

# dusk

## Prospectus

Dusk Group Limited  
ACN 603 018 131

Initial Public Offering of 35.0 million fully paid ordinary shares at an Offer Price of \$2.00 per share



Joint Lead Managers:

cg/Canaccord  
Genuity

ShawandPartners  
an EFG company

Financial Adviser:

ALLIER  
CAPITAL

# Important notices

## The Offer

This Prospectus is issued by Dusk Group Limited ACN 603 018 131 (**Company**) and Dusk Group SaleCo Limited ACN 644 319 371 (**SaleCo**) for the purpose of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company. See Section 7 for further information on the Offer.

## Lodgement and listing

This Prospectus is dated 2 October 2020 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date.

The Company will apply to the Australian Securities Exchange (**ASX**) within seven days after the Prospectus Date, for admission of the Company to the Official List and quotation of its Shares on the ASX. None of ASIC, the ASX or any of their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

## Note to Applicants

The information contained in this Prospectus is not investment or financial product advice and has been prepared as general information only, without consideration for your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information (see Section 4) and the risk factors that could affect the business, financial condition and financial performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company, the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo, the Directors, the SaleCo Directors, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus.

Shaw and Partners Limited and Canaccord Genuity (Australia) Limited have acted as Joint Lead Managers to the Offer. To the maximum extent permitted by law, the Joint Lead Managers and each of their respective affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to their name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, even if such person received confirmation of their allocation from the dusk IPO Offer Information Line or confirmed their firm allocation through a Broker.

## Exposure Period

The Corporations Act prohibits the Company and SaleCo from processing Applications in the seven day period after the Prospectus Date (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

## No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at <https://duskoffer.thereachagency.com> to Australian residents only. Application Forms will not be made available until after the Exposure Period has expired.

During the Broker Firm Offer Period, this Prospectus is available in electronic form at <https://duskoffer.thereachagency.com>. The Offer constituted by this Prospectus in electronic form at <https://duskoffer.thereachagency.com> is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States)

in which it may not be lawful to make such an invitation or offer to apply for Shares. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may, before the Broker Firm Offer Period expires, obtain a paper copy of this Prospectus (free of charge) by telephoning the dusk IPO Offer Information Line on 1300 157 205 (within Australia) from 8.30am to 5.00pm (Sydney Time), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 3 9415 4019 from 8.30am to 5.00pm (Sydney Time), Monday to Friday. Applications for Shares may only be made during the Broker Firm Offer Period or Priority Offer Period (as applicable) on an application form attached to or accompanying this Prospectus.

The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

## Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

## Financial Information

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that Financial Information.

All references to FY18, FY19 and FY20 appearing in this Prospectus are to the financial years ended or ending 1 July 2018, 30 June 2019 and 28 June 2020 respectively, unless otherwise indicated. The Prospectus also includes references to LTM Sep19 and LTM Sep20F which refer to the 12 months ended 29 September 2019 and 12 months ending 27 September 2020 respectively.

The Historical Financial Information is presented on both a statutory and pro forma basis (as described in Section 4) and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) and interpretations issued by the International Accounting Standards Board (**IASB**).

The Prospectus also includes Forecast Financial Information based on the best estimate general and specific assumptions of the Board. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information

presented in this Prospectus is presented on pro forma basis and is unaudited. The Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Investors should note that certain financial data included in this Prospectus is not recognised under the Australian Accounting Standards and is classified as “non-IFRS financial information” under Regulatory Guide 230 “Disclosing non-IFRS financial information” published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of dusk. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards, and therefore may not be comparable with similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned not to place undue reliance on any non-IFRS financial information, ratios and metrics included in this Prospectus.

The Financial Information is presented in an abbreviated form insofar as it does not include all disclosures, statements and comparative information as required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information should be read in conjunction with, and qualified by reference to, the information contained in Sections 4 and 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables, figures and components contained in this Prospectus are due to rounding.

#### **Investigating Accountant’s Report on Financial Information and financial services guide**

The provider of the Investigating Accountant’s Report on Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The Investigating Accountant’s Report and accompanying financial services guide are provided in Section 8.

#### **Forward-looking statements**

This Prospectus contains forward-looking statements, including the Forecast Financial Information in Section 4, which may be identified by words such as ‘anticipates’, ‘may’, ‘should’, ‘could’, ‘likely’, ‘believes’, ‘estimates’, ‘expects’, ‘targets’, ‘predicts’, ‘projects’, ‘forecasts’, ‘intends’, ‘guidance’, ‘plan’ and other similar words that involve risks and uncertainties.

These forward-looking statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. The Company and SaleCo do not undertake to, and do not intend to, update or revise any forward-looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. Any forward-looking statements are subject to various risks that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the best estimate general and specific assumptions contained in the Financial Information as set out in Section 4.6.2, the sensitivity analysis as set out in Section 4.7 and other information in this Prospectus. Such forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of the Company, SaleCo, the Directors, the SaleCo Directors and the Company’s management. The Company, SaleCo, the Directors, the SaleCo Directors, the Company’s management and the Joint Lead Managers cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

#### **Industry and market data**

This Prospectus, including the Industry overview in Section 2 and the Business overview in Section 3, contains statistics, data and other information (including forecasts and projections) relating to markets, market sizes and growth, market shares, market segments, market positions and other industry data pertaining to dusk’s business and markets. dusk has obtained significant proportions of this information from market research prepared by third parties. Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. There is no assurance that any of the forecasts or projections in the surveys or reports of any third party that are referred to in this Prospectus will be achieved. The Company and SaleCo have not independently verified, and cannot give any assurances to the accuracy or completeness of, this industry and market data or the underlying assumptions used in generating this industry and market data.

Estimates involve risks and uncertainties are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

#### **Selling restrictions**

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act and any other applicable US state securities laws is available. See Section 9.10 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia.

#### **Defined terms and time**

Defined terms and abbreviations used in this Prospectus have the meanings given in the Glossary or as provided in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney Time. Unless otherwise stated or implied, references to dates or years are calendar year references.

#### **Privacy**

- By completing an Application Form to apply for Shares, you are providing personal information to the Company and SaleCo through the Share Registry, which is contracted by the Company to manage Applications. The Company, SaleCo, the Joint Lead Managers and the Share Registry on behalf of the Company, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act.



## Important notices (continued)

- If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.
- Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.
- Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia, where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:
  - the Share Registry for ongoing administration of the Shareholder register;
  - printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
  - market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
  - legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.
- If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register.
- The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person and may correct the personal information held by or on behalf of the Company about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate directory on the inside back cover of this Prospectus. Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website <https://duskoffer.thereachagency.com>.

### Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

### Company website

Any references to documents included on the Company's website at <https://duskoffer.thereachagency.com> are for convenience only, and none of the documents or other information available on the Company's website is incorporated into this Prospectus by reference.

### Disclaimer

Except as required by law, and only to the extent so required, none of the Company, SaleCo, the Directors, the SaleCo Directors, the Company's management, the Joint Lead Managers or any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

### Questions

If you have any questions about how to apply for Shares, call your Broker or the dusk IPO Offer Information Line on 1300 157 205 (within Australia) or +61 3 9415 4019 (outside Australia) between 8.30am and 5.00pm (Sydney Time), Monday to Friday. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

**This document is important and should be read in its entirety.**



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# Timetable and key Offer statistics

Key dates for the Offer	Date
Lodgement of Prospectus with ASIC ( <b>Prospectus Date</b> )	Friday, 2 October 2020
Broker Firm Offer and Priority Offer open	Monday, 12 October 2020
Priority Offer closes	Monday, 19 October 2020
Broker Firm offer closes	Wednesday, 21 October 2020
Settlement of the Offer	Wednesday, 28 October 2020
Issue and transfer of Shares under the Offer ( <b>Allotment Date</b> )	Thursday, 29 October 2020
Expected commencement of trading on the ASX	Monday, 2 November 2020
Expected dispatch of holding statements	Tuesday, 3 November 2020

The above dates are indicative only and may be subject to change. Unless indicated, all times and dates are to Sydney, Australia time. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary the dates and times of the Offer (including, subject to the ASX Listing Rules and the Corporations Act, to extend the Offer, close the Offer early, to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion) in each case without notifying any recipient of this Prospectus or any Applicants. If the Offer is cancelled or withdrawn before the allotment of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. The admission of the Company to the Official List and the commencement of quotation of the Shares are subject to confirmation from the ASX.

## How to invest

Applications for Shares can only be made by completing and lodging an application form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Sections 1.8 and 7 of this Prospectus and on the back of the Application Form.

## Questions

Please call the dusk IPO Offer Information Line on 1300 157 205 (within Australia) or +61 3 9415 4019 (outside Australia) 8.30am to 5.00pm (Sydney Time), Monday to Friday (excluding public holidays). If you are unclear in relation to any matter relating to the Offer or are uncertain as to whether Shares in dusk are a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

This Prospectus is important and should be read in its entirety prior to deciding whether to invest in Shares. In particular, Section 4 sets out in detail the financial information referred to in this Prospectus, the basis of preparation of that information, the Statutory Financial Information and Pro Forma Financial Information, certain financial ratios and metrics and details of dusk's net cash and dividend policy. Section 4 contains certain non-IFRS measures and should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

## Key Offer statistics

Offer Price	\$2.00 per share
Total number of New Shares to be issued under the Offer	10
Total number of Existing Shares to be sold under the Offer <sup>1</sup>	35.0 million
Total number of Shares to be offered under the Offer	35.0 million
Amount to be raised under the Offer	\$70.0 million
Total number of Shares on issue on Completion of the Offer	62.3 million
Total number of Shares held by Existing Shareholders at Completion of the Offer <sup>2</sup>	27.3 million
Total number of Shares held by Successful Applicants at Completion of the Offer	35.0 million
Implied market capitalisation at the Offer Price <sup>3</sup>	\$124.5 million
Implied enterprise value at the Offer Price <sup>4</sup>	\$119.5 million
Enterprise value to pro forma LTM Sep20F EBIT multiple	6.7x
Offer Price to pro forma LTM Sep20F NPAT per Share multiple	10.1x
Indicative dividend yield (based on dividend payout ratio of 70% and pro forma LTM Sep20F NPAT)	7.0%
Number of Options on issue on Completion of the Offer <sup>5</sup>	1.0 million

1 For further information in relation to the offer of Shares by SaleCo, refer to Section 9.3.

2 This excludes any Shares acquired by Existing Shareholders under the Offer, and includes 26.1 million Shares held by Existing Shareholders that will be subject to Escrow Arrangements for various periods as described further in Section 9.6.

3 Calculated as the total number of Shares on issue at Completion of the Offer multiplied by the Offer Price.

4 Calculated as the sum of market capitalisation of the Company at the Offer Price and the Pro Forma Net Debt as at 28 June 2020 which comprised of \$5.0 million of cash (see Section 4 for further details).

5 Details regarding the terms of the Options are set out in Section 6.3.4.3.

# Chairman's letter

## Dear Investor,

I am delighted to offer you the opportunity to become a shareholder of dusk.

dusk has grown to become the leading Australian omni-channel specialty retailer focused on Home Fragrance Products. Our range is developed in-house and sold through our national store network and online channel under the 'dusk' brand.

The product offering comprises candles, ultrasonic diffusers, reed diffusers and essential oils, as well as fragrance related homewares. Our goal is to be our customers' preferred destination for Home Fragrance Products and for their gifting needs – including personal indulgences and 'gifts for one's self'.

We offer our customers:

- the fragrances they know and love;
- regular releases of new and exciting products;
- great value for money; and
- outstanding specialist service across both our physical stores and online channel.

The Home Fragrance Market is substantial and was estimated to represent approximately \$461.5 million of annual retail sales in FY20 and is forecast to grow by approximately 8.3% to the end of FY21<sup>1</sup>. In FY20, dusk had approximately 22% share of sales in the Home Fragrance Market<sup>2</sup>.

dusk operates a 'vertical' retail model, whereby the products we sell are designed by our in-house team, and sold through our national store network and online channel – not via any third party retailers, marketplaces, distributors, wholesalers or other intermediaries. Our manufacturing and logistics are outsourced to external partners to enable efficiency and flexibility.

Our channels to market comprise our growing national store network and our online channel. Our customers can shop in store and transact online, and vice versa, at a time that suits them. Our goal is to allow our customer flexibility in how, when and where to shop with us. We continue to evolve our offer and omni-channel strategy as consumer preferences change.

Driving our customer experience is our membership program called 'dusk Rewards', which has become the centerpiece for all our marketing and data analytics. The dusk Rewards loyalty program is a powerful customer engagement tool and provides our members (in excess of 550,000 as at the Prospectus Date) with additional discounts and exclusive offers in store and online. Importantly, dusk Rewards is a paid loyalty program where the average transaction value of a dusk Rewards member is approximately 1.4x higher than a non-rewards member, with dusk Rewards members contributing approximately 56% of FY20 total revenue.

Over the last six months dusk has adapted well to the impact of COVID-19. During that time, we have seen material shifts in consumer preferences and buying patterns. We have observed a significant increase in sales since our store network reopened in early May 2020. This is consistent with broader economic data which indicates that consumers are spending more on home improvement and household comfort<sup>3</sup>.

The Board of Directors has significant specialty retail experience, as does our senior management team led by Chief Executive Officer Peter King. Peter has led dusk for the past six years and possesses a wealth of experience across the broader consumer environment. The Company has performed strongly under Peter's leadership and has made significant investment in building our team, particularly in the areas of finance, eCommerce, product design and marketing.

1 Frost & Sullivan Australia Pty Ltd (**Frost & Sullivan**): The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

2 Implied market share was calculated by dividing dusk total network sales for FY20 by total estimated retail sales for the Home Fragrance Market determined by Frost & Sullivan: The Home Fragrances Market in Australia; Market Size, September 2020.

3 Australian Bureau of Statistics, 8501.0 Retail Trade, Australia. June Key Figures. Released 4 August 2020. Measured as the seasonally adjusted <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8501.0Main+Features1June%202020?OpenDocument>



dusk has delivered impressive financial results over recent years. Total revenue growth was 15.8% in FY19 and 17.2% in FY20, underpinned by strong like for like sales growth of 7.9% and 17.5% in each period respectively. Pro forma EBITDA margins have progressively improved over recent years and were in excess of 15% in FY20.

The Board and Management are focused on the ongoing growth of dusk which will be underpinned by five pillars:

1. continued store roll-out in Australia, with a clear plan, a strong track record of successful execution, and a history of delivering attractive returns on this investment;
2. expansion and continued innovation and differentiation of our product range with key focus on the wellness product trends including the use of technology to enhance our Home Fragrance Products;
3. further investment into the online channel;
4. enhanced utilisation of the dusk Rewards program and associated database as a key driver for targeted marketing and promotional activities; and
5. potential international expansion, first into New Zealand subject to overall market conditions.

The Offer will raise \$70.0 million through the issue and transfer of 35.0 million Shares at an Offer Price of \$2.00 per Share. dusk's initial public offering and listing on the ASX will provide dusk with access to capital markets and allow certain Existing Shareholders to realise part of their investment in dusk. On Completion of the Offer, the Existing Shareholders, being funds advised or managed by Catalyst Investment Managers Pty Ltd, BB Retail Capital Pty Ltd and its associates, existing Management and Director Shareholders and other Existing Shareholders will together hold 43.8% of the Shares on issue. 26.1 million of Shares, equal to 42.0% of the Shares on issue at Completion of the Offer, which are held by certain Existing Shareholders, will be subject to Escrow Arrangements from Completion of the Offer.

This Prospectus contains detailed information about the Offer, the industry in which dusk operates, and dusk's financial and operating performance. As with other businesses, dusk is subject to a range of risks, which if they occur, may have a negative impact on dusk's financial performance and position. These risks include, among others, COVID-19 impacting dusk's operations and performance, negative changes to the Australian retail environment and economy, customer buying habits changing, actions of competitors or Management being unable to achieve dusk's growth objectives. These risks are detailed more fully in Sections 1.5 and 5.

Applications for Shares can only be made by completing and lodging an Application Form attached to or accompanying this Prospectus. Instructions on how to apply for Shares are set out in Sections 1.8 and 7 of this Prospectus and on the back of the Application Form.

Before deciding on whether to invest in dusk, you should read this Prospectus carefully and consult with your accountant, financial adviser, stockbroker, lawyer or other professional adviser.

The Directors and Management look forward to welcoming you as a dusk shareholder.

Yours faithfully,



**John Joyce,**  
Chairman

## Section 1

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### Investment overview



# 1 Investment overview

## 1.1 Introduction

Topic	Summary	Further information
<b>1.1.1 Who is dusk and what does dusk do?</b>	dusk is an Australian specialty retailer of Home Fragrance Products, offering a range of dusk branded premium products at competitive prices from its physical stores and online store. dusk currently has 115 <sup>4</sup> Company owned and operated stores across Australia, with a target of approximately 160 stores by 2024 <sup>5</sup> in Australasia, including a growing online presence via its website <a href="http://www.dusk.com.au">www.dusk.com.au</a> .	<b>Section 3.1</b>
<b>1.1.2 What industry and markets does dusk operate in?</b>	dusk operates in the broader Australian retail industry and is an omni-channel specialty retailer focused on the Home Fragrance Market.  In addition to participating in the Home Fragrance Market, dusk also operates in the gift products market which includes a range of other competing product segments (including flowers, chocolate, perfume and wine, together with other homewares and personal goods items).	<b>Section 2.1</b>
<b>1.1.3 What is the Offer?</b>	The Offer is an initial public offering of Shares, at an Offer Price of \$2 per Share, to apply for: <ul style="list-style-type: none"><li>• 10 Shares offered for issue by the Company, to raise proceeds of approximately \$20<sup>6</sup>; and</li><li>• 35.0 million Shares offered for sale by SaleCo, to raise proceeds of approximately \$70.0 million.</li></ul> The Shares offered under this Prospectus will represent approximately 56.2% of the Shares on issue on Completion of the Offer, being approximately 62.3 million Shares. All Shares are fully paid and will rank equally with each other.	<b>Section 7</b>
<b>1.1.4 Why is the Offer being conducted?</b>	The Offer is being conducted to: <ul style="list-style-type: none"><li>• allow Existing Shareholders an opportunity to realise part of their investment in dusk;</li><li>• provide dusk with access to capital markets to improve financial flexibility;</li><li>• create a liquid market for the Shares and an opportunity for others to invest in the Company; and</li><li>• provide dusk with the benefits of an increased profile that arises from being a listed entity.</li></ul>	<b>Section 7.1.2</b>

4 Store count as at the end of Q1 FY21 and includes the online store.

5 Including current stores.

6 See Section 7.1.2 regarding the regulatory reason for dusk raising a nominal amount.



# 1 Investment overview (continued)

## 1.2 Key features of our business model

Topic	Summary	Further information
<p><b>1.2.1 How does dusk generate revenue?</b></p>	<p>dusk is an Australian based omni-channel specialty retailer of Home Fragrance Products. dusk offers a range of dusk branded premium products, including candles, ultrasonic diffusers, reed diffusers, essential oils, and home fragrance related homewares. dusk also generates revenue through its pay to join loyalty program, dusk Rewards, which offers a two year membership for an upfront payment of \$10 per customer.</p> <p>Management believes dusk offers the widest range of Home Fragrance Products in the Australian market, with more than 450 active product lines in store at any given time, and approximately 1,400 different product lines sold each year as a result of additional seasonal products, limited edition products, and range evolution throughout the year.</p> <p>dusk’s product offering is designed in-house and is only available for purchase through the dusk store network and website.</p>	<p><b>Section 3</b></p>
<p><b>1.2.2 Who are dusk’s customers?</b></p>	<p>dusk categorises its customers as follows:</p> <ul style="list-style-type: none"> <li>• <b>Homemakers</b></li> </ul> <p>Customers who purchase Home Fragrance Products to create ambiance and beautify the appearance and fragrance of their home or other personal space;</p> <ul style="list-style-type: none"> <li>• <b>Self-indulgers</b></li> </ul> <p>Customers who purchase Home Fragrance Products as a gift for themselves as an affordable luxury; and</p> <ul style="list-style-type: none"> <li>• <b>Gifters</b></li> </ul> <p>Customers who purchase Home Fragrance Products to gift to others.</p> <p>A single customer can fall into more than one of these groups, depending on the occasion or need for which they are shopping. dusk’s multi-buy offers are specifically designed for a customer with multiple purposes in a single transaction (e.g. buy one for self, and one for a family member or friend).</p> <p>dusk Customers commonly shop across dusk’s channels in a fluid manner as a part of the purchase process. An increasing proportion of customers are choosing to execute their purchases in dusk’s online store. Its customers are increasingly engaging with dusk’s social media channels (Instagram and Facebook) on their path to purchase.</p>	<p><b>Section 3.2.1</b></p>
<p><b>1.2.3 Why do customers select dusk?</b></p>	<p>Management believes dusk’s customers choose to shop at dusk because they trust the brand, appreciate the product quality and value for money, are excited by the range, and enjoy the expert customer service and specialised shopping environment.</p> <p>Management believes dusk offers the widest range of Home Fragrance Products in the Australian market, providing its customers with greater choice in both fragrance and product format and the ability to purchase their preferred dusk home fragrance in a variety of formats.</p>	<p><b>Section 3</b></p>



Topic	Summary	Further information
<p><b>1.2.4 Who does dusk compete with?</b></p>	<p>dusk competes with those businesses who sell products of competing brands such as Jo Malone London<sup>7</sup>, Glasshouse Fragrances, Circa Home, ECOYA, The Aromatherapy Co., and Peppermint Grove. This group includes traditional bricks and mortar retailers of Home Fragrance Products including department stores, specialty homewares retailers, independent and boutique retailers, and discount department stores. These retailers and brands also typically have online stores.</p> <p>dusk also competes with online only retailers of Home Fragrance Products, together with online marketplaces (e.g. Catch.com.au, Temple &amp; Webster, eBay, Adore Beauty, Kogan.com, Strawberry.net and Amazon).</p> <p>Given that a material proportion of dusk's customers are "gifters", dusk also competes with retailers of other gift items including flowers, chocolate, perfume and wine, together with other homewares and personal goods items (e.g. T2, Body Shop, Lush, Typo, Mecca, perfume retailers and florists). This adjacent market is most relevant for dusk in key gifting and seasonal celebration periods such as Christmas, Easter, Halloween, and Mother's Day.</p>	<p><b>Section 2.4.1</b></p>
<p><b>1.2.5 What is dusk's business model?</b></p>	<p>Management believes dusk is the only national 'vertical' specialty retailer focused on the Home Fragrance Market in Australia.</p> <p>The foundation of dusk's competitive advantage is its 'vertical' business model which combines internal product design and development, brand ownership, third-party manufacturing and logistics arrangements, and dusk's ownership and operation of its channels to market (i.e. physical stores and website).</p> <p>dusk does not sell its products to other retailers or retail its products on third-party platforms. Management believes dusk's 'vertical' model enables it to provide customers with superior value for money, consistent quality, knowledgeable staff in store, product newness that excites, fragrances they know and love, and product specifically developed for the preferences of the dusk customer.</p>	<p><b>Section 3</b></p>
<p><b>1.2.6 Which geographic markets does dusk operate in?</b></p>	<p>dusk is Australia's leading specialty retailer focused on Home Fragrance Products, currently operating 115<sup>8</sup> dusk owned stores across metropolitan and regional Australia, including a rapidly growing online store.</p> <p>dusk has the greatest presence across the eastern states, with 32 stores in New South Wales, 28 stores in Queensland and 25 stores in Victoria.</p> <p>dusk's online sales are to Australian based customers.</p>	<p><b>Section 3.5.1</b></p>

<sup>7</sup> In addition to being available in Australian department stores, Jo Malone London operates a single store in Woollahra, Sydney.

<sup>8</sup> Store count as at the end of Q1 FY21 and includes the online store.

# 1 Investment overview (continued)

Topic	Summary	Further information
<p><b>1.2.7 What is dusk's growth strategy?</b></p>	<p>The Board and Management are focused on the following areas which are expected to underpin dusk's future growth:</p> <ul style="list-style-type: none"> <li>• New store roll-out and fit-out upgrades:               <ul style="list-style-type: none"> <li>– although dusk has a strong national presence, it believes there is still significant room for expansion both domestically and internationally;</li> <li>– dusk is aiming to ultimately grow its store network from 115<sup>9</sup> to up to approximately 160 stores in Australasia by 2024<sup>10</sup>;</li> <li>– dusk has 38 stores yet to be upgraded to the new store fit out model. The store redesign and refit began in 2014 replacing the original 'legacy' stores with the original 'Glow' design and has since transitioned to the 'Glow 2' format; and</li> <li>– dusk's internally branded 'Take Care' store in store concept focuses on a range of diffusers and essential oils which seek to better serve customers' appetite for wellness-oriented products;</li> </ul> </li> <li>• Investment in the enhancement of dusk's online retailing capabilities, and growing online sales through:               <ul style="list-style-type: none"> <li>– re-platforming of the website, which is a key enabler to providing online customers a faster, more flexible, and more engaging and personalised customer experience;</li> <li>– improved online order fulfilment and customer service via new third-party logistics partners as well as click and collect and ship from store functionality;</li> <li>– addition of new payment options;</li> <li>– addition of new delivery options;</li> <li>– targeted online marketing and personalisation; and</li> <li>– further growth in dusk Rewards member numbers;</li> </ul> </li> <li>• Product innovation and product improvement:               <ul style="list-style-type: none"> <li>– expanding and evolving the range of product formats for fragrance distribution;</li> <li>– innovating and evolving dusk's fragrance range with a continued emphasis on trends in wellness and new fragrances;</li> <li>– offering new products that are relevant to more rooms and areas in the homes of dusk's customers, and more occasions in their lives; and</li> <li>– offering products that promote more frequent and habitual use, and necessitate repeat and replacement purchases;</li> </ul> </li> <li>• Further growth and engagement of dusk Rewards members:               <ul style="list-style-type: none"> <li>– the dusk Rewards program is the centrepiece of dusk's marketing activities and promotional events; and</li> <li>– dusk is refining how this member database is used and segmented to grow customer shopping frequency and loyalty to the dusk brand;</li> </ul> </li> <li>• Potential international expansion:               <ul style="list-style-type: none"> <li>– exploring medium-term opportunities to expand into international markets through both store roll-out and the launch of an international website, with an initial focus on the New Zealand market; and</li> <li>– evaluating the launch of a wholesale or concession model in certain larger scale, English speaking markets (e.g. the UK).</li> </ul> </li> </ul>	<p><b>Section 3.9</b></p>

<sup>9</sup> Store count as at the end of Q1 FY21 and includes the online store.

<sup>10</sup> Including current stores.

### 1.3 Key financial metrics

A selected summary of dusk's pro forma and statutory financial information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis, as well as the key risks set out in Section 5.

