ACCENT GROUP LIMITED

ABN 85 108 096 251

APPENDIX 4D (Rule 4.2A) HALF-YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2017

Results for announcement to the market

(All comparisons to the period ended 25 December 2016)

Revenue and Profit	31 Dec 2017 $'000	25 Dec 2016 $'000	Up/ Down	Move-ment %
Revenues from ordinary activities	362,499	301,343	Up	20.3%
Net profit after tax	25,260	21,207	Up	19.1%
Profit after tax attributable to owners	25,299	21,196	Up	19.4%

Dividend Information	Dividend paid/payable date	Amount per share (cents)	Franked amount per share (cents)	Tax rate for franking
Final 2017 dividend per share	25 Sep 2017	3.00	3.00	30%
Interim 2018 dividend per share	22 Mar 2018	3.00	3.00	30%

Interim dividend dates	
Ex-dividend date	1 March 2018
Record date for determining entitlements to dividend	2 March 2018
Payment date	22 March 2018

Accent Group Ltd's dividend reinvestment plan will not apply to this dividend.

Net tangible assets per share	31 Dec 2017	25 Dec 2016
Net tangible assets per share (cents)	6.7	4.1

Details of entities over which control has been gained or lost during the period

Additional Appendix 4D disclosure requirements can be found in the attached Financial Report and the notes thereto.

This report is based on the attached Half year Financial Report which has been subject to review.

ACCENT GROUP LIMITED ABN 85 108 096 251

Condensed Consolidated Financial Statements for the half-year ended 31 December 2017

Contents

Accent Group Limited

ABN 85 108 096 251

Directors	David Gordon Hilton Brett Daniel Agostinelli Michael Hapgood Craig Thompson Michael Hirschowitz Stephen Kulmar Daniel Gilbert Stephen Goddard (appointed on 25 Nov 2017) Donna Player (appointed on 25 Nov 2017) Brett Blundy (appointed on 7 Dec 2017) Ivan Hammerschlag (resigned on 25 Nov 2017)
Joint Company Secretaries	Leanne Ralph Matthew Durbin (appointed on 25 Jan 2018)
Registered and Administration Office	719 Elizabeth Street Waterloo NSW 2017 Telephone: 02 8310-0000 E-mail: investors@accentgr.com.au
Share Registry	Computershare Investor Services Pty Limited ACN 078 279 277 GPO Box 2975 Melbourne VIC 3001 Telephone: 1300 850 505
Auditors	Deloitte Touche Tohmatsu Grosvenor Place 225 George Street Sydney, NSW 2000
Bankers	National Australia Bank
Stock Exchange Listing	Australian Securities Exchange (ASX Code: AX1)

DIRECTORS' REPORT

Your directors submit the condensed consolidated financial statements of Accent Group Limited ('the Company') and its controlled entities ('the consolidated entity' or 'the Group') for the half-year ended 31 December 2017.

Directors

The names of the directors who held office during or since the end of the half-year:

David Gordon
Hilton Brett
Daniel Agostinelli
Michael Hapgood
Craig Thompson
Michael Hirschowitz
Stephen Kulmar
Daniel Gilbert
Stephen Goddard (appointed on 25 Nov 2017)
Donna Player (appointed on 25 Nov 2017)
Brett Blundy (appointed on 7 Dec 2017)
Ivan Hammerschlag (resigned on 25 Nov 2017)

Company Secretaries

Leanne Ralph
Matthew Durbin (appointed on 25 Jan 2018)

Principal Activities

Accent Group Ltd is a regional leader in the retail and distribution sectors of branded performance and lifestyle footwear, with over 400 stores across 10 different retail banners and exclusive distribution rights for 10 international brands across Australia and New Zealand. The name of the company was changed from RCG Corporation Ltd to Accent Group Limited on 25 November 2017

The combined Group's brands include The Athlete's Foot, Platypus Shoes, Hype DC, Skechers, Merrell, CAT, Vans, Dr.Martens, Saucony, Timberland, Sperry Top-Sider, Palladium, Stance, Podium Sports and Grounded.

Operating Results

For the half-year ended 31 December 2017 the Group recorded Net Profit after Tax ("NPAT") attributable to owners of the company of $25.3 million, an increase of 19% on the prior half year's result. Underlying[1] NPAT increased 13%[2] to $26.3 million.

