal, trade, monetary and regulatory policies, that can impact the level of consumer confidence and discretionary retail spending. These conditions may affect revenue from sales to customers and insufficient liquidity to maximise opportunities or maintaining operations. Management are actively monitoring and managing the associated risks with daily monitoring of key metrics and adjusting areas of operation based on both internal and external sources of information that provide insights into any changes in demand within the economies in which it operates. During the reporting period the Group executed a number of revisions to its debt facility to better reflect the anticipated trading performance of the business and expected working capital needs



### COMPETITION

The Group operates in a retail environment and financial performance is sensitive to the current state of, and future changes in, the retail environment in the countries in which it operates. The retail fashion market also continues to consolidate and feel the effects of globalisation. City Chic will continue to offer customers quality and value for money and maintain a high online penetration, a global footprint and a nimble and fast supply chain that adapts to changes within customer buying patterns.



### ENVIRONMENTAL CHANGES

The Group is exposed to risks arising from environmental changes, including climate change, scarcity of natural resources and the continuing global development of legislation and regulations in this area. Many of these risks are greatest in the Group's supply chain activities and these activities and the related risks are largely managed through the principles laid out in our corporate social responsibility disclosures. The Group manages environmental risks, such as droughts and floods, along with the threat of raw material scarcities by diversifying its vendors and material sourcing. The Group has dedicated resources to ensure continued compliance across all regulatory requirements in the markets operated in by the Group.



### ETHICAL SOURCING AND MODERN SLAVERY

The Group is exposed to reputational and regulatory risk with regards to ethical sourcing and modern slavery. City Chic is committed to sourcing product in a recognised, responsible, and transparent supply chain, including taking steps to try and ensure our supply chain does not source directly or indirectly from known regions that openly engage in the use of forced labour in line with our responsibilities under the UN Guiding Principles on Business and Human Rights. The Group continues to enhance and strengthen its ethical trade program with a focus on building a more transparent supply chain and tightening its tracing of high-risk products, regions or raw materials to manage risks in relation to modern slavery and to ensure continued compliance across all regulatory requirements in the markets operated in by the Group.



**INVENTORY LEVELS**

A failure to maintain appropriate inventory levels may adversely affect the Group's operating and financial performance. The Company seeks to manage this risk through regular monitoring of inventory quality and targeted stock levels.

**BUSINESS TRANSFORMATION RISKS**

The Group has a plan to continue making investments in new technology systems including in logistics. A failure to implement the new logistics technology changes may result in productivity and accuracy issues leading to impact to sales. The Group is continuing to monitor KPI's and forecasting as well as engagement with 3PL providers.

**EXCHANGE RATES AND DUTIES**

The Group relies significantly on imported products (directly sourced or via local or overseas wholesalers) and as a result the cost of the product may be subject to movements in the exchange rate of the Australian dollar. The Group also has significant operations in the USA which provide a natural hedge against currency movements on purchases. Any additional risk in exchange rate movement is monitored and can be mitigated through the use of forward hedging. However it is noted that no hedges have been put in place in FY23.

**WORKPLACE HEALTH AND SAFETY (WHS)**

The Group has 688 employees as well as the customers who visit physical stores across ANZ. The Group has a high focus on WHS with regular WHS Committee meetings, investment in training and development of its employees being a high priority.

**TECHNOLOGY AVAILABILITY & CYBERSECURITY**

The Group operates in an increasing complex environment in regard to reliance on technology and the increasing threat to cyber security. This increasing reliance and the changing regulatory landscape means that the related risk of any disruptions to systems, networks and data also continues to grow. Any events or cyber security breaches could cause significant business and reputational damage, adverse regulatory action (including legal proceedings) and financial impacts on the business.

Whilst it is not possible to reduce the cyber security risk to zero, Management is actively working to materially reduce these risks by increasing our investment in our cyber control environment, following the Australian Cyber Security Centre's "Essential Eight" and the NIST Cybersecurity Framework. Cyber security is overseen by our Board, Audit and Risk Committee and Group Executives, and external cyber security consultants are used to test and validate cyber security procedures that have been implemented.

**COVID-19 PANDEMIC**

The COVID-19 pandemic had a significant impact on the business in FY22 with normal trading conditions restored in FY23 as the Company was directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including disruption to City Chic's supply chain and workforce, particularly the availability of products and logistics (including shipping of products) and government-imposed shutdowns of manufacturing and distribution centres affecting the supply of products to customers. The World Health Organisation in May 2023 declared the end of the COVID-19 as a global pandemic.

**Significant changes in the state of affairs**

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

**Matters subsequent to the end of the financial period**

On 3 August 2023, the Group divested the Evans business and EMEA inventory via an asset sale and purchase agreement (the Agreement). Under the Agreement, the Evans brand, intellectual property, customer base and all EMEA inventory has been sold for a total cash consideration of £8m (c. \$15.5m AUD). Net of transaction costs, and the closure of City Chic's UK warehouse, the consideration is c. £6.4m (c. \$12m AUD).

City Chic has agreed with its 3PL provider to close its UK warehouse which also supports its European operations. As a result, the Navabi business has ceased trading. City Chic retains the right to trade under the City Chic, Avenue and other non-Evans brands in EMEA in the future.

The transaction has been reflected in the financial statements at 2 July 2023, with the related assets presented as assets held for sale and impaired to the anticipated recoverable value through the sale. The related impairment was \$29.4m. The EMEA business has also been presented as a discontinued operations in the FY23 statement of profit and loss, along with the comparative FY22 information.

The proceeds from the sale of Evans have been used for working capital purposes and to pay down and cancel the Group's remaining \$1.5 million acquisition facility. From 9 August 2023, the multi-currency debt facility was also amended to \$20m (from \$31.5m) and will reduce by a further \$5m at the end of June 2024.

No other matters or circumstance has arisen since 2 July 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.

## Information on directors

### MICHAEL KAY

<b>TITLE:</b>	Chairman and non-executive director
<b>QUALIFICATIONS:</b>	B.LLB
<b>EXPERIENCE AND EXPERTISE:</b>	Michael Kay joined the City Chic Collective Limited Board on 1 October 2018 as an independent non-executive director and was subsequently appointed Chairman on 9 November 2018. Mr. Kay has significant listed company experience, as detailed more fully below, and is also a non-executive director of the Pharmacy Guild of Australia (and its various subsidiaries). A qualified lawyer, Mr. Kay brings a broad range of commercial experience to the Board. Mr. Kay was Chief Executive Officer and Managing Director of McMillan Shakespeare Limited (ASX: MMS) for six years and previously held a number of senior executive roles at AAMI including Chief Executive Officer. He also spent 12 years in private legal practice specialising in commercial law.
<b>OTHER CURRENT DIRECTORSHIPS:</b>	Mr. Kay is currently Chairman of Omni Bridgeway Ltd (ASX: OBL) (formerly called IMF Betham Limited (ASX: IMF) (since July 2015).
<b>FORMER DIRECTORSHIPS (LAST 3 YEARS):</b>	None
<b>SPECIAL RESPONSIBILITIES:</b>	Chairman of the Board; Member of the Audit and Risk Committee (ARC); Member of the People, Culture and Remuneration Committee (PCRC)
<b>INTERESTS IN SHARES:</b>	1,000,000 ordinary shares
<b>INTERESTS IN OPTIONS:</b>	None
<b>INTERESTS IN RIGHTS:</b>	None

### MEGAN QUINN

<b>TITLE:</b>	Non-executive director
<b>QUALIFICATIONS:</b>	GAICD
<b>EXPERIENCE AND EXPERTISE:</b>	Megan Quinn joined the City Chic Collective Limited Board in October 2012 as an independent non-executive director. She is a specialist consultant working across a broad range of industries including financial and professional services, healthcare, consumer and digital, and is an international speaker. Ms. Quinn has more than 25 years' experience working internationally with organisations including Harrods, Dell and Westpac. Ms Quinn was also a Board and National Committee member of UNICEF Australia. Her strong strategic, operational, supply chain and financial expertise is complemented by her capabilities around brand, marketing, innovation, transformation, digital, and customer service and experience across all channels. She is recognised as a global brand expert for her game-changing role as a co-founder of NET-A-PORTER. Known for her creative, energetic and disruptive thinking, Ms. Quinn has the unique ability to define gaps in the market and develop market-leading business strategies for commercial and creative outcomes.
<b>OTHER CURRENT DIRECTORSHIPS:</b>	Ms. Quinn is currently a non-executive director at Reece Limited (ASX:REH) (since August 2017), InvoCare Limited (ASX:IVC) (since October 2018) and The Lottery Corporation (ASX: TLC) (since June 2022).
<b>FORMER DIRECTORSHIPS (LAST 3 YEARS):</b>	None
<b>SPECIAL RESPONSIBILITIES:</b>	Chair of the PCRC; Member of the ARC
<b>INTERESTS IN SHARES:</b>	None
<b>INTERESTS IN OPTIONS:</b>	None
<b>INTERESTS IN RIGHTS:</b>	None

### NEIL THOMPSON

<b>TITLE:</b>	Non-executive director (appointed 5 August 2021)
<b>QUALIFICATIONS:</b>	B.Ec
<b>EXPERIENCE AND EXPERTISE:</b>	Neil Thompson joined the City Chic Collective Limited Board on 5 August 2021 as an independent, non-executive director. Mr. Thompson has over thirty years of financial, operational and strategic experience from a broad range of roles and industries with global reach, including freight and logistics, industrial products and software sectors. Mr. Thompson is currently a Finance Operating Partner at private equity firm Potentia Capital and was previously the Chief Financial Officer of Ascender HCM (a payroll software and services company). He is also a director of the Australian World Orchestra.
<b>OTHER CURRENT DIRECTORSHIPS:</b>	Mr. Thompson does not hold any other listed company directorships.
<b>FORMER DIRECTORSHIPS (LAST 3 YEARS):</b>	Mr. Thompson has not held any other listed company directorships in the last three years.
<b>SPECIAL RESPONSIBILITIES:</b>	Chair of the ARC; Member of the PCRC
<b>INTERESTS IN SHARES:</b>	100,000 ordinary shares
<b>INTERESTS IN OPTIONS:</b>	None
<b>INTERESTS IN RIGHTS:</b>	None

### NATALIE MCLEAN

<b>TITLE:</b>	Non-executive director (appointed 5 August 2021)
<b>QUALIFICATIONS:</b>	B.Bus
<b>EXPERIENCE AND EXPERTISE:</b>	Natalie McLean joined the City Chic Collective Limited Board on 5 August 2021 as an independent, non-executive director. Mrs. McLean has over 25 years of retail experience having worked in senior positions domestically in Australia and internationally with companies including Giordano, Rip Curl and the Cotton On Group. Mrs McLean has extensive experience across operations, product, marketing and commercial areas of the retail sector including partnership strategies and geographic growth. Mrs. McLean is currently a director and the Chief Retail Officer of the Cotton On Group and a director of the Cotton On Foundation.
<b>OTHER CURRENT DIRECTORSHIPS:</b>	Mrs. McLean does not hold any other listed company directorships.
<b>FORMER DIRECTORSHIPS (LAST 3 YEARS):</b>	Mrs. McLean has not held any other listed company directorships in the last three years.
<b>SPECIAL RESPONSIBILITIES:</b>	Member of the ARC; Member of the PCRC
<b>INTERESTS IN SHARES:</b>	10,900 ordinary shares
<b>INTERESTS IN OPTIONS:</b>	None
<b>INTERESTS IN RIGHTS:</b>	None

**PHIL RYAN**

<b>TITLE:</b>	Chief Executive Officer and Managing Director
<b>QUALIFICATIONS:</b>	MBA, B.Bus
<b>EXPERIENCE AND EXPERTISE:</b>	Phil Ryan is the original Brand Director of City Chic. In 2006, Mr. Ryan led a team of six people that created the City Chic brand. He is responsible for the strategic direction and operational leadership that has seen CCX take a market leading position in the global plus size industry. Under Mr. Ryan's leadership, CCX now has more than 86 stores in Australia and New Zealand with online sales representing more than 73% of total sales globally. Mr. Ryan has driven successful partnerships with Nordstrom, Macy's, Target and Amazon in the USA. Mr. Ryan is a global authority in the plus size consumer. He has over 25 years' experience in senior and strategic retail apparel management. Mr. Ryan's family had a fashion manufacturing, wholesale and retail business called Ambition in the 1980's and 1990's and from this he knows all areas of a rag trade business; from the cutting table to the retail shop floor.
<b>OTHER CURRENT DIRECTORSHIPS:</b>	None
<b>FORMER DIRECTORSHIPS (LAST 3 YEARS):</b>	None
<b>SPECIAL RESPONSIBILITIES:</b>	Chief Executive Officer; Managing Director
<b>INTERESTS IN SHARES:</b>	378,956 ordinary shares
<b>INTERESTS IN OPTIONS:</b>	2,161,235 ordinary shares issued under CCX's 2019 Employee Share Plan and escrow provisions
<b>INTERESTS IN RIGHTS:</b>	1,200,000 performance rights over ordinary shares

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

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

**Company secretary**

On 21 July 2023, Ms Jacquie Shanahan, who has extensive experience across company secretariat, legal and governance roles, joined as Company Secretary and General Counsel.

On 21 July 2023, Mr Peter McClelland, Chief Financial Officer, was also appointed as an additional Company Secretary.

The former Company Secretary was Marta Kielich. Ms Kielich was appointed to the position of General Counsel and Company Secretary on 7 July 2020 and resigned on 21 July 2023. Ms. Kielich has held company secretarial and senior legal positions for several ASX-listed companies. Ms. Kielich also has broad international experience across various sectors.

**Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the period ended 2 July 2023, and the number of meetings attended by each director were:

	Full Board		PCRC		ARC	
	Attended	Held	Attended	Held	Attended	Held
Michael Kay	25	25	3	3	5	5
Megan Quinn	25	25	3	3	5	5
Natalie McLean	23	25	3	3	5	5
Neil Thompson	25	25	3	3	5	5
Phil Ryan <sup>1</sup>	25	25	N/A	N/A	N/A	N/A

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

**Retirement, election and continuation in office of directors**

At the 2022 Annual General Meeting ("AGM") held on 25 November 2022, 99.35% of the votes received supported the re-election of director Megan Quinn as part of the Company's constitution that specifies all directors must stand for re-election at least every three years.

<sup>1</sup> Phil Ryan is not a member of either the PCRC or the ARC, but was invited to attend these meetings and his attendance was noted in the minutes.