Topic	Summary	Further information					
<b>1.3.1 What is the dusk's Pro Forma Historical and Pro Forma Forecast Financial Information?</b>	<b>Pro Forma Historical</b>	<b>Section 4</b>					
	<b>Pro Forma Forecast</b>						
	<b>A\$ millions</b>		<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>LTM Sep19</b>	<b>LTM Sep20F</b>
	Revenue		74.4	86.1	100.9	89.1	109.9
	Gross profit		49.5	55.5	65.7	57.5	72.2
	EBITDA		6.6	8.8	15.8	9.4	20.9
	EBIT		4.5	6.4	12.9	6.9	17.8
NPAT	3.1	4.5	8.9	4.9	12.4		
	<p>The information presented above contains non-International Financial Reporting Standard (<b>IFRS</b>) financial measures, is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.</p> <p>Investors should read Section 4 for the full details of the Company's Pro Forma and Statutory Financial Information including the Pro forma adjustments and reconciliations in Section 4.3.3.</p>						
<b>1.3.2 How does dusk expect to fund its operations?</b>	dusk expects to fund its ongoing activities through cash flows generated from operations, available cash on its balance sheet and any undrawn amounts under its bank working capital facility. (see Section 4.5.4 for further detail).	<b>Section 4.5.4</b>					
<b>1.3.3 What is the Company's dividend policy?</b>	<p>Subject to available profits, the financial position of the Company, capital requirements of the business and other prevailing conditions the Company's policy is to target a payout ratio of between 60% and 80% of annual statutory NPAT.</p> <p>The Company expects this will typically be split approximately 50% in an interim dividend and paid in or around March, and the balance in a final dividend and paid in or around October each year.</p> <p>The Board intends to declare and pay dusk's first dividend as a listed company following the announcement of the H1 FY21 results to the ASX and this dividend is expected to be paid in or around March 2021.</p> <p>No assurances can be given by any person, including the Directors, about the payment of any dividend or the level of franking credits attaching to any such dividend.</p>	<b>Section 4.8</b>					

# 1 Investment overview (continued)

## 1.4 Investment highlights

Topic	Summary	Further information
<b>1.4.1 Market leader in a growing market</b>	<p>dusk is a market leader in the Australian Home Fragrance Market with an estimated market share of approximately 22% in FY20<sup>11</sup>.</p> <p>The Home Fragrance Market is estimated by Frost &amp; Sullivan to have generated retail revenues of approximately A\$461.5 million in FY20 and is expected to grow by 5.8% in FY21<sup>12</sup>.</p>	<b>Sections 2.2 and 3.1</b>
<b>1.4.2 'Vertical' retail model</b>	<p>dusk operates a 'vertical' retail model combining internal product development with flexible use of third-party manufacturing and distribution to enable quality control, innovation in design, competitive pricing and timeliness of deliveries. Its products are sold exclusively through its own channels to market (i.e. dusk stores and website). This approach provides dusk with greater end to end control over its products. dusk is differentiated in its competitor set in Australia in operating a 'vertical' retail model.</p>	<b>Section 3.6</b>
<b>1.4.3 Quality and differentiated product offering</b>	<p>dusk offers quality and differentiated products which are only available for purchase from dusk. Its fragrance range is designed and manufactured to dusk's specific requirements.</p> <p>Management believes dusk offers the widest range of products in the Australian Home Fragrance Market, with more than 450 active product lines in store at any given time, and approximately 1,400 different product lines sold each year as a result of additional seasonal products, limited edition products, and range evolution throughout the year.</p> <p>The range spans several product formats (e.g. candles, ultrasonic diffusers, reed diffusers and home fragrance related homewares), coupled with a wide range of fragrances and essential oils available in each product format. This product range also spans a range of product sizes and functional features and attributes, which retail at a range of price points catering to different customer budgets and preferences.</p> <p>dusk has a track record of product innovation as evidenced by its market leading position in the Diffusers and other Home Fragrance Products sub-category of the Home Fragrance Market, where it built an estimated 38% market share in FY20<sup>13</sup>.</p>	<b>Section 3.4</b>

<sup>11</sup> Implied market share was calculated by dividing dusk total network sales for FY20 by total estimated retail sales for the Home Fragrance Market determined by Frost & Sullivan: The Home Fragrances Market in Australia; Market Size, September 2020.

<sup>12</sup> Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

<sup>13</sup> Implied market share was calculated by dividing dusk's "diffusers and consumables", "mood reeds" and "other" categories sales for FY20 by total estimated retail sales for the "Diffusers and other Home Fragrance Products" category as determined by Frost & Sullivan: The Home Fragrances Market in Australia; Market Size, September 2020.



Topic	Summary	Further information
<p><b>1.4.4 Engaging and growing loyalty program</b></p>	<p>dusk has built a large and highly engaged dusk Rewards membership base, which as at the Prospectus Date has over 550,000 members.</p> <p>dusk Rewards is a pay to join loyalty program, offering a two-year membership for an upfront payment of \$10 per customer.</p> <p>Management believes customers ‘paying for membership’ is a key feature of the program, as it provides a material revenue stream, and a signal of the customer’s intent to purchase again from dusk in the future, and promotes and rewards that behaviour.</p> <p>dusk Rewards is the centrepiece of dusk’s marketing activities and promotional events. Members are the main audience for marketing and promotional activities. Growing and refining how this database is used and targeted is expected to be a significant driver of future growth.</p> <p>The average transaction value for dusk Rewards members’ purchases is approximately 1.4x<sup>14</sup> higher than a non-Rewards member, with dusk Rewards members contributing to approximately 56% of FY20 revenue.</p> <p>dusk Rewards offers significant value to its members through the discounted ‘member only pricing’, discounted online delivery charge, and ‘member only’ offers and events throughout the year.</p>	<p><b>Section 3.2.4</b></p>
<p><b>1.4.5 Strong market growth thematics</b></p>	<p>The historic growth of the Home Fragrance Market, estimated at 9.1% (CAGR FY17 to FY20)<sup>15</sup>, has been driven by various factors including:</p> <ul style="list-style-type: none"> <li>• population growth and growth in the number of homes;</li> <li>• price increases in the category, and growth in the higher price point segments within the market (e.g. ultrasonic diffusers);</li> <li>• growth in sales of larger and higher value products within segments (e.g. larger and higher value candles, sold in vessels versus pillar candles);</li> <li>• Australians continuing to engage in home decoration, home improvement, and household styling, further strengthened by the current COVID-19 pandemic;</li> <li>• product innovation and technological advancements in fragrance distribution devices, and using these products in more rooms in their homes (e.g. children’s bedrooms and studies);</li> <li>• increasing interest in certain products and categories which support personal wellbeing, mindfulness and relaxation (e.g. essential oils and aromatherapy);</li> <li>• growth of “Buy Now Pay Later” payment methods, increasing the availability of credit to support discretionary consumer spending; and</li> <li>• continuing consumer use of Home Fragrance Products as an affordable gifting option.</li> </ul>	<p><b>Section 2.3</b></p>

<sup>14</sup> dusk. Average for last 12 months to June 2020.

<sup>15</sup> Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

# 1 Investment overview (continued)

Topic	Summary	Further information
<p><b>1.4.6 Experienced Management with proven execution track record</b></p>	<p>Management have delivered strong growth and profitability:</p> <ul style="list-style-type: none"> <li>• dusk stores grew from 89 to 112<sup>16</sup> in the three years to the end of FY20, with average LFL sales growth of approximately 13% over the corresponding period;</li> <li>• dusk’s gross profit margins are strong and have been maintained at approximately 65% in recent years despite:               <ul style="list-style-type: none"> <li>– the introduction of a recurring discount for dusk Rewards members and growth in the contribution of dusk Rewards members;</li> <li>– the introduction and growth of ‘multi-buy’ offers which offer discounts to customers; and</li> <li>– the impact of the depreciating Australian dollar on the landed cost of goods;</li> </ul> </li> <li>• The detrimental impact on gross profit margin from the above factors has been offset through negotiating progressively lower unit costs from third-party suppliers, growth in dusk Rewards membership revenue, and proactive price point and discount depth management;</li> <li>• dusk has recruited a new digital marketing team with expertise to continue to drive online and store sales, and improve engagement with dusk Rewards members; and</li> <li>• Through the COVID-19 pandemic to date, Management has quickly adapted the business to the prevailing trading environment, successfully negotiating with suppliers and landlords to manage costs and cash flow, and managing stores and trading to keep staff safe while meeting surging customer demand.</li> </ul>	<p><b>Section 3</b></p>

<sup>16</sup> Store count as at 28 June 2020 and includes the online store.

## 1.5 Key risks

Before applying for Shares you should consider the risks associated with an investment in dusk. The occurrence of any of these risks may have a material adverse impact on dusk's reputation, business, operational performance and financial results. Some of the key risks of investing in the Company are detailed below. This list of risks is not exhaustive, and further details of these risks and other risks associated with an investment in the Company are detailed in Section 5.

Topic	Summary	Further information
<p><b>1.5.1 The COVID-19 pandemic may adversely impact dusk's operations and performance</b></p>	<ul style="list-style-type: none"> <li>Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic and its potentially lasting impacts on consumer preferences and spending, it is not possible to assess the full impact of the COVID-19 pandemic on dusk and its prospects. Further, the indirect impact of the COVID-19 pandemic on the broader economy has affected and may further affect retail activity generally, which may have an adverse effect on dusk's future performance and profitability. While sales in Home Fragrance Products appear to have been favourably impacted by the COVID-19 pandemic, there is uncertainty about how long these positive effects will persist and the extent, rate, and timing at which they may subside in the future.</li> <li>Prolonged restrictions on dusk's operations or its customers, such as those which occurred in Victoria from August into October 2020 (and possibly beyond), or the imposition of similar restrictions in other states or territories in the future, may adversely impact dusk's financial performance and profitability. dusk's business may also be indirectly affected by government, regulatory or health authority actions either in Australia or overseas, including disruption to dusk's supply chain, and dusk may be exposed to increased costs, for example in relation to cleaning and hygiene measures at its premises.</li> <li>The COVID-19 pandemic may alter consumer behaviour, for example it may cause a long-term shift towards online shopping or cause consumers to reduce or redirect household spending. Such changes may adversely affect dusk's operations and financial performance or result in dusk incurring additional costs to adapt.</li> </ul>	<p><b>Section 5.2.1</b></p>
<p><b>1.5.2 The Australian retail environment and general economic conditions may deteriorate</b></p>	<ul style="list-style-type: none"> <li>The Australian retail environment in which dusk operates is currently experiencing challenging conditions due to low levels of consumer confidence and constrained retail demand, as a result of general uncertainty about future Australian and international economic conditions. Despite a number of measures being implemented to stimulate economic activity in Australia, including in response to the COVID-19 pandemic, there is a risk that Australian economic conditions will worsen, in which case there is a risk that the retail environment will deteriorate as consumers reduce their level of consumption or redirect their spending to cheaper products or discount stores. Reductions in consumer spending or changes in spending patterns which are adverse to dusk may reduce dusk's revenue and may have a material adverse effect on its financial performance and position.</li> </ul>	<p><b>Section 5.2.2</b></p>

# 1 Investment overview (continued)

Topic	Summary	Further information
<b>1.5.3 Customer buying habits or seasonal trading patterns may change</b>	<ul style="list-style-type: none"> <li>dusk's products are discretionary goods and consumer demand for these products is driven by various factors and trends, many beyond the control of dusk.</li> <li>While dusk's product development team aims to respond to the latest consumer trends, a failure to accurately judge changes in consumer preferences or a delay in introducing new products may have an adverse impact on demand for dusk's products or the margins dusk achieves. Any series of significant misjudgements could adversely affect demand for dusk's products, its revenue and brand.</li> <li>dusk's sales are subject to seasonal patterns, for example over the Christmas trading period. Any unexpected decrease in sales over traditionally high-volume trading periods may impact dusk's revenue and earnings. There are also operational risks associated with the pressure put on dusk's operations and suppliers as a result of increased volumes during these seasonally high-volume periods. Failure by dusk's team or suppliers to adequately manage or respond may adversely impact dusk's financial performance.</li> </ul>	<b>Section 5.2.3</b>
<b>1.5.4 dusk's competition may increase and change</b>	<ul style="list-style-type: none"> <li>The Australian retail industry in which dusk operates is competitive. dusk faces competition from traditional bricks and mortar retailers including department stores, specialty homewares retailers, independent and boutique retailers, and discount department stores. The retailers and brands also typically have online stores. dusk also competes with online only retailers of Home Fragrance Products, together with online marketplaces. There is a risk that dusk's competitive position may deteriorate as a result of actions by existing competitors, the entry of new competitors or a failure by dusk to successfully maintain its position as the retail environment changes. Any deterioration in dusk's competitive position may result in a loss of market share and a decline in revenue and earnings.</li> </ul>	<b>Section 5.2.4</b>
<b>1.5.5 Management may be unable to achieve dusk's growth objectives</b>	<ul style="list-style-type: none"> <li>dusk has a number of strategies to drive sales growth, including growing its store network in Australia, rolling out stores in New Zealand, re-platforming and enhancing its website, and potentially expanding into other international markets.</li> <li>Delays or failure to open new stores may reduce the growth of the business. Misjudgements in site selection may adversely affect profitability. New store openings may reduce sales at nearby existing stores and/or may be unprofitable.</li> <li>Further, dusk's potential expansion into international markets may distract management or may cost more or be less successful than anticipated.</li> <li>Delays or failures in implementation of, or unintended consequences of implementation of, dusk's growth strategies may have an adverse effect on dusk's financial performance.</li> <li>One of dusk's potential initiatives in the longer term is the potential sale of cannabidiol products (e.g. essential oils) and associated products. This strategy is dependent on the necessary regulatory changes being implemented in Australia. Therefore, until legislative change occurs, dusk will not be able to act on this growth initiative.</li> </ul>	<b>Section 5.2.5</b>



Topic	Summary	Further information
<b>1.5.6 Disruption in product supply or distribution and changes in manufacturing contracts may adversely affect dusk's operations</b>	<ul style="list-style-type: none"> <li>dusk does not manufacture the products which it sells and currently has relatively informal supply arrangements in place with manufacturers and suppliers. dusk's reliance on third-party suppliers exposes it to risks relating to the actions or operations of those suppliers, for example risks relating to quality of goods. There is also a risk that dusk's relationships with its suppliers deteriorate. Supply arrangements may be terminated or discontinued. There may also be potential delays in sourcing new products, or disruptions in identifying and engaging alternative suppliers.</li> <li>Material disruption in supply of goods or services from dusk's suppliers may have an adverse impact on dusk's financial performance.</li> </ul>	<b>Section 5.2.6</b>
<b>1.5.7 dusk may lose key Management personnel</b>	<ul style="list-style-type: none"> <li>dusk's success depends to a significant extent on its key personnel, in particular Management described in Section 6.2. These individuals have extensive experience in, and knowledge of, the Australian retail industry and dusk's business along with relationships with dusk's key landlords, other employees and suppliers. The loss of key personnel or inability to recruit suitable replacement or additional personnel, may adversely affect dusk's operations and its ability to develop and implement its business and growth strategies, which may affect its financial performance.</li> </ul>	<b>Section 5.2.7</b>
<b>1.5.8 The value of dusk's brand may diminish</b>	<ul style="list-style-type: none"> <li>The dusk brand is a key asset of the business. The reputation and value of the dusk brand could be adversely impacted by a number of factors, in particular product recalls or liability claims, failure to provide customers with the quality of product and service they expect, disputes or litigation with third parties, or adverse media coverage, which may arise as a result of the occurrence of any of the risks outlined in Section 5.</li> <li>Significant deterioration in the reputation of dusk could have an adverse effect on customer loyalty, relationships with key suppliers, employee retention rates and demand for dusk's products, which may adversely affect dusk's financial performance and position.</li> </ul>	<b>Section 5.2.8</b>
<b>1.5.9 There may be adverse exchange rate movements</b>	<ul style="list-style-type: none"> <li>dusk purchases the majority of its products from suppliers in China. Most of the arrangements for purchase of products are denominated in US dollars, Chinese renminbi and Australian dollars in that descending order. dusk is therefore exposed to foreign exchange rate movements. For example, if the Australian dollar falls in value against the US dollar or Chinese renminbi and dusk's hedging strategies are not effective, the cost to dusk of purchasing its products will increase. If dusk is not able to pass the increased costs on to its customers, this will impact dusk's product margins and profitability.</li> <li>Should dusk move forward with its international expansion plans, it will also be exposed to additional currencies. Adverse exchange rate movements in those currencies may negatively impact dusk's financial performance.</li> </ul>	<b>Section 5.2.9</b>

# 1 Investment overview (continued)

Topic	Summary	Further information
<b>1.5.10 dusk's relationship with its landlords may deteriorate, or it may breach its leases or otherwise experience increases in rental costs upon renewal of leases</b>	<ul style="list-style-type: none"> <li>dusk currently sells its products from 114<sup>17</sup> leased retail premises throughout Australia. Any failure to comply with the terms of its leases, deterioration in relationships with landlords, or other actions taken by landlords may negatively impact the security of tenure of dusk at relevant stores, which could have an adverse impact on dusk's ability to sell its products and therefore on its future financial performance.</li> <li>A number of dusk's store leases require landlord consent following a change of control (which may occur upon Completion of the Offer). A failure by dusk to satisfy its obligations under change of control provisions may result in breaches of leases, which may have unfavourable effects, for example lease termination leading to store closure.</li> <li>dusk currently has 10 – 15 stores in holdover and often has stores in holdover until such time as mutually acceptable terms can be agreed with the landlord. Holdover means these leases are outside of their term, and are typically subject to termination on 30 days' notice. There is a risk that dusk may be given notice at any time in relation to holdover leases.</li> </ul>	<b>Section 5.2.10</b>
<b>1.5.11 Other risks</b>	A number of other risks are discussed in Section 5.	<b>Section 5</b>

## 1.6 dusk directors and senior executives

Topic	Summary	Further information
<b>1.6.1 Who are the directors of the Company?</b>	<ul style="list-style-type: none"> <li>John Joyce, Chairman and Non-Executive Director</li> <li>Peter King, Chief Executive Officer and Executive Director</li> <li>Trent Peterson, Non-Executive Director</li> <li>David MacLean, Non-Executive Director</li> <li>Tracy Mellor, Non-Executive Director</li> <li>Katherine Ostin, Non-Executive Director</li> </ul>	<b>Section 6.1</b>
<b>1.6.2 Who are the key members of Management?</b>	<ul style="list-style-type: none"> <li>Peter King, Chief Executive Officer and Executive Director</li> <li>Kate Sundquist, Chief Financial Officer, Company Secretary and Head of Property</li> <li>Julia Utz, Head of Product</li> <li>John McFee, Technical Product Director</li> <li>Garry Hamilton Smith, Head of eCommerce</li> <li>Vanessa Skinner, Head of Planning</li> <li>Georgina Calopedos, Head of Marketing</li> <li>Wayne Krzeminski, National Retail Manager</li> <li>Diana La Vista, National Business Development Manager</li> <li>Paula Christie, Human Resources Manager</li> </ul>	<b>Section 6.2</b>

<sup>17</sup> As at the end of Q1 FY21 and excluding the online store.

## 1.7 Significant interests of key people and related party transactions

Topic	Summary										Further information	
<b>1.7.1 Who are the Existing Shareholders and what will their interests and the interests of Directors in Shares be at Completion of the Offer?</b>	<b>Shareholder</b>		<b>Shares held prior to Completion of the Offer</b>		<b>Shares transferred to SaleCo in connection with the Offer</b>		<b>Shares acquired in the Offer</b>		<b>Shares held at Completion of the Offer</b>		<b>Section 7.1.6</b>	
		Shares (millions)	%	Shares (millions)	%	Shares (millions)	%	Shares (millions)	%			
	Catalyst <sup>1</sup>	40.1	64.5%	24.3	39.1%	–	–	15.8	25.4%			
	BBRC <sup>1</sup>	11.5	18.5%	7.0	11.2%	–	–	4.5	7.3%			
	John Joyce and Peter King <sup>1,2</sup>	4.6	7.3%	–	–	–	–	4.6	7.3%			
	David MacLean Investments <sup>1</sup>	3.2	5.1%	1.9	3.1%	–	–	1.3	2.0%			
	Other Directors (Trent Peterson, Tracy Mellor and Katherine Ostin) <sup>3</sup>	–	–	–	–	0.3	0.5%	0.3	0.5%			
	Other Existing Shareholders	2.9	4.7%	1.8	2.8%	–	–	1.1	1.8%			
	Successful Applicants <sup>4</sup>	–	–	–	–	34.7	55.7%	34.7	55.7%			
	<b>Total</b>	<b>62.3</b>	<b>100.0%</b>	<b>35.0</b>	<b>56.2%</b>	<b>35.0</b>	<b>56.2%</b>	<b>62.3</b>	<b>100.0%</b>			
	Notes:											
	1. The Shares held by Catalyst, BBRC, John Joyce, Peter King and David MacLean Investments on Completion of the Offer will be subject to the voluntary escrow arrangements described in Section 9.6.											
	2. Prior to the Prospectus Date, the Company entered into agreements with John Joyce and Peter King under which it agreed to buyback and cancel certain options over Shares held by them. For further information, see question 1.7.2 below.											
3. No voluntary escrow arrangements apply to the Shares held by these Directors. Trent Peterson also has an indirect interest in the Shares held by Catalyst as a result of his employment with, and minority investment in, Catalyst.												
4. Excludes Existing Shareholders and Directors who apply for and receive Shares in the Offer.												

# 1 Investment overview (continued)

Topic	Summary	Further information
<p><b>1.7.2 What significant benefits are payable to Directors and other persons connected with the Company or the Offer and what significant interests do they hold?</b></p>	<ul style="list-style-type: none"> <li>• On Completion of the Offer, the Directors and other Existing Shareholders will hold Shares as set out in the table above</li> <li>• \$70.0 million of the funds received under the Offer will be paid to the Selling Shareholders as consideration for the Shares transferred to Successful Applicants by SaleCo.</li> <li>• Directors and Management are entitled to remuneration, fees and payments as set out in Section 6.3. This includes one-off payments to certain Directors and Management to reward their efforts in relation to the Company achieving Listing, including a payment of \$100,000 to the Chairman, \$200,000 to the CEO and \$350,000 to the CFO.</li> <li>• Trent Peterson also has an indirect interest in the Shares held by Catalyst (see table above) as a result of his employment with, and minority investment in, Catalyst. He may receive payments determined by performance of the Catalyst funds (which will be influenced by the performance of assets held by those funds, including in relation to the sale of Shares to SaleCo in connection with the Offer and the Catalyst fund's ongoing shareholding in the Company).</li> <li>• Prior to the Prospectus Date, the Company entered into agreements with John Joyce and Peter King under which it has agreed to buyback and cancel certain options over Shares held by them. The consideration for the buyback and cancellation of \$2.5 million each is anticipated to be paid prior to Listing, which is equal to 35% of the aggregate value of these options and Shares held by John Joyce and Peter King at the Prospectus Date calculated at the Offer Price. John Joyce and Peter King are not selling Shares to SaleCo in connection with the Offer.</li> <li>• The Existing Shareholders are entitled to be paid a dividend of \$4.0 million which was declared by the Company prior to the Prospectus Date and which is expected to be paid prior to 31 December 2020. The Company has already declared and paid a dividend in July 2020 of \$5.8 million which has been paid to the Existing Shareholders.</li> </ul> <p>Professional advisers to the Offer are entitled to fees as set out in Section 6.3.1.</p>	<p><b>Section 6.3</b></p>
<p><b>1.7.3 What are the Escrow Arrangements?</b></p>	<p>Each Escrowed Shareholder has entered into a voluntary escrow deed in respect of all the Shares they will hold on Completion of the Offer, which prevents them from dealing in their Escrowed Shares for an agreed period.</p>	<p><b>Section 9.6</b></p>

## 1.8 Overview of the Offer

Topic	Summary	Further information
<p><b>1.8.1 Who are the issuers of this Prospectus?</b></p>	<p>This Prospectus is issued by Dusk Group Limited ACN 603 018 131 (<b>Company</b>) and Dusk Group SaleCo Limited ACN 644 319 371 (<b>SaleCo</b>).</p>	

Topic	Summary	Further information																
<b>1.8.2 What is the Offer?</b>	<p>The Offer is an initial public offering of Shares, at an Offer Price of \$2 per Shares, to apply for:</p> <ul style="list-style-type: none"> <li>• 10 Shares offered for issue by the Company, to raise proceeds of approximately \$20; and</li> <li>• 35.0 million Shares offered for sale by SaleCo, to raise proceeds of approximately \$70.0 million.</li> </ul> <p>The Shares offered under this Prospectus will represent approximately 56.2% of the Shares on issue on Completion of the Offer, being approximately 62.3 million Shares. All Shares are fully paid and will rank equally with each other. A summary of the rights attaching to Shares is set out in Section 7.11.</p>	<b>Section 7.1</b>																
<b>1.8.3 What is the Offer Price?</b>	<p>The Offer Price is \$2.00 per Share.</p>	<b>Section 7.1</b>																
<b>1.8.4 Who is SaleCo and what is its involvement in the Offer?</b>	<p>SaleCo is a special purpose vehicle established to sell Shares acquired from the Selling Shareholders. Each of the Selling Shareholders has entered into a sale deed under which they have agreed to sell certain Shares held by them to SaleCo free from encumbrances and third-party rights. SaleCo will acquire in total 35.0 million Shares from the Selling Shareholders which will be transferred to Successful Applicants under the Offer at the Offer Price.</p>	<b>Section 9.3</b>																
<b>1.8.5 What are the terms of the Shares offered under the Offer?</b>	<p>A summary of the rights and liabilities attaching to the Shares offered under the Offer is set out in Section 7.2.</p>	<b>Section 7.2</b>																
<b>1.8.6 What are the proposed sources and uses of funds raised under the Offer?</b>	<p>The proposed sources and uses of funds to be raised under the Offer are set out below:</p> <table border="1" data-bbox="470 1422 1244 1993"> <thead> <tr> <th data-bbox="470 1422 790 1467">Sources</th> <th data-bbox="790 1422 869 1467">A\$</th> <th data-bbox="869 1422 1173 1467">Uses</th> <th data-bbox="1173 1422 1244 1467">A\$</th> </tr> </thead> <tbody> <tr> <td data-bbox="470 1467 790 1635">Cash proceeds received by the Company for the issue of Shares under the Offer</td> <td data-bbox="790 1467 869 1512">\$20.0</td> <td data-bbox="869 1467 1173 1534">General corporate purposes</td> <td data-bbox="1173 1467 1244 1512">\$20.0</td> </tr> <tr> <td data-bbox="470 1635 790 1937">Cash proceeds received for the transfer of Shares by SaleCo under the Offer</td> <td data-bbox="790 1635 869 1680">\$70.0 million</td> <td data-bbox="869 1635 1173 1937">Payment by SaleCo of cash proceeds to the Selling Shareholders as consideration for the acquisition of Shares being transferred under the Offer</td> <td data-bbox="1173 1635 1244 1680">\$70.0 million</td> </tr> <tr> <td data-bbox="470 1937 790 1993"><b>Total sources</b></td> <td data-bbox="790 1937 869 1982"><b>\$70.0 million</b></td> <td data-bbox="869 1937 1173 1993"><b>Total uses</b></td> <td data-bbox="1173 1937 1244 1982"><b>\$70.0 million</b></td> </tr> </tbody> </table>	Sources	A\$	Uses	A\$	Cash proceeds received by the Company for the issue of Shares under the Offer	\$20.0	General corporate purposes	\$20.0	Cash proceeds received for the transfer of Shares by SaleCo under the Offer	\$70.0 million	Payment by SaleCo of cash proceeds to the Selling Shareholders as consideration for the acquisition of Shares being transferred under the Offer	\$70.0 million	<b>Total sources</b>	<b>\$70.0 million</b>	<b>Total uses</b>	<b>\$70.0 million</b>	<b>Section 7.1.3</b>
Sources	A\$	Uses	A\$															
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<b>Total sources</b>	<b>\$70.0 million</b>	<b>Total uses</b>	<b>\$70.0 million</b>															