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[1] References to "underlying" results are references to non-IFRS financial information, which we believe is more meaningful for investors than reported (IFRS) financial information. Underlying EBITDA of $50m = EBITDA from continuing operations of $49.7m +Share-based charge on performance rights $0.003m. Underlying NPAT of $26.3m = Reported NPAT of $25.3m + (underlying EBITDA adjustments above of $0.003m + Amortisation of distribution agreements arising on acquisition of Accent group of $1.2m) x (1 – effective tax rate of 29.78%). Underlying EPS of 4.94 cents = (underlying NPAT of $26.3m – non-controlling interests of ($0.03) / Weighted average number of shares on issue of 533.37m.

[2] Due to movements in the retail calendar, the first week of post-Christmas sales, (week commencing 25th December 2017) which is a key trading week is included in the H1 FY18 (half year ended 31st December 2017) results. In FY17 this post-Christmas week was reported in the second half. On a year to date basis, by the end of January 2018 this trading week is also included in the last year numbers with the underlying (unaudited) EBITDA as the end of January 2018 up 12% on last year. FY17 was 53 weeks, with the second half being 27 weeks. FY18 is a standard 52 week financial year with 26 weeks in each half. Due to trading patterns we do not expect any material impacts to profits in H2 FY18 as a result of having only 26 weeks. Unless otherwise stated this note applies to all financials in this release.

Underlying Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") was $50 million, an increase of 16.5% on the prior year's $42.9 million.

Underlying diluted Earnings Per Share was 4.94 cents, an increase of 15% on the prior half year's 4.30 cents.

Review of operations

Retail
Company owned retail sales grew strongly to $295.1 million, which was 21% up on the prior year. This was driven by strong growth in online sales of 170% and new store rollouts. Like-for-like (LFL) retail sales for the first half of FY18 grew by 1%[3] for the relevant comparative period. The business delayed the timing of the half-yearly clearance sale in December for most of its banners in order to maximise full margin sales in the lead-up to Christmas. Whilst this strategy was expected to and did impact LFL and total retail sales, it contributed strongly to an improved gross profit outcome for the half..

The group opened 22 new stores and closed 7 stores during the first half of FY18, with a further 10 new stores planned to be opened during the balance of the financial year. The planned openings include the expansion of the Hype business to New Zealand, with stores in Auckland and Wellington.

In the retail banners, Platypus and Skechers traded in line with expectations, with stronger gross margins in the lead-up to Christmas. Performance in Hype DC is now also well ahead of last year. The new team is in place and driving the current and future growth through improved planning, buying, store presentation and retail operations. Vans continued its strong performance, driven by significant growth in the classic Old Skool sneaker and the market trend to board culture.

Omnichannel
Total digital sales including click-and-collect and click-and-dispatch, grew 170% during H1 FY18. During the half, a number of new initiatives were implemented, including 3 new eCommerce sites for Timberland, Platypus New Zealand and Skechers New Zealand, the launch of click-and-collect and click-and-dispatch in Platypus and Hype and the roll-out of Afterpay instore for all retail banners.

Wholesale
Wholesale sales for the half of $55.1 million were in line with expectations. While sales were 2.5% below prior half year, gross profit margins and profit were up on the prior half year as a result of improved inventories and more favourable exchange rates. Accent continues to drive the growth of its exclusive brands through its vertical channels and key retail partners. Dr Martens, Vans, and CAT all grew strongly supported by new product innovation and industry trends.

The business has also successfully concluded a further three-year agreement with VF Corporation for the Vans distribution licence.

Dividends
On 28 August 2017, the Company declared an ordinary fully franked dividend of 3.00 cents per share. The dividend was paid on 25 September 2017. On 23 February 2018, the Company declared an interim dividend of 3.00 cents per share to be paid on 22 March 2018 to shareholders registered on the 2 March 2018 record date. The dividend reinvestment plan will not apply to this dividend.

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[3] Includes The Athletes Foot franchise sales

Auditor's Independence Declaration
The auditor's independence declaration has been received and can be found on page 5 of the half-year report.