# Remuneration report (audited)

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

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

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

## a. Introduction

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

Key management personnel of the consolidated entity were also the key management personnel of City Chic Collective Limited (the parent entity) for the years ended 2 July 2023 and 3 July 2022. The key management personnel consisted of the following directors and senior executives of City Chic Collective Limited:

Name	Role
<b>Non-executive directors:</b>	
Michael Kay	Chairman and non-executive director
Megan Quinn	Non-executive director
Natalie McLean	Non-executive director
Neil Thompson	Non-executive director
<b>Executive directors:</b>	
Phil Ryan	Chief Executive Officer and Managing Director
<b>Other key management personnel:</b>	
Peter McClelland	Chief Financial Officer

## b. Remuneration strategy and policy

The People, Culture and Remuneration Committee (referred to hereafter as the "PCRC" or the 'Committee') is responsible for assisting and advising the Board in relation to remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract and retain talented and motivated executives who can enhance the Group's performance through their contributions and leadership.

### USE OF REMUNERATION CONSULTANTS

The Board and / or the PCRC may, from time to time, appoint and engage independent advisors directly in relation to remuneration matters. During the reporting period, remuneration consultants were engaged by the Group, through the PCRC and provided a range of independent advice and information relevant to a range of remuneration matters, in particular incentive structures for executives. The Board did not, however, receive any remuneration recommendations from a remuneration consultant as defined by the Corporations Act 2001 (Cth).

### PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

#### PRINCIPLE 1

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

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

#### PRINCIPLE 2

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

- including economic profit as a component of plan design and the successful execution of strategic or operational initiatives; and
- attracting and retaining high calibre executives.

#### PRINCIPLE 3

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for profitable growth and the achievement of key business objectives which drive value creation over the medium term; and
- provides a clear structure for earning rewards.

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

## c. Remuneration framework

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

### (i) NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

Up to 27 February 2023, non-executive chairman and non-executive directors' fees set for FY23 were as follows:

Role	Remuneration (per annum, exclusive of superannuation)	\$
Base fee for Non-Executive Chairman	240,000	
Base fee for Non-Executive Director	120,000	
Additional fee for Chair of the ARC	20,000	
Additional fee for Chair of the PCRC	10,000	

Following the release of the Group's half year results in February 2023 and reflecting on the Group's half-year performance, the non-executive chairman and the non-executive directors elected to reduce their fees for the remainder of FY23 and until otherwise determined. The non-executive chairman and non-executive directors' fees from 27 February 2023 were as follows:

Role	Remuneration (per annum, exclusive of superannuation)	\$
Base fee for Non-Executive Chairman	200,000	
Base fee for Non-Executive Director	100,000	
Additional fee for Chair of the ARC (unchanged)	20,000	
Additional fee for Chair of the PCRC (unchanged)	10,000	

### (ii) EXECUTIVE DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL (KMP)

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

#### FIXED REMUNERATION

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

#### SHORT-TERM INCENTIVES

The PCRC reviews the short-term incentives (STI) for executives and employees annually. If the PCRC determines that STI should be made available for executives and/or employees, the cash incentives (bonuses) are payable should the Group achieve pre-determined targets following finalisation and announcement of the full year audited results. Using value creation targets ensures variable awards are only available when value has been created for shareholders and when profit is consistent with the business plan. The PCRC considers the appropriate targets and KPIs to link the STI plan and the level of payout if targets are met. This includes setting any maximum payout under the STI plan, and minimum levels of performance to trigger payment of STI.

For the year ended 2 July 2023, the PCRC had determined that KMP-level executives would be eligible for an STI plan of up to 1/3 of fixed remuneration (in addition to their long-term or equity-based incentive) if growth in underlying EBITDA was achieved for FY23. As a result of the Group's performance and relevant hurdles not being met, no amount is payable to the KMPs as STI in FY23.

#### LONG-TERM INCENTIVES

The Group's long-term incentives (LTI) 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. As outlined in the notice of meeting for the 2022 Annual General Meeting, the PCRC spent a considerable amount of time considering the remuneration of executives in this period of unprecedented global uncertainty, and it was determined that the Company's and Shareholders' interests would be best served over the course of FY23 by management focussing on delivering a strong balance sheet and generating cash flows. Based on these considerations it was proposed that performance rights would be issued under the LTIP (defined below) with respect to the FY23 reporting period and vesting of those rights would be conditional on meeting hurdles in relation to achievement of a stated cash conversion ratio and inventory balance for FY23, as well as continued employment until the end of FY25 (**FY23 LTIPS**).

Following the release of the Groups half year results in February 2023 and reflecting on the Group's half-year performance, the KMPs elected to forego the entitlement to the grant of the FY23 LTIPS.

In the case of the CEO's FY23 LTIPS which had been approved by shareholders at the 2022 AGM, these FY23 LTIPS were cancelled. In the case of the CFO and other members of the senior management team eligible to participate in the FY23 LTIP, no FY23 LTIPS were ultimately issued/granted.

Consequently, no issue of equity-based incentives were made under the Group's equity incentive plans (referred to as the LTIP and the LFSP below) during the financial period. Further information about the proposed grant of FY23 equity-based incentives is available below.

**LONG TERM INCENTIVES**

The Group's long-term incentive plans are equity based and comprise Performance Rights issued under the Long Term Incentive Plan (LTIP) and Loan Funded Shares issued under the Loan Funded Share Plan (LFSP). Performance Rights and Loan Funded Shares on issue during the current year were:

Tranche	Grant date	Performance period end date	Fair Value	Share price grant date	Expected volatility	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/forfeited	Balance at the end of the period
<b>2C</b>	13/11/2018	30/06/2023	\$0.995	\$1.17	40.00%	3.50%	2.33%	2,300,000	-	-	-	2,300,000
<b>4</b>	25/11/2022	30/06/2025	N/A	\$1.32	40.00%	0%	N/A	-	490,419	-	(490,419)	-
<b>Total Performance Rights</b>								<b>2,300,000</b>	<b>490,419</b>	<b>-</b>	<b>(490,419)</b>	<b>2,300,000</b>
<b>3</b>	21/11/2019	30/06/2024	\$0.739	\$2.68	35.00%	N/A	0.81%	6,298,457	-	-	-	6,298,457
<b>3</b>	03/03/2020	30/06/2024	\$0.731	\$2.79	35.00%	N/A	0.81%	667,464	-	-	-	667,464
<b>3</b>	16/09/2020	30/06/2024	\$0.970	\$3.33	40.00%	N/A	0.29%	474,576	-	-	-	474,576
<b>Total Loan Funded Shares</b>								<b>7,440,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,440,497</b>

Note: During the current reporting period, the impact from the forfeiture of 818,182 loan funded shares under Tranche 3 has been reflected in the statements of profit and loss and the share-based payment reserve. The actual share buy back and cancellation of the loan funded shares will occur in the next financial period.

**LTIP TRANCHES**

Vesting conditions of the LTIP tranches are set out below.

**Tranche 2C**

Vesting Condition 1	Continued service to August 2023, with no holding lock on resulting shares.
Vesting Condition 2	Group EPS (underlying before income tax and share-based payments) performance in accordance with the following schedule:

Group EPS for the year to 30 June 2023	Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2
Below \$0.1125 (1.5 x FY18 EPS)	Nil
\$0.1125 ≤ EPS < \$0.1200 (1.6 x FY18 EPS)	50%
\$0.1200 ≤ EPS < \$0.1275 (1.7 x FY18 EPS)	75%
EPS ≥ \$0.1275	100%

As the Group EPS for the year ended 2 July 2023 finished below the minimum performance threshold, all Tranche 2C performance rights have been valued at nil at 2 July 2023. The rights themselves will only lapse in August 2023.

**Tranche 4\***

Vesting Condition 1	Cash conversion ratio weighting 50%
Vesting Condition 2	Inventory balance weighting 50%
Vesting Condition 3	Continued service up to and including 30 June 2025

Group Cash conversion ratio for the year to 2 July 2023	Proportion of Tranche 4 Performance Rights held that will satisfy Vesting Condition 1
1.2 (threshold)	0%
1.5 (target)	100%
Between threshold and target level	Straight line pro rata basis between the threshold and target level.

Group Cash inventory balance for the year to 2 July 2023	Proportion of Tranche 4 Performance Rights held that will satisfy Vesting Condition 2
\$135 million (threshold)	0%
\$125 million (target)	100%
Between threshold and target level	Straight line pro rata basis between the threshold and target level.

\*Tranche 4 comprises of the FY23 LTIP granted to the CEO following approval by shareholders, at the Company AGM on 25 November 2022. Following the release of the Group's half year results in February 2023 and reflecting on the Group's half-year performance, the FY23 LTIP granted to the CEO was cancelled on 27 February 2023. No other FY23 LTIP was issued to any other employee. The FY23 LTIP issued to the CEO was expensed during the period, to the extent that it was likely to vest. Refer to Note 20 of the financial statements.

**LFSP TRANCHE**

The key terms of the LFSP are listed as follows:

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

Vesting conditions of the LF Shares are set out below:

**Tranche 3**

Vesting Condition 1	Continued service to 30 June 2024.
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's earnings per share after tax (ADEPS) prescribed by the Board over the 3 year period commencing on 1 July 2019, in which case (subject to satisfaction of Vesting Period Condition), the LF shares held will vest in accordance with the following scale:

AEPS 3-year CAGR from 1 July 2019	Proportion of Tranche 3 LF shares that will satisfy Vesting Condition 2
12.5%	25%
20%	100%
12.5% ≤ EPS CAGR ≤ 20.0%	Straight-line pro rata vesting between 25% and 100% (inclusive)

Vesting Condition 2 was eligible for testing on 3 July 2022. The ADEPS 3-year CAGR from 1 July 2019 to 3 July 2022 was 16.8% meeting the performance threshold for Vesting Condition 2. The proportion of Tranche 3 LF shares that will satisfy Vesting Condition 2 is 66.3%. The Group has recognised \$1.0m in expense in FY23. Vesting Condition 1 will be tested at the end of FY24.

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

**Voting and comments made at the company's 2022 AGM**

At the 2022 Annual General Meeting (AGM) held on 25 November 2022, 90.19% of the votes received supported the adoption of the remuneration report for the year ended 3 July 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices. Notwithstanding the shareholder support of the Group's remuneration practices demonstrated at the AGM, the non-executive chairman and non-executive directors agreed to a reduction in fees during FY23 and the KMP's agreed to forgo all entitlement to the grant of FY23 LTIPS.

**d. Remuneration outcomes for key management personnel**

(a) Payments and benefits

**AMOUNTS OF REMUNERATION**

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

2023	Cash salary & fees	Total short-term	Post employment Superannuation	Other leave benefits (A)	Share-based payments (B)	Total	Proportion of performance related remuneration
	\$	\$	\$	\$	\$	\$	%
<b>Non-executive directors:</b>							
Michael Kay	226,154	226,154	23,185	-	-	249,339	0%
Megan Quinn	123,077	123,077	12,944	-	-	136,021	0%
Natalie McLean	113,077	113,077	11,892	-	-	124,969	0%
Neil Thompson	133,077	133,077	13,996	-	-	147,073	0%
<b>Executive directors:</b>							
Phil Ryan	938,837	938,837	27,500	88,235	(667,890)*	386,682	(173%)*
<b>Other key management personnel:</b>							
Peter McClelland	496,596	496,596	27,500	49,221	-	573,317	0%
	<b>2,030,818</b>	<b>2,030,818</b>	<b>117,017</b>	<b>137,456</b>	<b>-667,890</b>	<b>1,617,401</b>	

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

(B) The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award multiplied by probability of vesting. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods. In 2023 the balance represents a release in the accrual for Tranche 2C which did not meet the vesting conditions, partly offset by remaining Tranches.

\* Negative share-based payments and proportion of remuneration as a result of reversal of LTIP accruals from prior periods.

2022	Cash salary & fees	Total short-term	Post-employment Superannuation	Other leave benefits (A)	Share-based payments (B)	Total	Proportion of performance related remuneration
	\$	\$	\$	\$	\$	\$	%
<b>Non-executive directors</b>							
Michael Kay	240,000	240,000	22,861	-	-	262,861	0%
Megan Quinn	130,000	130,000	13,000	-	-	143,000	0%
Natalie McLean (appointed 5 August 2021)	104,769	104,769	10,477	-	-	115,246	0%
Neil Thompson (appointed 5 August 2021)	122,231	122,231	12,223	-	-	134,454	0%
Michael Hardwick (resigned 17 November 2021)	75,385	75,385	7,538	-	-	82,923	0%
<b>Executive directors</b>							
Phil Ryan	866,865	866,865	27,500	120,367	237,199	1,251,931	29%
<b>Other key management personnel</b>							
Peter McClelland (appointed 10 November 2021)	314,044	314,044	19,211	31,928	-	365,183	0%
Munraj Dhaliwal (resigned 10 December 2021)*	263,304	263,304	11,784	-	(394,832)	(119,744)	N/A
	<b>2,116,598</b>	<b>2,116,598</b>	<b>124,594</b>	<b>152,295</b>	<b>(157,633)</b>	<b>2,235,854</b>	

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

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

\* Munraj Dhaliwal resigned 10 December 2021, share-based payment balance (\$394,832) represents reversal of accrued expenses for future long term incentive plans forfeited upon resignation

The proportion of remuneration linked to performance and the fixed proportion assuming full STI is received and that the LTI fully vests are as follows:

Name	Fixed Remuneration		At risk - STI		At risk - LTI		Cash bonus paid/payable		Cash bonus forfeited	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
<b>Executive director:</b>										
Phil Ryan	148%*	71%	46%*	12%	(94%)*	17%	0	N/A	324,167	180,000
<b>Other key management personnel:</b>										
Peter McClelland	76%	70%	24%	30%	0%	0%	0	0	180,833	157,000
Munraj Dhaliwal	N/A	83%	N/A	17%	N/A	0%	N/A	0	N/A	55,000

\* Negative LTI represents reversal of LTIP accruals from prior periods and leads to fixed remuneration greater than 100%.

\*\* Munraj Dhaliwal (resigned 10 December 2021) had ordinary share holdings of 158,005 at date of resignation.

## e. Service agreements

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

Details of these agreements are as follows:

Phil Ryan	
Title:	Chief Executive Officer and Managing Director
Term of agreement:	None
Details:	• Notice period of 6 months • Remuneration review at board discretion • Eligible for short-term incentives • Eligible for long-term incentives • No severance period • No termination benefits (except for statutory entitlements) • No other benefits
Peter McClelland	
Title:	Chief Financial Officer
Term of agreement:	None
Details:	• Notice period of 6 months • Remuneration review period every 12 months • Eligible for short-term incentives • Eligible for long-term incentives • No severance period • No termination benefits (except for statutory entitlements) • No other benefits

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

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

## f. Disclosures relating to share options and performance rights

### ISSUE OF SHARE OPTIONS AND PERFORMANCE RIGHTS

There were no options issued to key management personnel as part of compensation during the period ended 2 July 2023 (FY22: nil).

There were 490,419 performance rights issued to key management personnel and subsequently 490,419 performance rights forfeited to key management personnel as part of compensation during the period ended 2 July 2023 (FY22: nil).