# 1 Investment overview (continued)

Topic	Summary	Further information
<b>1.8.7 Will the Shares be quoted on the ASX?</b>	<p>The Company will apply to the ASX within seven days after the Prospectus Date, for admission to the Official List and quotation of Shares on the ASX under the code DSK.</p> <p>If the Company does not make such an application within seven days after the Prospectus Date, or permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by the Company and SaleCo will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	<b>Section 7.2</b>
<b>1.8.8 How is the Offer structured and who is eligible to participate?</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>• the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;</li> <li>• the Priority Offer, which is open to selected investors in Australia nominated by the Company who receive an invitation to apply for Shares; and</li> <li>• the Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions, made under this Prospectus.</li> </ul> <p>No general public offer of Shares will be made in the Offer.</p>	<b>Sections 7.3.1, 7.4.1 and 7.6.1</b>
<b>1.8.9 Is there a minimum Application amount under the Offer?</b>	<p>The minimum Application under the Broker Firm Offer is \$2,000, and in multiples of \$100 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>The minimum Application amount under the Priority Offer is \$10,000 and in multiples of \$1,000 thereafter, or such other amount as specified in the terms of the invitation to participate in the Priority Offer. There is no maximum value of Shares that may be applied for under the Priority Offer.</p> <p>The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer.</p>	<b>Section 7.2</b>
<b>1.8.10 Is the Offer underwritten?</b>	<p>Yes. The Offer is fully underwritten by the Joint Lead Managers, subject to the terms of the Underwriting Agreement.</p>	<b>Section 9.5</b>
<b>1.8.11 Who are the Joint Lead Managers?</b>	<p>Shaw and Partners Limited and Canaccord Genuity (Australia) Limited.</p>	<b>Section 6.3.1</b>
<b>1.8.12 What is the allocation policy?</b>	<p>The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer will be determined by agreement between the Company and the Joint Lead Managers having regard to the allocation policies outlined in Section 7.</p> <p>For further details of the:</p> <ul style="list-style-type: none"> <li>• Broker Firm Offer and the allocation policy under it, see Section 7.3;</li> <li>• Priority Offer and the allocation policy under it, see Section 7.4; and</li> <li>• Institutional Offer and the allocation policy under it, see Section 7.6.</li> </ul>	<b>Sections 7.3, 7.4 and 7.6</b>

Topic	Summary	Further information
<b>1.8.13 Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	<b>Sections 7.2 and 9.5.1</b>
<b>1.8.14 What are the tax implications of making an investment?</b>	<p>The taxation consequences of an investment in Shares will depend upon an investor's particular circumstances and it is the obligation of each investor to make their own enquiries (including consulting independent taxation advisers) concerning the taxation consequences of an investment in Shares.</p> <p>Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.12.</p>	<b>Section 9.12</b>
<b>1.8.15 Who bears the costs of the Offer?</b>	The costs of the Offer (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Joint Lead Managers' management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses, which amount to approximately \$7.5 million) have been or will be borne by the Company from available funds.	<b>Section 6.3.1</b>
<b>1.8.16 How can I apply?</b>	<p>Broker Firm Offer Applicants should refer to Section 7.3.2 for details on how to apply.</p> <p>Priority Offer Applicants should refer to Section 7.4.2 for details on how to apply.</p> <p>Institutional Offer Applicants were contacted by the Joint Lead Managers in relation to applying under the Institutional Offer.</p>	<b>Sections 7.3.2, 7.4.2 and 7.6.1</b>
<b>1.8.17 When will I know my Application has been successful?</b>	<p>It is expected that initial holding statements will be dispatched by standard post on or about 3 November 2020.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of Application Monies received from them, will be made as soon as possible after Completion of the Offer, which is expected to occur on or about 29 October 2020. No refunds will be made where the overpayments relate solely to rounding at the Offer Price.</p>	<b>Section 7.2</b>
<b>1.8.18 Is the Offer conditional?</b>	The Company will apply to the ASX for admission to the Official List. Completion of the Offer is conditional on the ASX approving the application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	<b>Section 7.2</b>
<b>1.8.19 When are the Shares expected to commence trading?</b>	It is expected that trading of the Shares on the ASX will commence on or about 2 November 2020.	<b>Section 7.2</b>

# 1 Investment overview (continued)

Topic	Summary	Further information
<b>1.8.20 Can the Offer be withdrawn?</b>	The Company and SaleCo may withdraw the Offer at any time before Completion of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).	<b>Section 7.9</b>
<b>1.8.21 Where can I find out more information about this Prospectus or the Offer?</b>	<p>For more information, call the dusk IPO Offer Information Line on 1300 157 205 (within Australia) or +61 3 9415 4019 (outside Australia) from 8.30am until 5.00pm (Sydney Time) Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should consult with your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>	<b>Section 7</b>

Section 2

Industry  
overview



## 2 Industry overview

### 2.1 Introduction

dusk is an Australian specialty retailer operating principally in the Home Fragrance Market. dusk sells candles, diffusers and other Home Fragrance Products including related homewares and accessories.

The Company currently has 115<sup>18</sup> Company owned and operated stores across Australia, including its website [www.dusk.com.au](http://www.dusk.com.au).

In addition to participating in the Home Fragrance Market, dusk also participates in the broader gift products market. This market is not easily defined or quantified and intersects with the Home Fragrance Market and a range of other product segments; therefore, it includes competitors that do not operate in the Home Fragrance Market. Participants in this gift products market include retailers of common gift items like flowers, chocolate, perfume and wine, together with other homewares and personal goods items. This wider market is most relevant for dusk in key gifting and seasonal celebration periods such as Christmas, Easter, Halloween, and Mother's Day.

### 2.2 Home Fragrance Market overview

The Home Fragrance Market in Australia is estimated to have generated retail revenues of approximately A\$461.5 million in FY20<sup>19</sup>. The composition of the market is shown in Table 1.

**Table 1. Australian Home Fragrance Market segments and estimated retail sales**

Category	Description	Estimated retail sales (A\$ millions, FY20)	Percentage of total market (% , FY20)
<b>Candles</b>	<ul style="list-style-type: none"><li>• Scented candles</li><li>• Unscented candles</li><li>• LED candles</li></ul>	236.9	51%
<b>Diffusers and other Home Fragrance Products</b>	<ul style="list-style-type: none"><li>• Ultrasonic diffusers</li><li>• Reed diffusers</li><li>• Air purifiers</li><li>• Essential oils and replacement reeds</li></ul>	141.7	31%
<b>Home Fragrance related Homewares</b>	<ul style="list-style-type: none"><li>• Candle holders</li><li>• Lanterns</li></ul>	82.9	18%
<b>Total estimated retail sales</b>		<b>461.5</b>	<b>100%</b>

Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020

The Home Fragrance Market grew by a CAGR of 9.1% from FY17 to FY20 and is forecast to increase by 5.8% in FY21<sup>20</sup>. The Diffusers and other Home Fragrance Products category is the fastest growing segment within the Home Fragrance Market, growing by an estimated 11.5% in FY20 driven by product innovation and an increasing focus on the category by retailers – including dusk<sup>21</sup>.

18 Store count as at the end of Q1 FY21 and includes the online store.

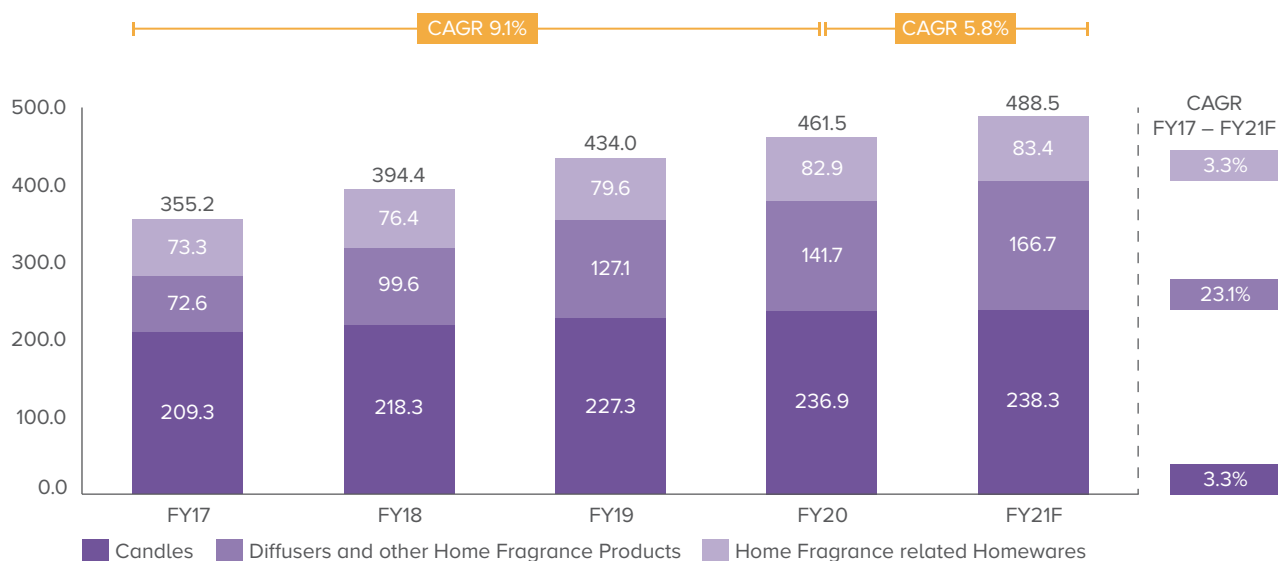
19 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

20 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

21 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.



Figure 1. The Australian Home Fragrance Market retail revenue growth (A\$m)



Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020

In addition to factors such as population growth, growth in the number of homes, price inflation, and growth in GDP, dusk believes that the growth of the Home Fragrance Market has been largely driven by a number of consumer trends as outlined in Section 2.3.

Management believes that dusk is the largest and only national specialty retailer focused on the Home Fragrance Market. dusk believes that growth in the Home Fragrance Market has also been influenced by its own store roll-out program coupled with its success in product innovation.

In the three years to the end of FY20, dusk’s physical store numbers increased from 88 to 111 with revenue growing at a CAGR of 15.9% compared to sector growth at a CAGR of 9.1% over the same period<sup>22</sup>. Further, dusk’s leadership position and the growth in sales of diffusers and consumables appears to be (of itself) contributing to the total growth of the Diffusers and other Home Fragrance Products category<sup>23</sup>.

## 2.3 Market drivers and trends

### 2.3.1 Sustained interest in home improvement and styling

Management has observed sustained interest in home improvement and styling in Australia as a contributor to growth in the Home Fragrance Market. Indicators of this include the current popularity of home renovation and styling television shows (e.g. ‘The Block’, ‘House Rules’ and ‘Selling Houses Australia’), the volume of related content on social media websites (e.g. Pinterest and Instagram) and the number and popularity of blogs and magazines focused on home improvement and home styling and decoration.

Additionally, as a result of the COVID-19 pandemic, people are spending more time in the home which is driving a “nesting effect” and providing opportunities for home decoration and comfort related businesses, including dusk.

### 2.3.2 Product innovation, especially in fragrance diffusers

dusk believes that product innovation and technological advancements are contributing to the growth in value of the Home Fragrance Market, with consumers interested in new innovations like ultrasonic diffusers. Due to the controllable nature of fragrance emission, absence of a flame, and the relative safety of use of these products, they are considered suitable for use in more rooms in Australian homes (e.g. children’s bedrooms and studies), offices or other personal spaces.

22 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

23 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

## 2 Industry overview (continued)

The devices (i.e. ultrasonic diffusers) in this category are typically of higher value than traditional fragrance related products (e.g. candles and reed diffusers) and necessitate the purchase of the consumable refills. These products can also be designed in shapes and made from materials that appeal to different home decoration trends and personal aesthetic preferences.

Frost & Sullivan data indicates that there has been an increased uptake of diffusers in recent years, with the category growing at a CAGR of 25% from FY17 to FY20 and forecast to grow by 17.7% in FY21<sup>24</sup>.

Notwithstanding the growth of this segment, the candles segment has continued to grow at a CAGR of 4.2% from FY17 to FY20<sup>25</sup>.

In addition, even in the candle category, Management has observed product evolution and innovations which contribute to the growth in value of this traditional and relatively mature segment of the Home Fragrance Market.

This includes the sale of larger multi-wick candles, the increase in sales of candles in vessels rather than traditional pillars, and the use of more expensive materials in these products (e.g. soy and paraffin based candle wax, and metals and glass in the vessels). Finally, the quality of appearance and quality of packaging have also improved materially over recent years. These factors are collectively supporting price increases in the category, and the appeal to customers to 'trade-up' to superior products.

### 2.3.3 Wellness connection to consumers

dusk believes that the appreciation by Australian consumers of the role Home Fragrance Products can play in wellness matters has increased. Certain Home Fragrance Products in the category are designed and marketed to appeal to customers seeking support or relief for common issues associated with sleep quality, managing anxiety and mood. dusk aims to develop and market a subset of its range to resonate with a customer seeking these elements.

As consumers become increasingly aware of the health problems associated with air pollution, and the social stigma associated with odours caused by cigarette smoking, new types of Home Fragrance Products have emerged. These new products include portable home fragrance devices (e.g. for office, car or travel) as a new sub-category in diffusers. Demand for products and devices that are marketed as counteracting stressful modern lifestyles, reducing anxiety, enhancing sleep and relaxation is expected to continue to grow.

### 2.3.4 Growth of "Buy Now Pay Later" products

Recent payments innovations such as Buy Now Pay Later products are increasing consumer payment options which may support consumer spending. Afterpay, Zip, Openpay, Humm, Klarna and LatitudePay are examples of growing Buy Now Pay Later platforms which allow consumers to pay for a product via installments. Management view the continued adoption of these platforms by consumers as further contributing to higher levels of funds available to a wider range of consumers. Management intends to expand dusk's offering of these payment options to its customers.

### 2.3.5 Tailwinds provided by the COVID-19 pandemic

Due to the COVID-19 pandemic, Australians are spending more time at home and, in many cases, working and entertaining at home more often. Social restrictions and the community response have curtailed consumer's ability to spend on other discretionary categories. dusk believes these factors are contributing to increased demand for home decoration and comfort related products.

Management believes the reallocation of household spending away from categories such as travel, out of home entertainment, cafés and restaurants, fuel, mortgage interest payments and social activities, together with capacity for consumers to withdraw funds from superannuation and the policies implemented by the Reserve Bank of Australia and the Australian Government to stimulate spending, are supporting the rate of spend in the home decoration and Home Fragrance Market.

24 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

25 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

## 2.4 Market structure

### 2.4.1 Home Fragrance Market competitive landscape

The Home Fragrance Market comprises both bricks and mortar retailers and online retailers. While there are a number of larger participants, the competitor set also includes small independent operators who sell candles and similar products in local shopping centres and markets.

Competing primarily against department stores, specialty homewares retailers and online only retailers, that resell products manufactured by various brands in the Home Fragrance Market, Management believes that dusk is the only national 'vertical' home fragrance specialist in the market, offering the widest range of fragrance products, knowledgeable 'boutique' customer experience and an engaging shopping environment.<sup>26</sup>

As a 'vertical' retailer, dusk also competes with manufacturers of Home Fragrance Products and distributors that offer brands such as Jo Malone London<sup>27</sup>, Glasshouse Fragrances, Circa Home, ECOYA, The Aromatherapy Company, and Peppermint Grove as shown in Figure 2 below. Management believes that dusk's 'vertical' retail model allows dusk to offer superior value for money and a more consistent rate of product innovation and variety relative to manufacturers of Home Fragrance Products.

Figure 2. Market channels and examples of key competitors

	dusk	Department stores	Specialty homewares retailers	Online only retailers	Independent and boutique retailers	Supermarkets and discount department stores
<b>Retailers</b>	dusk	Myer David Jones Target Kmart BIG W	freedom Adairs IKEA Bed Bath N' Table Peter Alexander (fashion retailer) MECCA	Catch.com.au Temple & Webster eBay Adore Beauty Kogan.com Strawberrynet Amazon	Pharmacists Boutique homewares stores Markets	Woolworths Coles Target Kmart BIG W ALDI Bunnings
<b>Example brands</b>	dusk	Jo Malone London GlassHouse Fragrances Circa Home ECOYA The Aromatherapy Company Peppermint Grove		Palm Beach In Essence From Wilds Mews Collective diptyque Private label		Private label

### 2.4.2 Gifting competitive landscape

In addition to the Home Fragrance Market, dusk also competes in the broader gifting market, which includes a larger and more difficult to define, competitor set. Participants in the gifting market include retailers of common gift items like flowers, chocolate and wine, together with other homewares and personal goods items. In this regard, dusk considers retailers such as T2, Body Shop, Lush, Typo, MECCA, perfume retailers and florists as competitors in relation to gifting. This market and the associated competition are most relevant for dusk in key gifting and seasonal celebration periods such as Christmas, Easter, Halloween, and Mother's Day.

<sup>26</sup> For further information on dusk's vertical retail model, see Section 3.6.

<sup>27</sup> In addition to being available in Australian department stores, Jo Malone London operates a single store in Woollahra, Sydney.

## 2 Industry overview (continued)

### 2.4.3 Online channel

Most significant retail businesses that operate bricks and mortar stores also operate an online store. There are also a number of online only retailers including Catch.com.au, Temple & Webster, eBay, Adore Beauty, Kogan.com, Strawberry.net and Amazon that each sell Home Fragrance Products as well as other products within the broader gifting category. In addition, consumers in Australia can purchase candles from a range of international websites, such as Yankee Candle, and The White Company.

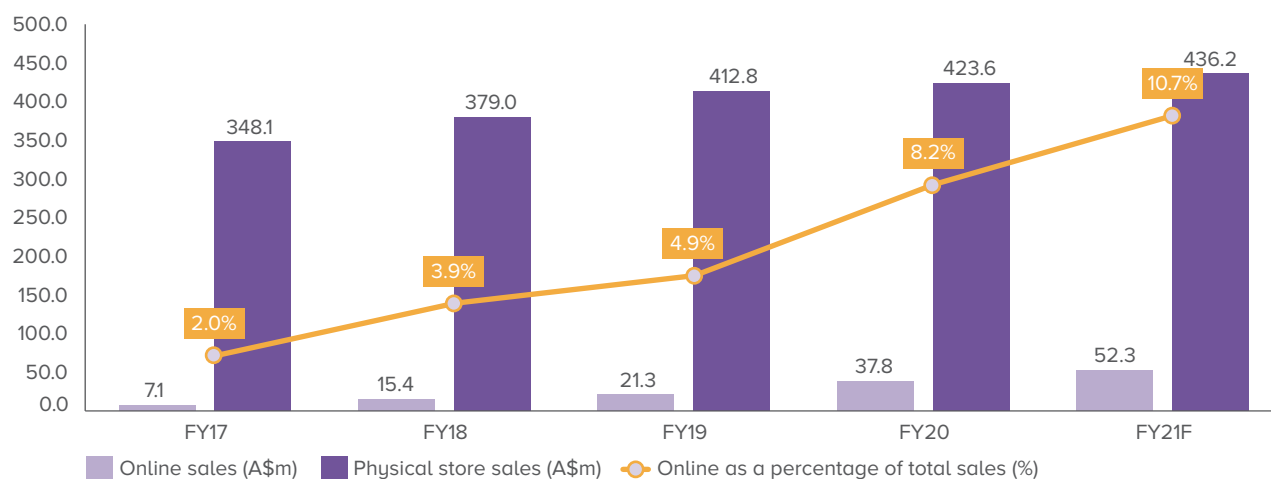
Frost & Sullivan estimated that online penetration (being the percentage of online sales to overall sales) in the Australian Home Fragrance Market was approximately 8.2% as at 30 June 2020<sup>28</sup>, which is lower than penetration levels observed in the broader Australian retail market where online sales were estimated to represent approximately 10% of retail trade as at 30 June 2020<sup>29</sup>.

Management believes that lower online penetration in the Australian Home Fragrance Market is primarily attributable to the tactile and sensory nature of Home Fragrance Products and the personal nature of fragrance appreciation which favours in store visits to make a purchase. Management also considers that the immediacy of purchasing a Home Fragrance Product in store is especially relevant in key gifting seasons such as Christmas where 'last minute' shopping behaviours are common, and for these occasions, online shopping is not sufficiently timely. Furthermore, the shipping cost relative to the value of many Home Fragrance Products is also relatively high and therefore may deter some consumers from purchasing Home Fragrance Products online (e.g. the standard shipping cost of \$12.90 can be a substantial proportion of the cost of a typical candle).

Nonetheless, Management believes that once a customer has found a preferred product or scent, the propensity for online purchases is increased. Management believes that penetration of the online channel in the Australian Home Fragrance Market will continue to grow. As a result, dusk plans to further invest in its online channel and use its existing assets (e.g. brand, customer database, broad product range, store numbers, and associated scale benefits) to build upon its market share in the online channel. While it is not possible to quantify the long-term or enduring impact the COVID-19 pandemic will have on the Home Fragrance Market, Management considers it is currently accelerating the adoption and growth of online shopping, as has occurred in many other categories of retailing in Australia.

Revenue from online sales in the Home Fragrance Market is estimated by Frost & Sullivan to have grown at a CAGR of 74.6% from FY17 to FY20 and is expected to grow by 38.2% from FY20 to FY21<sup>30</sup>.

Figure 3. Online and physical store sales of Home Fragrance Products



Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020

28 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

29 Australian Bureau of Statistics, 8501.0 Retail Trade, Australia, A3 Online Retail Turnover, Australia, By Type of Activity – Percentage of Total Australian Retail Turnover. Released 4 August 2020 <https://www.abs.gov.au/ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/0aefe93da719d4aeaca257c350010f212!OpenDocument>

30 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

#### 2.4.4 Changing retail landscape

A number of Australian retailers, including the major department stores, have suffered weak performance for a number of years which has led to these companies developing plans and implementing strategies to reduce floorspace and close underperforming stores. Management views dusk as a beneficiary of these changes. This reduction in floorspace appears to be accelerating as a result of changes in consumer preferences arising from the COVID-19 pandemic. By way of example, Myer<sup>31</sup> and David Jones<sup>32</sup> have both announced plans to reduce store numbers, and hand back retail space. Other competitors such as Harris Scarfe, MyHouse, and Mr & Mrs Jones have all been in administration over the last 12 months. Large discount department store businesses such as Target<sup>33</sup> and BIG W<sup>34</sup> have also each announced significant store rationalisation programs which will be implemented over the medium term.

There are however, new competitors, including the emerging competitors in the online channel such as Catch.com.au, Temple & Webster, eBay, Adore Beauty, Kogan.com, Strawberry.net and Amazon. Traditional fashion retailers, such as Peter Alexander, are also active in the category, selling a range of candles and other Home Fragrance Products.

There is also a significant number of new brands which have emerged on social media platforms and online. Finally, globalisation of the retail industry via the internet is allowing Australian consumers to purchase products from more international retailers with greater ease.

#### 2.4.5 Barriers to entry

The barriers to entry to the Home Fragrance Market continue to evolve. The primary barriers to entry and competing at scale relate to the time and costs associated with establishing a business, building brand recognition and consumer trust, developing a team with the necessary expertise, developing a product set, building relationships with suppliers and developing a store and warehouse network.

In particular, dusk considers that there are some barriers that are particularly important to competing in the Home Fragrance Market at scale and with a differentiated offering, being:

1. many customers are discerning about and loyal to a fragrance or brand. This means that companies within the Home Fragrance Market must establish a fragrance range and have that introduced to and appreciated by customers; and
2. while manufacturing candles is not a capital-intensive process, and many small operators manufacture their own products at home for resale at markets and online, to work with large suppliers and have a broad range developed to specifications require significant volumes to deliver long-run production efficiencies, which can be difficult to achieve for most start up operators.

While opening a store or a website that sells Home Fragrance Products is a relatively easy task, for an entrant to compete meaningfully with established incumbents such as dusk they would need to develop a wide range of quality products, and a well located and profitable store network across Australia if they wish to participate in this channel. In addition, potential entrants would require a management team with skills to develop, deploy and manage a business in the Home Fragrance Market, inclusive of delivering a multi-channel offering to consumers in a competitive manner. Each of these tasks is complex, expensive and time consuming, and success is uncertain.

dusk considers itself to be well placed to maintain its market position, as a result of its 'vertical' retail model,<sup>35</sup> differentiated and exclusive product offering, trusted brand, omni-channel offer, scale and effectiveness of its dusk Rewards program, and its proven ability to deliver innovative products and value for money in a profitable manner through both stores and online.

31 Source: Myer Holdings Limited (ASX: MYR) Full year 2019 results announcement. Released 5 September 2019.

32 Source: Woolworths Holdings Limited (JSE: WHL) Further update on the impact of COVID-19, trading update and strategic initiatives. Released 27 May 2020.

33 Wesfarmers Limited (ASX: WES) Kmart Group update and expected FY20 significant items. Released 22 May 2020  
<https://www.asx.com.au/asxpdf/20200522/pdf/44j0w74jgfd34.pdf>

34 Woolworths Group Limited (ASX: WOW) BIG W announcement. Released 18 July 2019  
[https://www.woolworthsgroup.com.au/page/media/Latest\\_News/big-w-announcement](https://www.woolworthsgroup.com.au/page/media/Latest_News/big-w-announcement)

35 For more information on dusk's vertical retail model, see Section 3.6.



## 2 Industry overview (continued)

### 2.5 Macroeconomic backdrop and the COVID-19 pandemic

Since March 2020, the COVID-19 pandemic has resulted in widespread economic uncertainty and the implementation of government imposed social restrictions in Australia and globally which have led to the largest peacetime contraction in the Australian economy in nearly a century<sup>36</sup>. Unemployment in July 2020 reached 7.5%<sup>37</sup>.

The Australian Government has responded to the effects of the COVID-19 pandemic by implementing an economic support package for affected workers, businesses and the broader community. This included the JobKeeper and JobSeeker payment schemes and allowed for early withdrawal of amounts from superannuation accounts for individuals whose employment was impacted by the COVID-19 pandemic. Additionally, the Reserve Bank of Australia implemented a number of policy measures designed to stimulate borrowing and consumer spending, and therefore economic activity in the face of the COVID-19 pandemic, including reducing the cash rate target to 25 basis points per annum as of 20 March 2020<sup>38</sup>.

As a specialty retailer, dusk is naturally exposed to changes in retail spending levels, which is influenced by Australia's broader macroeconomic backdrop. However, while total Australian retail trade fell by 3.4% for the June quarter<sup>39</sup>, retail trade in household goods grew by 16.5%<sup>40</sup>. While the COVID-19 pandemic has had significant implications for the global economy, fiscal and monetary measures implemented in Australia have been largely successful in supporting employment and consumer spending<sup>41</sup>. Further factors such as a reduction on money spent on travel and increased time being spent in the home appear to be driving strong sales of household goods<sup>42</sup>, which have been beneficial to dusk.

36 Philip Lowe (Reserve Bank of Australia Governor), Opening Statement to the House of Representatives Standing Committee on Economics, 14 August 2020 <https://www.rba.gov.au/speeches/2020/sp-gov-2020-08-14.html>

37 Australian Bureau of Statistics, 6202.0 Labour Force, Australia. Released 13 August 2020. Measured as the seasonally adjusted.

