Accent Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Accent Group Limited
ABN:	85 108 096 251
Reporting period:	For the half-year ended 30 December 2018 (26 weeks)
Previous period:	For the half-year ended 31 December 2017 (26 weeks)

2. Results for announcement to the market

	30 Dec 2018 $'000	31 Dec 2017 $'000	Percentage change %
Revenues from ordinary activities	399,948	362,040	10.5%
Profit after income tax for the period	32,159	25,260	27.3%
Profit for the period attributable to the owners of Accent Group Limited	32,146	25,299	27.1%

Dividends

	Amount per security Cents	Franked amount per security Cents
2018 Final dividend	3.75	3.75
2019 Interim dividend	4.50	4.50

Dividend payment date:

2018 Final dividend	27 September 2018
2019 Interim dividend	21 March 2019

3. Net tangible assets

	30 Dec 2018 Cents	31 Dec 2017 Cents
Net tangible assets per ordinary security	9.79	6.70

4. Other information

This report is based on the consolidated interim financial statements which have been reviewed by Deloitte.

For a brief explanation of the figures above please refer to the Announcement on the results for the half-year ended 30 December 2018 and the notes to the financial statements.

Accent Group Limited

ABN 85 108 096 251

Interim Report - 30 December 2018

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Consolidated Entity' or 'Group') consisting of Accent Group Limited (referred to hereafter as the 'Company' or 'Accent Group') and the entities it controlled at the end of, or during, the half-year ended 30 December 2018.

Directors

The following persons were directors of Accent Group Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

David Gordon
Daniel Agostinelli
Brett Blundy
Stephen Goddard
Michael Hapgood
Stephen Kulmar
Donna Player

Principal activities

Accent Group is a regional leader in the retail and distribution sectors of branded performance and lifestyle footwear, with 449 stores and 16 websites across 10 different retail banners and exclusive distribution rights for 12 international brands across Australia and New Zealand.

The combined Group’s brands include The Athlete’s Foot (‘TAF’), Platypus Shoes, Hype DC, Skechers, Merrell, CAT, Vans, Dr.Martens, Saucony, Timberland, Sperry, Palladium, Stance and Subtype.

Dividends

Dividends paid during the half-year were as follows:

	Consolidated	
	30 Dec 2018 $'000	**31 Dec 2017 $'000**
Final dividend for the year ended 1 July 2018 of 3.75 cents (2017: 3.00 cents) per ordinary share	20,297	16,269
Dividends paid to non-controlling interests	44	72
	20,341	16,341

In respect of the financial year ended 30 June 2019, the directors recommended the payment of an interim fully franked dividend of 4.50 cents per share to be paid on 21 March 2019.

Review of operations

The profit for the Group after providing for income tax and non-controlling interest amounted to $32,146,000 (31 December 2017: $25,299,000).

Operating results

The Group delivered a record half-year profit for the 26 weeks ended 30 December 2018, up 27.3% on the prior year.

	30 Dec 2018 $'m	**31 Dec 2017 $'m**
Net Profit After Tax	32.2	25.3
Earnings Before Interest, Tax, Depreciation and Amortisation	61.3	49.7
Sales to customers	389.4	350.3

The Group’s Gross Profit Margin increased to 57.3%, an increase of 280 basis points on the prior year and Earnings Per Share increased by 20% to 5.69 cents per share.

The Group ended the half year in a strong cash position of $40.1 million after investing $11.4 million in the acquisition of new TAF corporate stores.

Retail
Company owned retail sales grew strongly to $331.1 million, an increase of 12.2% on the prior period.

The business continued to benefit from the global momentum and strong local sales from its vertical distributed brands including Skechers, Vans and Dr Martens driving both sales growth in the standalone stores and margin growth in Hype and Platypus.

Margin improvement across the board resulted from the ongoing removal of category and core discounting, increased penetration of vertical distributed brands and new vertical products in shoe care, socks and accessories.

Accent Group opened 35 new stores during the half, including a 600sqm Platypus flagship megastore in Melbourne Central that has traded well beyond expectations. The Group expects to open more than 50 new stores in FY19, including another Platypus megastore on Pitt Street Mall in Q4.

Sales performance in TAF was ahead of the prior year on both a total and like for like store basis and in line with expectations. Gross margin and profitability in the corporate stores has been ahead of the prior year. TAF digital sales continue to grow strongly, up more than 159% on the prior year. During H1, Accent Group acquired 26 TAF stores, including the purchase and successful takeover of the TAF New Zealand business. Implementation of this strategy is on track and the Company expects to own 50 TAF corporate stores by the end of FY19.