There were no loan funded shares issued to key management personnel as part of compensation during the period ended 2 July 2023 (FY22: nil).

The number of performance rights over ordinary shares and loan funded shares held by key management personnel as at 2 July 2023 are shown below:

Tranche	Performance rights	Loan funded shares
	2C	3
Phil Ryan	1,200,000	2,161,235
Peter McClelland	-	-
Munraj Dhaliwal	-	-
<b>Total</b>	<b>1,200,000</b>	<b>2,161,235</b>

As the Group EPS for the year ended 2 July 2023 finished below the minimum performance threshold, all Tranche 2C performance rights have been valued at nil at 2 July 2023. The rights themselves will only lapse in August 2023.



**ADDITIONAL INFORMATION**

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

	2023	2022	2021	2020	2019
(Loss) / Profit before income tax for underlying operations	(\$67.9m)	\$39.5m	\$35.6m	\$20.1m	\$21.3m
(Loss) / Profit before income tax for underlying operations (before share-based payments)	(\$69.0m)	\$35.8m	\$38.8m	\$22.9m	\$22.4m
EPS (underlying before income tax and share-based payments) - Tranche 2C	(29.8) cents	15.5 cents	17.3 cents	11.9 cents	11.6 cents
Profit after income tax for underlying operations	N/A	\$29.0m	\$24.9m	\$13.8m	\$15.7m
ADEPS (underlying after income tax) - Tranche 3	N/A	12.5 cents	11.1 cents	7.2 cents	8.2 cents

Note (Loss) / Profit before income tax for underlying operations is presented on a pre AASB 16 basis, consistent with the financial hurdles.

As noted above, Tranche 4 FY23 LTIPS were cancelled or not issued following an election by participants to forego grants based on Group performance.

**g. Additional disclosures relating to key management personnel****SHAREHOLDING**

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

	Balance at the start of the period	Received as part of remuneration	Net Movement	Balance at the end of the period
<b>Directors</b>				
Phil Ryan	337,576	-	41,380	378,956
Michael Kay	800,000	-	200,000	1,000,000
Neil Thompson	21,000	-	79,000	100,000
Megan Quinn	-	-	-	-
Natalie McLean	10,900	-	-	10,900
<b>Other key management personnel</b>				
Peter McClelland	10,284	-	-	10,284
<b>Total</b>	<b>1,179,760</b>	<b>-</b>	<b>320,380</b>	<b>1,500,140</b>

**PERFORMANCE RIGHTS HOLDING**

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

	Balance at the start of the period	Granted	Vested	Expired/forfeited	Balance at the end of the period
Phil Ryan	1,200,000	490,419	-	-490,419	1,200,000
<b>Total</b>	<b>1,200,000</b>	<b>490,419</b>	<b>-</b>	<b>-490,419</b>	<b>1,200,000</b>

**LOAN FUNDED SHAREHOLDING**

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

	Balance at the start of the period	Granted	Vested	Expired/forfeited	Balance at the end of the period
Phil Ryan	2,161,235	-	-	-	2,161,235
<b>Total</b>	<b>2,161,235</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,161,235</b>

**OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES**

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

	Consolidated	
	2023 \$	2022 \$
<b>Payment for other expenses:</b>		
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 <sup>2</sup>	578,709	1,642,070
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 <sup>3</sup>	18,834	9,790
<b>Total related party transactions</b>	<b>597,543</b>	<b>1,651,860</b>

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

**RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES**

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

	Consolidated	
	2023 \$	2022 \$
<b>Current payables</b>		
Trade payables to Southern Cross Shopfitting, a company that is associated with the Cotton Group, of which Natalie McLean is Director and Chief Retail Officer <sup>4</sup>	11,706	6,557
Trade payables to 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 <sup>5</sup>	-	534

***This concludes the remuneration report, which has been audited.***

<sup>2</sup> Natalie McLean was not involved in the decision making relating to Southern Cross Shopfitting and its dealings with the Group.

<sup>3</sup> Natalie McLean was not involved in the decision making relating to International Southern Cross Shopfitting (NZ) and its dealings with the Group.

<sup>4</sup> Natalie McLean was not involved in the decision making relating to Southern Cross Shopfitting and its dealings with the Group.

<sup>5</sup> Natalie McLean was not involved in the decision making relating to International Southern Cross Shopfitting (NZ) and its dealings with the Group.

## Shares under option

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

## Shares under performance rights

There were no unissued ordinary shares of City Chic Collective Limited under performance rights outstanding at the date of this report, other than those disclosed in the remuneration report.

## Shares issued on the exercise of options

There were no ordinary shares of City Chic Collective Limited issued on the exercise of options during the period ended 2 July 2023 and up to the date of this report.

## Shares issued on the exercise of performance rights

During the financial period no ordinary shares of City Chic Collective Limited were issued upon the vesting of performance rights.

## Indemnity and insurance of officers

Indemnity and insurance of officers

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

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

## Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

## Proceedings on behalf of the company

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

## Non-audit services

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

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

## Officers of the company who are former partners of Ernst & Young

There are no officers of the Company who are former partners of Ernst & Young.

## Rounding of amounts

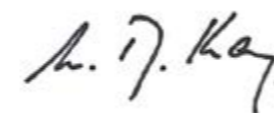
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain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

## Auditor's independence declaration

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

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

On behalf of the directors



MICHAEL KAY  
Chairman



PHIL RYAN  
Chief Executive Officer and Managing Director

30 August 2023  
Sydney



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

As lead auditor for the audit of the financial report of City Chic Collective Limited for the financial year ended 2 July 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 audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Yvonne Barnikel  
Partner  
30 August 2023



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## Independent auditor's report to the members of City Chic Collective Limited Report on the audit of the financial report

### Opinion

We have audited the financial report of City Chic Collective Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 2 July 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, 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:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 2 July 2023 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

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

We 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 judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### Inventory valuation

Why significant	How our audit addressed the key audit matter
<p>At 2 July 2023 the Group's consolidated statement of financial position includes inventories with a carrying value of \$53.8m (excluding those classified as held for sale), representing 23% of total assets.</p> <p>Inventory is held at geographically diverse locations at various third-party distribution centres and retail stores.</p> <p>As detailed in Note 10 of the financial report, inventories are valued at the lower of cost and net realisable value. There is judgment involved in determining the cost of inventories and in assessing net realisable value.</p> <p>The cost of inventories includes elements relating to the cost of freight, customs duties, foreign exchange rates and certain warehousing charges. Judgements were involved in the process of allocating these costs to inventories.</p> <p>There is judgement exercised in estimating the value of inventory which may be sold below cost and determining the net realisable value of this inventory. Such judgements include the expectations of future sales price, future sales volumes and inventory clearance plans, including the cost to dispose of any excess inventory.</p> <p>Inventory valuation was a key audit matter due to the value of the inventory balance relative to total assets and the various judgements required in determining its valuation.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed whether the Group's inventory costing methodologies, specifically in relation to freight, customs duties and warehousing charges, were consistent with Australian Accounting Standards.</li> <li>▶ Assessed the effectiveness of relevant controls in relation to the inventory costing process and assessed the accuracy of the Group's inventory valuation methodology, on a sample basis, including the calculation of foreign exchange translation.</li> <li>▶ Assessed the basis by which the Group determined that inventory was recorded at the lower of cost and net realisable value, including the rationale for recording specific adjustments to value inventory below cost, where required.</li> <li>▶ Examined sales margins achieved, the Group's process for identifying specific slow-moving inventories, historical inventory turnover and expected future sales and assessed the appropriateness of any adjustments to the value of inventory below cost as determined by the Group.</li> </ul>

### Impairment assessment of indefinite life intangible assets

Why significant	How our audit addressed the key audit matter
<p>At 2 July 2023 the Group's consolidated statement of financial position includes brand intangible assets and goodwill with a total carrying value of \$61.1m (excluding those classified as held for sale), representing 26% of total assets.</p> <p>As disclosed in Note 13 of the financial report, the assessment of the impairment of the Group's indefinite life intangible assets incorporated significant judgments and estimates, based upon conditions existing at 2 July 2023, specifically concerning factors such as forecast revenues, forecast costs, discount rates, terminal growth rates and the application of tax amortisation benefits.</p> <p>The judgments and assumptions relate to the sustainability of future performance, market and economic conditions. The significant assumptions used in the impairment testing referred to above are inherently subjective.</p> <p>The disclosures in the financial report provide important information about the assumptions made in the impairment testing and the market conditions at 2 July 2023.</p> <p>Accordingly, we considered the impairment testing of indefinite life intangible assets and the related disclosures in the financial report to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed the Group's determination of the cash generating unit (CGU) used in the impairment model, based on our understanding of the nature of the Group's business and the economic environment in which it operates. We also considered internal reporting of the Group's results to assess how earnings and indefinite life intangible assets are monitored and reported.</li> <li>▶ Assessed whether the Group's impairment assessment process was in accordance with Australian Accounting Standards.</li> <li>▶ Assessed the revenue and gross margin forecasts used by the Group, as outlined in Note 13 of the financial report, by considering the reliability of the Group's historical forecasts, our knowledge of the business and corroborating assumptions with external information, where possible.</li> <li>▶ Evaluated the appropriateness of discount rates and terminal growth rates applied in the impairment model with involvement from our valuation specialists.</li> <li>▶ Considered whether the application of tax amortisation benefits were in accordance with the deductibility rules of intangible assets held in various jurisdictions with involvement from our taxation specialists.</li> <li>▶ Tested the mathematical accuracy of the impairment testing models and assessed whether the models were consistent with the latest Board approved forecasts.</li> <li>▶ Performed sensitivity analysis on key assumptions including revenue and cost forecasts in the impairment model.</li> <li>▶ Assessed the adequacy of the financial report disclosures contained in Note 13.</li> </ul>

## Assets Held for Sale

Why significant	How our audit addressed the key audit matter
<p>During the year, a decision was made by the Group to sell its operations in the UK and Europe. At 2 July 2023, the Group classified \$12.6m as assets held for sale, net of liabilities associated with the operations. This balance mainly comprises inventory, brand intangible and goodwill and was measured at the lower of carrying amount and fair value less costs to sell. The sale of assets associated with the UK operations was completed subsequent to year end. An impairment loss of \$29.4m was recorded. Comparative figures were adjusted for this discontinued operation in the consolidated statement of comprehensive income.</p> <p>The Group exercised judgement in estimating the appropriate allocation of goodwill to the held for sale group and measuring the impairment loss associated with the net assets classified as held for sale and in the allocation of results between the discontinued and continuing operations.</p> <p>Accordingly, we considered the classification and impairment of assets held for sale and the related disclosures in the financial report to be a key audit matter.</p> <p>Information about the assets held for sale are disclosed in Note 4 of the financial report.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>▶ Assessed whether the assets met the requirements for classification as a discontinued operation and presentation as held for sale, including initiation of the sales process as at balance date, management's commitment to sell and the likelihood of the sale completing within 12 months of balance date.</li> <li>▶ Examined the underlying documentation including the sale and purchase agreement for the contractual terms associated with the UK sale, which defines the assets to be divested including any liabilities or obligations retained or created.</li> <li>▶ Agreed the carrying amounts of the assets held for sale to underlying accounting records and assessed the Group's allocation of goodwill to the assets held for sale group.</li> <li>▶ Considered the fair value assessment made by the Group, including comparing the key assumptions adopted in determining fair value against available market data and the signed sale agreement.</li> <li>▶ Examined the restatement of the current and comparative figures in the consolidated statement of comprehensive income for the discontinued operations.</li> <li>▶ Evaluated the associated financial report disclosures.</li> </ul>

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the annual report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the annual report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

## Responsibilities of the directors for the financial report

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

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

## Auditor's responsibilities for the audit of the financial report

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

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

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



- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 25 of the directors' report for the year ended 2 July 2023.

In our opinion, the Remuneration Report of City Chic Collective Limited for the year ended 2 July 2023, 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.

Ernst & Young

Yvonne Barnikel  
Partner  
Sydney  
30 August 2023

## City Chic Collective Limited Consolidated statement of profit or loss and other comprehensive income For the period ended 2 July 2023

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
<b>Continuing operations</b>			
Revenue from continuing operations	5	268,436	324,145
Interest and other revenue	5	767	509
<b>Expenses from continuing operations</b>			
Purchase and inbound-related costs of inventory	6	(160,131)	(132,727)
Fulfilment costs	6	(56,674)	(53,210)
Cost of sales		(216,805)	(185,937)
<i>Selling, general, and administrative expenses</i>			
Employee benefits expense	6	(43,871)	(41,873)
Depreciation, amortisation and impairment expense	6	(16,248)	(14,514)
Rental-related recoveries, concessions and expenses	6,14	(2,919)	(3,697)
Other expenses	6	(34,351)	(42,595)
Finance costs		(3,751)	(1,583)
<b>(Loss) / Profit before income tax expense from continuing operations</b>		<b>(48,742)</b>	<b>34,455</b>
Income tax benefit / (expense)	7	3,704	(10,070)
<b>(Loss) / Profit after income tax expense from continuing operations</b>		<b>(45,038)</b>	<b>24,385</b>
 (Loss) after income tax from discontinued operations	4	(54,740)	(2,108)
<b>(Loss) / Profit after income tax expense for the period attributable to the owners of City Chic Collective Limited</b>	24	<b>(99,778)</b>	<b>22,277</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation - continuing operations		843	7,388
Foreign currency translation - discontinued operations		2,207	(1,807)
Other comprehensive income for the period, net of tax		3,050	5,581
<b>Total comprehensive (loss) / income for the period attributable to the owners of City Chic Collective Limited</b>		<b>(96,728)</b>	<b>27,858</b>
Total comprehensive (loss) / income for the period is attributable to:			
Continuing operations		(44,195)	31,773
Discontinued operations		(52,533)	(3,915)
		<b>(96,728)</b>	<b>27,858</b>

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

City Chic Collective Limited  
Consolidated statement of profit or loss and other comprehensive income  
For the period ended 2 July 2023

	Notes	Cents	Cents
<b>Earnings per share for (loss) / profit from continuing operations attributable to the owners of City Chic Collective Limited</b>			
Basic earnings per share	24	(19.4)	10.5
Diluted earnings per share	24	(19.4)	10.4
<b>Earnings per share for (loss) / profit from discontinued operations attributable to the owners of City Chic Collective Limited</b>			
Basic earnings per share	24	(23.6)	(0.9)
Diluted earnings per share	24	(23.6)	(0.9)
<b>Earnings per share for (loss) / profit attributable to the owners of City Chic Collective Limited</b>			
Basic earnings per share	24	(43.0)	9.6
Diluted earnings per share	24	(43.0)	9.5

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

City Chic Collective Limited  
Consolidated statement of profit or loss and other comprehensive income  
For the period ended 2 July 2023