38 Philip Lowe (Reserve Bank of Australia Governor), Opening Statement to the House of Representatives Standing Committee on Economics, 14 August 2020 <https://www.rba.gov.au/speeches/2020/sp-gov-2020-08-14.html>

39 Australian Bureau of Statistics, 8501.0 Retail Trade, Australia. June Key Figures. Released 4 August 2020. Measured as the seasonally adjusted <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8501.0Main+Features1June%202020?OpenDocument>

40 Australian Bureau of Statistics, 8501.0 Retail Trade, Australia. Table 1. Retail Turnover, By Industry Group. Released 4 August 2020. Calculated based on underlying data as the growth in total households goods retailing between the March 2020 and June 2020 quarters, measured as the seasonally adjusted <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8501.0Main+Features1June%202020?OpenDocument>

41 The Reserve Bank of Australia's Statement on Monetary Policy, Released 14 August 2020 <https://www.rba.gov.au/publications/smp/2020/aug/domestic-economic-conditions.html>

42 The Reserve Bank of Australia's Statement on Monetary Policy, Released 14 August 2020 <https://www.rba.gov.au/publications/smp/2020/aug/domestic-economic-conditions.html>

## Section 3

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### Business overview



## 3 Business overview

### 3.1 Overview of dusk

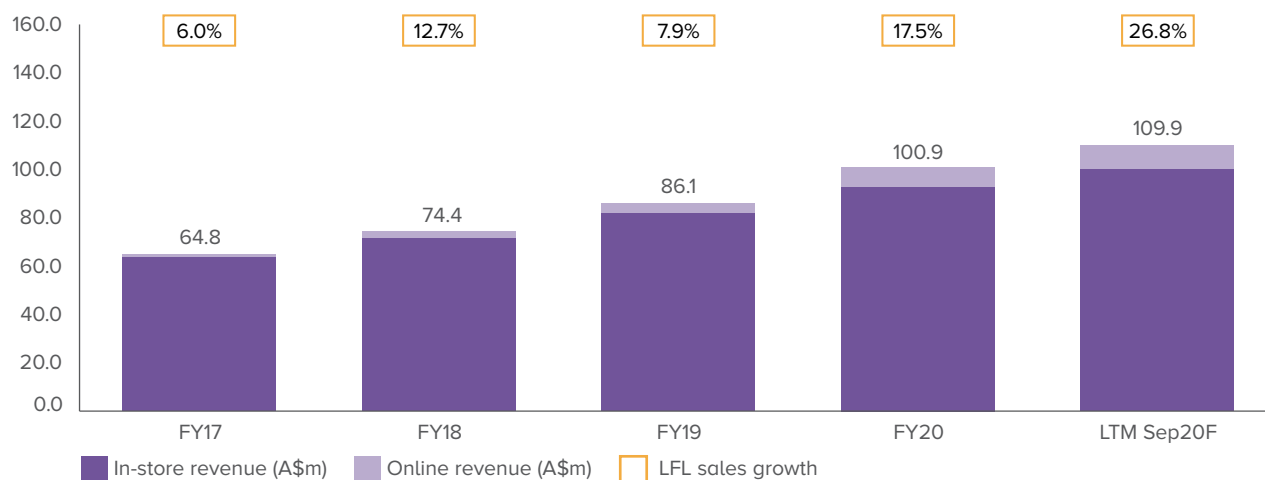
dusk is an Australian specialty retailer of Home Fragrance Products, offering a range of dusk branded premium products at competitive prices from its physical stores and online store. dusk's products include candles, ultrasonic diffusers, reed diffusers, essential oils and fragrance related homewares. dusk currently has 115<sup>43</sup> Company owned and operated stores across Australia with a target of approximately 160 stores by 2024<sup>44</sup> in Australasia, including a growing online presence via its website [www.dusk.com.au](http://www.dusk.com.au).

dusk operates a 'vertical' retail model<sup>45</sup> which allows it to more effectively control costs and product quality, drive product innovation and differentiation, and remain up to date with consumer trends. dusk's product offering is exclusively available for purchase through the dusk store network and website.

dusk is a market leader in the Australian Home Fragrance Market with an estimated market share of approximately 22% as at FY20<sup>46</sup>.

dusk has demonstrated strong revenue growth at a CAGR of 15.9% from FY17 to FY20 and consistent like for like sales growth<sup>47</sup> as shown in Figure 4.

Figure 4. dusk historical and forecast revenue and like for like sales growth



#### 3.1.1 Company history

dusk was founded as a specialist Home Fragrance Products retailer in 1999 in Western Australia. The Company was acquired in 2004 by Brazin Limited, at which time dusk was operating from 41 stores.

In 2006, Brazin Limited was privatised by BBRC, the private investment company founded by Australian entrepreneur Brett Blundy. In 2010, a majority interest in dusk was sold to Catalyst, an Australian private equity firm. Catalyst has worked with Management over the last 10 years to reposition the business and transform its operations.

Prior to 2015, dusk operated its own factory in Perth, Western Australia manufacturing the majority of its candle product with a proportion of its products sourced from a range of largely Asian based suppliers.

Over 2015 and 2016, under the leadership of Peter King, dusk underwent a significant transformation resulting in closure of its manufacturing operations in Perth and the outsourcing of production to suppliers in China. The warehousing and distribution functions were also outsourced to new third-party logistics providers. dusk's head office was simultaneously relocated from Perth to Sydney. In the same period, the dusk Rewards loyalty program and the online channel were both relaunched and product pricing and promotional offers were re-engineered.

43 Store count as at the end of Q1 FY21 and includes the online store.

44 Including current stores.

45 For more information on dusk's vertical retail model, see Section 3.6.

46 Implied market share was calculated by dividing dusk total network sales for FY20 by total estimated retail sales for the Home Fragrance Market determined by Frost & Sullivan: The Home Fragrances Market in Australia; Market Size, September 2020.

47 Like for like sales growth is calculated as the growth in revenue over the prior comparable period for like for like stores (including the online store) expressed as a percentage. A store is generally included in dusk's LFL sales growth calculation after it has been trading for a minimum period of 12 months.




## 3.2 Customers

dusk's customers are 'everyday Australians', and come from a wide range of backgrounds, demographics and vocations. dusk's typical customer is a female within the 25 – 54 age bracket seeking quality, unique Home Fragrance Products at affordable prices. Reflecting this broad appeal, dusk successfully operates stores in middle demographic markets, with stores in metropolitan, suburban, country and coastal regions of Australia. dusk stores are not currently found in CBD areas, airports, casinos or bulky goods retail precincts, or in shopping strips in the most affluent Australian suburbs.

### 3.2.1 Customer categories

dusk generally views its customers as comprising three core groups as outlined below.

Table 2. Key customer categories




	Description	Spending drivers
<p><b>Homemaker</b></p> 	<ul style="list-style-type: none"> <li>Customers that purchase Home Fragrance Products to create ambiance and beautify the appearance of and provide sensory experience within their home</li> </ul>	<ul style="list-style-type: none"> <li>Increased interest in home personalisation and styling, and inspiration (e.g. Pinterest and 'The Block')</li> <li>Desire to make their home more comfortable and enjoyable for the family and entertaining friends at home</li> <li>Housing renovations or makeovers</li> <li>Product innovation within home fragrance and related homewares that provides new aesthetic and sensory experiences</li> <li>Structural shift to working from home and heightened "nesting effect" driven by the COVID-19 pandemic</li> </ul>
<p><b>Self-indulger</b></p> 	<ul style="list-style-type: none"> <li>Customers that purchase Home Fragrance products as a gift for themselves as an affordable luxury</li> <li>Choice of product and brand likely to be driven by existing preferences or by wanting to discover and try new fragrances</li> </ul>	<ul style="list-style-type: none"> <li>Availability of disposable incomes driven by economic factors including employment</li> <li>Impulse or inspiration driven by product innovation and store or website presentation or promotion</li> <li>New product availability</li> <li>Customers self-indulging in household decoration and home fragrance items in the absence of other larger 'ticket' indulgences and activities such as holidays on account of the COVID-19 pandemic</li> </ul>
<p><b>Gifter</b></p> 	<ul style="list-style-type: none"> <li>Customers that purchase Home Fragrance Products to gift to others</li> <li>Gift-giving accounts for approximately 30% – 40% of all Home Fragrance Product purchases from dusk</li> </ul>	<ul style="list-style-type: none"> <li>Birthdays and other special events (e.g. Christmas or Mother's Day)</li> <li>Gifts for small social events or expressions of gratitude</li> <li>Gifts for colleagues</li> </ul>

## 3 Business overview (continued)

### 3.2.2 Customer value proposition

dusk offers its customers high quality, affordably priced products in an engaging shopping environment. As a Home Fragrance Product specialist, Management believes dusk offers the widest product range compared to that of other retailers in the Home Fragrance Market, providing its customers with greater choice of products in both fragrance and product formats. dusk continues to innovate and frequently introduce new and seasonal product lines to provide new products for customers.

Table 3. dusk's unique customer proposition

<p><b>Wide and differentiated product range providing value for money</b></p> 	<ul style="list-style-type: none"> <li>dusk offers scented and unscented candles, soy and paraffin wax products, a range of formats for fragrance distribution across a wide range of fragrances, a range of styles and sizes, novelty, event and seasonal products as well as a selected range of coordinating homewares</li> <li>dusk products are exclusively sold through dusk owned channels</li> <li>Wide range of core fragrances across dusk's multiple product types<sup>48</sup> (e.g. candles, mood reeds, diffusers and essential oils)</li> <li>Complemented by limited edition and seasonal fragrances</li> </ul>
<p><b>Engaging shopping experience</b></p> 	<ul style="list-style-type: none"> <li>Opportunity to sample and discover new products and fragrances</li> <li>Expert customer service and product knowledge driven by extensive employee training and product education</li> <li>Modern purpose-designed stores create an immersive shopping environment tailored to the tactile nature of dusk products</li> <li>dusk stores located in areas most relevant to the dusk shopper</li> <li>Omni-channel flexibility and convenience</li> </ul>
<p><b>Unique customer loyalty program</b></p> 	<ul style="list-style-type: none"> <li>Loyalty program offering recurring discounts, events, and rewards to members</li> <li>Seasonal offers and events maximise outcomes during peak shopping periods</li> <li>dusk Rewards is the centrepiece of dusk's marketing efforts to engage regularly with its customer base</li> </ul>

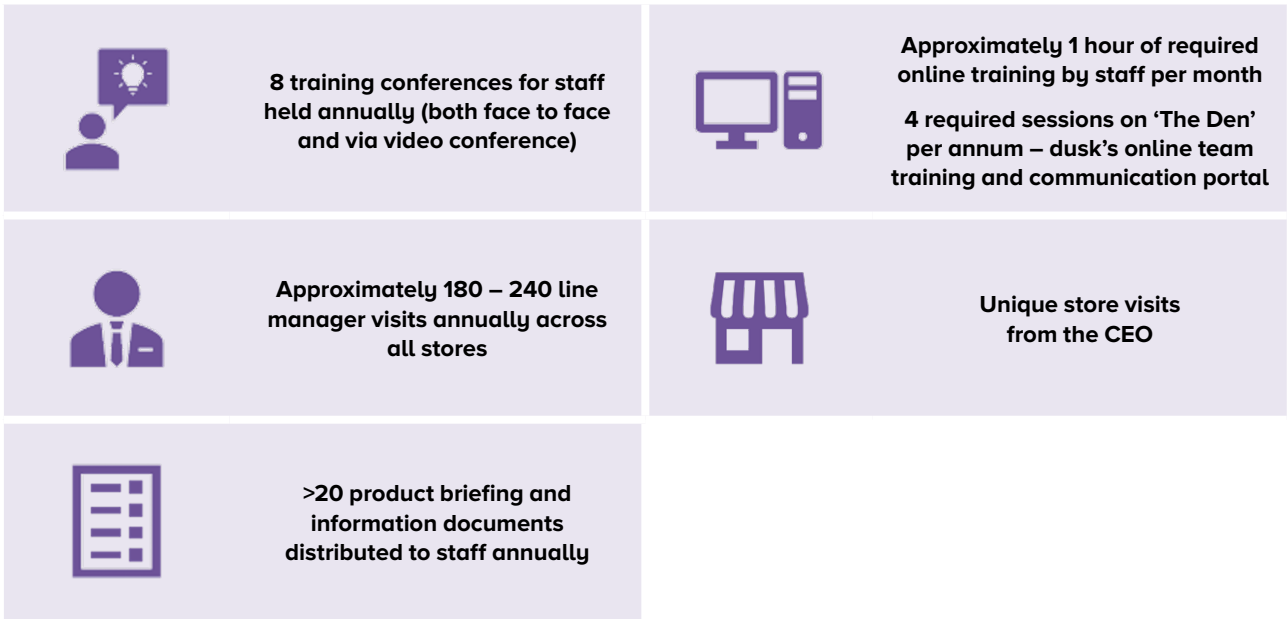
### 3.2.3 Customer service and engagement

Management believes that a key differentiator between dusk and other Home Fragrance Market participants is the dedicated specialist stores and staff to assist customers in making a purchase decision. To maintain this advantage, dusk continually invests in staff training and education to deliver high quality customer service and product knowledge.

dusk has a number of processes in place which seek to maintain high service levels, including a range of in-house training programs and communications to keep staff up to date with new developments in products, systems and processes across the Company as outlined in Figure 5.

<sup>48</sup> For further details on dusk's fragrance sourcing arrangements, see Section 3.3.1.

Figure 5. dusk staff customer service training program



3.2.4 dusk Rewards

# dusk

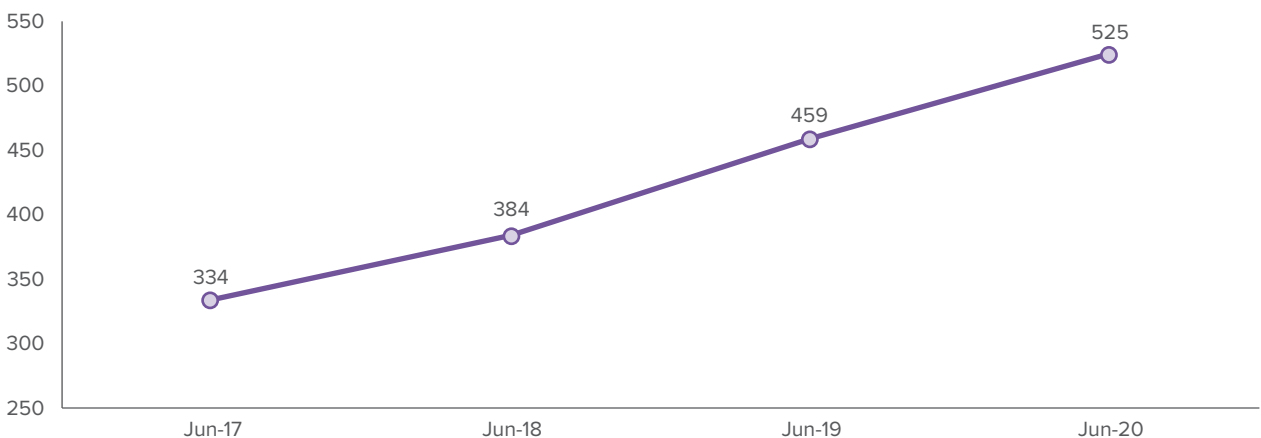
REWARDS

dusk has built a large and highly engaged dusk Rewards membership base, which as at the Prospectus Date has over 550,000 members. dusk Rewards was designed with the core objectives of improving customer engagement and loyalty to the dusk brand, together with providing data and insights to inform dusk's marketing and product development strategy.

dusk Rewards is a pay to join loyalty program, offering a two-year membership for an upfront payment of \$10 per customer. In FY20, approximately 278,000 new members were signed up to the dusk Rewards program, representing approximately 1.6 new members signed up for every lapsed member in this period.

dusk Rewards memberships have increased at a CAGR of 16.2% in the three years to the end of FY20; see Figure 6 for further detail.

Figure 6. dusk Rewards program members (000)



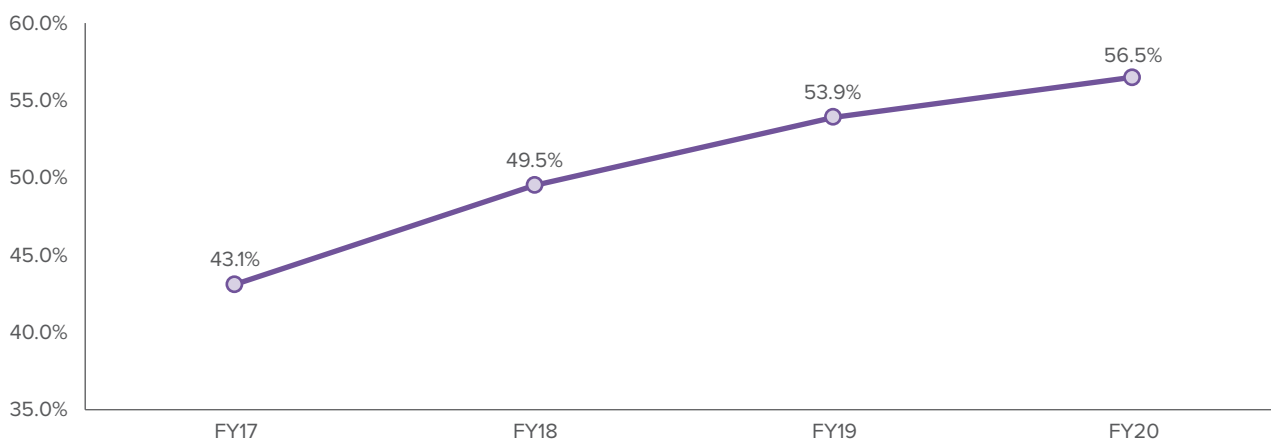


### 3 Business overview (continued)

As a dusk Rewards member, dusk customers receive a number of benefits including a \$10 'welcome voucher' to be used within 30 days of joining, a 10% discount on all full price products, a 5% discount on already discounted products, and a \$20 voucher on their birthday. They also receive a 50% discount on any freight charge payable when purchasing online.

In addition, dusk Rewards provides Management with a rich source of data which informs product decisions and a range of operational strategies. dusk Rewards is the centrepiece of dusk's marketing activities. In FY20, dusk Rewards members contributed approximately 56% of total revenue (see Figure 7).

Figure 7. dusk Rewards revenue as a percentage of total revenue



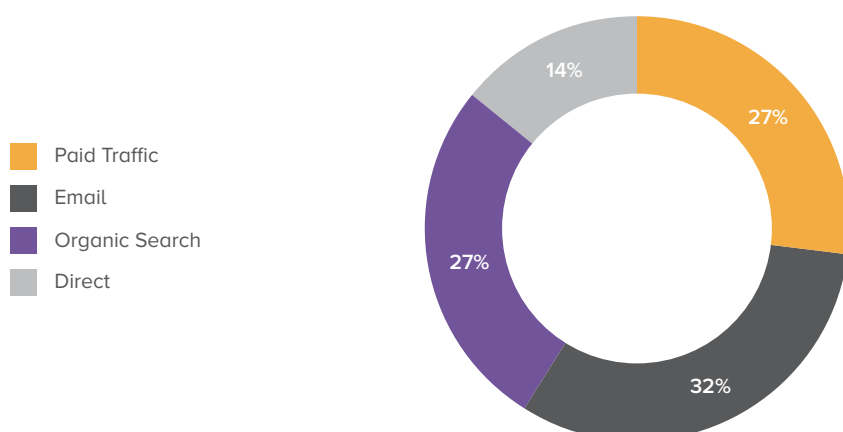
dusk Rewards members have an ATV of \$59, versus \$42 for non-Rewards members (approximately 1.4x) in FY20.

#### 3.2.5 Marketing

dusk's marketing program is largely digital and is primarily targeted at dusk Rewards members. This approach has replaced the printed catalogues used in the past. dusk's digital marketing activities are designed to drive customers to both the physical stores and the dusk website.

dusk largely focuses on 'unpaid' marketing channels, allowing it to significantly reduce its cost of customer acquisition and maintain a relatively low ratio of marketing costs to total company revenue of under 2% in FY20. Figure 8 shows the sources of traffic to the dusk website.

Figure 8. Online traffic channels<sup>49</sup>



<sup>49</sup> Last 12 months to June 2020.

dusk utilises digital marketing channels to communicate to dusk Rewards members and mass market, promoting key events and activities. These channels include:

- organic search engine optimisation (**SEO**);
- search engine marketing (**SEM**);
- email and SMS marketing; and
- social media marketing (**SMM**) through Facebook and Instagram.

The marketing tactics and messages include a mix of information about new products and inspirational themes together with special and limited edition offers to drive interest. dusk also undertakes significant promotional activity including discounts, vouchers, free or discounted shipping and free “add-ons and multi-buy” offers to consumers.

A key priority for Management has been building out dusk’s omni-channel retailing capabilities. In 2019 dusk hired additional senior personnel who are primarily focused on driving dusk’s eCommerce activities. This team is also responsible for digital marketing for the business as a whole. This is discussed in further detail in Section 3.5.5.

### 3.3 dusk fragrance offering

dusk’s range includes various product formats (i.e. candles, mood reeds, diffusers and essential oils) that are used to deliver dusk’s range of fragrances.

The consistency of dusk’s fragrance range offered across multiple product formats allows the customer to purchase their favourite fragrance in various product forms for the different locations in their homes and different occasions.

Customers typically choose different formats based on the functional purpose and aesthetics of a product together with their budget. For example, a customer may consider variables such as whether a flame is sought or inappropriate, the speed and consistency of fragrance release sought, and matching the purpose, look and feel of a room.

#### 3.3.1 dusk’s fragrance development process

dusk has a range of approximately 52 core fragrances and complements this with a range of 60 – 80 changing seasonal and trend based fragrances. dusk also develops unique fragrances for sale to coincide with Christmas and Halloween and to coincide with seasonal changes such as Autumn/Winter and Spring/Summer.

dusk works with a range of international fragrance houses to develop and supply fragrance in concentrate form to dusk’s suppliers in specified quantities. dusk’s formulations are designed and manufactured to dusk’s specifications.

The preparation of each fragrance is based on a specific and precise formulation which is maintained and delivered to dusk’s specific requirements. The fragrances are developed in collaboration between dusk’s product and technical teams and some of the world’s leading fragrance houses (e.g. Givaudan). This ongoing process involves significant iteration and trial and error across the various product formats.

dusk’s top five fragrances accounted for approximately 10% of FY20 revenue across various product formats. dusk regularly reviews its core fragrance range and is consistently trialling new fragrances and working on new formulations with its suppliers to meet evolving customer preferences.






### 3.4 dusk product offering

Management believes dusk offers the widest range of products in the Australian Home Fragrance Market, with more than 450 active product lines in store at any given time, and approximately 1,400 different product lines sold each year as a result of additional seasonal products, limited edition products, and range evolution throughout the year.

dusk’s product offering can be segmented into five primary categories, being candles; diffusers and consumables; mood reeds; homewares; and other. In addition to its core product range, dusk develops and retails seasonal decorative and functional products (e.g. for Christmas, Halloween or Easter) which sit across all five product categories. Table 4 outlines dusk’s product offering and the revenue split across dusk’s product categories.

### 3 Business overview (continued)

Table 4. dusk's product offering

	 Candles	 Diffusers and consumables	 Mood reeds	 Other	 Homewares
<b>Industry segment</b>	Candles	Diffusers and other Home Fragrance Products			Homewares
<b>dusk implied market share<sup>50</sup></b>	14.3%		38.0%		15.4%
<b>Revenue FY20 (\$m)</b>	\$33.8m	\$30.8m	\$11.7m	\$11.9m	\$12.7m
<b>FY20 revenue split (%)</b>	33.5%	30.5%	11.6%	11.7%	12.6%
<b>Revenue CAGR FY18 – FY20 (%)</b>	8.7%	54.9%	2.2%	29.8%	(6.0%)
<b>Number of fragrances</b>	52	37	30	n/a	n/a

While dusk's candle offering is the heritage and mainstay of the business, approximately 67% of FY20 revenue was generated through "non-candle" sales, with diffusers and consumables being the fastest growing category and a key differentiator and focus area for dusk, particularly in the high growth area of ultrasonic diffusers and nebulisers. As customers are less familiar with these products, sales of these products are materially assisted by knowledgeable store staff, which dusk believes contributes to its market leadership in these sub-categories.

Over the last two years, dusk has narrowed its range of homewares as a result of reduced customer demand in this product category, and redistributed floor and shelf space to higher margin categories driving repeat purchasing such as consumables products associated with diffusers.

Figure 9. Examples of dusk products



<sup>50</sup> Implied market share was calculated by dividing dusk total network sales for FY20 by total estimated retail sales for the Home Fragrance Market determined by Frost & Sullivan: The Home Fragrances Market in Australia; Market Size, September 2020.

### 3.4.1 Gifting and seasonal products

With gifting estimated by Management to account for approximately 30% – 40% of dusk's total sales, traditional gifting events such as Halloween, Christmas and Mother's Day are important sales periods for dusk. dusk also offers a seasonal product range to differentiate its offerings and maximise sales in peak gifting periods.

While gifting is discretionary in nature, dusk believes its value for money, trusted brand, helpful service and wide range have enabled it to deliver consistently strong performance in seasonal gifting periods over many years. Importantly, gifting for birthdays, social events (e.g. barbeques, dinner parties or housewarmings) and "thank you" gifts provide a continued all year sales opportunity for dusk.

Figure 10. Examples of dusk's seasonal offerings



### 3.4.2 New product development

dusk's new product development (NPD) process is designed to support consistent product innovation to launch new products and updated versions of existing products. These processes and capabilities are important to delivering continued growth and maintaining category leadership.

dusk's NPD process is managed by an in-house team of eight product developers and designers, including a fragrance and technical expert, and a packaging specialist. dusk's technical team also focuses on formulations, new fragrance development, and matters such as burn rates, fragrance throw, and consistency and quality control.

The Company utilises historical sales and product performance information, social media, study of domestic and international home and fashion trends (e.g. colours and patterns), data from the dusk Rewards program and feedback from store teams to understand consumer preferences and guide new product development activities.

While travel to major international markets remains a component of the research and development process, Management has found that the idea generation and inspiration process can increasingly be found through social media and other digital tools to make the innovation and NPD process more cost effective and efficient.

dusk's NPD team comprises technical product experts with experience in home fragrance and homewares, and executives with backgrounds in fashion apparel and fast-moving consumer goods. This experience and skill base provides dusk with unique capabilities in trend interpretation and rapid product development, as well as an understanding of the technical aspects of candle manufacturing, packaging, fragrance and fragrance distribution.

A number of examples of dusk's NPD program are outlined in Table 5.

### 3 Business overview (continued)

Table 5. dusk NPD examples

<p><b>Size, style, colour and packaging</b></p>	 <p>Black soy packaging</p>	 <p>Colour soy packaging</p>
<p><b>Format</b></p>	 <p>Soy and paraffin candles</p>	 <p>Room diffusers</p>
<p><b>New technology</b></p>	 <p>Ultrasonic diffusers</p>	 <p>Personal diffusers</p>
<p><b>Hardware and consumables</b></p>	 <p>Essential oils</p>	 <p>MoodMist diffusers</p>
<p><b>Fashion, collaboration and seasonality</b></p>	 <p>Chupa Chups collaboration</p>	 <p>Halloween</p>

#### 3.5 Omni-channel strategy

dusk operates an omni-channel retail model, with 115<sup>51</sup> stores, including its flagship webstore. As an omni-channel retailer, dusk provides customers the flexibility to shop how and where they like, and browse in store and transact online, and vice versa.