Rounding off of Amounts
In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

Signed in accordance with a resolution of the Board of directors made pursuant to s306 (3) of the Corporations Act 2001.

On behalf of the Directors

David Gordon
Chairman

Sydney, 23 February 2018

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Accent Group Limited
719 Elizabeth Street
Waterloo NSW 2017

23 February 2018

Dear Board Members

Accent Group Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Accent Group Limited.

As lead audit partner for the review of the financial statements of Accent Group Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants

Accent Group Limited and its controlled entities
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

		Consolidated	
		Dec 2017	Dec 2016
	Note	**$'000**	$'000
Continuing operations			
Revenue	2	**362,499**	301,343
Finished goods used		**(142,713)**	(158,215)
Changes in merchandise inventories		**(16,713)**	23,812
Employee benefits expense		**(71,384)**	(58,099)
Rental expenses on operating leases		**(40,791)**	(33,365)
Advertising and promotion expenses		**(11,907)**	(8,577)
Travel and telecommunications expenses		**(3,001)**	(1,891)
Warehouse and freight expenses		**(11,181)**	(10,020)
Depreciation and amortisation expense		**(11,826)**	(9,649)
Finance costs		**(2,327)**	(1,942)
Other expenses		**(14,683)**	(13,137)
Profit before income tax		**35,973**	30,260
Income tax expense		**(10,713)**	(9,053)
Profit for the period		**25,260**	21,207
Other comprehensive income for the period net of tax			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation		**647**	242
Net change in the fair value of cash flow hedges taken to equity, net of tax		**976**	4,443
Total comprehensive income for the period		**26,883**	25,892
Profit for the period attributable to:			
Owners of the Company		**25,299**	21,196
Non-controlling interests		**(39)**	11
		25,260	21,207
Total comprehensive income attributable to:			
Owners of the Company		**26,922**	25,881
Non-controlling interests		**(39)**	11
		26,883	25,892
Earnings per share			
Basic earnings per share (cents per share)	11	**4.75**	4.07
Diluted earnings per share (cents per share)	11	**4.74**	4.01

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Accent Group LIMITED

Accent Group Limited and its controlled entities
Condensed consolidated statement of financial position
As at 31 December 2017

	Note	Consolidated Dec 2017 $'000	Consolidated Jun 2017 $'000
Current Assets			
Cash and cash equivalents		**50,895**	46,279
Trade and other receivables	4	**19,728**	19,856
Inventories	5	**106,197**	111,946
Other current assets		**3,344**	3,259
Total current assets		**180,164**	181,340
Non-current Assets			
Trade and other receivables	4	**705**	705
Property, plant and equipment	6	**76,242**	74,800
Intangible assets	7	**346,429**	347,758
Deferred tax assets		**6,831**	4,816
Total non-current assets		**430,207**	428,079
TOTAL ASSETS		**610,371**	609,419
Current Liabilities			
Trade and other payables	8	**84,164**	88,849
Borrowings	9	**30,125**	15,097
Current tax liabilities		**6,021**	7,990
Derivative financial instruments	10	**3,803**	5,054
Short-term provisions		**5,168**	4,893
Deferred incentives		**7,078**	4,949
Total current liabilities		**136,359**	126,832
Non-current Liabilities			
Borrowings	9	**71,000**	88,625
Derivative financial instruments	10	**567**	710
Long-term provisions		**734**	613
Deferred incentives		**19,770**	21,987
Total non-current liabilities		**92,071**	111,935
TOTAL LIABILITIES		**228,430**	238,767
NET ASSETS		**381,941**	370,652

Accent Group Limited and its controlled entities
Condensed consolidated statement of financial position
As at 31 December 2017

		Consolidated	
		Dec 2017	Jun 2017
	Note	**$'000**	$'000
Equity			
Issued capital		**385,539**	385,310
Reserves		**5,349**	3,208
Accumulated losses		**(10,573)**	(19,603)
Equity attributable to the owners of the company		**380,315**	368,915
Non-controlling interest		**1,626**	1,737
TOTAL EQUITY		**381,941**	370,652

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Accent Group Limited and its controlled entities
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2017