	Note	Consolidated 2023 \$'000	2022 \$'000
<b>Continuing operations</b>			
<b>Revenue from continuing operations</b>	5	268,436	324,145
Interest and other revenue	5	767	509
<b>Expenses from continuing operations</b>			
Purchase and inbound-related costs of inventory	6	(160,131)	(132,727)
Fulfilment costs	6	<u>(56,674)</u>	<u>(53,210)</u>
Cost of sales		(216,805)	(185,937)
<i>Selling, general, and administrative expenses</i>			
Employee benefits expense	6	(43,871)	(41,873)
Depreciation, amortisation and impairment expense	6	(16,248)	(14,514)
Rental-related recoveries, concessions and expenses	6,14	(2,919)	(3,697)
Other expenses	6	(34,351)	(42,595)
Finance costs		<u>(3,751)</u>	<u>(1,583)</u>
<b>(Loss) / Profit before income tax expense from continuing operations</b>		<b>(48,742)</b>	<b>34,455</b>
Income tax benefit / (expense)	7	<u>3,704</u>	<u>(10,070)</u>
<b>(Loss) / Profit after income tax expense from continuing operations</b>		<b>(45,038)</b>	<b>24,385</b>
(Loss) after income tax from discontinued operations	4	<u>(54,740)</u>	<u>(2,108)</u>
<b>(Loss) / Profit after income tax expense for the period attributable to the owners of City Chic Collective Limited</b>	24	<b>(99,778)</b>	<b>22,277</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation – continuing operations		843	7,388
Foreign currency translation – discontinued operations		<u>2,207</u>	<u>(1,807)</u>
Other comprehensive income for the period, net of tax		<u>3,050</u>	<u>5,581</u>
<b>Total comprehensive (loss) / income for the period attributable to the owners of City Chic Collective Limited</b>		<b><u>(96,728)</u></b>	<b><u>27,858</u></b>
Total comprehensive (loss) / income for the period is attributable to:			
Continuing operations		(44,195)	31,773
Discontinued operations		<u>(52,533)</u>	<u>(3,915)</u>
		<b><u>(96,728)</u></b>	<b><u>27,858</u></b>

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

City Chic Collective Limited  
Consolidated statement of profit or loss and other comprehensive income  
For the period ended 2 July 2023

	Notes	Cents	Cents
<b>Earnings per share for (loss) / profit from continuing operations attributable to the owners of City Chic Collective Limited</b>			
Basic earnings per share	24	(19.4)	10.5
Diluted earnings per share	24	(19.4)	10.4
<b>Earnings per share for (loss) / profit from discontinued operations attributable to the owners of City Chic Collective Limited</b>			
Basic earnings per share	24	(23.6)	(0.9)
Diluted earnings per share	24	(23.6)	(0.9)
<b>Earnings per share for (loss) / profit attributable to the owners of City Chic Collective Limited</b>			
Basic earnings per share	24	(43.0)	9.6
Diluted earnings per share	24	(43.0)	9.5

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

City Chic Collective Limited  
Consolidated statement of financial position  
As at 2 July 2023

	Note	Consolidated	
		2023	2022
		\$'000	\$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	12,414	9,953
Trade and other receivables	9	7,583	11,011
Inventories	10	53,798	195,936
Net income tax receivable	7	2,632	-
Other	11	4,113	4,845
Assets held for sale	4	13,203	-
<b>Total current assets</b>		<b>93,743</b>	<b>221,745</b>
<b>Non-current assets</b>			
Plant and equipment	12	13,341	15,355
Trade and other receivables	9	90	-
Right-of-use assets	14	56,998	26,255
Intangibles	13	64,488	84,666
Deferred tax	7	9,015	7,330
<b>Total non-current assets</b>		<b>143,932</b>	<b>133,606</b>
<b>Total assets</b>		<b>237,675</b>	<b>355,351</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	50,996	80,325
Lease liabilities	14	12,429	9,090
Income tax	7	-	3,284
Borrowings (restated)	16	1,500	14,000
Provisions	17	6,861	8,788
Other	18	3,917	4,304
Liabilities directly associated with assets held for sale	4	646	-
<b>Total current liabilities</b>		<b>76,349</b>	<b>119,791</b>
<b>Non-current liabilities</b>			
Lease liabilities	14	47,535	24,176
Provisions	17	931	422
Other	18	137	385
<b>Total non-current liabilities</b>		<b>48,603</b>	<b>24,983</b>
<b>Total liabilities</b>		<b>124,952</b>	<b>144,774</b>
<b>Net assets</b>		<b>112,723</b>	<b>210,577</b>
<b>Equity</b>			
Issued capital	21	182,167	182,167
Reserves	22	(29,258)	(28,975)
Reserves directly associated with assets held for sale	22	2,207	-
(Accumulated losses) / Retained profits	23	(42,393)	57,385
<b>Total equity</b>		<b>112,723</b>	<b>210,577</b>

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



City Chic Collective Limited  
Consolidated statement of changes in equity  
For the period ended 2 July 2023

	Issued capital \$'000	Share-based payments \$'000	Foreign currency translation reserve \$'000	Loss reserve \$'000	(Accumulated losses) / Retained profits \$'000	Total equity \$'000
<b>Consolidated</b>						
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	-	-	-	-	22,277	22,277
Other comprehensive income for the period, net of tax	-	-	5,581	-	-	5,581
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>5,581</b>	<b>-</b>	<b>22,277</b>	<b>27,858</b>
Transactions with owners in their capacity as owners:						
Share-based payments (Note 20)	-	(183)	-	-	-	(183)
Performance rights over ordinary shares (Note 20)	3,477	(3,477)	-	-	-	-
Loan funded shares held in trust (Note 20)	(3,310)	-	-	-	-	(3,310)
Refund of loan funded shares held in trust	-	3,310	-	-	-	3,310
<b>Balance at 3 July 2022</b>	<b>182,167</b>	<b>(16,840)</b>	<b>(1,144)</b>	<b>(10,991)</b>	<b>57,385</b>	<b>210,577</b>

	Issued capital \$'000	Share-based payments \$'000	Foreign currency translation reserve \$'000	Loss reserve \$'000	(Accumulated losses) / Retained profits \$'000	Total equity \$'000
<b>Consolidated</b>						
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	-	-	-	-	(99,778)	(99,778)
Total comprehensive income for the period - continued operations	-	-	843	-	(99,778)	(98,935)
Total comprehensive income for the period - discontinued operations	-	-	2,207	-	-	2,207
Transactions with owners in their capacity as owners:						
Share-based payments (Note 20)	-	(1,126)	-	-	-	(1,126)
Share issue expenses (net of tax)	-	-	-	-	-	-
Performance rights over ordinary shares (Note 20)	-	-	-	-	-	-
Loan funded shares held in trust (Note 20)	-	-	-	-	-	-
Refund of loan funded shares held in trust	-	-	-	-	-	-
<b>Balance at 2 July 2023</b>	<b>182,167</b>	<b>(17,966)</b>	<b>1,906</b>	<b>(10,991)</b>	<b>(42,393)</b>	<b>112,723</b>

Note reference

21 22 22 22 23

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

City Chic Collective Limited  
Consolidated statement of cash flows  
For the period ended 2 July 2023

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST, VAT and sales tax)		344,463	401,804
Payments to suppliers and employees (inclusive of GST, VAT and sales tax)		(310,660)	(443,809)
Government grants received		7	21
Interest received		86	34
Other revenue		681	452
Interest and other finance costs paid		(1,888)	(1,583)
Income taxes paid		(2,924)	(8,813)
<b>Net cash from/(used in) operating activities</b>	19	<b>29,765</b>	<b>(51,894)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	12	(2,280)	(9,077)
Payments for intangibles	13	(1,595)	(2,468)
Payment for purchase of business (net of cash acquired)	33	-	(4,254)
<b>Net cash used in investing activities</b>		<b>(3,875)</b>	<b>(15,799)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from the issue of shares	21	-	-
Repayment of lease liabilities	14	(11,247)	(8,040)
Proceeds from borrowings	16	26,500	14,000
Repayment of borrowings	16	(39,000)	-
<b>Net cash (used in)/from financing activities</b>		<b>(23,747)</b>	<b>5,960</b>
<b>Net (decrease)/increase in cash and cash equivalents from operations</b>		<b>2,143</b>	<b>(61,733)</b>
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		318	229
Cash and cash equivalents at the end of the financial period	8	<b>12,414</b>	<b>9,953</b>

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

**City Chic Collective Limited**  
**General information**  
**2 July 2023**

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

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

151-163 Wyndham Street  
 Alexandria, NSW 2015  
 Sydney, Australia  
 Telephone: (+61) 2 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 30 August 2023. The directors have the power to amend and reissue the financial statements.

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 1. Significant accounting policies**

**Basis of preparation**

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

*Historical cost convention*

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

**Financial reporting period**

The Company reports within a retail financial period. The current financial year represents a 52-week period ended 2 July 2023 (2022: 53 week period ended 3 July 2022). This treatment is consistent with s323D *Corporations Act 2001*.

**Critical accounting estimates and judgements**

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

**Offsetting financial assets and liabilities**

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

**Parent entity information**

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

**Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of City Chic Collective Limited ('Company' or 'parent entity') as at 2 July 2023 and the results of all subsidiaries for the period then ended. City Chic Collective Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 1. Significant accounting policies (continued)**

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

**Foreign currency translation**

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

*Foreign currency transactions and balances*

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

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

*Foreign operations*

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

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

**Current and non-current classification**

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

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

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

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

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
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**Note 1. Significant accounting policies (continued)**

**Financial assets**

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

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

*Financial assets at amortised cost*

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

*Impairment of financial assets*

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

**Impairment of non-financial assets**

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

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

**Finance costs**

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

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

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

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

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 1. Significant accounting policies (continued)**

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

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

**Rounding of amounts**

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

**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.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding current reporting period, except for the policies stated below. Refer to Note 16. Borrowings for specific restatement 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 from continuing operations after income tax for the year ended 2 July 2023 of \$45.0m (3 July 2022 profit of \$24.4m). Subsequent to year-end (see Note 36), the group has divested of the Evans business and EMEA inventory for a total cash consideration of £8m (c. \$15.5m AUD). Net of transaction costs, and the closure of City Chic's UK warehouse, the consideration is c. £6.4m (c. \$12m AUD).

The proceeds from the sale of Evans have been used for working capital purposes and to pay the Group's remaining \$1.5m acquisition facility and result in the continued operations being in a significantly stronger balance sheet position. This is the first step in executing management's strategic plan, to determine the most efficient path to profitable growth.

The Group is in a net current-asset and net asset position and had a positive net operating cashflow in the current year. It is forecasting to be in the same position going forward. The debt facility is fully available to fund any timing differences between payments and cash receipts and the forecasted cashflow demonstrates the Company's ability to pay its debts as and when they fall due, making the going concern assumption appropriate at the time of signing.

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 1. Significant accounting policies (continued)**

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current year. 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 reporting period ended 2 July 2023.

The new and amended standards and interpretations that are issued and are relevant to the Group, but not yet effective, for the annual reporting period ended 2 July 2023 are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

<b>Standards in issue but not yet effective New or revised requirement</b>	<b>When effective</b>
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 2023-1 Amendments to AASs – Amendments to AASB 107 and AASB 7 – Disclosures of Supplier Finance Arrangements	Effective for annual reporting periods beginning on or after 1 January 2024
AASB 2023-3 Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2	Effective for annual reporting periods beginning on or after 1 January 2024
AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	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. Critical accounting judgements, estimates and assumptions**

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

*Allowance for impairment of inventories*

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

*Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 13. Intangibles. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The recoverable amount of brands is determined with Goodwill. That is, at a Group level under one cash generating unit, supported by the single operating segment. Refer to Note 13. Intangibles for further information.

City Chic Collective Limited  
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2 July 2023

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*Income tax*

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

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Refer Note 7. Income tax for further information

*Determining the lease term of contracts with renewal options*

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

*Holdover leases*

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

*Discontinued operations including tax balances*

A discontinued operation is a component of the Group that represents a separate major line of business that is part of a disposal plan. The results of discontinued operations are presented separately in the Consolidated statement of profit and loss. The Group has considered the estimates and judgements of impairment of discontinued operations assets and associated costs that involve a high degree of complexity and have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent periods. Any changes to carrying values in subsequent periods due to revisions or estimates or assumptions or as a result of the final realization of the discontinued operation assets and liabilities upon exit of the business will be recognised in the Group's profit or loss as part of discontinued operations. Refer Note 4. Discontinued operations for further information.

City Chic Collective Limited  
Notes to the consolidated financial statements  
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**Note 3. Operating segments**

*Identification of reportable operating segments*

The Group's overall strategy remains to operate as a global omni-channel retailer, focused on the plus-size market whilst delivering profitability and to leverage a centralised structure that is not specific to a geography or channel. As such the consolidated entity is organised into one operating segment, being fashion retail. Despite having numerous brands and geographies, the Chief Executive Officer who is identified as the Chief Operating Decision Makers ('CODM') assesses the performance and determines the allocation of resources at a single segment, consolidated level with each part of the business exhibiting similar long-term financial performance and economic characteristics.

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

The information reported to the CODM is on at least a monthly basis, including 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 continues to operate 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)

*Reconciliation of net profit to Underlying EBITDA<sup>14</sup>*

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

	Consolidated	
	2023	2022
	\$'000	\$'000
Net (Loss) / profit after tax from continuing operations	(45,038)	24,385
Interest expense	3,751	1,583
Tax (benefit) / expense from continuing operations	(3,704)	10,070
Depreciation, amortisation and impairment expense	16,248	14,514
Northern hemisphere warehouse relocation <sup>11</sup>	4,464	322
Transaction costs <sup>12</sup>	308	1,972
Other <sup>13</sup>	-	960
<b>Underlying EBITDA from continuing operations – post-AASB16<sup>14</sup></b>	<b>(23,971)</b>	<b>53,806</b>

<sup>11</sup> Northern hemisphere warehouse relocation relates to the strategic review for a new facility (FY22) and the closure of the previous warehouse facility, transport and set up costs of new facility and consulting costs associated with the move (FY23).

<sup>12</sup> FY23 Transaction costs related to costs associated with other acquisition opportunities; FY22 Transaction costs related to executing the acquisition of Navabi and costs associated with other acquisition opportunities.

<sup>13</sup> FY22 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 FY22. FY22 also includes transition costs to Integrate Navabi, including restructuring and consulting fees.

<sup>14</sup> 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 (Underlying EBITDA is a non IFRS measure)

City Chic Collective Limited  
Notes to the consolidated financial statements  
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**Note 4. Discontinued Operations**

**Significant accounting policy**

The Group classifies current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Intangible assets are not amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

**Assets held for sale and discontinued operations**

The Group divested the Evans business and EMEA inventory via an asset sale and purchase agreement (Agreement). AK Retail Holdings Limited (AK Retail Holdings), has acquired the Evans brand, intellectual property and customer base under the Agreement that signed and closed on 3 August 2023. The Agreement also includes the sale of all the inventory in City Chic's EMEA business.