The dusk physical store network remains the predominant sales channel, accounting for approximately 92% of total dusk revenue in FY20; however, the dusk website is the largest single store by a significant margin. Email marketing campaigns, SEM and social media sites and advertising on these properties are used to drive product awareness and to alert customers to seasonal events, promotions and other special offers while also facilitating customer research such as customer locations. Digital channels are the primary advertising channels for driving traffic to both dusk’s physical stores and online.

<sup>51</sup> Store count as at the end of Q1 FY21 and includes the online store.

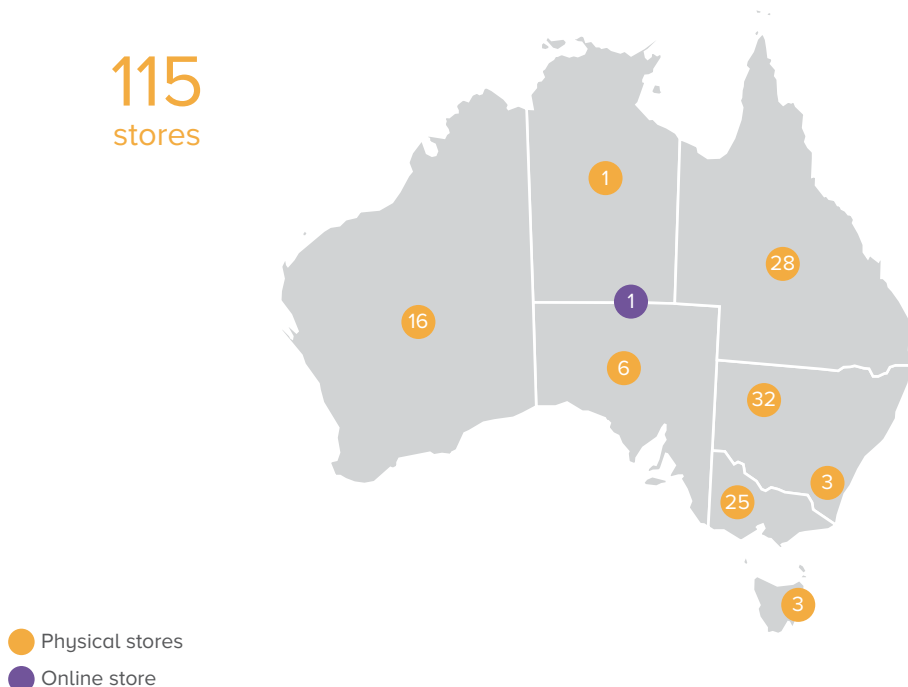
dusk believes that its physical stores play an integral and sustainable role in its operating model for six key reasons:

1. **The large majority of sales in the category are transacted in physical stores:** dusk believes the large majority of sales in the Home Fragrance Market will continue to be transacted through physical stores for a range of practical reasons. For example, in a gifting scenario or for a personal indulgence purchase, “just in time” and “impulse purchases” are often executed through a store where ‘cash and carry’ and immediate personal satisfaction and comfort in the choice made can be achieved by the customer;
2. **Stores are a differentiator and competitive advantage:** In an omni-channel model, stores provide a competitive advantage by offering customers the trust and convenience of the physical stores, as well as access to click and collect and ship from store (both future initiatives), and return to store;
3. **Confidence to buy is important in the Home Fragrance Market:** Customers often require confidence to buy and appreciate advice about the product they are considering or seeking, especially a new product like a nebuliser or diffuser, or a new fragrance;
4. **Fragrance shopping is a process of inspiration and discovery:** Fragrances are often browsed and sampled, not searched online, as customers find it hard to describe exactly what they want, but know it when they smell it;
5. **Taste is subjective, and visualisation matters:** Customers like to see a product and be able to smell and visualise how it will look in their home – physical stores assist this process. dusk’s staff are trained in helping customers achieve the looks and products they are seeking; and
6. **Stores are economically attractive:** dusk’s stores are highly profitable, provide scale and synergy with the online channel and are also a highly cost-effective channel for customer acquisition and customer retention.

### 3.5.1 Store network

As at the end of Q1 FY21, dusk had a network of 115<sup>52</sup> Company owned and operated stores in Australia as outlined in Figure 11. dusk plans to open three additional stores in the remainder of FY21 and expects to finish FY21 with 118 stores.

Figure 11. dusk store network<sup>53</sup>



52 Store count as at the end of Q1 FY21 and includes the online store.

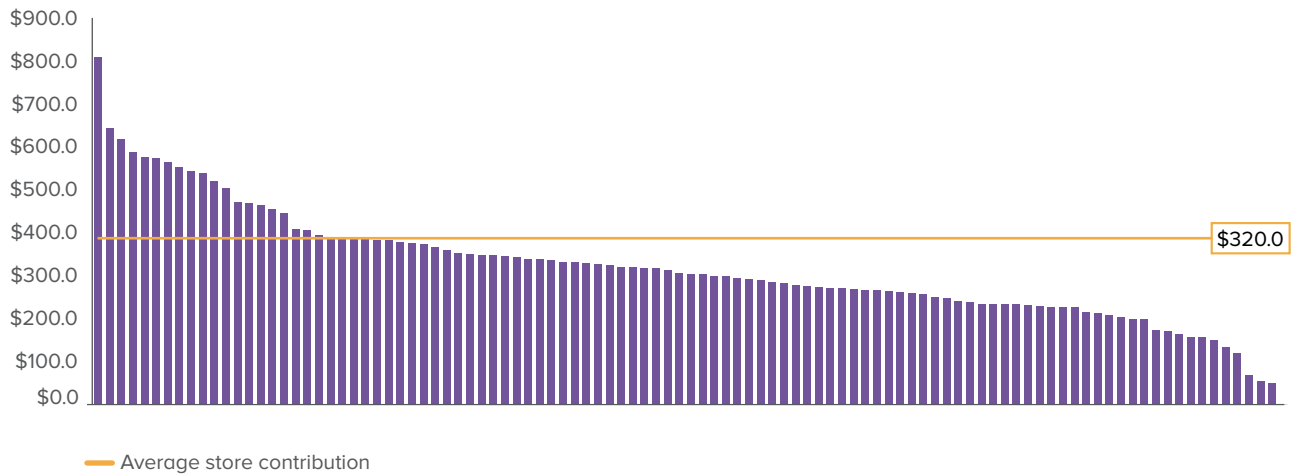
53 Store count as at the end of Q1 FY21 and includes the online store.



### 3 Business overview (continued)

Figure 12 outlines the dollar store contribution<sup>54</sup> across each of the 103 stores that traded for a full year in FY20 (notwithstanding the COVID-19 related store shutdown). Through prudent and active management of the store network, dusk has been able to consistently maintain a network of profitable stores.

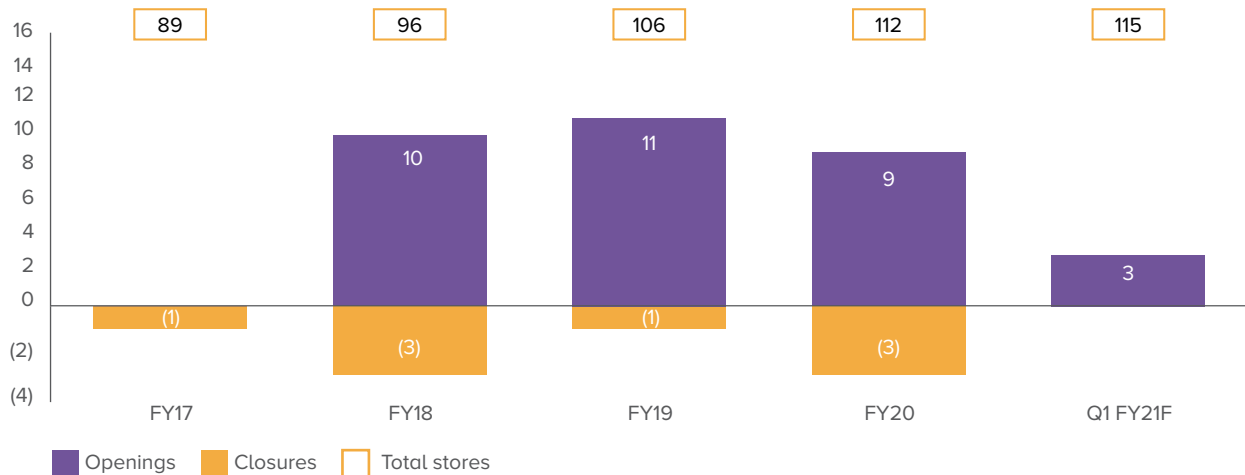
Figure 12. FY20 store contribution profile (A\$000)<sup>55</sup>



#### 3.5.2 Store roll-out

Through a prudent and proactive approach to store roll-out, dusk has been able to grow its physical store network from 88 stores at 30 June 2017 to its current 114<sup>56</sup> physical stores as at the end of Q1 FY21, while ensuring there are no consistently loss-making stores within the network. See Figure 13 below for more detail.

Figure 13. dusk store opening and closure history<sup>57</sup>



54 Store contribution equals store gross margin less store operating costs.

55 Store contribution equals store gross margin less store operating costs.

56 Excluding the online store.

57 Store count includes the online store and is calculated as at the end of the financial year.

### 3.5.3 Store fit out model




Over the last five years, dusk has modernised its store fit out, implementing a more contemporary design aesthetic with the objective of better presenting the current range, providing more flexibility, eliminating service bottlenecks at peak periods, and maximising space to enhance the customer shopping experience.

The dusk store fit out has undergone a number of iterations. The store redesign and refit process commenced in 2014, replacing the original 'legacy' store format with the original 'Glow' design and has since transitioned to the current 'Glow 2' format. This transition has provided increased merchandising flexibility, and a refined and simplified fit out design, and materially lowered gross capital expenditure per store compared to the original Glow design.

Of the current store network, 38 stores still have the legacy store fit out. Management expects to convert these stores to the new fit out when commercial circumstances support the change. This is typically when a lease expires and where a reasonable fit out contribution is negotiated with the landlord.

The key differences between dusk's three key store layouts are highlighted in Table 6.

**Table 6. Evolution of dusk's store fit out model<sup>58</sup>**

<p><b>Legacy</b> (Store fit outs up to 2014) <b>Number of stores: 38</b></p>		<p>Original store design with dark interiors and a bespoke front entrance with off-the-shelf fittings</p>
<p><b>Glow</b> (2015 to 2017) <b>Number of stores: 24</b></p>		<p>Glow stores were the first iteration of the current layout with a modern shop front, bespoke fittings and rear projection screens</p>
<p><b>Glow 2</b> (Since 2018) <b>Number of stores: 50</b></p>		<p>Glow 2 is the current store design iteration, with flexible off-the-shelf fittings and merchandising systems</p>

<sup>58</sup> Store count as at 28 June 2020.

### 3 Business overview (continued)

Since the development of the Glow 2 fit out, dusk has also successfully negotiated an increase in landlord contribution per store due to a combination of changing market conditions and dusk increasing the focus on property management by bringing the function in-house, ultimately leading to a reduction in total capital employed per store. dusk maintains a store payback of capital employed on average of under 12 months<sup>59</sup> and an average first year contribution of \$281,000<sup>60</sup>. dusk's typical store capital investment for Glow 2 is outlined in further detail below.

**Table 7. dusk typical new store capital employed**

<b>Glow 2</b>	<b>A\$000</b>
Net capital expenditure <sup>61</sup>	65
Net working capital <sup>62</sup>	40
Total capital employed	105
<b>First year store contribution<sup>63</sup></b>	<b>281</b>

#### 3.5.4 Store leasing details

dusk leases its physical stores and head office, with distribution and warehousing being outsourced. All but two dusk stores are located in malls and shopping centres, with stores in many of the largest and best performing shopping centres in Australia.

The majority of dusk's new store opportunities are located in B and C grade shopping centres, where rent demands are lower and rent caps and landlord contributions are more common. These centres represent some of dusk's best performing and most profitable stores.

dusk also operates stores in A grade centres (e.g. Chadstone, Miranda and Parramatta) but seeks to take a conservative approach to new store openings in these centres to ensure any potential investment is economically feasible and risks are appropriately managed.

Over recent years, dusk has been a beneficiary of changing leasing dynamics, helping to drive the reduction in net capital expenditure per new store, and has also achieved various rental reductions and lease incentives upon renewals, and higher levels of landlord capital contribution to store fit out costs. The COVID-19 pandemic is expected to aid in further reducing the Company's new store capital investment requirements on a per store basis and further improve lease terms upon renewal.

The process for identifying suitable stores is further discussed in Section 3.9.1. Set out in Table 8 are typical key store metrics.

**Table 8. dusk key store metrics**

<b>dusk store size</b>	Approximately 60m <sup>2</sup> – 160m <sup>2</sup> of retail space
<b>Example landlords</b>	Scentre Group, Vicinity Centres, Stockland, QIC and Lendlease
<b>Typical store lease agreements</b>	5-year term (no options) Weighted average lease expiry as at 30 June 2020 of 2.4 years 10 – 15 stores in holdover (i.e. these leases are outside their term, and are typically subject to termination by either party by the giving of 30 days notice).
<b>Annual revenue per square metre FY20</b>	Approximately \$8,000
<b>Refurbishment cycle</b>	On average, stores are fully refit every 10 – 15 years typically coinciding with the end of their second or third lease term and depending on matters including the wear and tear on the store, performance of the store and dynamics of its specific location. Minor refurbishments also occur through this period.

59 Subject to opening time during the year.

60 Based on 18 new Glow 2 stores opened as at July 2020 with 12 months' trading record as at FY20.

61 Net capital expenditure equals total store cash capital expenditure less landlord contribution (excluding AASB 16 treatment). Based on 18 new Glow 2 stores opened as at July 2020 with 12 months' trading record.

62 Comprises store based inventory and trade creditors. Based on 18 new Glow 2 stores opened as at July 2020 with 12 months' trading record.

63 Based on 18 new Glow 2 stores opened as at July 2020 with 12 months' trading record.

### 3.5.5 Online channel and digital capabilities

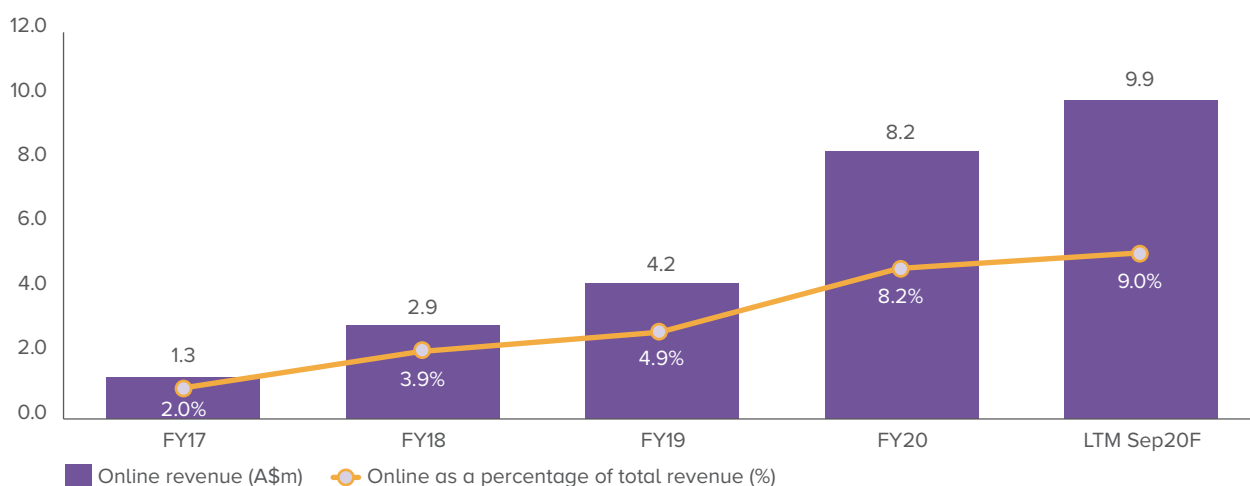
dusk's online store is its fastest growing channel and an increasingly important part of its customer's decision-making processes and place of purchase. The Company operates its online store through its website [www.dusk.com.au](http://www.dusk.com.au).

The online store seeks to provide a convenient shopping experience, particularly for repeat purchases of known products, and is also an important part of many customers' search and browsing process. The website and social media channels also provide a significant customer acquisition channel and a source for product information and inspiration.

During the COVID-19 pandemic, dusk has observed strong online sales growth as discussed in Section 3.8. While the current rate of growth in eCommerce in the retail industry is likely to be unsustainable, it is expected that more transactions are likely to stay online as consumers become accustomed to purchasing online<sup>64</sup>.

The online store is a flagship store for dusk and a material contributor to growth and profitability, with online revenue growing at a CAGR of 84% between FY17 and FY20. The EBIT contribution margin (before allocation of central operating costs and overheads) was approximately 30% in FY20. The marketing cost to sales ratio in the online channel was just under 7% in FY20; however, these marketing activities support both channels.

Figure 14. dusk online sales growth



Online sales growth has been largely driven by significant investment in improving dusk's online retailing capabilities. Key elements have included introducing tailored promotional activities, increased paid SEM, investment in more skilled staff, improved product photography and information, improved inventory management and introduction of Buy Now Pay Later products as an additional payment method.

Given the sensory nature of Home Fragrance Products and the general desire for customers to smell Home Fragrance Products, online sales tend to better suit repeat purchases of products previously purchased by the customer in store. See Section 3.9.2 for detail on dusk's online growth strategy.

Capital expenditure to support the online channel was \$0.26 million in FY20. The company is currently working on a project to re-platform and upgrade the website in FY21. The budget for this project is approximately \$0.3 million. The re-platformed website is expected to go live in 2021.

64 KPMG, COVID-19: Retail's survival and revival. Released 2 April 2020.

### 3 Business overview (continued)

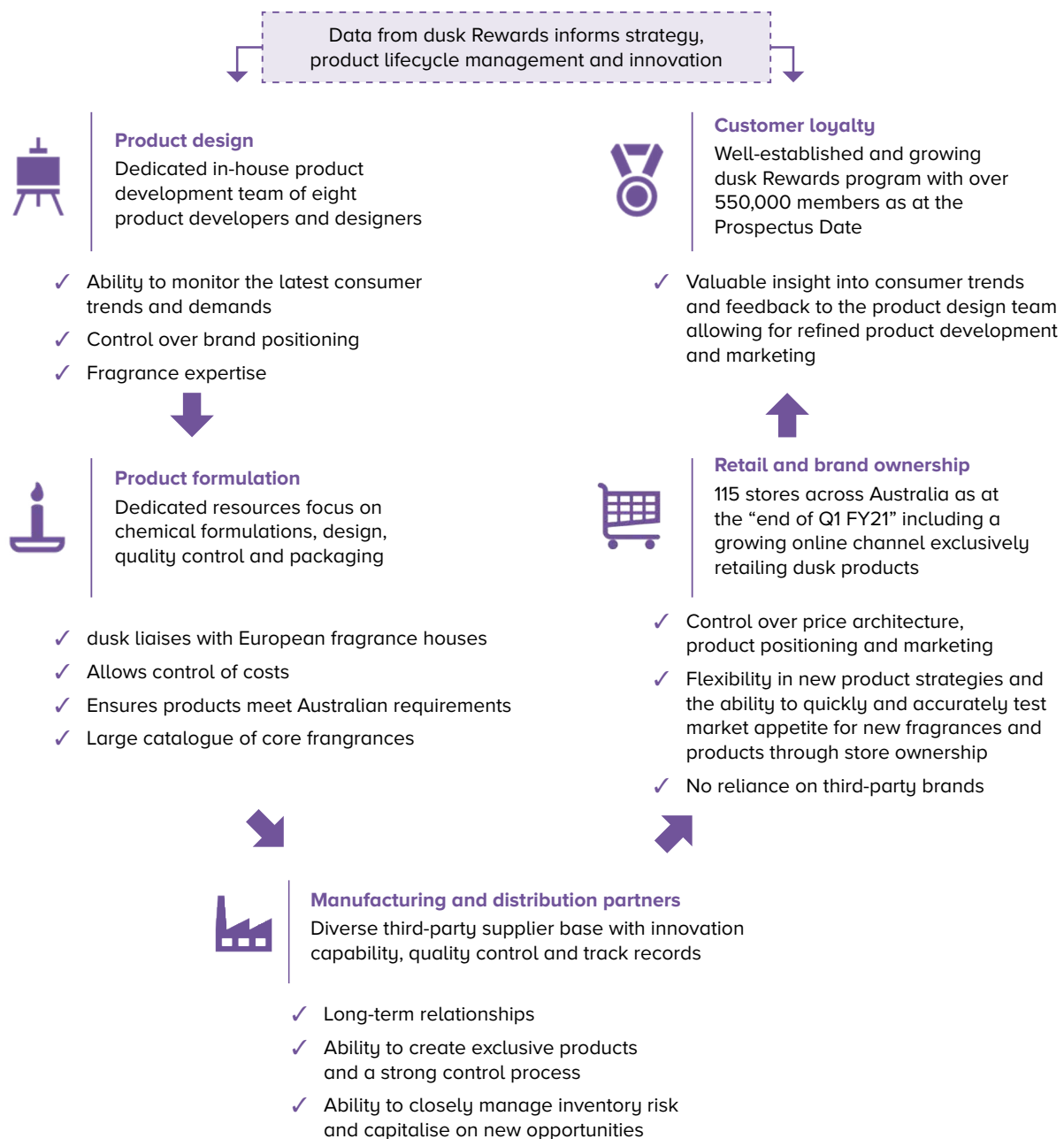
#### 3.6 ‘Vertical’ retail model

Over the last 20 years, dusk has refined its operating model. The Company believes it is the only national ‘vertical’ specialty retailer focused on Home Fragrance Products in Australia. In this regard, it believes its capabilities are unique in the Australian Home Fragrance Market.

dusk’s ‘vertical’ retail model combines internal product development with flexible use of third-party manufacturing and distribution functions to ensure quality, innovation in design, consistency, competitive pricing and timeliness of deliveries.

Details of dusk’s ‘vertical’ retail model are depicted in Figure 15.

Figure 15. dusk’s ‘vertical’ retail model



### 3.6.1 Supply chain

dusk has in-house capabilities in product design, sourcing, packaging, inventory planning and technical production matters. dusk also produces its own content in-house for its various advertising and sales channels.

dusk typically targets stock turns<sup>65</sup> of 3.0x – 3.5x per annum which includes building inventory for peak trading before Christmas and Mother’s Day.

dusk’s online orders are fulfilled from a separate facility located in Sydney. Stock is replenished to this online facility from the nearby primary warehouse.

dusk seeks to innovate faster and more consistently than its competitors, with in-house product development capabilities preventing dependency on branded suppliers to drive innovation.

dusk’s supply chain continued to perform with limited disruption as COVID-19 impacted Chinese supply chains in early 2020. See Section 3.8 for details on supply chain disruptions as a result of the COVID-19 pandemic.

### 3.6.2 Suppliers

dusk’s diverse supplier base has a range of manufacturing capabilities which provides dusk with flexibility to work with its suppliers to support product innovation and improvements in design. Management including the dusk CEO also keeps in regular contact with key suppliers to ensure the continuity of strong relationships.

dusk has sourced product and componentry from approximately 50 different suppliers over the last three years. In FY20, dusk sourced product from 25 of these suppliers spanning candles, reed diffusers, electronics, glassware, ceramics and stone, metals and packaging.

dusk’s key supplier relationships are outlined in Figure 16 below.

Figure 16. Key supplier summary

	Country	Length of relationship (years)	FY20 spend (A\$m)	% of FY20 supplier spend
Supplier 1	China	10	4.6	17.9%
Supplier 2	China	5	4.1	16.2%
Supplier 3	China	3	3.4	13.2%
Supplier 4	Hong Kong	2	3.4	13.2%
Supplier 5	Australia	16	2.5	9.7%
Supplier 6	China	16	0.9	3.5%
Supplier 7	China	9	0.8	3.3%
Supplier 8	USA	4	0.6	2.5%
Other suppliers			5.2	20.5%

65 Refers to the number of times stock is being sold and repurchased over a given time period.

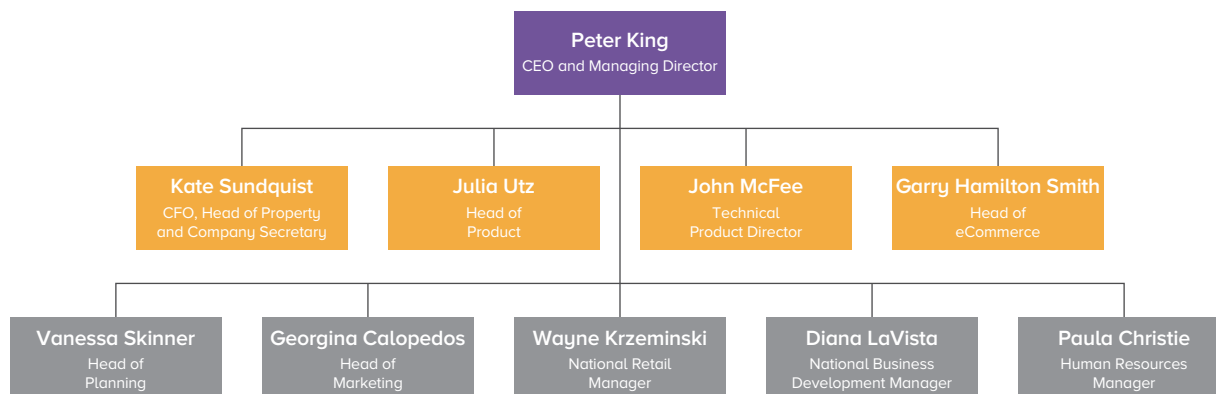


## 3 Business overview (continued)

### 3.7 Organisational overview

Figure 17 details dusk's current organisational structure.

Figure 17. Organisational structure



#### 3.7.1 Employees

Due to the importance of factors such as product innovation, creative input and peak season execution, experience and cohesion in the team are important, and employee retention is a focus of the Chief Executive Officer and Board of Directors. As at the end of FY20, dusk employs 281 full-time and part-time employees across the business as outlined in Table 9 below. See Section 3.8 for details on dusk's employee management throughout the COVID-19 pandemic.

Table 9. Team structure (excluding casuals)<sup>66</sup>

Position	Full-time headcount	Part-time headcount	Total
Head office	36	2	<b>38</b>
Retail field manager	16	–	<b>16</b>
Store manager	114	3	<b>117</b>
Assistant store manager	11	94	<b>105</b>
Third in charge	–	5	<b>5</b>
<b>Total</b>	<b>177</b>	<b>104</b>	<b>281</b>

dusk also recruits a large casual labour force each year to support the trading requirements during the peak Christmas season. These staff receive an induction and accelerated training program on store systems and the product range. Additionally, casual staff generally work under the guidance of store managers and retail field managers together with other more experienced team members to ensure consistency in the shopping experience for dusk customers.

To support Christmas trading in December 2019, the Company recruited approximately 510 additional casual employees.

Management invests significant time and resources in maintaining and building the enthusiasm, passion and knowledge of staff to mobilise them to drive key sales events and new product launches, and maximise sales. This includes programs of rewards and recognition, together with financial incentives for certain team members for meeting and exceeding performance targets.