Wholesale
Wholesale sales for the half were up 5.7% on the prior year to $58.3 million, with strong performances in Vans, Dr. Martens, Merrell, CAT, Saucony and Stance. Skechers sales in wholesale were in line with expectations as we continue to roll out the Skechers store network.

Wholesale gross profit margins were up on the prior year due to cleaner inventories.

Digital
Total digital sales grew 94% during H1 FY19 on top of the 170% growth achieved in H1 FY18.

The business continued the roll of out new features in its digital infrastructure with endless aisle and same day delivery now available in all company owned stores. The endless aisle feature allows customers in any store direct access to inventory in all stores and the central warehouse and has quickly jumped to almost 3% of store sales through this channel. The same day delivery option has seen quick customer take up and now represents 2% of online dispatch. Same day delivery drives both a customer and cost benefit as the delivery cost is fully recovered.

Significant changes in the state of affairs
The following significant events have arisen during the financial half-year:

Vendor loan notes repayment
As part of the purchase consideration for Hype DC Pty Ltd ('Hype DC'), the Company issued vendor loan notes to each of the vendors in proportion to their shareholding in Hype DC. The vendor loan notes of $13,125,000 which were due to be repaid by 4 August 2018 were repaid in full on 13 July 2018 from existing NAB facilities.

Release of Shares from Escrow
As part of the acquisition of Hype DC by the Company under a share sale and purchase deed dated 4 July 2016, the Company issued 36,842,105 fully paid ordinary shares to the shareholders of Hype DC which were subject to an escrow period of 2 years. On 4 August 2018 these fully paid ordinary shares were released from escrow.

Debt Facility Refinancing
The Company refinanced its existing NAB debt facilities on 16 August 2018, in advance of their maturity, to take advantage of favourable loan market conditions. The new facilities totalling $154,800,000 provided by NAB and HSBC consist of a $76,100,000 senior debt facility, a $58,700,000 multi-option facility and a further $20,000,000 of permitted indebtedness available to be drawn upon. The new facilities have tenures of three and five years maturing in August 2021 and August 2023.

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

Rounding of amounts

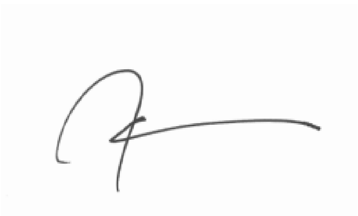
The Company is of a kind referred to in *Corporations Instrument 2016/191*, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain 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 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



David Gordon
Chairman

21 February 2019
Melbourne

Deloitte.

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The Board of Directors
Accent Group Limited
2/64 Balmain Street
Richmond VIC 3121

21 February 2019

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 30 December 2018, 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
Statement of profit or loss and other comprehensive income
For the half-year ended 30 December 2018

	Note	Consolidated 30 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue	7	399,948	362,040
Other income		-	2
Interest revenue		218	457
Expenses			
Finished goods used		(193,871)	(142,713)
Changes in inventories of finished goods		27,592	(16,713)
Employee benefits expense		(79,456)	(71,384)
Depreciation and amortisation expense		(13,883)	(11,826)
Impairment of receivables		(30)	-
Rental expense on operating leases		(45,004)	(40,791)
Advertising and promotion expenses		(14,201)	(11,907)
Travel and telecommunication expenses		(3,401)	(3,001)
Warehousing and freight expenses		(13,766)	(11,181)
Other expenses		(16,551)	(14,683)
Finance costs		(1,806)	(2,327)
Profit before income tax expense		45,789	35,973
Income tax expense		(13,630)	(10,713)
Profit after income tax expense for the period		32,159	25,260
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		699	976
Foreign currency translation		(891)	647
Other comprehensive income for the period, net of tax		(192)	1,623
Total comprehensive income for the period		31,967	26,883
Profit for the period is attributable to:			
Non-controlling interest		13	(39)
Owners of Accent Group Limited		32,146	25,299
		32,159	25,260
Total comprehensive income for the period is attributable to:			
Non-controlling interest		13	(39)
Owners of Accent Group Limited		31,954	26,922
		31,967	26,883
		Cents	**Cents**
Basic earnings per share	16	5.99	4.75
Diluted earnings per share	16	5.69	4.74