Under the Agreement, AK Retail Holdings has paid City Chic a total cash consideration of £8m (c. \$15.5m AUD). Net of transaction costs, and the closure of City Chic's UK warehouse, the consideration is c. £6.4m (c. \$12m AUD). City Chic has agreed with its 3PL provider to close its UK warehouse which also supports its European operations. As a result, the Navabi business has ceased trading. City Chic retains the right to trade under the City Chic, Avenue and other non-Evans brands in EMEA in the future. There will be a transition period for AK Retail Holdings to sell all non-Evans branded product and for City Chic to sell its remaining Evans-branded product in ANZ and North America. The results of the discontinued operation for the year are presented below:

City Chic Collective Limited  
Notes to the consolidated financial statements  
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**Note 4. Discontinued Operations (continued)**

**Results from discontinued operation**

	Consolidated	
	2023 \$'000	2022 \$'000
Revenue from discontinued operations	40,254	45,102
Expense	(66,028)	(46,822)
<b>Operating Income / (loss)</b>	<b>(25,774)</b>	<b>(1,720)</b>
Impairment loss recognised on the remeasurement to fair value less costs to sell	(29,402)	-
Income tax benefit / (expense)	436	(388)
<b>Loss after income tax from discontinued operations</b>	<b>(54,740)</b>	<b>(2,108)</b>

**Cash flows from/(used in) discontinued operations**

The results of cash flows from/(used in) the discontinued operations during the period are set out below, including comparative information.

	2023 \$'000	2022 \$'000
Net cash provided from / (used in) operating activities	15,758	(73,203)
Net cash provided from / (used in) investing activities	(2)	(20)
Net cash provided from / (used in) financing activities	-	-
<b>Net cash inflow / (outflow) from discontinued operations</b>	<b>15,756</b>	<b>(73,223)</b>

**Assets and liabilities of disposal group classified as held for sale**

The following assets and liabilities were reclassified as held for sale in relation to discontinued operations as at 2 July 2023:

	2023 \$'000
Assets classified as held for sale:	
Cash and cash equivalents	144
Brand	5,993
Intangible	282
Other assets	126
Inventories	6,658
<b>Total assets of disposal group held for sale</b>	<b>13,203</b>
Liabilities directly associated with assets classified as held for sale:	
Trade and other payables	249
Other liabilities	10
Provisions	387
<b>Total liabilities of disposal group held for sale</b>	<b>646</b>
<b>Net assets</b>	<b>12,557</b>

The assets classified as held for sale have been assessed against the fair value less cost to sell. This has resulted in an impairment of \$29.4m, as disclosed above in the results from discontinued operation. The assets classified as held for sale have been presented net of this impairment.

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

	Consolidated	
	2023 \$'000	2022 \$'000
<i>From continuing operations</i>		
Sale of goods	268,436	324,145
<b>Revenue from continuing operations</b>	<b>268,436</b>	<b>324,145</b>
Interest revenue	86	34
Other revenue	681	475
	767	509
<b>Revenue</b>	<b>269,203</b>	<b>324,654</b>

*Disaggregation of revenue*

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

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	268,436	324,145
<i>Geographical regions</i>		
APAC	141,106	161,757
Americas	127,330	162,388
	<b>268,436</b>	<b>324,145</b>
<i>Channel</i>		
Online website	183,980	238,072
Stores	59,926	61,063
Online marketplace	20,749	20,427
Wholesale	3,781	4,583
	<b>268,436</b>	<b>324,145</b>

*Accounting policy for revenue recognition*

The consolidated entity recognises revenue as follows:

*Revenue from contracts with customers*

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

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

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2 July 2023

Note 5. Revenue (continued)

*Sale of goods*

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

*Store and online sales*

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

*Wholesale sales*

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

Note 6. Expenses

	Consolidated	
	2023 \$'000	2022 \$'000
Purchase and inbound-related costs of inventory	160,131	132,727
Fulfilment costs	56,674	53,210
Depreciation, amortisation, and impairment expense	16,248	14,514
Rental-related expenses	2,919	3,697
Employee benefits expense excluding superannuation and share-based payments	41,740	38,235
Government grants	(7)	(21)
Defined contribution superannuation expenses	3,264	2,905
Share-based payments expense	(1,126)	754
	279,843	246,021
<i>Other expenses</i>		
Utility and maintenance expenses	5,309	4,613
Transactional fees and charges	5,347	6,781
Marketing expenses	6,394	8,869
Advertising expenses	8,633	10,575
Professional, consulting and insurance	10,058	6,866
FX (gain) / loss	(4,082)	159
Sundry	2,692	4,732
	34,351	42,595
<b>Total</b>	<b>314,194</b>	<b>288,616</b>

*Accounting policy for purchase and inbound-related costs of inventory and fulfilment costs*

Purchase and inbound related costs include underlying product cost and "landed costs" which include inbound freight, duties and other charges. Fulfilment costs represent warehousing and freight costs to deliver online sales.

*Accounting policy for rent related expenses*

Refer to Note 14. Right-of-use assets and Lease liabilities.

*Accounting policy for Advertising and Marketing expenses*

Advertising Expenses include costs associated with driving customer acquisition and re-engagement, such as digital advertising and direct mail campaigns. All other marketing costs, such as photoshoots and content development, are reflected in Marketing Expenses.

City Chic Collective Limited  
Notes to the consolidated financial statements  
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Note 7. Income tax

	Consolidated	
	2023 \$'000	2022 \$'000
<i>a) Income tax expense</i>		
Current tax	123	10,159
Deferred tax - origination and reversal of temporary differences	(335)	(191)
Prior year tax over/ (under) provisions	(3,798)	(104)
Foreign exchange	306	206
Aggregate income tax (benefit)/expense	<u>(3,704)</u>	<u>10,070</u>
Income tax (benefit)/expense is attributable to:		
(Loss) / Profit from continuing operations	<u>(3,704)</u>	<u>10,070</u>
Aggregate income tax (benefit)/expense	<u>(3,704)</u>	<u>10,070</u>
<i>b) Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
(Loss)/Profit before income tax from continuing operations	<u>(48,742)</u>	<u>34,455</u>
Tax at the statutory tax rate of 30%	(14,623)	10,337
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-taxable income	(172)	-
LTIP and LFSP	(464)	42
Unrealised foreign exchange loss (benefit)	-	602
Other non-deductible expenses	1,395	886
	<u>(13,864)</u>	<u>11,867</u>
Difference in overseas tax rates	4,120	(911)
Prior year deferred tax (under)/over provisions	(1,434)	106
Prior year current tax over/(under) provisions	(2,363)	(104)
Foreign exchange	253	94
US state tax payable	43	171
Tax loss not recognised/utilised	9,541	-
DTA recognised on prior year tax losses	-	(1,153)
Income tax (benefit)/expense from continuing operations	<u>(3,704)</u>	<u>10,070</u>
Income tax (benefit)/expense related to discontinued operations	(436)	388

*c) Capital losses*

Unused tax losses related to capital losses of \$147.2m (2022: \$147.2m) carried forward for which no deferred tax asset has been recognised. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

*d) Income tax losses*

As at 2 July 2023, the consolidated entity (including EMEA) had carried forward income tax losses of \$91.4m (2022: \$20.7m). The income tax losses carried forward at 3 July 2022 were from its US, UK and EU businesses. These tax losses can be utilised in the future subject to local tax law requirements such as continuity of ownership or the same business. A deferred tax asset can be recognised on losses to the extent that it is probable that sufficient taxable profit will be available to utilise the tax losses in future financial periods. At 2 July 2023, the Group has recognised a deferred tax asset related to tax losses for \$1.8m (2022: \$2.5m), based on management's recoverability assessment.

*e) Tax consolidation legislation*

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

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Note 7. Income tax (continued)

*f) Deferred tax assets*

	Consolidated	
	2023 \$'000	2022 \$'000
Deferred tax asset/liabilities comprises temporary differences attributable to:		
Tax losses	1,790	2,448
Property, plant and equipment	(3,120)	(4,914)
Employee benefits	1,219	1,181
Leases	2,322	2,222
Other provisions and accruals	5,949	4,702
Inventories	676	1,398
Other	(66)	(74)
	<u>8,770</u>	<u>6,963</u>
Amounts initially recognised in equity	245	367
Deferred tax asset	<u>9,015</u>	<u>7,330</u>
<i>Movements:</i>		
Opening balance	7,330	7,808
Foreign exchange on opening balance	351	364
Prior year under/over	1,434	(636)
(Charged)/Credited to profit or loss - continuing	458	(506)
Credited / (charged) to profit or loss - discontinued	(436)	388
(Charged)/Credited to Business Combination and Equity	(122)	(88)
Closing balance	<u>9,015</u>	<u>7,330</u>

	Consolidated	
	2023 \$'000	2022 \$'000
Receivable / (Provision) for income tax	<u>2,632</u>	<u>(3,284)</u>

*Accounting policy for income tax*

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

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

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

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



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Note 7. Income tax (continued)

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

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

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

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

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

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

Note 8. Cash and cash equivalents

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Cash at bank	12,414	9,953

*Accounting policy for cash and cash equivalents*

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

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Note 9. Trade and other receivables

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Trade receivables	5,312	8,252
Less: Allowance for expected credit losses	(241)	(306)
Other receivables	2,512	3,065
<b>Total trade and other receivables</b>	<b>7,583</b>	<b>11,011</b>
<i>Non-Current assets</i>		
Other receivables	90	-
<b>Total trade and other receivables</b>	<b>90</b>	<b>-</b>
<i>Past due but not impaired</i>		

As at 2 July 2023, trade receivables of \$0.3m (2022: \$0.7m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
30 to 60 days	186	460
60 to 90 days	23	59
90 days and over	132	161
<b>Trade receivables – past due but not impaired</b>	<b>341</b>	<b>680</b>
Current	4,971	7,572
<b>Total trade receivables</b>	<b>5,312</b>	<b>8,252</b>

*Allowance for expected credit losses*

The Group has recognised a gain of \$0.1m (2022: loss of \$0.1m) in profit of loss in respect of the expected credit losses for the year ended 2 July 2023. The recoverability of trade and other receivables at 2 July 2023 has been assessed to consider the impact of the current economic environment and no material recoverability issues were noted. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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

	Consolidated	
	2023 \$'000	2022 \$'000
Current	90	219
30 to 60 days	3	66
60 to 90 days	16	-
90 days and over	132	21
<b>Allowance for expected credit loss</b>	<b>241</b>	<b>306</b>

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Note 9. Trade and other receivables (continued)

*Movement of allowance for expected credit loss*

	Consolidated	
	2023 \$'000	2022 \$'000
Carrying amount at the start of the period	306	202
Additional allowance recognised	286	149
Allowance derecognised	(289)	-
Amount used	(62)	(45)
Carrying amount at the end of the period	<u>241</u>	<u>306</u>

*Accounting policy for trade and other receivables*

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

Note 10. Inventories

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Finished goods at cost	70,606	200,882
Provision for obsolescence	(16,808)	(4,946)
<b>Total inventories</b>	<u>53,798</u>	<u>195,936</u>

Finished goods have reduced 64.9% from \$200.9m at 3 July 2022 to \$70.6m at 2 July 2023. This reduction includes \$19.3m (before impairment) of EMEA inventory moved to assets held for sale. The provision for obsolescence has increased by \$11.9m over the same period.

*Accounting policy for inventories*

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of fulfilment and the estimated costs necessary to make the sale. The allowances against inventory are recognised to account for obsolescence, the expected sales below cost and inventory expected to be lost through shrinkage. In recognising the allowance for inventory, judgement has been applied by considering a range of factors including historical loss-making sales, historical inventory shrinkage trends, inventory ageing, seasonality, and product lifecycle.

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Note 11. Other assets

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current assets</i>		
Prepayments	2,356	3,248
Right of return assets	1,757	1,597
<b>Total other assets</b>	<u>4,113</u>	<u>4,845</u>

*Accounting policy for right of return assets*

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

Note 12. Plant and equipment

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Plant and equipment - at cost	31,798	30,505
Less: Accumulated depreciation	(18,457)	(15,150)
<b>Total plant and equipment</b>	<u>13,341</u>	<u>15,355</u>

*Reconciliations*

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

Consolidated	Total plant and equipment \$'000
<b>Balance at 27 June 2021</b>	<b>10,191</b>
Additions	9,077
Depreciation expense	(3,921)
Accelerated depreciation	(409)
Exchange differences	417
<b>Balance at 3 July 2022</b>	<b>15,355</b>
Additions	2,280
Disposals	(1,049)
Accumulated depreciation on disposals	1,017
Depreciation expense	(4,228)
Accelerated depreciation	(70)
Exchange differences	36
<b>Balance at 2 July 2023</b>	<b>13,341</b>

*Accelerated depreciation*

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

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Note 12. Plant and equipment (continued)

*Accounting policy for property, plant and equipment*

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

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

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

*Impairment of assets*

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

Management has performed an impairment assessment on all stores at year-end and confirmed that there was no impairment (2022: nil).

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Note 13. Intangibles

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Goodwill – at cost	48,178	52,153
Brand assets – at cost	12,907	28,116
Customer relationships – at cost	3,644	3,871
Less: Customer relationships – accumulated amortisation	(2,606)	(2,145)
	<b>1,038</b>	<b>1,726</b>
Other intangible assets – at cost	10,323	9,071
Less: Other intangible assets – accumulated amortisation	(7,958)	(6,400)
	<b>2,365</b>	<b>2,671</b>
<b>Total intangibles</b>	<b>64,488</b>	<b>84,666</b>

*Reconciliations*

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

Consolidated	Goodwill \$'000	Brand assets \$'000	Customer relationships \$'000	Other intangibles \$'000	Total \$'000
<b>Balance at 27 June 2021</b>	<b>45,199</b>	<b>26,001</b>	<b>1,776</b>	<b>2,626</b>	<b>75,602</b>
Additions through business combinations (Note 33)	6,942	1,347	164	-	8,453
Additions	-	-	936	1,532	2,468
Amortisation expense	-	-	(1,147)	(1,564)	(2,711)
Exchange differences	12	768	(3)	77	854
<b>Balance at 3 July 2022</b>	<b>52,153</b>	<b>28,116</b>	<b>1,726</b>	<b>2,671</b>	<b>84,666</b>
Transfer to assets held for sale	(6,046)	(16,423)	(314)	(356)	(23,139)
Additions	-	-	-	1,595	1,595
Amortisation expense	-	-	(461)	(1,558)	(2,019)
Exchange differences	2,071	1,214	87	13	3,385
<b>Balance at 2 July 2023</b>	<b>48,178</b>	<b>12,907</b>	<b>1,038</b>	<b>2,365</b>	<b>64,488</b>

*Accounting policy for intangible assets*

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

*Goodwill*

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

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**Note 13. Intangibles (continued)**

*Brand assets*

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

*Customer relationships*

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

*Other intangible assets*

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

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

Configuration and customisation costs incurred in implementing Software as a Service (“SaaS”) arrangements are recognised in profit or loss as the customisation and configuration services are performed, or, in certain circumstances, over the SaaS contract term when access to the cloud application software is provided.