In key roles, dusk has low levels of staff turnover. During FY20 head office staff made up 3% of total staff turnover, field management made up 1% and dusk retail staff made up 96%. 76% of the total retail staff turnover was casual employees.

66 As at June 2020.

### 3.7.2 Systems, processes and digital capabilities

Over recent years, dusk has invested in building out its systems and digital capabilities. Improved data analytics and customer insights, together with more cohesive integration between physical stores and the online channel, including the dusk Rewards loyalty program, and inventory management systems remain a focus for further system investments.

With the expected upgrade to a new Magento eCommerce platform progressing in the first half of FY21 and 'go live' planned for February 2021, the Company will then have the capability to roll out a number of new functions to drive additional online revenue including click and collect, ship from store, 'favourites' shopping lists, back orders and alerts, multi-currency and bi-lingual interfaces, more dynamic pricing, faster check out, additional payment and delivery options, more engaging product content, improved personalisation, faster site speed, improved integration with inventory data and potentially a subscription model for repeat purchases.

With the new eCommerce platform expected to be complete in FY21 and the addition of new digital expertise over recent years, dusk will be better positioned to deploy best practice omni-channel strategies and better harness dusk Rewards as a data source.

## 3.8 COVID-19

In March 2020 and the following months, the COVID-19 outbreak resulted in widespread uncertainty and the implementation of government imposed restrictions in Australia which led to drastically reduced foot traffic in shopping centres.

During this period, dusk implemented a range of measures to protect the safety of its staff and customers and implemented a range of steps designed to preserve and insulate the performance of the business and its liquidity from the potential prolonged impacts of COVID-19. The preventative and precautionary steps taken are discussed in Table 10 below.





The Company qualified for the JobKeeper Payment due to depressed sales in April 2020 when its national store network was shut. dusk expects to receive this subsidy until the end of September 2020.

The net earnings benefit of dusk's receipt of the JobKeeper Payment is set out in Section 4.3.4 and has been adjusted in the pro forma earnings presented in Section 4.

**Table 10. COVID-19 driven measures**

<p><b>Suppliers</b></p> 	<ul style="list-style-type: none"> <li>• Many Chinese suppliers were impacted by the COVID-19 pandemic in January/February which caused some supply chain disruption</li> <li>• As the COVID-19 pandemic became a domestic issue, dusk cancelled outstanding orders in March and proactively managed supplier invoices and delivery terms. By the end of May, dusk had re-engaged with all suppliers and overdue invoices were paid in full by the end of June</li> </ul>
<p><b>Physical stores</b></p> 	<ul style="list-style-type: none"> <li>• All physical stores were closed from the 29th of March 2020. The online store remained open</li> <li>• dusk reopened 22 stores on the 1st of May on reduced hours, and reopened all remaining stores on full trading hours by the 7th of May (just prior to Mother's Day)</li> </ul>
<p><b>Rent relief</b></p> 	<ul style="list-style-type: none"> <li>• Through negotiations with landlords, dusk secured agreements to accrue rent during the store closure period, which has since been paid in full, as well as securing rent relief for some stores for parts or all of Q4 FY20, and to a much lesser extent in Q1 FY21</li> </ul>

### 3 Business overview (continued)

<p><b>Staff</b></p> 	<ul style="list-style-type: none"> <li>• All store staff were stood down on the 29th of March</li> <li>• Approximately 90% of support staff (i.e. head office) were stood down on the 29th of March, with remaining staff agreeing to temporary wage reductions</li> <li>• Two customer support teams were stood back up in April to support the strong levels of online demand, with remaining staff stood back up by the 18th of May 2020</li> </ul>
<p><b>Online channel</b></p> 	<ul style="list-style-type: none"> <li>• The Company observed strong online sales growth throughout the lockdown period with April online revenue up by 445% compared to April 2019</li> </ul>
<p><b>Inventory</b></p> 	<ul style="list-style-type: none"> <li>• dusk carefully managed inventory once stores reopened, ensuring there was sufficient stock available to support demand and increased sales momentum</li> <li>• By mid-June, inventory levels were lean and out of stock positions had emerged. The Company has worked hard to protect and rebuild the inventory position in the midst of strong sales since</li> </ul>
<p><b>Government assistance</b></p> 	<ul style="list-style-type: none"> <li>• dusk qualified for the JobKeeper Payment based on the sales decline test</li> <li>• dusk does not expect to qualify for the JobKeeper Payment beyond September 2020</li> </ul>

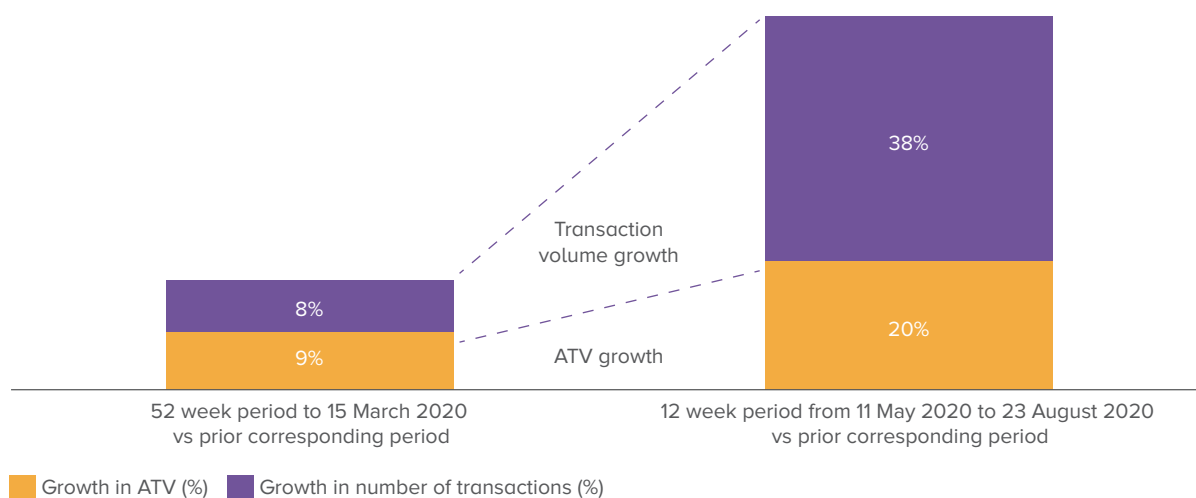
Since reopening stores in early May, physical store and online sales have experienced strong growth. These sales trends have continued into July and August 2020. See Section 4.6.1.1 for further discussion.

The drivers of total sales growth in physical stores have transitioned from being divided almost equally between growth in average transaction value ATV<sup>67</sup> and growth in transaction volumes in the pre-COVID-19 52-week period, to being driven in majority by significant increased transaction volume, together with continued growth in ATV, since reopening stores in early May 2020.

The data available from the dusk Rewards program suggests the reason for the significant increase in growth in total transaction volume over recent months is a significant increase in the rate of customer acquisition (or lapsed customer re-engagement) through this period. This trend continued through July and into August, notwithstanding the secondary COVID-19 outbreak in Victoria and related Stage 4 lockdowns.

<sup>67</sup> ATV is the Average Transaction Value, being total revenue divided by the total number of transactions (including online transactions).

Figure 18. dusk's transaction volume and transaction value



### 3.9 Growth strategy

#### 3.9.1 Physical store network

Although dusk has a strong national presence, it believes there is still significant room for expansion in the domestic market and in New Zealand in the near term (subject to any delays caused by the COVID-19 pandemic). dusk plans grow its store network to 145 stores in Australia and up to 15 stores in New Zealand over the medium term.

dusk is continually assessing and identifying potential new store locations. dusk assesses new store locations based on five key factors:

1. **Catchment:** dusk assesses the size, growth and demographic make-up of any potential site locations;
2. **Complementary tenant mix:** dusk targets locations within complementary retailers nearby balanced with identifying reasonable competitive dynamics;
3. **Economics and dynamics:** dusk analyses site economics, including rent, location of site relative to other stores, capital contribution amounts and redevelopments;
4. **Specific business case evaluation:** Estimated sales and contribution from the proposed site are based on modelling, management expertise, and various data sources; and
5. **Disciplined decision making:** dusk looks for sites with favourable terms and conditions, and has a 'no must have sites' approach.

Early stage scoping for New Zealand was interrupted by the COVID-19 pandemic. This will recommence immediately once access to New Zealand is granted for business travel. This is discussed in further detail in Section 3.9.5.

#### 3.9.2 Online sales

dusk's online sales have grown at a CAGR of 84% from FY17 to FY20. Online sales are expected to continue to grow strongly, driven largely by a number of online focused initiatives as outlined in Table 11 below. Many of these initiatives are supported and enabled by the business' investment in its new eCommerce platform as discussed in Section 3.7.2. dusk is also expected to increasingly benefit from participation in online retail sales events such as Click Frenzy, Black Friday and Cyber Monday as these events increase in popularity and become more widely sought by customers.

### 3 Business overview (continued)

Table 11. Online strategic initiatives

Initiative	Outcomes
<b>Improved online order fulfilment and customer service through new third-party logistics partners</b>	<ul style="list-style-type: none"> <li>• Faster turnaround for stock delivery</li> <li>• Option to increase picking times from once per day to twice per day ensuring more orders are being dispatched faster</li> <li>• Improved courier delivery service by trialling multiple carriers to offer same day shipping in Sydney and having the ability to move from carrier to carrier during peak trading periods</li> <li>• Implementation of delivery service options including click and collect and ship from store</li> <li>• Gift wrapping capabilities for online orders</li> </ul>
<b>Addition of new payment options</b>	<ul style="list-style-type: none"> <li>• Adoption of new payment options for customers, including Buy Now Pay Later options providing a more convenient shopping experience for customers</li> </ul>
<b>Targeted online marketing and other store updates</b>	<ul style="list-style-type: none"> <li>• Increased customer transaction frequency and spend based on purchased products</li> <li>• Increased conversion by turning online subscribers into dusk Rewards members</li> <li>• Increased retention by turning more one-time purchasers into repeat buyers</li> <li>• Increased conversion with an abandoned cart recovery process</li> <li>• Launching of a range of technologies and tactics to improve personalisation of offers and improve site conversion</li> </ul>
<b>Further growth in dusk Rewards members</b>	<ul style="list-style-type: none"> <li>• Increased awareness of the program, and its relevance to high value and high frequency customers</li> <li>• 34% of online sales in FY20 were by dusk Rewards members, providing a growth opportunity for dusk</li> </ul>

#### 3.9.3 Continued product innovation and product improvement

As discussed in Section 3.4.2, dusk regards consistent product innovation and continuous product improvement as a core competency and has developed capabilities and processes to support this strategy.

The segments of the Home Fragrance Market where innovation is fastest and most significant are the ultrasonic diffuser and products with potential wellness appeal. dusk is a market leader in the rapidly growing market for Diffusers and other Home Fragrance Products in Australia (which includes the sale of related essential oils), with an estimated market share in the segment of approximately 38% in FY20<sup>68</sup>.

dusk believes innovation will continue to drive its growth and is necessary to maintain market leadership.

Due to dusk's market position and 'vertical' retail model, Management believes the Company is well placed to be a pioneer and market leader in the sale of cannabidiol related essential oils, should regulatory changes allow for the sale of such products. dusk has recently formed a supply arrangement with US based Plant Therapy, allowing dusk to stock and sell Plant Therapy essential oils in Australia. Through this partnership, dusk is establishing a supply chain with a producer of cannabidiol related essential oils. dusk is monitoring this market and plans to be an early mover in offering a range of cannabidiol related products in the Australian market if and when the necessary regulatory changes permit.

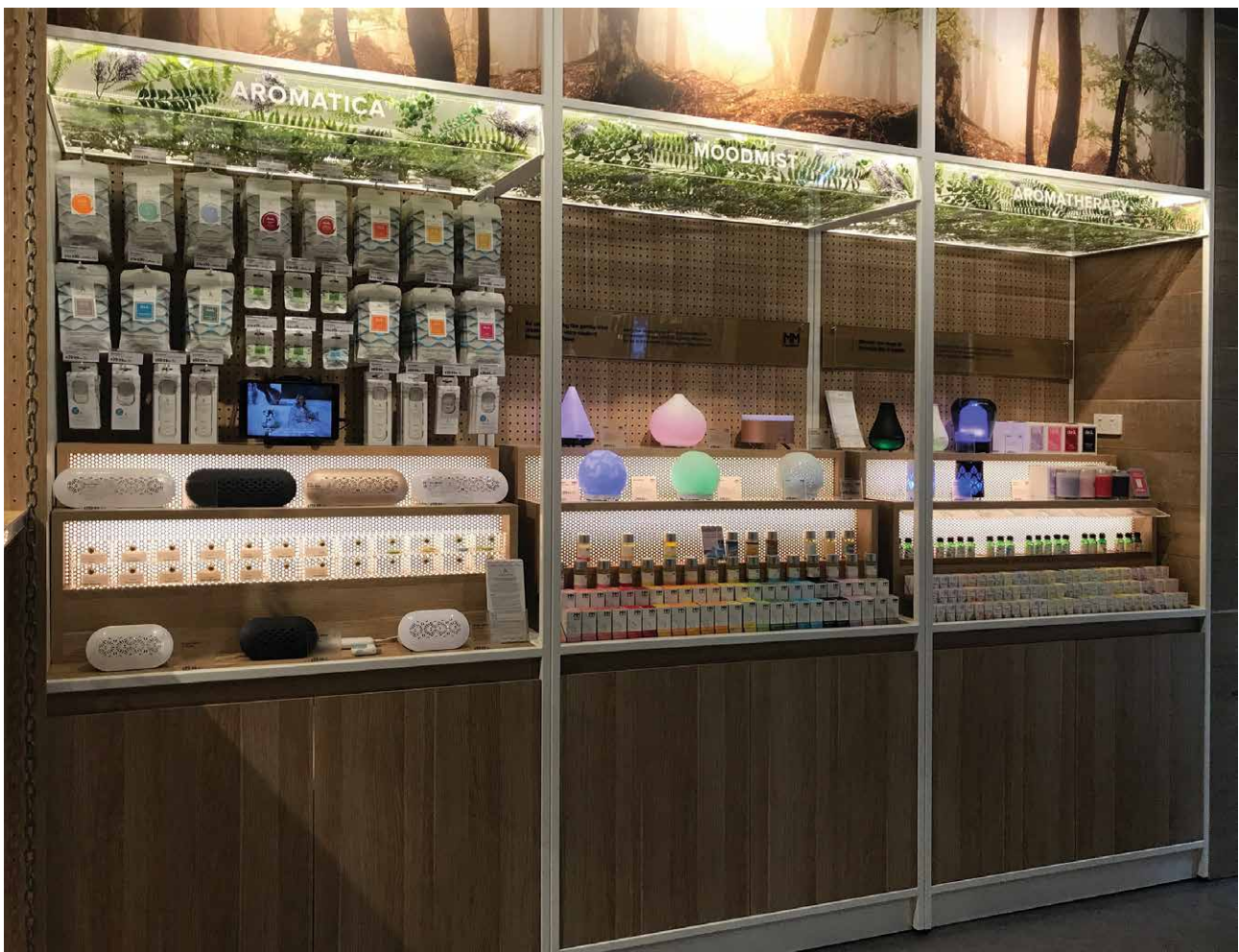
<sup>68</sup> Implied market share was calculated by dividing dusk "diffusers and consumables", "mood reeds" and "other" categories sales for FY20 by total estimated retail sales for the "Diffusers and other Home Fragrance Products" category as determined by Frost & Sullivan: The Home Fragrances Market in Australia; Market Size, September 2020.

### 3.9.4 'Take Care' wellness concept

Management has developed, tested and commenced roll-out of specific product ranges and in store fixtures aimed at more effectively displaying and selling wellness products and elevating consumer awareness of uses of these products in store.

dusk launched the Take Care concept in October 2018 to better position its range of diffusers and essential oils and seek to better connect to market this trend. A successful trial of the Take Care concept was initially rolled out across five stores, involving specific product ranges and in store fixtures. This trial delivered superior LFL sales performance of these stores, and strong performance of the Take Care products within these stores. The Take Care concept is focused on re-orientating and highlighting this part of dusk's product range through a small 'store within a store' concept. The concept co-locates all wellness-oriented products for customers to view this range in a coordinated manner. Management see this market opportunity as long lasting and likely core, and as such plans to further extend the concept in selected future store openings and refurbishments. The roll-out cost of this is under \$20,000 per store.

Figure 19. dusk's 'Take Care' concept





## 3 Business overview (continued)

### 3.9.5 International expansion

dusk has been exploring medium-term opportunities to expand into international markets through both physical store roll-out and the launch of a website which can readily accommodate sales outside Australia. New Zealand has been identified as an initial market for dusk to enter in the near to medium term.

Management considers New Zealand to be an attractive market given its geographic proximity to Australia, similar customer dynamics and tastes, and the absence of a direct competitor (i.e. dusk would be unique in this market) and practical matters such as common language and similar time zones.

dusk is actively researching opportunities for an initial store trial in New Zealand. The Company expects to launch in New Zealand in FY22 subject to further COVID-19 developments and would expect to open 2 – 3 stores as an initial trial. If successful, dusk sees the capacity to ultimately open up to 15 stores in New Zealand over the long term. dusk see's New Zealand as a territory in which to learn lessons and refine processes for deploying and managing a business in an international market.

dusk also intends to launch an international website and enhanced international delivery capability across FY22 and FY23. To expand dusk's reach and trial the appeal of the concept in other markets, dusk is evaluating the opportunity to launch a wholesale or concession model in certain larger scale markets to manage risk and test demand for its products in these markets.

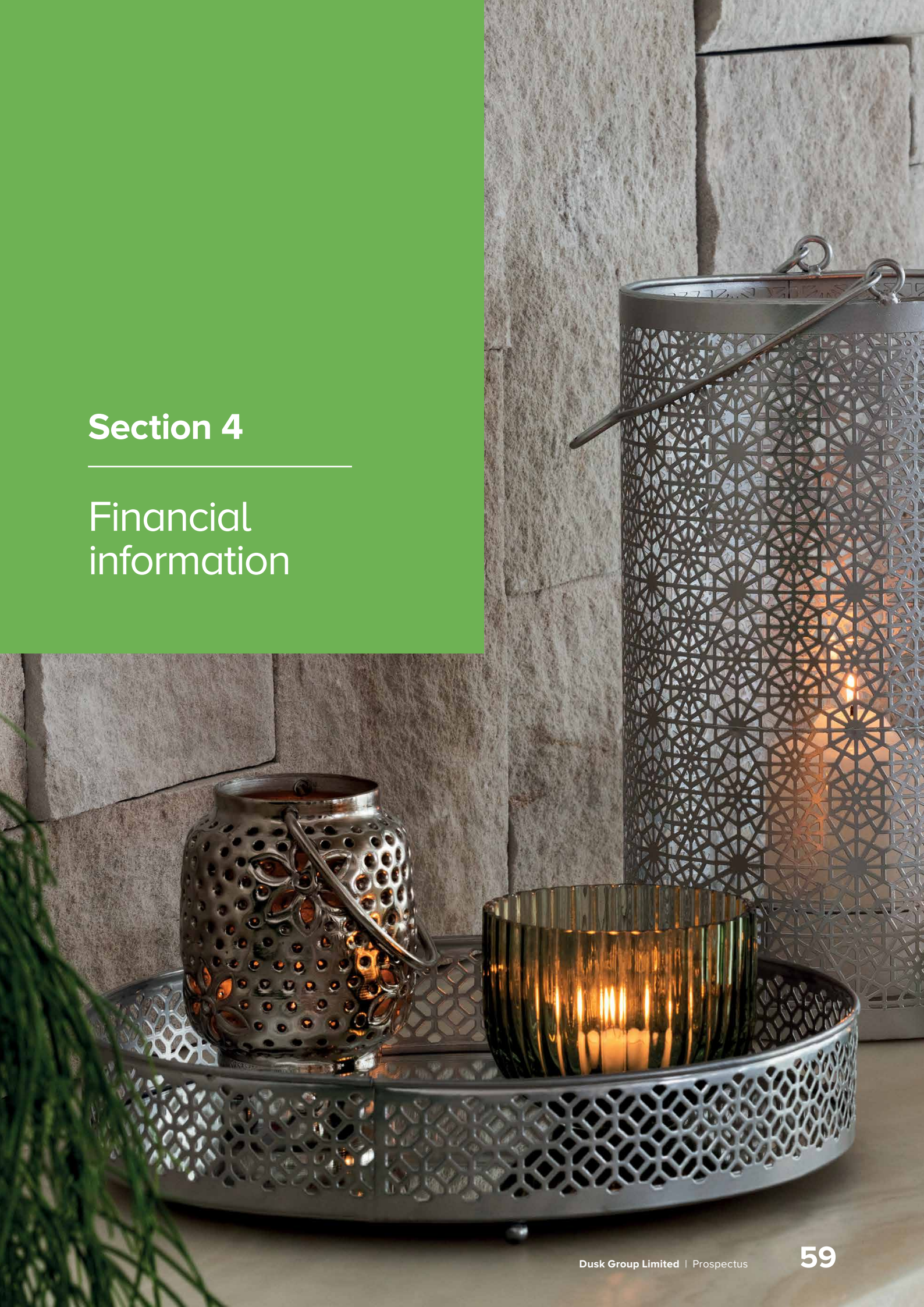
Given the uniqueness of the dusk 'vertical' retail model and the absence of a similar concept in a range of large international markets, Management believes there may be store roll-out opportunities in other markets that exhibit similar characteristics to those of the Australian market – namely English speaking, 'house proud and gift inclined customers', similar fragrance palette, with acceptable operational dynamics and risks. These opportunities are in phase of 'preliminary assessment' and are not expected to be initiated in the near term.

Any international opportunities will be assessed with a 'test and learn' methodology and a disciplined approach to risk management and capital allocation, and subject to further developments in the COVID-19 pandemic.

## Section 4

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### Financial information





## 4 Financial information

### 4.1 Overview of Financial Information

The financial information for dusk contained in this Section 4 includes:

- historical consolidated financial information for the financial years ended 1 July 2018 (**FY18**), 30 June 2019 (**FY19**) and 28 June 2020 (**FY20**), and for the 52 weeks ended 29 September 2019 (**LTM Sep19**); and
- forecast consolidated financial information for the 52 weeks ending 27 September 2020 (**LTM Sep20F**), comprising 11 months of actual results and one month of forecast (comprising a 5-week month) results to 27 September 2020.

Further details of the historical and forecast financial information is included in Table 12.

**Table 12. Overview of dusk's financial information**

	<b>Statutory Financial Information</b>	<b>Pro Forma Financial Information</b>
<b>Historical Financial Information</b>	<p><b>Statutory Historical Financial Information</b> comprises the:</p> <ul style="list-style-type: none"> <li>• statutory historical consolidated income statements for FY18, FY19 and FY20 (<b>Statutory Historical Results</b>);</li> <li>• statutory historical consolidated cash flows for FY18, FY19 and FY20 (<b>Statutory Historical Cash Flows</b>); and</li> <li>• statutory historical consolidated statement of financial position as at 28 June 2020 (<b>Statutory Historical Statement of Financial Position</b>).</li> </ul> <p>LTM Sep19 was not a statutory reporting period.</p>	<p><b>Pro Forma Historical Financial Information</b> comprises the:</p> <ul style="list-style-type: none"> <li>• pro forma historical consolidated income statements for FY18, FY19, FY20, LTM Sep19 and Q1 FY20 (<b>Pro Forma Historical Results</b>);</li> <li>• pro forma historical consolidated cash flows for FY18, FY19 and FY20 (<b>Pro Forma Historical Cash Flows</b>); and</li> <li>• pro forma historical consolidated statement of financial position as at 28 June 2020 (<b>Pro Forma Historical Statement of Financial Position</b>).</li> </ul>
<b>Forecast Financial Information</b>	<p>LTM Sep20F is not a statutory reporting period.</p>	<p><b>Pro Forma Forecast Financial Information</b> consists of the pro forma forecast consolidated income statement for LTM Sep20F and Q1 FY21F (<b>Pro Forma Forecast Results</b>).</p>

The Historical Financial Information and the Forecast Financial Information defined above together form the **Financial Information**.

dusk operates on a weekly retail calendar and its reporting periods end on a Sunday. Accordingly, its financial year end can vary such that its financial periods can be either 52 weeks or 53 weeks. There are no 53-week periods in the Financial Information. The last 53-week period was FY16 and the next 53-week period will be FY22.

This Section 4 also includes:

- a summary of the basis of preparation and presentation of the Financial Information, including the application of relevant new and revised accounting standards to the Historical Financial Information and the Forecast Financial Information (see Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.2.5);
- a summary of key operating and financial metrics (see Section 4.3.2);
- the pro forma adjustments to the Statutory Historical Financial Information, and reconciliations to the Pro Forma Historical Financial Information (see Section 4.3.3);
- details of dusk's indebtedness and a summary of its funding, including debt facilities, liquidity and capital resources (see Section 4.5);
- a description of the key drivers affecting dusk including key financial and operating metrics set out in Section 4.3.2 and management discussion and analysis of the Pro Forma Historical Financial Information (see Section 4.6);
- the Directors' best estimate general and specific assumptions underlying the Pro Forma Forecast Financial Information (see Section 4.6.2) and management discussion and analysis of the Pro Forma Forecast Financial Information (see Section 4.6);

- an analysis of the key sensitivities in respect of the Pro Forma Forecast Financial Information (see Section 4.7); and
- a summary of dusk's proposed dividend policy (see Section 4.8).

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagement involving Fundraisings and/or Prospective Financial Information by PricewaterhouseCoopers Securities Ltd whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of that report.

The information in this Section 4 should also be read in conjunction with the risk factors set out in Section 5, and other information contained in this Prospectus. In addition, dusk's significant accounting policies are set out in Appendix A. In preparing the Historical Financial Information and the Forecast Financial Information, dusk's accounting policies have been applied consistently throughout the periods presented with the exception of the new AASB 16 Leases accounting standard, which has been applied to the Statutory Historical Financial Information in FY20 – refer to Section 4.2.4 for further detail.

All amounts disclosed in this Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest hundred thousand. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables or figures contained in this Prospectus are due to rounding.

## 4.2 Basis of preparation and presentation of Financial Information

### 4.2.1 Overview

The Directors are responsible for the preparation and presentation of the Financial Information. The Financial Information is intended to present potential investors with financial information to assist them in understanding the underlying financial performance, cash flows and financial position of dusk, together with the Forecast Financial Information.

The Financial Information has been prepared in accordance with the measurement and recognition principles of AAS issued by the AASB, which are consistent with IFRS issued by the IASB and dusk's accounting policies. dusk's significant accounting policies are described in Appendix A.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

dusk currently manages its operations as a single business operation and there are no parts of its business or geographies that currently qualify as separate operating segments under AASB 8 Operating Segments.

In addition to the Statutory Financial Information, Section 4.2.5 describes certain non-IFRS financial measures that dusk uses to manage and report on its business that are not defined under or recognised by AAS or IFRS.

### 4.2.2 Preparation of Historical Financial Information

The Statutory Historical Financial Information has been extracted from the consolidated general purpose financial statements of the Company and its controlled entities for FY18, FY19 and FY20. The consolidated financial statements for FY18, FY19 and FY20 were audited by Ernst & Young. Ernst & Young issued unqualified audit opinions on each of these years.