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

Accent Group Limited
Statement of financial position
As at 30 December 2018

	Note	Consolidated 30 Dec 2018 $'000	1 Jul 2018 $'000 Restated
Assets			
Current assets			
Cash and cash equivalents		40,089	38,772
Trade and other receivables		22,881	18,370
Inventories		126,148	98,556
Derivative financial instruments		6,054	4,614
Other current assets		2,592	1,367
Total current assets		197,764	161,679
Non-current assets			
Receivables		111	341
Derivative financial instruments		178	676
Property, plant and equipment		83,891	74,664
Intangibles	8	353,020	346,091
Deferred tax		23,131	22,310
Total non-current assets		460,331	444,082
Total assets		658,095	605,761
Liabilities			
Current liabilities			
Trade and other payables		117,778	80,965
Borrowings	9	10,000	22,625
Derivative financial instruments		266	251
Income tax		9,754	10,497
Employee benefits		6,405	6,107
Deferred lease incentives		8,808	7,174
Total current liabilities		153,011	127,619
Non-current liabilities			
Borrowings	10	61,125	51,000
Derivative financial instruments		113	184
Deferred tax		13,396	16,487
Employee benefits		578	64
Deferred lease incentives		23,861	18,494
Total non-current liabilities		99,073	86,229
Total liabilities		252,084	213,848
Net assets		406,011	391,913
Equity			
Issued capital	11	387,793	386,973
Reserves		13,999	12,151
Retained earnings/ Accumulated losses		3,976	(8,184)
Equity attributable to the owners of Accent Group Limited		405,768	390,940
Non-controlling interest		243	973
Total equity		406,011	391,913

Refer to note 5 for detailed information on Restatement of comparatives.

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

Accent Group Limited
Statement of changes in equity
For the half-year ended 30 December 2018

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Accum-lated losses/ Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 3 July 2017	385,310	3,178	(4,035)	4,065	(19,603)	1,737	370,652
Profit/(loss) after income tax expense for the half-year	-	-	-	-	25,299	(39)	25,260
Other comprehensive income for the half-year, net of tax	-	647	976	-	-	-	1,623
Total comprehensive income for the half-year	-	647	976	-	25,299	(39)	26,883
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	-	518	-	-	518
Treasury share payments	229	-	-	-	-	-	229
Dividends paid (note 12)	-	-	-	-	(16,269)	(72)	(16,341)
Balance at 31 December 2017	385,539	3,825	(3,059)	4,583	(10,573)	1,626	381,941

Consolidated	Issued capital $'000	Foreign currency translation reserve $'000	Hedging reserve - cash flow hedges $'000	Share-based payments reserve $'000	Accum-lated losses/ Retained earnings $'000	Non-controlling interest $'000	Total equity $'000
Balance at 2 July 2018	386,973	2,738	3,399	6,014	(8,184)	973	391,913
Profit after income tax expense for the half-year	-	-	-	-	32,146	13	32,159
Other comprehensive income for the half-year, net of tax	-	(891)	699	-	-	-	(192)
Total comprehensive income for the half-year	-	(891)	699	-	32,146	13	31,967
Transactions with owners in their capacity as owners:							
Share-based payments	-	-	-	2,040	-	-	2,040
Treasury share payments	820	-	-	-	-	-	820
Buy-back of non-controlling interest	-	-	-	-	311	(699)	(388)
Dividends paid (note 12)	-	-	-	-	(20,297)	(44)	(20,341)
Balance at 30 December 2018	387,793	1,847	4,098	8,054	3,976	243	406,011

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

Accent Group Limited
Statement of cash flows
For the half-year ended 30 December 2018

	Note	Consolidated 30 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers and franchisees (inclusive of GST)		435,074	398,675
Payments to suppliers and employees (inclusive of GST)		(364,918)	(350,837)
Interest received		218	457
Interest and other finance costs paid		(2,479)	(2,327)
Income taxes paid		(18,584)	(14,871)
Net cash from operating activities		49,311	31,097
Cash flows from investing activities			
Payment for purchase of businesses, net of cash acquired	15	(11,387)	-
Payments for property, plant and equipment		(13,392)	(8,163)
Net cash used in investing activities		(24,779)	(8,163)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs		820	228
Proceeds from borrowings		15,625	-
Repayment of borrowings		(18,125)	(2,000)
Dividends paid	12	(20,341)	(16,341)
Net cash used in financing activities		(22,021)	(18,113)
Net increase in cash and cash equivalents		2,511	4,821
Cash and cash equivalents at the beginning of the financial half-year		38,772	45,682
Effects of exchange rate changes on cash and cash equivalents		(1,194)	392
Cash and cash equivalents at the end of the financial period		40,089	50,895

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

Note 1. General information

The financial statements cover Accent Group Limited ('Company', 'parent entity' or 'Accent') as a Group consisting of Accent Group Limited and the entities it controlled at the end of, or during, the half-year ('Group'). The financial statements are presented in Australian dollars, which is Accent's functional and presentation currency.