*Transfer to assets held for sale*

As set out in Note 4, the Group has classified specific assets as held for sale at 2 July 2023 related to the divestment of the EMEA business. From intangibles this relates to the Evans and Navabi brands, customer lists and other intangibles. Because the CGU for goodwill is assessed at a consolidated Group level, only a portion of goodwill can be allocated to the assets held for sale from the Group goodwill balance. The allocation is based on the relative value of the EMEA business as a proportion of the group and has been assessed at \$6.0m.

*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.

*Goodwill and Brand impairment assessment*

Determining whether goodwill or brand is impaired requires an estimation of the value-in-use of the cash-generating units (CGUs) to which the intangible 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 and brand is assessed at a consolidated Group level, in line with the one operating segment used in its reporting.

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

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**Note 13. Intangibles (continued)**

The key assumptions used by management 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 3PL 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 pre-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 is applied in the current year value-in-use model: 15.8% (2022: 15.8%). The consistent discount rate year-on-year is a result of higher cost of debt and higher market risk assumptions, fully offset by a lower risk premium due to the divestment in EMEA. A terminal growth rate of 2.5% (2022: 2.5%) has been assumed in the value-in-use calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculations confirmed that there was no impairment of goodwill and brand intangibles from continuing operations (2022: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to 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 amount to exceed its recoverable amount.

Refer to Note 4 for separate assessment of impairment for assets held for sale.

**Note 14. Right-of-use assets and Lease liabilities**

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Non-current assets</i>		
Right-of-use assets	76,543	39,560
Less: Accumulated depreciation	(19,545)	(13,305)
<b>Total Right-of-use assets</b>	<b>56,998</b>	<b>26,255</b>

City Chic Collective Limited  
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Note 14. Right-of-use assets and Lease liabilities (continued)

<i>Current liabilities</i>		
Lease liabilities	12,429	9,090
<i>Non-current liabilities</i>		
Lease liabilities	47,535	24,176
<b>Total lease liabilities</b>	<b>59,964</b>	<b>33,266</b>

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

The Group commenced a new lease for the Groups' head office in Sydney, Australia in September 2022 which has a 10-year term ending in September 2032. An embedded lease was recognised in March 2023 for the USA warehouse facility in Indiana, USA provided by Radial Inc. for the implementation of set-up costs, ongoing cost of the distribution center and a facility holding fee which has a 7-year term ending in March 2030.

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

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

*Reconciliations*

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

	Total right-of-use asset \$'000	
<b>Consolidated</b>		
<b>Balance at 27 June 2021</b>	<b>22,442</b>	
Additions	15,477	
Disposals	(10,450)	
Accumulated depreciation on disposals	7,032	
Depreciation expense	(8,163)	
Exchange differences	(83)	
<b>Balance at 3 July 2022</b>	<b>26,255</b>	
Additions	41,008	
Disposals	(4,028)	
Accumulated depreciation on disposals	3,660	
Depreciation expense	(9,931)	
Exchange differences	34	
<b>Balance at 2 July 2023</b>	<b>56,998</b>	

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Amounts recognised in profit and loss</i>		
Depreciation expense on right-of-use assets	9,938	8,163
Interest expense on lease liabilities	1,863	962
Expenses relating to leases not recognised under AASB 16	1,765	3,286

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

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Note 14. Right-of-use assets and Lease liabilities (continued)

*Accounting policy for 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 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 remeasurement of lease liabilities.

*Accounting policy for lease liabilities*

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

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

Note 15. Trade and other payables

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Trade creditors	7,799	37,815
Sundry creditors	20,834	23,655
Other payables	22,363	18,855
<b>Total trade and other payables</b>	<b>50,996</b>	<b>80,325</b>

Refer to Note 26. Financial instruments for further information.

*Accounting policy for trade and other payables*

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 60 days of recognition.

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Note 16. Borrowings

	Consolidated	
	2023	2022 (Restated)
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans (restated)	1,500	14,000
<i>Non-current liabilities</i>		
Bank loans (restated)	-	-

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 Group's Fixed Charge Cover Ratio and Net Leverage Ratio. The interest rate is BBSY plus an agreed margin.

In January 2023, the Company amended its existing multi-currency debt facility to \$46.5m (2022: \$60.0m) and increased the amount available for working capital. In May 2023, the facility was further amended to reduce the facility limit from 3 July 2023 to \$31.5m. From 1 January 2024 the limit will be reduced by a further \$5m, to \$26.5m and from 1 April 2024 by a further \$5m, to \$21.5m.

Refer to Note 36 for further information on changes in facility limits subsequent to 2 July 2023.

These and subsequent amendments also include the Net Leverage Ratio and Fixed Cover Ratio covenants being replaced by a Liquidity Ratio from 19 January 2023 until 29 September 2024 and will revert to the previous Net Leverage Ratio from 1 October 2024.

The Group was in compliance with all covenants during the financial year ended 2 July 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 \$14.0m from non-current to current borrowings. There were no outstanding loans as at FY21 with no restatement required.

Refer to Note 26. Financial Instruments for further information.

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Note 16. Borrowings (continued)

*Financing arrangements*

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

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Total facilities</i>		
Corporate credit card	1,008	1,163
Bank loans	45,992	59,888
Bank guarantee / Letter of credit	508	112
	<b>47,508</b>	<b>61,163</b>
<i>Used at the reporting date</i>		
Corporate credit card	288	227
Bank loans	1,500	14,000
Bank guarantee / Letter of credit	508	112
	<b>2,296</b>	<b>14,339</b>
<i>Unused at the reporting date</i>		
Corporate credit card	720	936
Bank loans	44,492	45,888
	<b>45,212</b>	<b>46,824</b>

*Accounting policy for borrowings*

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

Note 17. Provisions

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Employee benefits	3,699	3,560
Lease make good	279	564
Onerous contracts	-	660
Sales return provision	2,883	3,718
Restructuring provision	-	286
	<b>6,861</b>	<b>8,788</b>
<i>Non-current liabilities</i>		
Employee benefits	449	422
Lease make good	482	-
	<b>931</b>	<b>422</b>
	<b>7,792</b>	<b>9,210</b>

*Movements in provisions*

Movements in provisions during the current financial period, are set out below:

City Chic Collective Limited  
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Note 17. Provisions (continued)

Consolidated – 2023	Employee benefits \$'000	Sales return provision \$'000	Other provisions \$'000	Total \$'000
<i>Current provisions</i>				
<b>Carrying amount at the start of the period</b>	<b>3,560</b>	<b>3,718</b>	<b>1,510</b>	<b>8,788</b>
Additional provisions recognised	1,044	25,696	-	26,740
Amounts used	(905)	(26,531)	(1,231)	(28,667)
<b>Carrying amount at the end of the period</b>	<b>3,699</b>	<b>2,883</b>	<b>279</b>	<b>6,861</b>
<i>Non-current provisions</i>				
<b>Carrying amount at the start of the period</b>	<b>422</b>	-	-	<b>422</b>
Additional provisions recognised	65	-	482	547
Amounts used	(38)	-	-	(38)
<b>Carrying amount at the end of the period</b>	<b>449</b>	-	<b>482</b>	<b>931</b>

*Accounting policy for provisions*

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

*Lease makegood*

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

*Sales return provision*

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

*Restructuring provision*

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

*Accounting policy for employee benefits*

*Current employee benefits*

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

*Non-current employee benefits*

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

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Note 18. Other liabilities

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Deferred income	3,870	4,268
Deferred revenue – customer loyalty points	47	36
	<u>3,917</u>	<u>4,304</u>
<i>Non-current liabilities</i>		
Deferred income	137	385
<b>Total other liabilities</b>	<b><u>4,054</u></b>	<b><u>4,689</u></b>

*Accounting policy for deferred income*

Deferred income relates mainly to unredeemed gift cards, income received in advance from customers and deferred lease incentives.

Gift cards are considered a prepayment for goods and services to be delivered in the future. The Group has an obligation to transfer the goods or services in the future, creating a performance obligation. The Group recognises deferred revenue for the amount of the prepayment and recognises revenue when the customer redeems the gift card and the Group fulfils the performance obligation related to the transaction or when the likelihood of the gift card being redeemed by the customer is deemed remote. These are all deemed current liabilities.

Income received in advance from customers are recognised as revenue at the point of delivery of the goods to the customer. Customer orders are typically completed within a few days and income received in advance is therefore considered short term in nature and is not discounted. These are all deemed current liabilities.

Deferred lease incentives represents operating lease incentives received for those leases not accounted for under *AASB 16 Leases*. The incentives are allocated to profit or loss on a straight-line bases over the lease term and are classified as current and non-current liabilities based on these terms.

*Accounting policy for contract liabilities – customer loyalty points*

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

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**Note 19. Cash flow information**

*Reconciliation of profit after income tax to net cash from continuing & discontinued operating activities*

	Consolidated	
	2023 \$'000	2022 \$'000
(Loss) / Profit after income tax expense from continuing & discontinued operations	(99,778)	22,277
Adjustments for:		
Depreciation, amortisation, and impairment	46,364	15,204
Share-based payments	(1,126)	185
Foreign exchange and other differences	(3,382)	5,043
Change in operating assets and liabilities:		
Decrease / (Increase) in trade and other receivables	3,338	(5,405)
Decrease / (Increase) in inventories	142,138	(128,940)
Decrease in other assets	732	2,024
Increase in tax receivable	(2,633)	-
(Increase) / decrease in deferred tax assets	(1,686)	478
(Decrease)/Increase in trade and other payables	(29,330)	38,430
(Decrease)/Increase in provision for income tax	(3,284)	1,466
(Decrease)/Increase in other provisions	(1,418)	681
(Decrease)/Increase in other liabilities	(635)	917
(Decrease) in assets held for sale	(19,535)	-
Business combinations (opening balances)	-	(4,254)
<b>Net cash from / (used in) continuing &amp; discontinued operating activities</b>	<b>29,765</b>	<b>(51,894)</b>

*Reconciliation of liabilities arising from financing activities:*

	2021	Cash flows	Non-cash changes	Non-cash changes	2022
	\$'000	\$'000	Acquisitions	New leases	\$'000
			\$'000	\$'000	
Long-term borrowings	-	14,000	-	-	14,000
Lease liabilities	28,054	(8,040)	-	13,252	33,266
	<u>28,054</u>	<u>5,960</u>	<u>-</u>	<u>13,252</u>	<u>47,266</u>
	2022	Cash flows	Non-cash changes	Non-cash changes	2023
	\$'000	\$'000	Acquisitions	New leases	\$'000
			\$'000	\$'000	
Long-term borrowings	14,000	(12,500)	-	-	1,500
Lease liabilities	33,266	(11,247)	-	37,945	59,964
	<u>47,266</u>	<u>(23,747)</u>	<u>-</u>	<u>37,945</u>	<u>61,464</u>

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**Note 20. Share-based payments**

The Group's long-term incentives rewards executives for high performance and ongoing commitment over a three to five-year horizon and recognises the important role executives play in delivering the long-term growth of the Group. The Group's long-term incentive plans are equity based and comprise Performance Rights issued under the Long Term Incentive Plan (LTIP) and Loan Funded Shares issued under the Loan Funded Share Plan (LFSP). Performance Rights and Loan Funded Shares on issue during the current year were:

Tranche	Grant date	Performance period end date	Fair Value	Share price grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Opening balance 4 July 2022	Granted	Vested	Expired/forfeited/other	Closing balance 2 July 2023
2C	13/11/2018	30/06/2023	\$0.995	\$1.17	40.00%	3.50%	2.33%	2,300,000	-	-	-	2,300,000
4	25/11/2022	30/06/2025	N/A	\$1.32	40.00%	0%	N/A	-	490,419	-	(490,419)	-
<b>Total Performance Rights</b>								<b>2,300,000</b>	<b>490,419</b>	<b>-</b>	<b>(490,419)</b>	<b>2,300,000</b>
3	21/11/2019	30/06/2024	\$0.739	\$2.68	35.00%	N/A	0.81%	6,298,457	-	-	-	6,298,457
3	03/03/2020	30/06/2024	\$0.731	\$2.79	35.00%	N/A	0.81%	667,464	-	-	-	667,464
3	16/09/2020	30/06/2024	\$0.970	\$3.33	40.00%	N/A	0.29%	474,576	-	-	-	474,576
<b>Total Loan Funded Shares</b>								<b>7,440,497</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,440,497</b>

Note: During the current reporting period, the impact from the forfeiture of 818,182 loan funded shares under Tranche 3 has been reflected in the statements of profit and loss and the share-based payment reserve. The actual share buy back and cancellation of the loan funded shares will occur in the next financial period.

**LTIP Tranches**

Vesting and conditions of the LTIP tranches are set out below:

Tranche 2C

Vesting Condition 1  
Vesting Condition 2

Continued service to August 2023, with no holding lock on resulting shares;  
Group underlying EPS (before income tax and share-based payments) performance in accordance with the following schedule:

Group EPS for the year to 2 July 2023	Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2
Below \$0.1125 (1.5 x FY18 EPS)	Nil
\$0.1125 ≤ EPS ≤ \$0.1200 (1.6 x FY18 EPS)	50%
\$0.1200 ≤ EPS ≤ \$0.1275 (1.7 x FY18 EPS)	75%
EPS ≥ \$0.1275	100%

As the Group EPS for the year ended 2 July 2023 finished below the minimum performance threshold, all Tranche 2C performance rights have been valued at nil at 2 July 2023. The rights themselves will only lapse in August 2023.



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Note 20. Share-based payments (continued)

Tranche 4

Vesting Condition 1	Cash conversion ratio weighting 50%
Vesting Condition 2	Inventory balance weighting 50%
Vesting Condition 3	Continued service up to and including 30 June 2025

Group Cash conversion ratio for the year to 2 July 2023	Proportion of Tranche 4 Performance Rights held that will satisfy Vesting Condition 1
1.2 (threshold)	0%
1.5 (target)	100%
Between threshold and target level	Straight line pro rata basis between the threshold and target level.

Group Cash inventory balance for the year to 2 July 2023	Proportion of Tranche 4 Performance Rights held that will satisfy Vesting Condition 2
\$135 million (threshold)	0%
\$125 million (target)	100%
Between threshold and target level	Straight line pro rata basis between the threshold and target level.