The Pro Forma Historical Financial Information has been prepared for the sole purpose of inclusion in this Prospectus and has been derived from the Statutory Historical Financial Information outlined above.

The pro forma adjustments applied to the income statements and cash flows are as described in Section 4.3.4 (reconciliation between the Statutory Historical Results and the Pro Forma Historical Results) and Section 4.4.1 (reconciliation between the Statutory Historical Cash Flows and the Pro Forma Historical Cash Flows). In particular, pro forma adjustments have been made to reflect the following:

- the removal of the net impact of the non-recurring benefit of the JobKeeper Payment received by dusk;
- the reversal of a wages underpayment provision made in FY19 (net of that portion of the provision that related to FY19) and the allocation of the relevant portion of the provision for wages underpayment to FY18;
- the reversal of the impact on the FY20 Statutory Historical Results from the first time adoption of the new AASB 16 Leases accounting standard;
- listed public company costs: an amount that represents the Company's estimate of the incremental annual costs that it will incur as a listed public company has been included as a pro forma adjustment. These costs include ASX and share registry fees, Non-Executive Director remuneration, investor relations costs, as well as annual general meeting and annual report costs;

## 4 Financial information (continued)

- the removal of the interest cost incurred in FY18 in relation to shareholder loans which were repaid in FY18; and
- the pro forma effective income tax rate which will be applicable going forward.

Investors should note that past results are not a guarantee of future performance.

The Pro Forma Historical Statement of Financial Position is derived from the Statutory Historical Statement of Financial Position, and is adjusted to reflect:

- the impact of the Offer costs;
- adjustments to working capital to reflect the cash settlement of the wages underpayment provision prior to the Offer and the increase in working capital balances from the position at 28 June 2020 which was unusually low as a result of the impact of COVID-19 on the supply chain;
- changes to the capital structure including the payment and proposed payment of dividends to the Existing Shareholders subsequent to 28 June 2020 and the purchase and cancellation of options in connection with the Offer from the Chairman and CEO (**Capital Reorganisation**); and
- the tax impacts of the above adjustments.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of dusk's future financial position.

### 4.2.3 Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus and is presented on a pro forma basis only.

The Forecast Financial Information which covers the 52 weeks to 27 September 2020 has been sourced from:

- actual results for the last nine months to 28 June 2020 which formed part of the Company's statutory financial results for FY20;
- actual results for the two months to 23 August 2020, sourced from the unaudited management accounts of the Company; and
- a forecast for the five-week period to 27 September 2020, for which actual sales performance is known for three of these five weeks prior to the Prospectus Date.

The following pro forma adjustments have been applied to:

- include the estimate of the annual incremental costs that the Company will incur as a listed public company;
- remove the non-recurring net benefit of the JobKeeper Payment received;
- remove one-off transaction costs incurred in relation to a previous attempt to list on the ASX in early 2020. Offer costs in relation to the Offer will be incurred on or around Completion, which is expected on 29 October 2020, that is beyond 27 September 2020; and
- apply a pro forma effective income tax rate which would be applicable going forward.

Due to its nature, the Forecast Financial Information does not represent dusk's actual or prospective financial performance for LTM Sep20F.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention and consider all best estimate general and specific assumptions when taken as a whole to be reasonable as at the Prospectus Date. However, this information is not fact and potential investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions and on a number of best estimate general and specific assumptions regarding future events and actions as set out in Section 4.6.2. The Forecast Financial Information is subject to the risk factors set out in Section 5.

This information is intended to assist potential investors in assessing the reasonableness and likelihood of the assumptions occurring but is not intended to be a representation that the assumptions will occur. The Forecast Financial Information has been reviewed by PricewaterhouseCoopers Securities Ltd but has not been audited. Investors should note the scope and limitations of the Investigating Accountant's Report on the Historical Financial Information and Forecast Financial Information (refer to Section 8).

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or negative effect on dusk's actual underlying financial performance, cash flows or financial position. In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside of the control of dusk, the Directors and Management and are not reliably predictable.

Accordingly, none of the Directors, Management or any other person can give potential investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. The Forecast Financial Information should be read in conjunction with the best estimate general and specific assumptions as set out in Section 4.6.2, the sensitivities as set out in Section 4.7, the risk factors set out in Section 5 and other information in this Prospectus.

The Directors have no intention to update or revise the Forecast Financial Information or other forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

#### 4.2.4 Adoption of AASB 16 Leases

The adoption of the new AASB 16 accounting standard was required for financial years commencing on or after 1 January 2019 and consequently dusk adopted this standard in its statutory accounts for FY20.

AASB 16 removes the accounting distinction between operating and financial leases and requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement will show lease expense as depreciation relating to the right of use asset and interest relating to the lease liability rather than rent expense being shown as an operating expense.

As a result of the adoption of AASB 16, operating expenses decrease and depreciation and interest expense increase, and the timing of expense recognition changes due to the change from a straight line rental expense to depreciation and interest expenses with an accelerated profile.

AASB 16 has no effect on the cash flows of the Company. Under previous AAS, rent payments were included in operating cash flows. AASB 16 instead requires that lease payments be classified and presented between the interest portion of the payment, included in interest paid and the principal portion of the payment, included in financing cash flows.

This Prospectus presents the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information on a consistent basis, prior to the adoption of AASB 16.

The impact of adopting AASB 16 in FY20 on the statutory income statement on a line-by-line basis has been set out by way of a reconciliation in Table 17. In addition, Table 17 includes the impact of removing AASB 16 from the statutory FY20 EBITDA and NPAT to arrive at the pro forma FY20 EBITDA and NPAT. Refer to Section 4.3.1 for further detail on the quantification of this impact.

#### 4.2.5 Explanation of certain non-IFRS metrics

dusk uses certain measures to manage and report on its business that are neither recognised by the AASB nor under IFRS. These measures are collectively referred to as "non-IFRS financial measures" under Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC. These non-IFRS financial measures that are referred to in this Prospectus comprise the following:

**EBITDA** represents net profit before interest expense<sup>69</sup> on debt, income tax expense, depreciation and amortisation;

**EBIT** is calculated by deducting depreciation<sup>70</sup> and amortisation from EBITDA;

**PBT** represents net profit before income tax expense;

**capital expenditure** relates to capital expenditure incurred on shop fittings and fixtures, computer equipment and property, plant and other equipment; and

**free cash flow before financing and tax** refers to net operating cash flow before tax and funding activities but after capital expenditure.

69 For FY20 statutory EBITDA, interest includes interest on the lease liability recognised under AASB 16 and depreciation includes depreciation on the right of use asset recognised under AASB 16.

70 For FY20 statutory EBIT, depreciation includes depreciation on the right of use asset recognised under AASB 16.

## 4 Financial information (continued)

These non-IFRS financial measures do not have a prescribed definition under AAS or IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities, and should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with AAS or IFRS. Although dusk believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, potential investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

### 4.3 Pro Forma and Statutory Historical and Forecast Results

#### 4.3.1 Overview

Table 13 below summarises dusk's Pro Forma Historical Results for FY18, FY19, FY20 and LTM Sep19 and the Pro Forma Forecast Results for LTM Sep20F.

Table 13. Pro Forma Historical and Pro Forma Forecast Results

A\$ millions	Note	Pro Forma Historical			Pro Forma Forecast	
		FY18	FY19	FY20	LTM Sep19	LTM Sep20F
<b>Revenue</b>	1	<b>74.4</b>	<b>86.1</b>	<b>100.9</b>	<b>89.1</b>	<b>109.9</b>
Cost of sales	2	(24.8)	(30.6)	(35.2)	(31.6)	(37.6)
<b>Gross profit</b>		<b>49.5</b>	<b>55.5</b>	<b>65.7</b>	<b>57.5</b>	<b>72.2</b>
Employee expenses	3	(21.4)	(23.9)	(25.4)	(24.6)	(26.1)
Occupancy expenses	4	(13.4)	(14.1)	(14.8)	(14.6)	(15.0)
Other expenses	5	(8.1)	(8.7)	(9.7)	(8.9)	(10.2)
Cost of doing business ( <b>CODB</b> )		(42.9)	(46.7)	(49.9)	(48.1)	(51.3)
<b>EBITDA</b>		<b>6.6</b>	<b>8.8</b>	<b>15.8</b>	<b>9.4</b>	<b>20.9</b>
Depreciation	6	(2.1)	(2.3)	(2.8)	(2.3)	(2.9)
Amortisation	7	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
<b>EBIT</b>		<b>4.5</b>	<b>6.4</b>	<b>12.9</b>	<b>6.9</b>	<b>17.8</b>
Net finance expense	8	(0.1)	0.0	(0.1)	0.0	(0.1)
<b>PBT</b>		<b>4.4</b>	<b>6.4</b>	<b>12.8</b>	<b>7.0</b>	<b>17.7</b>
Income tax expense	9	(1.3)	(1.9)	(3.8)	(2.1)	(5.3)
<b>NPAT</b>		<b>3.1</b>	<b>4.5</b>	<b>8.9</b>	<b>4.9</b>	<b>12.4</b>

Notes:

- Revenue represents amounts earned on the sale of goods to customers both from dusk's physical store network as well as online sales. It also includes fee revenue earned from the dusk Rewards membership program and online freight revenue.
- Cost of sales represents the net cost of inventories recognised as an expense when the products are sold to customers, as well as freight expenses and other expenses. Cost of sales also includes postage expenses in relation to online orders.
- Employee expenses include wages and salaries for store and head office employees as well as related bonuses, incentives and superannuation expense.
- Occupancy expenses include rental costs and asset, property and maintenance expenses. Occupancy expenses for FY20 and LTM Sep20F are stated net of a \$1.0 million rental abatement agreed with certain landlords in relation to the COVID-19 impacted period of April 2020 to June 2020.
- Other expenses include advertising costs, professional fees, storage costs, bank fees, postage and stationery, travel, insurance and other costs.
- Depreciation represents depreciation expense incurred in respect of shop fittings and fixtures, computer equipment and property, plant and other equipment.
- Amortisation represents the amortisation expense incurred in relation to capitalised computer software assets.
- Net finance expense represents the interest expense on the working capital facility offset by interest income.
- Income tax expense reflects the application of a 30% Australian corporate tax rate on Australian taxable profits.



**Table 14. Q1 FY20 Pro Forma Historical Results and Q1 FY21F Pro Forma Forecast Results**

<b>A\$ millions</b>	<b>Note</b>	<b>Q1 FY20</b>	<b>Q1 FY21F</b>
Revenue		18.1	26.9
Gross profit		12.1	18.6
EBITDA	1	(0.1)	4.9
EBIT	1	(0.8)	4.1
NPAT	1	(0.6)	2.8

Notes:

1. Q1 FY20 Pro Forma Historical Results for Q1 FY20 and Pro Forma Forecast Results for Q1 FY21 reflect the consistent application of the pro forma adjustments outlined in Section 4.3.3, where relevant to these periods. Q1 FY21F EBITDA and EBIT reflect the removal of \$2.7 million of net Job Keeper benefit received.

**Table 15. Treatment of net JobKeeper Payment in the Pro Forma Financial Information**

<b>A\$ millions</b>	<b>Note</b>	<b>FY20</b>	<b>LTM Sep20F</b>
<b>Pro Forma Financial Information</b>	1		
EBITDA		15.8	20.9
EBIT		12.9	17.8
NPAT		8.9	12.4
<b>Net JobKeeper Payment</b>	2		
Pre-tax basis		2.3	5.0
Post-tax basis		1.6	3.5
<b>Pro Forma Financial Information including net JobKeeper Payment</b>	3		
EBITDA		18.1	25.9
EBIT		15.1	22.8
NPAT		10.5	15.9

Notes:

1. The Pro Forma Financial Information presented throughout this Section 4 excludes the net JobKeeper Payment benefit received.
2. As outlined in Section 4.3.3, the net JobKeeper Payment benefit removed from the Pro Forma Financial Information relates to the amount of subsidy received by dusk to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Company.
3. Pro Forma Financial Information including the net JobKeeper Payment benefit received.

## 4 Financial information (continued)

Table 16 below summarises dusk's Statutory Historical Results for FY18, FY19 and FY20.

**Table 16. Statutory Historical Results**

A\$ millions	Note	Statutory Historical <sup>1</sup>		
		FY18	FY19	FY20
<b>Revenue</b>	2	<b>74.4</b>	<b>86.1</b>	<b>100.9</b>
Cost of sales	3	(24.8)	(30.6)	(35.2)
<b>Gross profit</b>		<b>49.5</b>	<b>55.5</b>	<b>65.7</b>
Employee expenses	4	(20.8)	(26.1)	(23.0)
Occupancy expenses	5	(13.4)	(14.1)	(2.2)
Other expenses	6	(7.6)	(9.1)	(9.8)
CODB		(41.7)	(49.3)	(35.0)
<b>EBITDA</b>		<b>7.8</b>	<b>6.2</b>	<b>30.7</b>
Depreciation	7	(2.1)	(2.3)	(15.5)
Amortisation	8	(0.0)	(0.1)	(0.1)
<b>EBIT</b>		<b>5.6</b>	<b>3.8</b>	<b>15.0</b>
Net finance expense	9	(0.2)	0.0	(1.5)
<b>PBT</b>		<b>5.4</b>	<b>3.8</b>	<b>13.6</b>
Income tax expense	10	(1.6)	(1.2)	(4.1)
<b>NPAT</b>		<b>3.8</b>	<b>2.6</b>	<b>9.5</b>
	11	AASB 117	AASB 117	AASB 16

Notes:

- The Statutory Historical Results presented above have been extracted from the FY19 and FY20 statutory financial statements with FY18 presented above extracted from the financial statements for FY19. Certain line items have been aggregated for simplicity and other income has been netted off other expenses, compared to the relevant financial statements.
- Revenue represents amounts earned on the sale of goods to customers both from dusk's physical store network as well as online sales. It also includes fee revenue earned from the dusk Rewards membership program and online freight revenue.
- Cost of sales represents the net cost of inventories recognised as an expense when the products are sold to customers, as well as freight expenses and other expenses. Cost of sales also includes postage expenses in relation to online orders.
- Employee expenses include wages and salaries for store and head office employees as well as related bonuses, incentives and superannuation expense.
- Occupancy expenses in FY18 and FY19 which included rental costs, asset, property and maintenance expenses were accounted for under AASB 117 Leases. Occupancy expenses in FY20 reflected the application of AASB 16 which was adopted on 1 July 2019. See Section 4.2.4 and Table 17 for further detail. Occupancy expenses for FY20 are stated net of a \$1.0 million rental abatement agreed with certain landlords. The statutory financial statements for FY20 presents this within other income.
- Other expenses include advertising costs, professional fees, storage costs, bank fees, postage and stationery, travel, insurance and other costs.
- Depreciation in FY18 and FY19 was accounted for under AASB 117 and therefore included depreciation of shop fittings and fixtures, computer equipment and property, plant and other equipment. Depreciation in FY20 reflected the application of AASB 16 which was adopted on 1 July 2019 and therefore also included incremental depreciation expense on the right of use asset recognised in relation to leases under AASB 16. See Section 4.2.4 and Table 17 for further detail.
- Amortisation represents the amortisation expense incurred in relation to capitalised computer software assets.
- Net finance expense in FY18 mainly reflected interest expense on shareholder loans (which were repaid prior to the end of FY18). Net finance expense also includes interest expense on dusk's working capital facility which has been drawn down periodically to manage working capital seasonality, partially offset by interest income earned on cash balances on hand. Interest expense also includes a charge in relation to make good provision movements. Net finance expense for FY20 also reflects the interest expense on the lease liability recognised on the first time application of AASB 16. See Section 4.2.4 and Table 17 for further detail.
- The effective income tax rate (as a percentage of profit before tax) has approximated the corporate income tax rate in the Statutory Historical Results (30.1%, 30.8% and 30.0% in FY18, FY19 and FY20 respectively).
- Statutory Historical Results for FY18 and FY19 reflect the application of the prevailing lease standard (AASB 117) in operation at that time. FY20 statutory results reflects the adoption of AASB 16.

### 4.3.2 Impact of AASB 16 Leases

As explained in Section 4.2.4, the Pro Forma Historical Results and Pro Forma Forecast Results have been prepared on a consistent basis and presented prior to the adoption of AASB 16. The table below sets out the FY20 statutory results pre and post the adoption of AASB 16 so potential investors can understand the impact of this new AAS on the FY20 statutory results.

AASB 16 was adopted by dusk on 1 July 2019. AASB 16 requires recognition of most lease liabilities on the balance sheet, together with a related right of use asset. As a result, the income statement shows lease expense as depreciation relating to the right of use asset and interest relating to the lease liability rather than rent expense being shown as an operating expense. As a result of the adoption of AASB 16, operating expenses have decreased and depreciation and interest expense have increased, and the timing of expense recognition has changed due to the change from a straight line rental expense to depreciation and interest expenses with an accelerated profile.

**Table 17. Impact of adoption of AASB 16 on the FY20 Statutory Results**

A\$ millions	Note	Pre AASB 16 statutory FY20	AASB 16 impact	Statutory FY20
<b>Revenue</b>		<b>100.9</b>	–	<b>100.9</b>
Cost of sales		(35.2)	–	(35.2)
<b>Gross profit</b>		<b>65.7</b>	–	<b>65.7</b>
Employee expenses		(23.0)	–	(23.0)
Occupancy expenses	1	(14.8)	12.6	(2.2)
Other expenses		(9.8)	–	(9.8)
CODB		(47.7)	12.6	(35.0)
<b>EBITDA</b>		<b>18.1</b>	<b>12.6</b>	<b>30.7</b>
Depreciation	2	(2.8)	(12.7)	(15.5)
Amortisation		(0.1)	–	(0.1)
<b>EBIT</b>		<b>15.1</b>	–	<b>15.0</b>
Net finance expense	3	(0.1)	(1.4)	(1.5)
<b>PBT</b>		<b>15.0</b>	<b>(1.4)</b>	<b>13.6</b>
Income tax expense		(4.5)	0.4	(4.1)
<b>NPAT</b>		<b>10.5</b>	<b>(1.0)</b>	<b>9.5</b>
		AASB 117		AASB 16

Notes:

1. Impact of removal of lease expenses from occupancy expenses. The residual statutory occupancy expenses amount of \$2.2 million reflects the occupancy expenses of stores that are on holdover terms and thus the rental expense is included in occupancy expenses.
2. Impact of recognising depreciation on the right of use asset.
3. Impact of recognising interest expense on the lease liabilities over the relevant lease term.

## 4 Financial information (continued)

### 4.3.3 Key operating and financial metrics

Table 18 below summarises dusk's key revenue, operational and financial metrics.

**Table 18. Key revenue, operational and financial metrics**

	Note	Pro Forma Historical			Pro Forma Forecast	
		FY18	FY19	FY20	LTM Sep19	LTM Sep20F
<b>Revenue metrics</b>						
Revenue growth (%)	1	14.7%	15.8%	17.2%	n/a	23.3%
LFL sales growth (%)	2	12.7%	7.9%	17.5%	8.4%	26.8%
Average revenue per physical store (A\$000)	3	776	813	844	823	898
ATV (\$)	4	37.8	40.2	45.1	41.1	n/a
Online revenue growth (%)	5	117.4%	46.5%	95.0%	n/a	124.1%
Online revenue % of revenue	6	3.9%	4.9%	8.2%	4.9%	9.0%
<b>Operational metrics</b>						
dusk Rewards members ('000) (period end)	7	384	459	525	473	550
Number of physical stores (period end)	8	95	105	111	106	114
Employee expenses % of revenue	9	28.8%	27.8%	25.2%	27.6%	23.8%
Occupancy expenses % of revenue	10	18.0%	16.4%	14.7%	16.3%	13.7%
Other expenses % of revenue	11	10.9%	10.1%	9.6%	10.0%	9.3%
CODB % of revenue	12	57.7%	54.2%	49.4%	53.9%	46.7%
<b>Financial metrics</b>						
Gross profit margin (%)	13	66.6%	64.5%	65.1%	64.5%	65.7%
EBITDA margin (%)	14	8.9%	10.3%	15.7%	10.6%	19.0%
PBT margin (%)	15	5.9%	7.4%	12.6%	7.8%	16.1%
Operating cash flow conversion (%)	16	87.0%	129.6%	139.9%		
Free cash flow conversion (%)	17	28.5%	87.1%	111.8%		
Capital expenditure % of revenue	18	5.2%	4.4%	4.4%		

Notes:

- Revenue growth is calculated as the change in current period pro forma revenue as a percentage of prior period pro forma revenue.
- LFL sales growth is calculated as the growth in revenue over the prior comparable period for like for like stores (including the online store). A store is generally included in dusk's LFL sales growth calculation after it has been trading for a minimum period of 12 months.
- Average revenue per physical store is calculated as total store revenue for the period divided by the average number of stores trading in the period.
- Average transaction value, being total revenue divided by the total number of transactions (including online transactions).
- Online revenue growth represents the percentage growth in online revenue for the current period compared to the prior corresponding period.
- Online revenue % of revenue is calculated as online revenue for the period divided by total revenue for that period, expressed as a percentage.
- dusk Rewards members represent the number of active dusk Rewards members at the relevant period end.
- Number of physical stores (period end) represents the total number of stores open and trading at the end of the relevant period (excluding the online store).
- Employee expenses % of revenue is calculated as pro forma employee expenses divided by pro forma revenue, expressed as a percentage.
- Occupancy expenses % of revenue is calculated as pro forma occupancy expenses divided by pro forma revenue, expressed as a percentage.
- Other expenses % of revenue is calculated as pro forma other expenses divided by pro forma revenue, expressed as a percentage.
- CODB % of revenue is calculated as the pro forma cost of doing business (defined as the aggregation of pro forma employee expenses, occupancy expenses and other expenses) divided by pro forma revenue, expressed as a percentage.
- Gross profit margin refers to pro forma revenue less pro forma cost of sales divided by pro forma revenue, expressed as a percentage.
- EBITDA margin refers to pro forma EBITDA divided by pro forma revenue, expressed as a percentage.
- PBT margin refers to pro forma PBT divided by pro forma revenue, expressed as a percentage.
- Operating cash flow conversion is defined as operating cash flow before capex divided by EBITDA, expressed as a percentage.
- Free cash flow conversion is defined as free cash flow before financing and tax divided by EBITDA, expressed as a percentage.
- Capital expenditure % of revenue is calculated as the total capital expenditure divided by revenue, expressed as a percentage.

#### 4.3.4 Pro forma adjustments to the Statutory Historical Results

Table 19 below sets out the pro forma adjustments that have been made to statutory EBITDA and statutory NPAT in the relevant historical periods. No adjustments have been made to statutory revenue.

**Table 19. Pro forma adjustments to the Statutory Historical Results**

A\$ millions	Note	FY18	FY19	FY20
<b>Statutory EBITDA</b>		<b>7.8</b>	<b>6.2</b>	<b>30.7</b>
Impact of AASB 16	1	–	–	(12.6)
Net JobKeeper Payment	2	–	–	(2.3)
Public company costs	3	(0.7)	(0.7)	(0.7)
Wages underpayment	4	(0.5)	2.4	–
Other non-recurring items	5	–	0.9	0.7
<b>Pro forma EBITDA</b>		<b>6.6</b>	<b>8.8</b>	<b>15.8</b>
<b>Statutory NPAT</b>		<b>3.8</b>	<b>2.6</b>	<b>9.5</b>
Impact of AASB 16	1	–	–	1.4
Net JobKeeper Payment	2	–	–	(2.3)
Public company costs	3	(0.7)	(0.7)	(0.7)
Wages underpayment	4	(0.5)	2.4	–
Other non-recurring items	5	0.2	0.9	0.7
<b>Total pro forma adjustments</b>		<b>(1.0)</b>	<b>2.6</b>	<b>(0.8)</b>
Net tax adjustment	6	0.3	(0.8)	0.2
<b>Pro forma NPAT</b>		<b>3.1</b>	<b>4.5</b>	<b>8.9</b>

Notes:

1. Impact of AASB 16 reflects the reversal of the impact of the initial adoption of AASB 16 in the FY20 statutory financial statements, in order to present the Pro Forma Historical Financial Information on a consistent basis, prior to the adoption of AASB 16. AASB 16 was adopted by dusk on 1 July 2019; refer to Section 4.2.4 and Table 17.
2. Net JobKeeper Payment reflects the removal of the non-recurring benefit to FY20 earnings of the JobKeeper Payment received from the Australian Government of \$2.3 million. It reflects the amount of subsidy received by dusk to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Company. This adjustment does not include the additional JobKeeper Payment amounts of \$2.1 million received by dusk in FY20 and paid to staff who were not working, or where wages of staff who worked were below the relevant minimum threshold, as there was no net benefit to dusk's earnings from the receipt of these amounts as they were passed directly through to staff. The \$2.3 million portion of the total subsidy received represents a one-off net benefit to dusk's earnings in FY20 that would not have been received if not for the JobKeeper Payment policy. dusk's eligibility to receive this subsidy is not expected to continue after September 2020. The Pro Forma Forecast Results (not presented in the table above) excludes \$5.0 million of net JobKeeper Payment (\$2.3 million from the June 2020 quarter plus a further \$2.7 million forecast to be received by dusk in Q1 FY21).
3. Public company costs reflect dusk's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs and other public company costs.
4. A provision of \$2.8 million was made in the FY19 statutory financial statements in relation to an identified wages underpayment issue (the provision amount included on-costs and consultants fees associated with the review). As the historical wages underpayment issue related to FY19 and prior periods, dusk has applied a pro forma adjustment to the FY19 statutory income statement to reverse this gross \$2.8 million provision in FY19, net of that portion of the wages underpayment amount that related to FY19. A pro forma adjustment has also been applied to the FY18 statutory income statement to recognise that portion of the wages underpayment that related to FY18.
5. Other non-recurring items in FY18 relate to the reversal of interest costs on a shareholder loan which was repaid in FY18. Other non-recurring items in FY19 related to transaction costs incurred in relation to an unsuccessful sale process for dusk and retention payments to certain members of Management in relation to a potential transaction. Other non-recurring costs in FY20 related to costs incurred in the previous listing process earlier in 2020 which was stopped due to the outbreak of COVID-19. Offer costs in relation to the Listing are expected to be incurred in October and November 2020 and therefore fall beyond the LTM Sep20F time period presented.
6. Net tax adjustment reflects the cumulative income tax effect of the pro forma adjustments.

## 4 Financial information (continued)

### 4.4 Pro Forma Historical and Statutory Historical Cash Flows

#### 4.4.1 Overview

Table 20 below summarises dusk's Pro Forma Historical Cash Flows and Statutory Historical Cash Flows.