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

2/64 Balmain Street
Richmond VIC 3121

A description of the nature of the Group'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 21 February 2019.

Note 2. Basis of preparation

These general purpose financial statements for the period ended 30 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 1 July 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Note 3. Significant accounting policies

Except as described below, the accounting policies applied in these consolidated interim financial statements are the same as those applied in the Group's 2018 Annual Report.

Adoption of new accounting standards

The following standards, amendments and interpretations were adopted by the Group:

AASB 9 ‘Financial Instruments’

AASB 9 ‘Financial Instruments’ replaces AASB 139 ‘Financial Instruments: Recognition and Measurement’ and is applicable to financial assets and financial liabilities. In the six months to 30 December 2018, the Group assessed in detail the impact of the new standard on the consolidated financial statements and concluded the impact on transition was immaterial. Accordingly, the Group has not restated prior year comparatives. Whilst the impact of the new standard is immaterial, the impact on the Group from adoption of AASB 9 is set out below.

Credit losses on trade receivables

The Group has elected to apply the simplified approach to measuring expected credit losses, which uses the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On this basis, the impact of the expected loss allowance under AASB 9 against the loss incurred under AASB 139 is not considered material to the Group.

Hedge Accounting

In accordance with AASB 9’s transition provisions for hedge accounting, the Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 2 July 2018. There has been no change in the Group’s transactions that are subject to hedge accounting from the adoption of AASB 9, being the interest rate swaps and forward foreign currency exchange contracts. Accordingly, there has been no impact on the hedging reserve from the adoption of AASB 9.

Note 3. Significant accounting policies (continued)

AASB 15 'Revenue from Contracts with Customers'

AASB 15 'Revenue from Contracts with Customers' replaces AASB 118 'Revenue'. The standard requires that revenue should only be recognised when the customer obtains control of goods or services and has the ability to direct use and obtain benefits from the goods or services. In the six months to 30 December 2018, the Group assessed in detail the impact of the new standard on the consolidated financial statements.

The major sources of the Group's revenue are from sales to customers, royalties and other franchise related income and marketing levies received from TAF stores.

Sales to customers

In previous reporting periods, revenue from the sale of branded performance and lifestyle footwear was recognised when the buyer accepted the risk and rewards of ownership which generally occurred when the control of the goods transferred to the end customer. The adoption of AASB 15 has had no material impact on this revenue stream.

Customers have the right to return the goods within a specified period and the Group is obliged to refund the purchase price. Prior to the adoption of AASB 15, AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' required the amount of revenue related to expected footwear returns to be deferred and recognised in the Statement of Financial Position within Trade and other payables as a provision. In prior reporting periods, returns were not material to the Group. Under AASB 15, the consideration received from the customer is considered variable and requires the recognition of a refund liability and a corresponding adjustment to revenue for the goods the Group expects to be returned. As at 30 December 2018, the potential refund liability was calculated and considered not to be material to the Group.

Royalties and other franchise related income

Franchise royalty fee income is generally earned based upon a percentage of sales that has occurred and is recognised on an accrual basis. The adoption of AASB 15 has resulted in no changes to the accounting treatment of revenue associated with royalty income.

Marketing levies received from TAF stores

Marketing levies are advertising contributions which are generally earned based upon a percentage of sales that has occurred and are recognised on an accrual basis. Marketing levies are collected by the Group for specific use within the TAF Marketing Fund, which is operated on behalf of the TAF stores. As all the contributions are designated for specific purposes they do not result in a profit or loss for the Group.

The adoption of AASB 15 has resulted in no changes to the accounting treatment of revenue associated with marketing levies.

The Group's revenue is principally generated on a 'point in time' basis. The amount of revenue recognised by the Group on an 'over time' basis is $856,332 and not material in the context of the Group's total revenue.