	Issued Capital No. in 000	Issued Capital $'000	Foreign Currency Reserves $'000	Share Plan Reserve $'000	Hedge Reserve $'000	Accum-ulated Losses $'000	Non-controlling interest $'000	Total $'000
Balance at 26 June 2016	490,304	319,319	3,136	3,721	(5,467)	(16,282)	1,860	306,287
Shares issued during the period								
Exercise of options	2,862	395	-	-	-	-	-	395
Issue of shares for acquisition	36,842	62,926	-	-	-	-	-	62,926
Capitalised option fees	-	30	-	-	-	-	-	30
Treasury shares	(2,117)	-	-	-	-	-	-	-
Payment for Treasury shares	2,117	1,041	-	-	-	-	-	1,041
Share based payment	-	-	-	179	-	-	-	179
Profit for the period	-	-	-	-	-	21,196	11	21,207
Other Comprehensive Income for the period net of tax	-	-	242	-	4,443	-	-	4,685
Total Comprehensive Income	-	-	242	-	4,443	21,196	11	25,892
Dividends paid or provided for	-	-	-	-	-	(16,239)	(78)	(16,317)
Balance at 25 December 2016	**530,008**	**383,711**	**3,378**	**3,900**	**(1,024)**	**(11,325)**	**1,793**	**380,433**
Balance at 2 July 2017	532,790	385,310	3,178	4,065	(4,035)	(19,603)	1,737	370,652
Shares issued during the period								
Payment for Treasury shares	466	229	-	-	-	-	-	229
Share based payment	-	-	-	518	-	-	-	518
Profit for the period	-	-	-	-	-	25,299	(39)	25,260
Other Comprehensive Income for the period	-	-	647	-	976	-	-	1,623
Total Comprehensive Income	-	-	647	-	976	25,299	(39)	26,883
Dividends paid or provided for [(a)]	-	-	-	-	-	(16,269)	(72)	(16,341)
Balance at 31 December 2017	**533,256**	**385,539**	**3,825**	**4,583**	**(3,059)**	**(10,573)**	**1,626**	**381,941**

a) The Company declared an ordinary fully franked dividend of 3.00 cents per share on 28 August 2017 which was paid on 25 September 2017.

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

Accent Group LIMITED

Accent Group Limited and its controlled entities
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2017

		Consolidated	
		Dec 2017	Dec 2016
	Note	**$'000**	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and franchisees		**398,675**	333,012
Payments to suppliers and employees		**(311,212)**	(255,897)
Interest received		**457**	546
Payments for operating leases		**(39,625)**	(28,783)
Net income tax paid		**(14,871)**	(10,137)
Finance costs paid		**(2,327)**	(1,942)
Net cash provided by operating activities		**31,097**	36,799
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of business		**-**	(30,579)
Payment for property, plant and equipment		**(8,163)**	(23,858)
Net cash used in investing activities		**(8,163)**	(54,437)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**-**	31,987
Net proceeds from issue of shares		**228**	1,224
Repayment of borrowings		**(2,000)**	-
Repayment of loans from option recipients		**-**	210
Dividends paid		**(16,341)**	(16,317)
Net cash (used in)/provided by financing activities		**(18,113)**	17,104
Net increase/(decrease) in cash held		**4,821**	(534)
Cash at beginning of the period		**45,682**	44,573
Effects of exchange rate changes on the balance of cash held in foreign currencies		**392**	(64)
Cash at end of the period		**50,895**	43,975

The accompanying notes form an integral part of these Condensed Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year condensed consolidated financial statements are general purpose financial statements prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. The half-year condensed consolidated financial statements do not include notes of the type normally included in an annual report and are to be read in conjunction with the most recent annual consolidated financial statements and any public announcements made by Accent Group Limited during the interim reporting period in accordance with the continuous reporting requirements of the Corporations Act 2001.

Basis of preparation

The financial report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of certain non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian dollars, unless otherwise noted.

The financial report covers the consolidated entity of Accent Group Limited and controlled entities. Accent Group Limited is a listed public company incorporated and domiciled in Australia. On 25 November 2017 the Group changed its name from RCG Corporation Limited to Accent Group Limited. This included the change in the ASX ticker code from RCG to AX1 on 29 November 2017.