\*Tranche 4 comprise of the FY23 LTIP granted to the CEO following approval by shareholders, at the Company AGM on 25 November 2022. Following the release of the Group's half year results in February 2023 and reflecting on the Group's half-year performance, the FY23 LTIP granted to the CEO was cancelled on 27 February 2023. No other FY23 LTIP was issued to any other employee. The FY23 LTIP issued to the CEO was expensed during the period, to the extent that it was likely to vest.

LFSP Tranches

During the period, nil loan funded shares were forfeited, granted or vested in the period. As at 2 July 2023, the Loan Funded (LF) shares issued under the LFSP have been treated as 'in-substance' options which have been valued using a Modified Binomial Lattice option pricing model which allows for varying exercise price. The resulting value is amortised over the vesting period on a probability adjusted basis.

The key terms of the LFSP are listed as follows:

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

Vesting and conditions of the LF Shares are set out below:

Tranche 3

Vesting Condition 1	Continued service to 30 June 2024.
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's Adjusted Diluted Earnings Per Share (ADEPS) prescribed by the Board over the 3 year period commencing on 1 July 2019, in which case (subject to satisfaction of Vesting Period Condition) the LF Shares held will vest in accordance with the following vesting scale:

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Note 20. Share-based payments (continued)

ADEPS 3-year CAGR from 1 July 2019	Proportion of Tranche 3 LF shares that will satisfy Vesting Condition 2
12.5%	25%
20%	100%
12.5% ≤ ADEPS CAGR ≤ 20.0%	Straight-line pro rata vesting between 25% and 100% (inclusive)

Vesting Condition 2 was eligible for testing on 3 July 2022. The ADEPS 3-year CAGR from 1 July 2019 to 3 July 2022 was 16.8% meeting the performance threshold for Vesting Condition 2. The proportion of Tranche 3 LF shares that will satisfy Vesting Condition 2 is 66.3%. The Group has recognised \$1.0m in expense in FY23. Vesting Condition 1 will be tested at the end of FY24.

Accounting policy for share-based payments

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

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

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

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

Any market-based performance conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

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

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

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

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Note 21. Issued capital

	2023 Shares	Consolidated 2022 Shares	2023 \$'000	2022 \$'000
Ordinary shares - fully paid	239,360,583	239,360,583	182,167	182,167
<b>Total issued capital</b>	<b>239,360,583</b>	<b>239,360,583</b>	<b>182,167</b>	<b>182,167</b>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
<b>Balance</b>	<b>27 June 2021</b>	<b>237,338,726</b>		<b>182,000</b>
Performance rights over ordinary shares (net of cost)	30 August 2021	3,256,848	\$1.07	3,477
Cancellation of Loan funded shares	12 January 2022	(1,234,991)	\$2.68	(3,310)
<b>Balance</b>	<b>3 July 2022</b>	<b>239,360,583</b>		<b>182,167</b>
<b>Balance</b>	<b>2 July 2023</b>	<b>239,360,583</b>		<b>182,167</b>

Ordinary shares

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

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

Share buy-back

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

Capital risk management

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

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

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

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

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

Accounting policy for issued capital

Ordinary shares are classified as equity.

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Note 22. Reserves

	Consolidated 2023 \$'000	2022 \$'000
Foreign currency reserve	1,905	(1,144)
Share-based payments reserve	2,357	3,482
Loan funded shares held in trust	(20,322)	(20,322)
Loss Reserve	(10,991)	(10,991)
<b>Total reserves</b>	<b>(27,051)</b>	<b>(28,975)</b>

Foreign currency reserve

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

Share-based payments reserve

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

Loan funded shares

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.

Loss Reserve

The reserve is used to recognise the historical losses of the Group's operations.

Movements in reserves

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

Consolidated	Loan funded shares held in trust \$'000	Loss Reserve \$'000	Share-based payments reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
Balance at 27 June 2021	(23,632)	(10,991)	7,142	(6,725)	(34,206)
Cancellation of loan funded shares held in trust	3,310	-	-	-	3,310
Foreign currency translation	-	-	-	5,581	5,581
Transferred to issued capital (upon vesting)	-	-	(3,477)	-	(3,477)
Share-based payments expense / (gain)	-	-	(183)	-	(183)
<b>Balance at 3 July 2022</b>	<b>(20,322)</b>	<b>(10,991)</b>	<b>3,482</b>	<b>(1,144)</b>	<b>(28,975)</b>
Foreign currency translation - continued operations	-	-	-	843	843
Foreign currency translation - discontinued operations	-	-	-	2,207	2,207
Share-based payments expense / (gain)	-	-	(1,126)	-	(1,126)
<b>Balance at 2 July 2023</b>	<b>(20,322)</b>	<b>(10,991)</b>	<b>2,356</b>	<b>1,906</b>	<b>(27,051)</b>
<b>Reserves</b>	(20,322)	(10,991)	2,356	(301)	(29,258)
<b>Reserves directly associated with assets held for sale</b>	-	-	-	2,207	2,207

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Note 23. (Accumulated losses) / Retained profits

	Consolidated	
	2023 \$'000	2022 \$'000
Retained profits at the beginning of the financial period	57,385	35,108
(Loss) / Profit after income tax expense for the period	(99,778)	22,277
<b>(Accumulated losses) / Retained profits at the end of the financial period</b>	<b>(42,393)</b>	<b>57,385</b>

Note 24. Earnings per share

	Consolidated	
	2023 \$'000	2022 \$'000
(Loss) / profit after income tax expense from continuing operations	(45,038)	24,385
(Loss) / profit after income tax expense from discontinued operations	(54,740)	(2,108)
<i>Earnings per share for profit from continuing and discontinued operations</i>		
(Loss) / Profit after income tax attributable to the owners of City Chic Collective Limited	(99,778)	22,277

	Number	Number
<i>Weighted average number of ordinary shares</i>		
Ordinary shares - fully paid	239,360,583	238,798,755
Less: Loan funded shares	(7,440,497)	(7,440,497)
<b>Weighted average number of ordinary shares used in calculating basic earnings per share</b>	<b>231,920,086</b>	<b>231,358,258</b>
Adjustments for calculation of diluted earnings per share:		
Adjustments for performance rights	-	1,536,236
Adjustments for loan funded shares	-	1,215,110
Weighted average number of ordinary shares used in calculating diluted earnings per share	231,920,086	234,109,604

Performance rights have not been considered for dilution in the current year as they are anti-dilutive for the period presented.

	Cents	Cents
Earnings per share for (loss) / profit from continuing operations attributable to the owners of City Chic Collective Limited		
Basic earnings per share	(19.4)	10.5
Diluted earnings per share	(19.4)	10.4
Earnings per share for profit/(loss) from discontinued operations attributable to the owners of City Chic Collective Limited		
Basic earnings per share	(23.6)	(0.9)
Diluted earnings per share	(23.6)	(0.9)
Earnings per share for profit attributable to the owners of City Chic Collective Limited		
Basic earnings per share	(43.0)	9.6
Diluted earnings per share	(43.0)	9.5

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Note 24. Earnings per share (continued)

*Basic earnings per share*

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

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Options under the loan funded share plan could potentially dilute basic earnings per share in the future, however, were not included in the calculation of diluted earnings per share because they are antidilutive for the periods presented.

Note 25. Dividends

*Dividends*

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

	Consolidated	
	2023 \$'000	2022 \$'000
Final dividend for the period (2022: 0 cents per ordinary share)	-	-

*Franking credits*

	Consolidated	
	2023 \$'000	2022 \$'000
Franking credits available at the reporting date based on a tax rate of 30%	69,750	66,826
Franking credits that will (reduce) / arise from the (re)payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	-	946
Franking credits available for subsequent financial years based on a tax rate of 30%	69,750	67,772

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

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

*Accounting policy for dividends*

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

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Note 26. Financial instruments

**Financial Assets and Liabilities:**

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	
	2023 \$'000	2022 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	12,414	9,953
Trade and other receivables – current	7,583	11,011
Trade and other receivables – non-current	90	-
	<u>20,087</u>	<u>20,964</u>
<b>Financial liabilities</b>		
Trade and other payables	50,996	80,325
Lease liabilities – current	12,429	9,090
Lease liabilities – non-current	47,535	24,176
Borrowings	1,500	14,000
	<u>112,460</u>	<u>127,591</u>

**Financial risk management objectives**

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

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

**Capital risk management**

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged from the 2022 Annual Report.

In order to maintain or adjust the capital structure, the consolidated entity manages the level of cash and debt that is prudent in light of the operational plan and the growth opportunities for the business.

The consolidated entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. Formal notification of this compliance is confirmed on a monthly basis. The capital structure of the consolidated entity consists of net cash (cash and cash equivalents as detailed in Note 8. Cash and cash equivalents, less borrowings as detailed in Note 16. Borrowings) and equity of the consolidated entity (comprising issued capital, reserves and accumulated losses) as detailed in Note 21. Issued capital, Note 22. Reserves and Note 23. (Accumulated losses) / Retained profits.

**Market risk**

**Foreign currency risk**

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

City Chic Collective Limited  
Notes to the consolidated financial statements  
2 July 2023

Note 26. Financial instruments (continued)

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 FY23 approximately 47% of Group's continued operating revenue was in USD from its US operations and the consolidated entity was able to source a similar corresponding amount of its inventory in USD. This natural hedge meant the Group was not required to hedge its foreign exchange exposure. Management monitors this natural hedge on an ongoing basis to ensure that the exposure to foreign exchange is acceptable.

Management continue to assess the future cash flows of the international business and if the natural hedge for USD the Group has enjoyed to-date is no longer in place, exposure will be hedged appropriately.

For the current financial period, if AUD to USD rates had changed by +/- 10% from the FY23 average rates, with all other variables held constant, the impact on pre-tax loss for the year would have been \$3.8m lower/ \$4.6m higher (2022: \$0.6m higher/lower).

**Price risk**

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

**Interest rate risk**

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

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

Consolidated	2023		2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	0.51%	12,414	0.17%	9,953
Borrowings	5.69%	(1,500)	1.84%	(14,000)
		<u>10,914</u>		<u>(4,047)</u>
Net exposure to cash flow interest rate risk				

For the current financial period, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables constant, the impact on post-tax profit for the year would have been \$0.1m higher/lower (2022: \$0.1m higher/lower), relating to the interest income on the cash at bank and interest expense on the borrowings.

**Credit risk**

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

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

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Note 26. Financial instruments (continued)

The consolidated entity has a credit risk exposure with trade debtors, which as at 2 July 2023 owed the consolidated entity \$5.3m (2022: \$8.3m). There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with its customers to mitigate risk. The Group has recognised a gain of \$0.1m (2022: loss of \$0.1m) in profit or loss in respect of the expected credit losses for the year ended 2 July 2023.

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

**Liquidity risk**

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

At balance date, the bank loan facility totalling \$46.5m, was available to the Group (3 July 2022: \$60.0m comprising of both working capital and acquisition tranches). The facility limit reduces from 3 July 2023 to \$31.5m, then to \$26.5m from 1 January 2024 then again to \$21.5m from 1 April 2024 (see Note 36 for further subsequent changes to the facility after year-end). Management monitors rolling forecasts of the consolidated entity's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents based on expected cash flows. This is generally carried out at a local level in the operating companies of the consolidated entity in accordance with practice and limits set by the consolidated entity. These limits vary by location to consider the liquidity of the market in which the entity operates. In addition, the consolidated entity's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

	Consolidated	
	2023 \$'000	2022 \$'000
Corporate credit card	720	936
Bank loans	44,492	45,888
	<u>45,212</u>	<u>46,824</u>

Refer to Note 36 for further information on subsequent changes in facility limits.

City Chic Collective Limited  
Notes to the consolidated financial statements  
2 July 2023

Note 26. Financial instruments (continued)

**Remaining contractual maturities**

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

Consolidated - 2023	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	50,996	-	-	-	50,996
<i>Interest-bearing - variable</i>						
Bank loans	5.69%	1,500	-	-	-	1,500
Undiscounted lease liabilities	4.37%	14,044	12,942	28,771	13,460	69,217
Total non-derivatives		<u>66,540</u>	<u>12,942</u>	<u>28,771</u>	<u>13,460</u>	<u>121,713</u>

Consolidated - 2022	Weighted average interest rate %	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade and other payables	-	80,325	-	-	-	80,325
<i>Interest-bearing - variable</i>						
Bank loans	1.84%	-	-	14,000	-	14,000
Undiscounted lease liabilities	3.00%	8,969	8,039	16,977	593	34,578
Total non-derivatives		<u>89,294</u>	<u>8,039</u>	<u>30,977</u>	<u>593</u>	<u>128,903</u>

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

The lease liabilities include holdover assumptions in addition to contractually obligated periods, as disclosed in Note. 14 Right-of-use assets and Lease liabilities.

**Fair value of financial instruments**

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

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

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

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of receivables, trade and other payables are assumed to approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments. Refer to Note 4. Discontinued operations for the fair value of assets held for sale.

City Chic Collective Limited  
Notes to the consolidated financial statements  
2 July 2023

**Note 27. Key management personnel**

*Directors*

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

Michael Kay	Chairman and non-executive director
Megan Quinn	Non-executive director
Neil Thompson	Non-executive director
Natalie McLean	Non-executive director
Phil Ryan	Chief Executive Officer and Managing Director

*Other key management personnel*

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

Peter McClelland	Chief Financial Officer
------------------	-------------------------

*Compensation*

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

	Consolidated	
	2023	2022
	\$	\$
Short-term employee benefits	2,030,818	2,116,598
Post-employment benefits	117,017	124,594
Short-term benefits	116,414	100,954
Long-term benefits	21,042	51,341
Share-based payments	(667,890)	(157,633)
	<u>1,617,401</u>	<u>2,235,854</u>

*Shareholding*

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

	Balance at the start of the period	Net Movements during the period	Balance at the end of the period
<b>Directors' shareholding</b>			
Ordinary shares:			
Michael Kay	800,000	200,000	1,000,000
Neil Thompson	21,000	79,000	100,000
Natalie McLean	10,900	-	10,900
Megan Quinn	-	-	-
Phil Ryan	337,576	41,380	378,956
<b>Total</b>	<u>1,169,476</u>	<u>320,380</u>	<u>1,489,856</u>
<b>Other key management personnel shareholding</b>			
Ordinary shares:			
Peter McClelland	10,284	-	10,284
<b>Total</b>	<u>10,284</u>	<u>-</u>	<u>10,284</u>

City Chic Collective Limited  
Notes to the consolidated financial statements  
2 July 2023

**Note 28. Remuneration of auditors**

	Consolidated	
	2023	2022
	\$	\$
Amounts received or due and receivable by the auditor of the parent entity and any other entity in the Group for:		
<i>Current auditors of the Company - Ernst &amp; Young</i>		
Auditing the statutory financial report of the parent covering the Group	483,360	400,400
Auditing the statutory financial reports of any controlled entities	124,800	62,400
<i>Previous auditors of the Company - Deloitte Touche Tohmatsu</i>		
Auditing the statutory financial report of the parent covering the Group	-	120,965
	<u>608,160</u>	<u>583,765</u>
<i>Other services - Ernst &amp; Young</i>		
Fees for other assurance and agreed upon procedure services	-	3,120
<i>Other services - Deloitte Touche Tohmatsu</i>		
Fees for other assurance and agreed upon procedure services	-	11,743
	<u>-</u>	<u>14,863</u>
	<u>608,160</u>	<u>598,628</u>

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

**Note 29. Contingent liabilities**

The consolidated entity had contingent liabilities at 2 July 2023 in respect of:

The Group had a contingent liability of \$0.5m (FY22: \$0.1m) in the form of a bank guarantee / letter of credit (see Note 16).