Note 3. Significant accounting policies (continued)

Impact of AASB 9 and AASB 15
The impact of AASB 9 and AASB 15 on the Statement of profit or loss and other comprehensive income on the current reporting period is summarised below:

EXTRACT	Consolidated New standards $'000	Previous standards $'000	Difference $'000
Statement of profit or loss			
Revenue	399,948	400,166	(218)
Interest revenue	218	-	218
Impairment of receivables	(30)	-	(30)
Other expenses	(16,551)	(16,581)	30
Profit before income tax expense	45,789	45,789	-
Income tax expense	(13,630)	(13,630)	-
Profit after income tax expense	32,159	32,159	-

New Accounting Standards and Interpretations not yet mandatory or early adopted
AASB 16 ‘Leases’ is effective for periods beginning on or after 1 January 2019 and therefore will be effective in the Group financial statements in the year ended 28 June 2020. The application of AASB 16 will result in almost all leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is removed. Practically, this will result in an asset (the right to use the leased item) and a financial lease liability. The only exceptions are short-term leases and low value leases.

AASB 16 will primarily affect the accounting for the Group’s operating leases, and as at 30 December 2018 the Group had operating lease commitments of $343,720,798. The Group is in the process of quantifying the impact of AASB 16, and management has implemented a project team to assess the impact on the Group, including detailed assessment of both the Full and Modified Retrospective Method. It is anticipated that implementation of the new standard will have a significant impact on the reported assets and liabilities of the Group. It is not possible to fully quantify the impact of AASB 16 at this stage.

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.

Note 4. Critical accounting judgements, estimates and assumptions

In preparing the consolidated interim financial statements, management are required to make accounting judgements, assumptions and estimates. The judgements, assumptions and estimation methods are consistent with those applied to the 2018 Annual Report.

Note 5. Restatement of comparatives

Change in accounting policy
At the time of TAF's business combination, the Group did not recognise a deferred tax liability on the basis that indefinite life intangibles were considered non-depreciable and accordingly could not be calculated on the assumption of use but rather on sale.

In November 2016, The IFRS Interpretation Committee (IFRIC) published a summary of its discussions which clarified that indefinite life assets are subject to consumption by an entity and concluded that the assumption of sale could not be presumed in calculating the deferred tax on indefinite life intangibles.

The Group has now recognised a deferred tax liability on indefinite life intangibles acquired as part of TAF's business combination. The change in accounting policy on TAF's business combination has now been applied retrospectively and results in a restatement of the consolidated Statement of Financial Position. The impact on the financial statements of prior periods is noted below.

Statement of profit or loss and other comprehensive income
When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the half-year ended 31 December 2017. However, as there were no adjustments made to the profit and loss, the Group has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the end of the earliest comparative period

		Consolidated	
EXTRACT	**1 Jul 2018 $'000 Reported**	**$'000 Adjustment**	**1 Jul 2018 $'000 Restated**
Assets			
Non-current assets			
Intangibles	345,051	1,040	346,091
Total non-current assets	443,042	1,040	444,082
Total assets	604,721	1,040	605,761
Liabilities			
Non-current liabilities			
Deferred tax	15,447	1,040	16,487
Total non-current liabilities	85,189	1,040	86,229
Total liabilities	212,808	1,040	213,848
Net assets	391,913	-	391,913

Note 6. Operating segments

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-makers (CODM's). The CODM's have been identified as the Board of Directors on the basis they make the key operating decisions of the Group and are responsible for allocating resources and assessing performance.

Key internal reports received by the CODM's, primarily the management accounts, focus on the performance of the Group as a whole. The performance of the operations is based on EBITDA (earnings before interest, tax depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM's are consistent with those adopted in the financial statements.

The Group has considered its internal reporting framework, management and operating structure and the Directors' conclusion is that the Group has one operating segment.