In accordance with Legislative Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the rounding off of amounts in the financial statements amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Legislative Instrument, unless otherwise indicated.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Critical accounting estimates

The preparation of the half-year condensed consolidated financial statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year condensed consolidated financial statement, the judgements made by management in applying the consolidated entities accounting policies and the key source of estimation uncertainty were the same as those applied to the consolidated financial report as at July 2017.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 2 July 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The Standard is expected to be adopted by the Group in the year ended on or around 30 June 2019.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The adoption is not expected to result in significant changes to the recognition and measurement of the Group's revenues. The Standard is expected to be adopted by the Group in the year ended on or around 30 June 2019.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The new Standard is likely to result in significant changes to the recognition and measurement of amounts within the Group's financial statements, given the Group holds a large number of leases for corporate stores as well as franchisee stores under back-to-back lease agreements. The Standard is expected to be adopted by the Group in the year ended on or around 30 June 2020.

Accent Group Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended 31 December 2017

	Consolidated	
	Dec 2017	Dec 2016
	$'000	$'000
2. REVENUE		
a) Sales revenue		
Sales to customers	**350,257**	289,874
Royalties and other franchise related income	**7,323**	7,426
	357,580	297,300
b) Other revenue		
Marketing levies received from TAF stores	**3,461**	1,871
Interest	**457**	547
Other revenue	**1,001**	1,625
Total Revenue	**362,499**	301,343

	Consolidated	
	Dec 2017	Dec 2016
	$'000	$'000
3. EXPENSES		
Profit from continuing operations before income tax includes the following specific expenses		
Depreciation and amortisation expense		
Property, plant and equipment depreciation expense	**10,497**	7,983
Intangible amortisation expense	**1,329**	1,666
	11,826	9,649
Finance costs		
Finance costs	**2,327**	1,942
	2,327	1,942
Rental expense relating to operating leases		
Minimum lease payments	**40,791**	33,365
Others		
Salaries, bonus and commission		
Defined contribution Superannuation plan expense	**5,186**	3,419

Accent Group Limited and its controlled entities
Notes to the condensed consolidated financial statements for the half-year ended 31 December 2017

	Consolidated	
	Dec 2017	Jun 2017
	$'000	$'000
4. TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	**17,396**	17,732
Other receivables	**3,662**	3,304
Provision for doubtful debts	**(1,330)**	(1,180)
	19,728	19,856
NON-CURRENT		
Loans to outside shareholders in TAF Partnership stores [(a)]	**705**	705
	705	705

a) Secured over the minority shareholders' share in the underlying TAF Partnership store entities.

5. CURRENT ASSETS - INVENTORIES		
Finished goods at cost, less provision for obsolescence	**106,197**	111,946

Accent Group Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2017

	Consolidated	
	Dec 2017	Jun 2017
	$'000	$'000
6. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment - at cost	**132,421**	120,445
Less: Accumulated depreciation	**(56,714)**	(46,947)
	75,707	73,498
Assets under construction	**535**	1,302
	76,242	74,800

	Dec 2017	Dec 2016
	$'000	$'000
Movements in carrying amounts		
Property, plant and equipment - at cost		
At cost		
Balance at beginning of year	**120,445**	75,253
Additions [(a)]	**12,373**	24,447
Acquisitions through business combination	**-**	12,412
Disposals	**(397)**	(3,456)
	132,421	108,656
Accumulated depreciation		
Balance at beginning of year	**46,947**	33,376
Depreciation expense	**10,497**	7,983
Acquisitions through business combination	**-**	-
Effect of foreign currencey exchange differences	**(342)**	90
Disposals	**(388)**	(2,569)
	56,714	38,880
	75,707	69,776
Assets under construction	**535**	497
Net book value	**76,242**	70,273

(a) Contributions of $4,210,000 to store fit-out costs have been received from landlords and suppliers. These amounts have been netted off against each other for cashflow purposes.