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

City Chic Collective Limited  
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Note 30. Commitments

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	172	115
One to five years	1,110	448
More than five years	-	-
<b>Total lease commitments - operating</b>	<b>1,282</b>	<b>563</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	1,245	4,118

Lease commitments includes contracted amounts for a small number of retail outlets considered short term (expiring within less than one year) and contracted amounts for leases not yet commenced as of 2 July 2023 to which the Group is committed.

Lease commitments for the leases not yet commenced includes contracted amounts for a small number of retail outlets under non-cancellable operating leases expiring within 1 to 5 years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. The lease commitments do not include rental payments which may arise in the event that sales revenue exceeds a pre-determined amount.

Capital commitments includes contracted amounts for fit-out costs (net of landlord fit-out contributions) relating to retail outlets for which the leases have not yet commenced as of 2 July 2023 but to which the Group is committed.

City Chic Collective Limited  
Notes to the consolidated financial statements  
2 July 2023

Note 31. Related party transactions

*Parent entity*

City Chic Collective Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in Note 34.

*Key management personnel*

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

*Transactions with related parties*

The following transactions occurred with related parties:

	Consolidated	
	2023 \$	2022 \$
<i>Payment for other expenses:</i>		
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 <sup>16</sup>	578,709	1,642,070
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 <sup>17</sup>	18,834	9,790
<b>Total related party transactions</b>	<b>597,543</b>	<b>1,651,860</b>

*Receivable from and payable to related parties*

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

	Consolidated	
	2023 \$	2022 \$
<i>Current payables</i>		
Trade payables to Southern Cross Shopfitting, a company that is associated with the Cotton Group, of which Natalie McLean is Director and Chief Retail Officer <sup>15</sup>	11,706	6,557
Trade payables to 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 <sup>16</sup>	-	511
<b>Total related party transactions</b>	<b>11,706</b>	<b>7,068</b>

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date. Refer to note 20 on information on loan funded share plan.

*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, i.e. a number of suppliers were engaged for shopfitting services for the period.

<sup>15</sup>Natalie McLean was not involved in decision making related to Southern Cross Shopfitting and its dealings with the Group

<sup>16</sup>Natalie McLean was not involved in decision making related to International Southern Cross Shopfitting (NZ) and its dealings with the Group

City Chic Collective Limited  
Notes to the consolidated financial statements  
2 July 2023

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity

Statement of profit or loss and other comprehensive income

	Parent	
	2023 \$'000	2022 \$'000
Revenue	127,355	146,411
Expenses	(131,147)	(121,916)
(Loss) / Profit before income tax	(3,792)	24,495
Impairment on asset	(90,332)	-
Income tax benefit / (expense)	1,730	(8,467)
Profit after income tax from discontinued operations	-	-
Total profit after income tax for the year from parent entity	(92,394)	16,028
Other comprehensive income / (loss)	-	-
Total comprehensive income from parent entity	(92,394)	16,028

City Chic Collective Limited  
Notes to the consolidated financial statements  
2 July 2023

Note 32. Parent entity information (continued)

Statement of financial position

	Parent	
	2023 \$'000	2022 \$'000
Cash and cash equivalents	1,808	2,013
Trade and other receivables	858	1,028
Inventories	16,783	39,273
Other	2,012	2,833
Income tax	2,390	-
Intercompany	-	86,015
<b>Total current assets</b>	<b>23,851</b>	<b>131,162</b>
Plant and equipment	12,330	14,263
Investments in subsidiaries	127,620	130,132
Right-of-use assets	32,784	23,842
Intangibles	2,970	3,021
Deferred tax	3,493	2,161
<b>Total non-current assets</b>	<b>179,197</b>	<b>173,419</b>
<b>Total assets</b>	<b>203,048</b>	<b>304,581</b>
Trade and other payables	25,857	50,188
Intercompany	21,883	-
Lease liabilities	12,068	8,708
Income tax	-	946
Borrowings (restated)	1,500	14,000
Provisions	4,659	4,574
Other	1,344	1,413
<b>Total current liabilities</b>	<b>67,311</b>	<b>79,829</b>
Lease liabilities	26,872	21,724
Provisions	449	422
Other	137	384
<b>Total non-current liabilities</b>	<b>27,458</b>	<b>22,530</b>
<b>Total liabilities</b>	<b>94,769</b>	<b>102,359</b>
<b>Net Assets</b>	<b>108,279</b>	<b>202,222</b>
Issued capital	182,167	182,167
Loss reserve	(10,991)	(10,991)
Share-based payments reserve	(18,389)	(16,840)
Retained (losses) / profits	(44,508)	47,886
<b>Total equity</b>	<b>108,279</b>	<b>202,222</b>

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 \$14.0m from non-current to current borrowings.



**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 32. Parent entity information (continued)**

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*  
The guarantee disclosures of the parent entity is referred to in Note 35. Deed of cross guarantee.

*Contingent liabilities*

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

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

*Capital commitments - Property, plant and equipment*

The parent entity had capital commitments for plant and equipment as at 2 July 2023 of \$1.2m (2022: \$0.5m).

*Significant accounting policies*

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

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

**Note 33. Business combinations**

*Current year business combinations*

There are no business combinations for the year ended 2 July 2023 for the Group.

*Prior year 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 (A\$9.6m) in cash.

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

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 33. Business combinations (continued)**

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

	Fair value \$'000
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)
	<hr/>
Net assets acquired	2,689
Goodwill	6,942
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>9,631</u>
Representing:	
Amount settled in cash on acquisition	<u>9,631</u>
Acquisition costs expensed to profit or loss	<u>486</u>

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.

*Accounting policy for business combinations*

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

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

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

Business combinations were initially accounted for on a provisional basis and subsequently finalised for the 53-week period ended 3 July 2022. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 34. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
Specialty Fashion Group No. 5 Pty Limited	Australia	100.0%	100.0%
City Chic Collective No. 1 Pty Limited	Australia	80.0%	80.0%
City Chic Collective No. 2 Pty Limited	Australia	100.0%	100.0%
Specialty Fashion Group No. 6 Pty Limited	Australia	100.0%	100.0%
City Chic International Pty Limited	Australia	100.0%	100.0%
City Chic Collective New Zealand Limited	New Zealand	100.0%	100.0%
City Chic Collective UK Limited	England and Wales	100.0%	100.0%
Specialty Fashion Group South Africa (Pty) Ltd <sup>17</sup>	South Africa	-	100.0%
JPC United GmbH	Germany	100.0%	100.0%
City Chic Collective USA Incorporated	United States	100.0%	100.0%

**Note 35. Deed of cross guarantee**

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

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

The above companies (where incorporated in Australia) represent a 'Closed Group' for the purposes of the Corporations Instrument 2016/785 (ASIC Instrument), and as there are no other parties to the deed of cross guarantee that are controlled by City Chic Collective Limited, they also represent the 'Extended Closed Group'.

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

<sup>17</sup> On 9 June 2023 the Group deregistered Specialty Fashion Group South Africa (Pty) Ltd.

**City Chic Collective Limited**  
**Notes to the consolidated financial statements**  
**2 July 2023**

**Note 36. Events after the reporting period**

The Group divested the Evans business and EMEA inventory via an asset sale and purchase agreement (the Agreement). AK Retail Holdings Limited (AK Retail Holdings), has acquired the Evans brand, intellectual property and customer base under the Agreement that was signed and closed on 3 August 2023. The Agreement also includes the sale of all the inventory in City Chic's EMEA business.

Under the Agreement, AK Retail Holdings has paid City Chic a total cash consideration of £8m. Net of transaction costs, and the closure of City Chic's UK warehouse, the consideration is c. £6.4m (c. \$12m AUD). City Chic has agreed with its 3PL provider to close its UK warehouse which also supports its European operations. As a result, the Navabi business has ceased trading. City Chic retains the right to trade under the City Chic, Avenue and other non-Evans brands in EMEA in the future. There will be a transition period for AK Retail Holdings to sell all non-Evans branded product and for City Chic to sell its remaining Evans-branded product in ANZ and North America.

The proceeds from the sale of Evans have been used for working capital purposes and to pay the Group's remaining \$1.5m acquisition facility. As a result, on 9 August 2023 City Chic's debt facility limit has been reduced to \$20m (from \$31.5m) and will reduce by a further \$5m at the end of June 2024, reducing its funding costs.

No other matter or circumstance has arisen since 2 July 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**  
**2 July 2023**

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 2 July 2023 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 35 to the financial statements.

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

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

On behalf of the directors

Michael Kay  
 Chairman

Phil Ryan  
 Chief Executive Officer and Managing Director

30 August 2023

**City Chic Collective Limited**  
**Corporate Governance Statement**  
**2 July 2023**

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

In formulating the governance principles that guide the operations of the Group, the directors have taken into account the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations (4th edition)*. This is supported by an overriding organisation wide commitment to the highest standards of legislative compliance and financial and ethical behaviour.

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

The Corporate Governance Statement outlines the Group's main corporate governance practices and policies in place during the year-ended 2 July 2023 (unless otherwise stated) and are current as at 8 September 2023 and have been approved by the Board. The Board is comfortable that the practices are appropriate for a Company of City Chic Collective Limited's size.

City Chic Collective Limited  
Shareholder information  
2 July 2023

The shareholder information set out below was applicable as at 8 September 2023.

**Distribution of equitable securities**

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

	Number of holders of ordinary shares	% of equity securities in this class	Number of securities
1 to 1,000	2,067	0.42	979,304
1,001 to 5,000	2,280	2.50	5,798,710
5,001 to 10,000	747	2.48	5,754,745
10,001 to 100,000	1,004	12.75	29,564,966
100,001 and over	144	81.85	189,822,361
	<u>6,242</u>	<u>100</u>	<u>231,920,086</u>
Holding less than a marketable parcel	2,198	-	1,122,157

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

	Number of holders of unquoted ordinary shares	% of equity securities in this class	Number of securities
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	8	100.0	7,440,497
	<u>8</u>	<u>100.0</u>	<u>7,440,497</u>

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

	Number of holders of performance rights	% of equity securities in this class	Number of securities
1 to 1,000	-	-	-
1,001 to 5,000	-	-	-
5,001 to 10,000	-	-	-
10,001 to 100,000	-	-	-
100,001 and over	5	100.00	2,300,000
	<u>5</u>	<u>100.00</u>	<u>2,300,000</u>

City Chic Collective Limited  
Shareholder information  
2 July 2023

**Equity security holders**

*Twenty largest quoted equity security holders*

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

Name	A/C designation	Ordinary shares Number held	% of total shares issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		51,018,665	21.31
CITICORP NOMINEES PTY LIMITED		25,272,013	10.56
NATIONAL NOMINEES LIMITED		19,101,607	7.98
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		13,979,684	5.84
T BATSAKIS PTY LTD		7,230,000	3.02
BNP PARIBAS NOMS PTY LTD	<DRP>	6,535,137	2.73
PALM BEACH NOMINEES PTY LIMITED		5,047,883	2.11
ANACACIA PTY LTD	<WATTLE A/C>	4,905,663	2.05
HENOCH INVESTMENTS PTY LTD	<CBH A/C>	4,000,000	1.67
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<NT-COMNWLTH SUPER CORP A/C>	3,793,251	1.58
LANDPEAK PTY LIMITED		3,050,000	1.27
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2		2,461,702	1.03
GARRETT SMYTHE LTD		2,407,800	1.01
ROSSBOW PTY LTD	<ANDREW MACPHERSON TDT A/C>	2,050,000	0.86
BYTENEW INVESTMENTS PTY LIMITED	<TERTINI INVESTMENT A/C>	1,575,413	0.66
R I FINANCES PTY LTD		1,300,000	0.54
SAND IN A GLASS PTY LTD		1,286,654	0.54
BIBI NOMINEES PTY LTD		1,100,000	0.46
AVENUE 8 PTY LIMITED	<GAN SUPER FUND A/C>	1,000,000	0.42
BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	975,888	0.41
		<u>158,091,360</u>	<u>66.05</u>

Unquoted equity securities

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

**Substantial holders**

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
SPHERIA ASSET MANAGEMENT	38,685,823	16.16
BBFIT INVESTMENTS	23,763,44	9.93
PINNACLE INVESTMENT MANAGEMENT	12,051,501	5.03

**Voting rights**

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

*Ordinary shares*

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

*Performance Rights*

Performance rights carry no voting rights.

There are no other classes of equity securities.

**City Chic Collective Limited**  
**Corporate directory**  
**2 July 2023**

Directors	Michael Kay - Chairman and non-executive director Megan Quinn - Non-executive director Phil Ryan - Chief Executive Officer and Managing Director Natalie McLean - Non-executive director Neil Thompson - Non-executive director
Company secretary	Marta Kielich (resigned 21 July 2023) Jacquie Shanahan (appointed 21 July 2023) Peter McClelland (additional Company Secretary appointed 21 July 2023)
Registered office	151-163 Wyndham Street Alexandria, NSW 2015 Telephone: (02) 9059 4300
Principal place of business	151-163 Wyndham Street Alexandria, NSW 2015 Telephone: (02) 9059 4300
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 Telephone: (02) 8280 7111 Facsimile: (02) 9287 0303
Auditor	Ernst & Young 200 George Street Sydney, NSW 2000
Solicitors	Thomson Geer Level 25, 1 O'Connell Street Sydney, NSW 2000
Bankers	National Australia Bank 255 George Street Sydney, NSW 2000
Stock exchange listing	City Chic Collective Limited shares are listed on the Australian Securities Exchange (ASX code: CCX)
Website	<a href="http://www.citychiccollective.com.au">http://www.citychiccollective.com.au</a>
Corporate Governance Statement	<a href="https://www.citychiccollective.com.au/corporate-governance">https://www.citychiccollective.com.au/corporate-governance</a>
ABN	43 057 569 169

## References

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<sup>1</sup>Active customers include customers who have shopped online, in stores and omni-channel in the last 12 months; excludes wholesale and marketplace customers

<sup>2</sup>Online represents websites and online marketplace sales; based on last 12 months revenue to remove seasonality impacts

<sup>3</sup>Traffic to Online excludes traffic to Online Marketplaces

CITY CHIC COLLECTIVE

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