Note 7. Revenue

	Consolidated	
	30 Dec 2018 $'000	**31 Dec 2017 $'000**
Sales revenue		
Sales to customers	389,391	350,255
Royalties and other franchise related income	6,252	7,323
	395,643	357,578
Other revenue		
Marketing levies received from TAF stores	2,952	3,461
Other revenue	1,353	1,001
	4,305	4,462
Revenue	399,948	362,040

Note 8. Non-current assets - intangibles

	Consolidated (Restated) 30 Dec 2018 $'000	1 Jul 2018 $'000
Goodwill - at cost	303,122	295,015
Brands and trademarks - at cost	44,825	44,825
Less: Accumulated impairment	(9,714)	(9,714)
	35,111	35,111
Licence fees - The Athlete's Foot - at cost	7,832	7,832
Less: Accumulated amortisation	(281)	(265)
	7,551	7,567
Distribution rights - at cost	16,800	16,800
Less: Accumulated amortisation	(9,852)	(8,690)
	6,948	8,110
Other intangible assets - The Athlete's Foot - at cost	720	720
Less: Accumulated amortisation	(432)	(432)
	288	288
	353,020	346,091

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

Consolidated (Restated)	Goodwill $'000	Brands and trademarks $'000	Licence fees $'000	Distribution rights $'000	Other intangible assets $'000	Total $'000
Balance at 2 July 2018	295,015	35,111	7,567	8,110	288	346,091
Additions through business combinations (note 15)	8,107	-	-	-	-	8,107
Amortisation expense	-	-	(16)	(1,162)	-	(1,178)
Balance at 30 December 2018	303,122	35,111	7,551	6,948	288	353,020

Impairment testing
Goodwill and brand names were subject to a full annual impairment test as at 1 July 2018. As a result of this review, no indicators of impairment were identified that would require a full impairment test to be performed as at 30 December 2018. The annual financial report details the most recent annual impairment tests undertaken for both brand names and goodwill. The key assumptions used for the impairment tests are disclosed in the annual financial report.

Note 9. Current liabilities - borrowings

	Consolidated	
	30 Dec 2018 $'000	1 Jul 2018 $'000
Bank loans	10,000	9,500
Vendor loan notes	-	13,125
	10,000	22,625

As part of the purchase consideration for Hype DC, the Company issued vendor loan notes to each of the vendors in proportion to their shareholding in Hype DC. The vendor loan notes of $13,125,000 were repaid in full on 13 July 2018.

Current borrowings comprise two $5,000,000 senior debt repayments scheduled for June and December 2019 respectively.

Note 10. Non-current liabilities - borrowings

	Consolidated	
	30 Dec 2018 $'000	1 Jul 2018 $'000
Bank loans	61,125	51,000

Debt Facility Refinancing
The Company refinanced its existing NAB debt facilities on 16 August 2018, in advance of their maturity, to take advantage of favourable loan market conditions. The new facilities totalling $154,800,000 provided by NAB and HSBC consist of a $76,100,000 senior debt facility, a $58,700,000 multi-option facility and a further $20,000,000 of permitted indebtedness available to be drawn upon. The new facilities have tenures of three and five years maturing in August 2021 and August 2023.

Note 11. Equity - issued capital

	Consolidated			
	30 Dec 2018 Shares	1 Jul 2018 Shares	30 Dec 2018 $'000	1 Jul 2018 $'000
Ordinary shares - fully paid	541,241,224	541,791,224	391,337	391,896
Less: Treasury shares	(4,046,668)	(6,040,000)	(3,544)	(4,923)
	537,194,556	535,751,224	387,793	386,973

Note 11. Equity - issued capital (continued)

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$'000**
Balance	2 July 2018	535,751,224		386,973
Employee Share Scheme - loans repaid	3 July 2018	166,667	$0.490	82
Employee Share Scheme - loans repaid	9 August 2018	150,000	$0.490	74
Employee Share Scheme - loans repaid	21 August 2018	400,000	$0.490	196
Employee Share Scheme - loans repaid	24 August 2018	150,000	$0.490	74
Employee Share Scheme - loans repaid	30 August 2018	130,000	$0.590	77
Employee Share Scheme - loans repaid	30 August 2018	66,666	$1.140	76
Employee Share Scheme - loans repaid	6 September 2018	220,000	$0.590	130
Employee Share Scheme - loans repaid	7 September 2018	26,666	$0.490	13
Employee Share Scheme - loans repaid	24 September 2018	33,333	$1.140	38
Employee Share Scheme - loans repaid	5 October 2018	50,000	$0.590	30
Employee Share Scheme - loans repaid	10 October 2018	50,000	$0.590	30
Balance	30 December 2018	537,194,556		387,793

Note 12. Equity - dividends

Dividends paid during the period were as follows:

	Consolidated	
	30 Dec 2018 $'000	**31 Dec 2017 $'000**
Final dividend for the year ended 1 July 2018 of 3.75 cents (2017: 3.00 cents) per ordinary share	20,297	16,269
Dividends paid to non-controlling interests	44	72
	20,341	16,341

In respect of the financial year ended 30 June 2019, the directors recommended the payment of an interim fully franked dividend of 4.50 cents per share to be paid on 21 March 2019.