Accent Group Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2017

	Consolidated	
	Dec 2017	Jun 2017
	$'000	$'000
7. INTANGIBLE ASSETS		
a. Brands and Trademarks		
The Athlete's Foot - at cost	**3,466**	3,466
Accent Group - at cost	**11,100**	11,100
Hype DC Group - at cost	**20,545**	20,545
	35,111	35,111
b. Goodwill [(a)]	**294,328**	294,328
	294,328	294,328
c. Licence fee		
The Athlete's Foot - at cost	**7,832**	7,832
Amortisation	**(251)**	(234)
	7,581	7,598
d. Distribution rights [(b)]		
At cost	**16,800**	16,800
Amortisation	**(7,529)**	(6,367)
	9,271	10,433
e. Other intangible assets		
Other intangible assets - at cost	**432**	432
Amortisation	**(295)**	(144)
	137	288
Total Intangibles	**346,429**	347,758

(a) *During the half-year, the Group continued the restructure of its operations which included the integration of the RCG Brands, Accent and The Athlete's Foot businesses into a single integrated multi-channel retailer of performance and lifestyle footwear. As a result of the restructure, the goodwill associated with the CGU groups, which disclosed in the financial statements for the year ended 2 July 2017, has been consolidated into a single CGU group for the purposes of goodwill impairment testing. Other intangibles continue to be tested for impairment individually.*

(b) *Includes the distribution rights recognised on the acquisition of Accent Group Limited (New Zealand) in 2015.*

Accent Group Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2017

	Consolidated	
	Dec 2017	Jun 2017
	$'000	$'000
8. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade creditors	**30,707**	55,939
Other creditors and accruals	**53,457**	32,910
	84,164	88,849
9. BORROWINGS		
Secured, at amortised cost		
Current		
Vendor loan notes [(a)]	**13,125**	-
Bank borrowing facilities	**17,000**	15,097
	30,125	15,097
Non-current		
Vendor loan notes [(a)]	**-**	13,125
Bank borrowing facilities	**71,000**	75,500
	71,000	88,625
Total Borrowings	**101,125**	103,722

(a) Vendor loan notes were issued in connection with the Hype DC acquisition and are repayable on 4 August 2018.

	Consolidated	
	Dec 2017	Jun 2017
10. DERIVATIVE INSTRUMENTS		
a. Financial liabilities - Current		
Derivatives designated and effective as hedging instruments carried at fair value		
Foreign currency forward contracts	**3,803**	5,054
	3,803	5,054
Financial liabilities - Non-current		
Derivatives designated and effective as hedging instruments carried at fair value		
Interest rate swap contracts	**567**	710
	567	710

11. EARNINGS PER SHARE

	Consolidated	
	Dec 2017	Dec 2016
	$'000	$'000
Earnings used for calculation of basic and diluted earnings per share		
Profit for the period attributable to owners of the company from continuing operations	**25,299**	21,196

	Number of shares	
	'000	'000
Weighted average number of shares		
Weighted average number of shares used in the calculation of basic EPS	**533,120**	521,099
Weighted average number of options and ESS on issue	**254**	7,329
Weighted average number of shares used in the calculation of diluted EPS	**533,374**	**528,428**

Earnings per share	**Cents per share**	
From continuing operations		
Basic earnings per share attributable to the owners of the company	**4.75**	4.07
Diluted earnings per share attributable to the owners of the company	**4.74**	4.01

Accent Group Limited and its controlled entities

Notes to the condensed consolidated financial statements for the half-year ended 31 December 2017

	Consolidated	
	Dec 2017	Jun 2017
	$'000	$'000
12. COMMITMENTS		
a. Capital Expenditure Commitments		
Estimated capital expenditure at reporting date, not provided for in the financial statements pertaining to plant and equipment		
- not later than one year	**10,000**	18,509
b. Operating Lease Commitments		
Future operating lease rentals (minimum lease payments) of premises, plant and equipment not provided for in the financial statements and payable under non-cancellable operating leases.		
- not later than one year	**66,312**	63,099
- later than one year but not later than five years	**192,782**	187,312
- later than five years	**31,054**	32,418
	290,148	282,829

13. OPERATING SEGMENTS

During the half-year, the Group continued the restructure of its operations which included the integration of the RCG Brands, Accent and The Athlete’s Foot businesses into a single integrated multi-channel retailer of performance and lifestyle footwear. As a result of the restructure, the information reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources was restructured, with information used for decision making based on the consolidated Group. Accordingly, reporting of segment information in the format of that in the year ended 2 July 2017 is no longer appropriate.