Note 13. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

The only financial assets or financial liabilities carried at fair value are interest rate swaps and foreign currency forward contracts.

Consolidated - 30 Dec 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts - cash flow hedges	-	6,232	-	6,232
Total assets	-	6,232	-	6,232
Liabilities				
Interest rate swap contracts - cash flow hedges	-	379	-	379
Total liabilities	-	379	-	379

Consolidated - 1 Jul 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts - cash flow hedges	-	5,290	-	5,290
Total assets	-	5,290	-	5,290
Liabilities				
Interest rate swap contracts - cash flow hedges	-	435	-	435
Total liabilities	-	435	-	435

There were no transfers between levels during the financial half-year. The carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Valuation techniques for fair value measurements categorised within level 2
The fair values of the above financial assets and financial liabilities are determined using the valuation techniques below. The fair value was obtained from third party valuations.

Forward foreign exchange contracts – 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 - 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.

Note 14. Contingent liabilities

The Group has bank guarantees outstanding as at 30 December 2018 of $1,687,860 (1 July 2018: $1,959,874). The Group also has open letters of credit of $9,937,900 (1 July 2018: $7,441,483). These guarantees and letters of credit entered into are in relation to the debts of its subsidiaries.

TAF has entered into operating lease commitments with landlords in its capacity as head lessor for stores operated by the franchisees. However, the 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 $37,485,212 (1 July 2018: $55,291,644) and comprises:

	Consolidated	
	30 Dec 2018 $'000	1 Jul 2018 $'000
Default by franchisee		
Maximum possible exposure comprising:		
Less than one year	10,889	14,405
Between one and five years	24,622	36,418
More than five years	1,975	4,469
Total maximum exposure	37,486	55,292

The cumulative above amount would arise only in the event that all franchisees defaulted at the same time.

Note 15. Business combinations

During the half-year to 30 December 2018, the Group completed the acquisition of 26 TAF stores. This included the reacquisition of the New Zealand Master Franchise License, representing 6 Corporate stores, 2 Franchise Stores and 1 Online store. In addition to this, the Group acquired the Subtype business, a sneaker and fashion boutique, from Zanerobe Global Holdings Pty Ltd. The total consideration transferred for these acquisitions was $11,628,960. Goodwill of $8,107,063 was recognised on acquisition.

Note 15. Business combinations (continued)

Details of the provisional net assets acquired are as follows:

	Fair value $'000
Cash and cash equivalents	8
Inventories	4,287
Other current assets	116
Deferred tax asset	92
Trade and other payables	(21)
Employee benefits	(247)
Other current liabilities	(66)
Lease liability	(647)
Net assets acquired	3,522
Goodwill (Note 8)	8,107
Acquisition-date fair value of the total consideration transferred	11,629
Representing:	
Cash paid or payable to vendor	11,395
Outstanding debt/loans forgiven	234
	11,629

Details of the acquisition are as follows:

	Fair value $'000
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	11,629
Less: cash and cash equivalents	(8)
Less: outstanding debt/loans forgiven	(234)
Net cash used	11,387

The initial accounting for the acquisitions of the TAF stores and Subtype has only been provisionally determined at the end of this reporting period. The provisional value will be finalised no later than in the financial statements of the Group for the half year ending 29 December 2019.

Note 16. Earnings per share

	Consolidated 30 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Profit after income tax	32,159	25,260
Non-controlling interest	(13)	39
Profit after income tax attributable to the owners of Accent Group Limited	32,146	25,299
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	536,790,266	533,120,328
Adjustments for calculation of diluted earnings per share:		
Options and loan funded shares	3,646,668	253,692
Performance rights	24,876,154	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	565,313,088	533,374,020
	Cents	**Cents**
Basic earnings per share	5.99	4.75
Diluted earnings per share	5.69	4.74

Note 17. Events after the reporting period

Apart from the dividend declared as disclosed in note 12, no other matter or circumstance has arisen since 30 December 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

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

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 December 2018 and of its performance for the period ended on that date; and

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

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

On behalf of the directors

David Gordon
Chairman

21 February 2019
Melbourne

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 30 December 2018, 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 of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

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 30 December 2018 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.

Deloitte.

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 30 December 2018 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
Melbourne, 21 February 2019