The CODM assesses the performance of the operations based on EBITDA (earnings before interest, tax, depreciation and amortisation) of the Group on a monthly basis. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

14. NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

a. Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	Dec 2017 $'000	Jun 2017 $'000		
Foreign currency forward contracts	**(3,803)**	(5,054)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Interest rate swap contracts	**(567)**	(710)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.

b. Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of the following financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values:

	Dec 2017	Jun 2017
	$'000	$'000
Financial assets		
Trade and other receivables	**19,728**	19,856
Cash and cash equivalents	**50,895**	46,279
Financial liabilities		
Trade and other payables	**84,164**	88,849
Borrowings	**101,125**	103,722

15. ISSUES OF EQUITY

Issued capital as at 31 December 2017 amounted to $385,540,000 represented by 533,256,226 shares (542,291,224 equity shares less treasury shares 9,034,998). During the half-year the company converted 466,667 treasury shares to ordinary shares amounting to $228,667 being the repayment of the Employee Share Scheme.

16. DIVIDENDS

On 28 August 2017, the Company declared an ordinary fully franked dividend of 3.00 cents per share. The dividend was paid on 25 September 2017. On 23 February 2018, the Company declared an interim dividend of 3.00 cents per share to be paid on 22 March 2018 to shareholders registered on the 2 March 2018 record date. The dividend reinvestment plan will not apply to this dividend.

17. SUBSEQUENT EVENTS

Mr Hilton Brett, Co-CEO and Executive Director will retire from both the positions effective 31 March 2018. Mr. Daniel Agostinelli, Co-CEO will become the sole CEO from this date. Mr. Danny Gilbert and Mr. Craig Thompson, will also retire from the Board effective 31 March 2018.

Apart from the above events, the Directors are not aware of any matter or circumstance that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the financial periods subsequent to 31 December 2017.

18. CONTINGENT LIABILITIES

Bank guarantees outstanding as of 31 December 2017 amounted to $2.12 million ($6.28 million in December 2016) and open letters of credit of $7.16 million ($2.65 million in December 2016).

The Athlete's Foot has entered into operating lease commitments with landlords in its capacity as head lessor for stores operated by its franchisees. However, its franchisees have simultaneously undertaken to meet the rental commitments through back-to-back licence agreements. In addition, some franchisees have provided bank guarantees (generally for a maximum period of three months' rent) and in some instances personal guarantees to the landlords of the properties. The company and its subsidiaries would become liable in the event of a default by any franchisee. The maximum possible exposure would be $60.1 million (less than one year $17.1 million; between one and five years $38.2 million; and $4.8 million over five years). This would arise only in the event that all franchisees defaulted at the same time.

19. PERFORMANCE RIGHTS

During the period, the Group issued a total of 31,650,000 performance rights to employees. The performance rights were granted under the terms and conditions of the Company Performance Rights Plan. The Performance Rights Plan was approved at the Company's 2016 Annual General Meeting on 25 November 2016 and the grant of the performance rights to the Executive Directors were approved at the Company's 2017 Annual General Meeting on 23 November 2017.

Vesting of the performance rights is subject to a performance condition as follows:

- 10% compound annual growth in Adjusted Diluted Earnings Per Share ('ADEPS').

The ADEPS performance condition is measured over a 5 year period commencing 1 July 2017 and vesting is subject to the recipients of the performance rights remaining in employment with the Group.

20. COMPANY DETAILS

The registered office and principal place of business is:

Accent Group Limited
719 Elizabeth Street, Waterloo
NSW 2017, AUSTRALIA

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes to Accent Group Limited ('the consolidated entity'), as set out on pages 6 to 23, are in accordance with the Corporations Act 2001; including that they:

   a. comply with Australian Accounting Standards AASB 134 " Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. give a true and fair view of the financial position as at 31 December 2017 and performance for the half-year ended on that date of the consolidated entity.

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

   Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

David Gordon
Chairman

Sydney, 23 February 2018

Accent Group LIMITED

Deloitte.

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Independent Auditor's Review Report to the Members of Accent Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Accent Group Limited and its controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Accent Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Accent Group Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D R White

David White
Partner
Chartered Accountants
Sydney, 23 February 2018