**Table 20. Pro Forma Historical and Statutory Historical Cash Flows**

A\$ millions	Note	Pro Forma Historical			Statutory Historical		
		FY18	FY19	FY20	FY18	FY19	FY20
<b>EBITDA</b>		<b>6.6</b>	<b>8.8</b>	<b>15.8</b>	<b>7.8</b>	<b>6.2</b>	<b>30.7</b>
Non-cash items	1	0.0	0.1	0.0	0.0	0.1	0.0
Change in working capital	2	(0.9)	2.5	6.3	(0.9)	5.5	2.3
<b>Operating cash flow before capital expenditure</b>		<b>5.7</b>	<b>11.5</b>	<b>22.2</b>	<b>6.9</b>	<b>11.8</b>	<b>33.0</b>
Capital expenditure	3	(3.9)	(3.7)	(4.4)	(3.9)	(3.7)	(4.4)
<b>Free cash flow before financing and tax</b>		<b>1.9</b>	<b>7.7</b>	<b>17.7</b>	<b>3.1</b>	<b>8.0</b>	<b>28.6</b>
Payment of principal portion of lease liabilities	4				–	–	(9.0)
Net interest paid	5				(0.2)	0.0	(1.1)
Income tax paid	6				(0.0)	(0.9)	(4.0)
Repayment of borrowings	7				(1.6)	–	–
<b>Net cash flow</b>					<b>1.3</b>	<b>7.2</b>	<b>14.5</b>

Notes:

1. Non-cash items include share-based payments, loss on disposal and asset write-offs.
2. Change in working capital represents movement in working capital balances. See Table 27 for further detail on movement in pro forma working capital balances.
3. Capital expenditure represents capital expenditure mainly incurred in the opening of new stores (net of landlord contributions received where applicable) and capital expenditure incurred on existing stores, ranging from minor upgrades to major refurbishments (net of landlord contributions received where applicable).
4. Payment of principal portion of lease liabilities in accordance with AASB 16.
5. Net interest paid reflects the interest paid on dusk's working capital facility (see Section 4.5.3 for more information) offset by interest income on cash balances. The statutory FY18 balance includes interest paid on shareholder loans which were repaid in FY18 and the statutory FY20 balance includes \$1.1 million in relation to lease liability interest in accordance with AASB 16.
6. Income tax paid relates to Australian corporation tax paid.
7. Repayment of borrowings reflects the repayment of a shareholder loan in FY18.

Table 21 below sets out the pro forma adjustments that have been made to dusk's Statutory Historical Cash Flows.

**Table 21. Pro forma adjustments to the Statutory Historical Cash Flows**

A\$ millions	Note	FY18	FY19	FY20
<b>Statutory free cash flow before financing and tax</b>		<b>3.1</b>	<b>8.0</b>	<b>28.6</b>
Impact of AASB 16	1	–	–	(10.3)
Net JobKeeper Payment	2	–	–	(1.4)
Public company costs	3	(0.7)	(0.7)	(0.7)
Wages underpayment	4	(0.5)	(0.4)	0.8
Other non-recurring items	5	–	0.9	0.7
<b>Pro forma free cash flow before financing and tax</b>		<b>1.9</b>	<b>7.8</b>	<b>17.7</b>

Notes:

- Impact of AASB 16 reflects the reversal of the cash impact of the initial adoption of AASB 16 in the FY20 statutory financial statements, in order to present the Pro Forma Historical Financial Information on a consistent basis, prior to the adoption of AASB 16. AASB 16 was adopted by dusk on 1 July 2019; refer to Section 4.2.4 and Table 17.
- Net JobKeeper Payment reflects the removal of the non-recurring benefit to FY20 earnings of the JobKeeper Payment received from the Australian Government of \$2.3 million. It reflects the amount of subsidy received by dusk to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business otherwise incurred by the Company. This adjustment does not include the additional JobKeeper Payment amounts of \$2.1 million received by dusk in FY20 and paid to staff who were not working, or where wages of staff who worked were below the relevant minimum threshold, as there was no net benefit to dusk's earnings from the receipt of these amounts as they were passed directly through to staff. The \$2.3 million portion of the total subsidy received represents a one-off net benefit to dusk's earnings in FY20 that would not have been received if not for the JobKeeper Payment policy. dusk's eligibility to receive this subsidy is not expected to continue after September 2020. The Pro Forma Forecast Results (not presented in the table above) excludes \$5.0 million of net JobKeeper Payment (\$2.3 million from the June 2020 quarter plus a further \$2.7 million forecast to be received by dusk in Q1 FY21). The difference between the \$2.3 million income statement adjustment and the \$1.4 million cash flow adjustment relates to accrued JobKeeper Payment receivables.
- Public company costs reflect dusk's estimate of the additional annual costs associated with being a publicly listed entity. These costs include incremental Directors' fees, listing fees, share registry costs, Directors' and officers' insurance premiums, investor relations costs, annual general meetings costs, annual reports costs and other public company costs.
- A provision of \$2.8 million was made in the FY19 statutory financial statements in relation to an identified wages underpayment issue (the provision amount included on-costs and consultants fees associated with the review). As the historical wages underpayment issue related to FY19 and prior periods, dusk has applied a pro forma adjustment to the FY19 statutory income statement to reverse this gross \$2.8 million provision in FY19, net of that portion of the wages underpayment amount that related to FY19. A pro forma adjustment has also been applied to the FY18 statutory income statement to recognise that portion of the wages underpayment that related to FY18. The \$0.8 million adjustment reflects the reversal of payments made to affected staff in FY20.
- Other non-recurring items in FY18 relate to the reversal of interest costs on a shareholder loan which was repaid in FY18. Other non-recurring items in FY19 related to transaction costs incurred in relation to an unsuccessful sale process for dusk and retention payments to certain members of Management in relation to a potential transaction. Other non-recurring items in FY20 related to costs incurred in the previous listing process earlier in 2020 which was stopped due the outbreak of COVID-19. Offer costs in relation to the Listing are expected to be incurred in October and November 2020 and therefore fall beyond the LTM Sep20F time period presented.



## 4 Financial information (continued)

### 4.5 Pro Forma Historical and Statutory Historical Statement of Financial Position

#### 4.5.1 Overview

Table 22 below sets out a summary of the Statutory Historical Statement of Financial Position as at 28 June 2020, adjusted for certain pro forma items to take into account the effect of the Capital Reorganisation, working capital adjustments and Offer costs as set out below. These adjustments reflect the impact of the changes to the Statutory Historical Financial Position as if it were in place as at 28 June 2020.

**Table 22. Statutory Historical and Pro Forma Historical Statement of Financial Position at 28 June 2020**

<b>A\$ millions</b>	<b>Statutory 28 June 2020</b>	<b>Capital Reorganisation<sup>1</sup></b>	<b>Working capital adjustments<sup>2</sup></b>	<b>Offer costs<sup>3</sup></b>	<b>Pro forma 28 June 2020</b>
<b>Current assets</b>					
Cash	28.4	(9.4)	(6.4)	(7.5)	5.0
Trade and other receivables	2.9				2.9
Inventories	8.6		2.6		11.2
Right of return assets	0.3				0.3
Prepayments	0.7				0.7
<b>Total current assets</b>	<b>40.9</b>	<b>(9.4)</b>	<b>(3.8)</b>	<b>(7.5)</b>	<b>20.1</b>
<b>Non-current assets</b>					
Property, plant and equipment	8.2				8.2
Right of use assets	31.0				31.0
Intangible assets	1.8				1.8
Deferred tax assets	4.2			2.3	6.4
<b>Total non-current assets</b>	<b>45.2</b>			<b>2.3</b>	<b>47.4</b>
<b>Current liabilities</b>					
Trade and other payables	16.7		(2.4)		14.3
Provisions	4.5		(1.4)		3.1
Employee benefit liabilities	0.9				0.9
Lease liabilities	10.2				10.2
Income tax payable	3.0				3.0
<b>Total current liabilities</b>	<b>35.2</b>		<b>(3.8)</b>		<b>31.4</b>
<b>Non-current liabilities</b>					
Provisions	0.6				0.6
Employee benefit liabilities	0.3				0.3
Lease liabilities	24.8				24.8
<b>Total non-current liabilities</b>	<b>25.7</b>				<b>25.7</b>
<b>Net assets</b>	<b>25.1</b>	<b>(9.4)</b>	<b>–</b>	<b>(5.3)</b>	<b>10.4</b>
<b>Equity</b>					
Issued capital	3.4				3.4
Other capital reserves	0.1				0.1
Retained earnings	21.5	(9.4)		(5.3)	6.9
<b>Total equity</b>	<b>25.1</b>	<b>(9.4)</b>	<b>–</b>	<b>(5.3)</b>	<b>10.4</b>

Notes:

1. Reflects the impact on cash and cash equivalents of the pre-IPO Capital Reorganisation including the payment of pre-IPO dividends to the Existing Shareholders subsequent to 28 June 2020 of \$9.8 million, as well as a payment of \$5.1 million made to cancel legacy share options. The balance reflects profit between 28 June 2020 and Completion.
2. Reflects the settlement of dusk's remaining obligations arising from: (i) the wages underpayment issue (\$1.4 million). As noted in Section 4.3.3 and Section 5, in March 2019, dusk became aware that errors in the coding of its payroll system had resulted in the underpayment of some of its staff since July 2013. As a result, a provision of \$2.8 million was made in the FY19 statutory financial statements in respect of this wages underpayment issue (including on-costs and consultants fees associated with the review). Refer to Table 19 for further detail of the pro forma adjustments applied to the statutory income statements for FY18 and FY19. A cash payment of \$0.8 million was made to some affected staff members in FY20 and a further final payment of \$1.9 million (\$1.3 million on a tax effected basis) is forecast to be made by 15 October 2020; and (ii) \$5.0 million reinvestment in working capital balances as a result of dusk's working capital balances being unusually low as at 28 June 2020. As at 28 June 2020, dusk's inventory was below sustainable levels due to strong sales performance in May and June 2020 and delayed inventory from cancelled orders in March and April which delayed inventory arrivals until July, August and September. Further, dusk's trade creditors balance at 28 June 2020 was higher than normally observed at a financial year end. This adjustment reflects Management's view that dusk's working capital position at 28 June 2020 was approximately \$5.0 million below sustainable levels. The Existing Shareholders have agreed to reduce the quantum of the pre-IPO dividends paid by \$5.0 million in order to allow dusk to reinvest in working capital prior to the date of the Offer.
3. Offer costs (inclusive of GST) are forecast at \$7.5 million (\$5.3 million tax effected) and expected to be expensed in accordance with accounting standards. The deferred tax asset relates to the income tax benefit of the future deductibility of Offer costs, the other side of which is of which is recognised in retained earnings.

#### 4.5.2 Indebtedness

dusk's principal source of funding comes from the cash flow generated from operations, the cash and cash equivalents on its balance sheet and undrawn amounts under its bank working capital facility. Table 23 below sets out the statutory and pro forma indebtedness of dusk as at 28 June 2020<sup>71</sup>.

Table 23. Summary indebtedness

A\$ millions	Statutory 28 June 2020	Pro forma 28 June 2020 <sup>1</sup>
Debt	–	–
Cash and cash equivalents	(28.4)	(5.0)
<b>Total net (cash)/debt</b>	<b>(28.4)</b>	<b>(5.0)</b>

#### 4.5.3 Description of banking facilities

dusk and Commonwealth Bank of Australia (CBA) have agreed to renew dusk's multi-option facility with CBA (Banking Facility). The Banking Facility will have a two-year tenor from Completion and a \$6.0 million limit. It will be available to use for working capital and other general corporate requirements. There is one bank guarantee outstanding under the Banking Facility; however, the facility is otherwise undrawn at the Prospectus Date, but is expected to be partially drawn at Completion, consistent with dusk's working capital seasonality profile.

#### 4.5.4 Liquidity and capital resources

Following Completion of the Offer, dusk's principal sources of funding are expected to be cash flow generated from operations, available cash on its balance sheet and any undrawn amounts under its bank working capital facility.

dusk's primary use of its working capital facility is to fund the working capital investment required each year in advance of the peak Christmas trading period, and together with cash and cash equivalents, to provide liquidity for other general purposes, including flexibility to pursue growth strategies.

The Company expects it will have sufficient cash flow from operations to meet its operational requirements and business needs during LTM Sep20F and expects that it will have sufficient working capital to meet its stated objectives.

<sup>71</sup> Refer to Table 20 for a description of the adjustments between statutory and pro forma cash and cash equivalents at 28 June 2020.

## 4 Financial information (continued)

### 4.6 Management discussion and analysis of the Pro Forma Historical and Pro Forma Forecast Financial Information

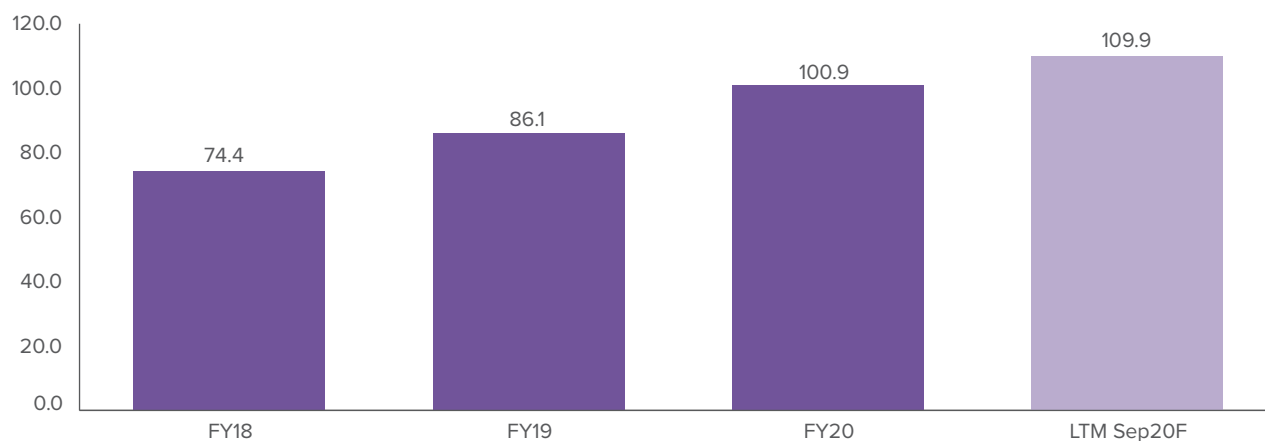
#### 4.6.1 Overview of Pro Forma Historical Financial Information

This Section 4.6.1 discusses the composition of dusk's operating and financial performance during the period of the Historical Financial Information and which Management expects may affect the Company's operating and financial performance over the period of the Forecast Financial Information.

The general matters discussed below are a summary only and do not represent all events and factors that affected dusk's historical operating and financial performance, nor everything that may affect its operating and financial performance in future periods. The information in this Section 4.6 should also be read in conjunction with the risk factors set out in Section 5 and the other information contained in this Prospectus.

##### 4.6.1.1 Revenue

Figure 20. Pro forma revenue (A\$ millions) FY18 to LTM Sep20F



dusk generates revenue from the sale of dusk branded products to retail customers through its physical store network and online store, plus it earns membership fees from members of its dusk Rewards program. The key drivers of revenue for dusk are:

- net store number growth, and incremental sales from these new stores for their first 12 months of trade (offset by revenue decreases from store closures). After 12 months of trading, new stores become part of the like for like store cohort described below;
- revenue growth from established stores which have been open for more than 12 months, referred to as LFL sales growth. LFL sales growth is a key measure of the performance of the stores opened and operational for more than 12 months; and
- online sales growth, driven primarily by growth in either or both of ATV and growth in transactions and conversion rates.

In FY19, dusk's revenue increased by \$11.7 million (15.8% growth) from \$74.4 million to \$86.1 million and this was driven by:

- \$6.0 million net revenue growth from new stores, partially reduced by the impact of the loss of sales from closed stores. The full year effect of 10 new stores opened in FY18 and the 11 new stores that opened in FY19 contributed \$7.1 million sales growth in FY19, offset by a \$1.1 million sales decline in sales from the three stores that closed in FY18 and one store that closed in FY19;
- \$3.9 million of revenue growth (5.9% growth) was derived from the remaining store portfolio and was driven largely by an increase in ATV; and
- \$1.3 million online revenue growth (46.5% growth).

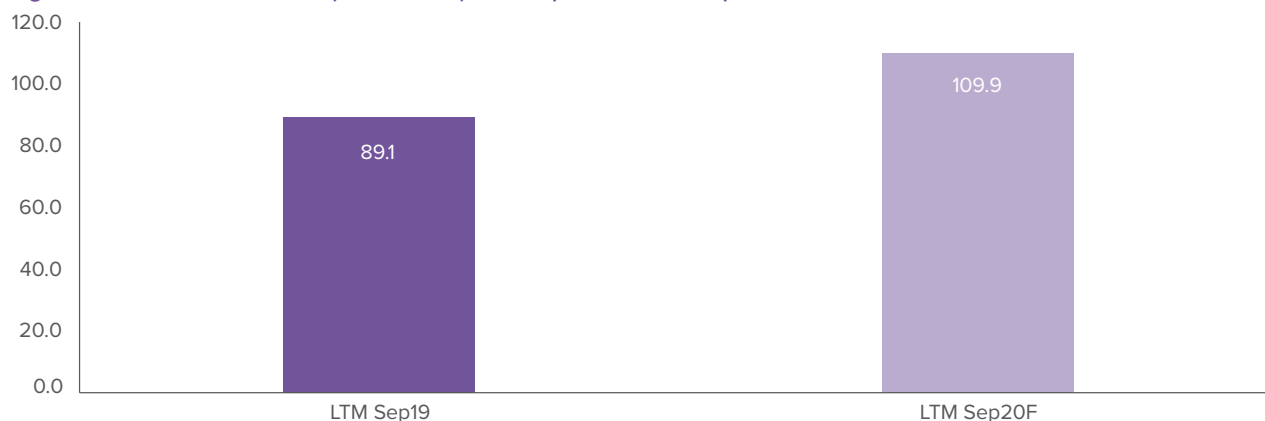
In FY20, dusk's revenue increased by \$14.8 million (17.2% growth) from \$86.1 million to \$100.9 million and this was driven by:

- \$7.2 million net revenue growth from new stores, partially offset by the loss of sales from closed stores. The full year effect of the 11 new stores that opened in FY19 and nine new stores that opened in FY20 contributed \$7.8 million sales growth in FY20, partially offset by a \$0.6 million sales decline in relation to one store that closed in FY19 and the three stores that closed in FY20;

- \$3.3 million revenue growth (4.4% growth) came from the remaining store portfolio. FY20 store sales (including sales from the new and closed stores discussed above) were impacted by the initial COVID-19 lockdown where all stores were closed between 29 March and 7 May 2020<sup>72</sup>. The impact on dusk of this lockdown period and the store sales performance post nationwide lockdowns are discussed in more detail in this Section 4.6.1; and
- \$4.0 million online sales growth (95.0% growth).

Figure 21 below illustrates the forecast growth in revenue from LTM Sep19 to LTM Sep20F.

**Figure 21. Pro forma revenue (A\$ millions) LTM Sep19 and LTM Sep20F**



LTM Sep19 revenue of \$89.1 million is forecast to increase by \$20.7 million (23.3% growth) to \$109.9 million in LTM Sep20F, the key drivers of which are as follows:

- \$7.3 million net revenue growth from new and closed stores. The eight new stores that opened in LTM Sep19 and the 11 that opened in LTM Sep20F contributed \$8.2 million revenue growth in the 12 months, partially offset by a \$0.9 million revenue decline in relation to the one store that closed in LTM Sep19 and the three that closed in LTM Sep20;
- \$7.7 million revenue growth (9.7% growth) was derived from the remaining store portfolio reflecting the continuation of the strong revenue growth experienced since the reopening of all stores after the national COVID-19 related lockdown in early May 2020. However, revenue in August and September 2020 have also been adversely impacted by the secondary Victorian COVID-19 lockdown which resulted in 20 of the 25 Victorian stores being closed for an initial six-week period starting from 6 August 2020, and extended further by the announcement by the Victorian Premier on 6 September 2020. This is discussed in more detail later in this Section 4.6.1; and
- \$5.5 million online sales growth (124.1% growth). Refer below for further discussion of the drivers of online sales growth.

#### Growth in store portfolio

The number of stores (excluding the online store) increased from 88 at the start of FY18 to 111 at the end of FY20. During this period, dusk opened 30 new stores (at an average rate of 10 per year) and closed seven stores, resulting in a net increase in the store portfolio of 23 (a 26.1% increase) over this period.

Net new stores opened are a key driver of sales growth and contributed approximately 51% and 49% of the total revenue growth achieved in FY19 and FY20 respectively.

dusk opened three new stores in Q1 FY21. dusk plans to open three additional stores in the remainder of FY21 and expects to finish FY21 with 117 stores (excluding the online store).

<sup>72</sup> 22 stores reopened on reduced trading hours on 1 May and all remaining stores reopened on 8 May.

## 4 Financial information (continued)

Table 24. Summary of store openings and closings – FY18 to Q1 FY21F

Total stores (excluding the online store)	FY18	FY19	FY20	Q1 FY21F
Number of stores at beginning of period	88	95	105	111
Stores opened	10	11	9	3
Stores closed	(3)	(1)	(3)	–
<b>Number of stores at end of period</b>	<b>95</b>	<b>105</b>	<b>111</b>	<b>114</b>
Net new stores	7	10	6	3

### Like for like sales performance

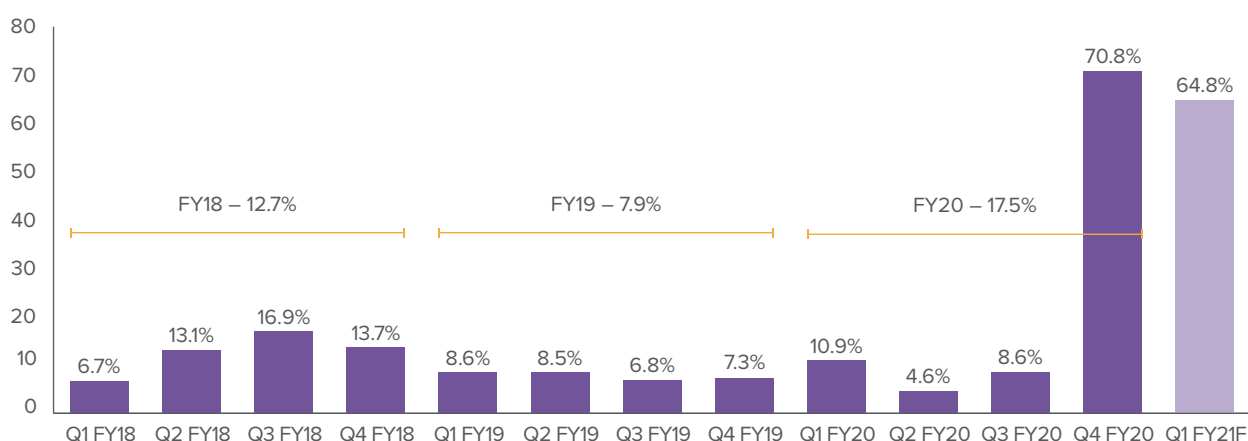
LFL sales growth or decline is an important measure of sales performance used by dusk. It is calculated as a percentage change of the total aggregated revenue generated from stores (including the online store) in a relevant period, compared to the total aggregated revenue from the same set of stores in the relevant previous corresponding period. A store is generally included in dusk's LFL sales calculation after it has been trading for a minimum period of 12 months. Unless stated otherwise, dusk includes the sales of its online channel in its LFL sales calculation.

Where a particular store is subject to short-term closure in order to facilitate a refurbishment (or a COVID-19 related closure), the sales from this store are excluded for the period of closure in both the period of the store closure and the comparative prior period. LFL sales growth is typically expressed as a percentage, representing the change (growth or decline) versus the previous corresponding period.

LFL sales performance is a widely used indicator to assist the assessment of the health of a retail business. It is particularly helpful in circumstances where a retailer is engaged in a store roll-out strategy and therefore movement in total sales value is impacted by new store openings and closures. It also provides an indicator of the extent of sales cannibalisation that can arise as a result of a store roll-out program in a geography where existing stores operate.

Figure 22 illustrates the actual quarterly LFL sales growth rates achieved by dusk in FY18 to FY20 as well as the forecast Q1 FY21F LFL sales growth.

Figure 22. Quarterly LFL sales growth rates – Q1 FY18 to Q1 FY21F



The key drivers of dusk's strong LFL sales performance over FY18 to FY20 include the following factors:

- **Market growth:** The Australian Home Fragrance Market in which dusk operates grew at a CAGR of 9.1%<sup>73</sup> from FY17 to FY20 and is forecast to increase by 5.8% in FY21. Market growth supports dusk's growth but is an indirect contributor to dusk's LFL sales growth;
- **Online:** dusk's online store is its fastest growing channel and an increasingly important part of its customers' decision-making process and place of purchase. Online sales grew at a CAGR of 69.0% between FY18 and FY20 which reflects among other things, a significant investment made in improving dusk's online platform and improved execution and customer experience delivered to online customers. The growth in online sales further accelerated on the onset of the COVID-19 restrictions and the temporary closure of physical stores;

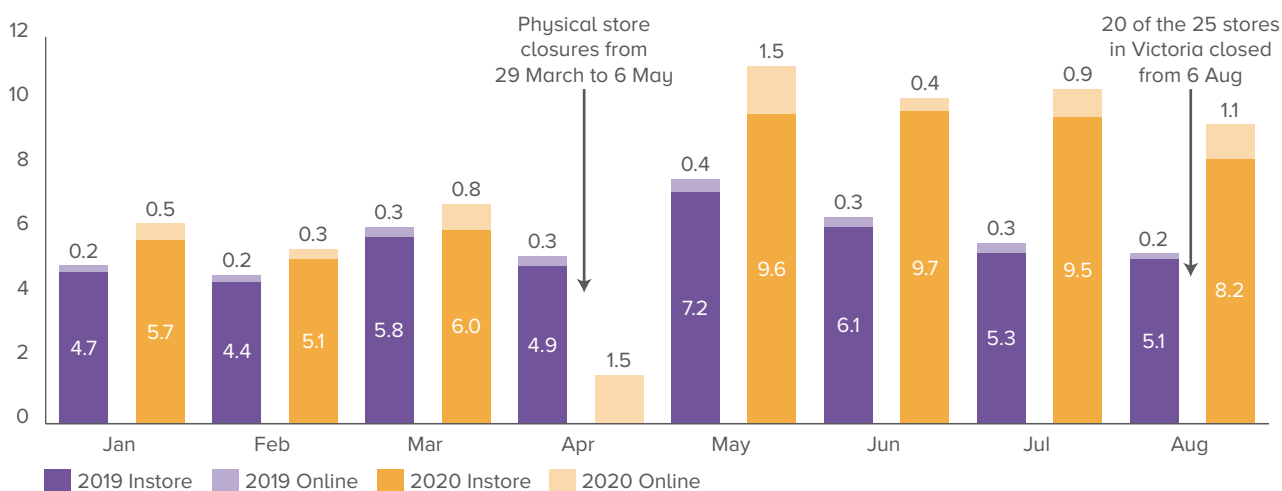
73 Frost & Sullivan: The Home Fragrances Market in Australia; Market Size and Growth, September 2020.

- **dusk Rewards:** The dusk Rewards membership program increased member numbers at a CAGR of 16.2% in the three years to the end of FY20. In FY20, dusk Reward members contributed approximately 56% of dusk's total sales for that year and generated an ATV of \$59 per transaction compared to \$42 for non-Reward members (approximately 1.4x). The membership fees arising from customers joining the program and renewing memberships also contribute to sales growth;
- **Product range:** Product innovation and technological advancements have driven strong growth in the diffusers and consumables product category. Diffusers carry relatively higher price points than most other products in dusk's range. As this category as a percentage of total sales has increased from 17.3% in FY18 to 30.7% in FY20, this is one of the factors driving the 9.2% CAGR for ATV experienced over FY18 to FY20. The consumable products (e.g. essential oils) associated with these products also require replacement and support repeat purchasing by customers; and
- **COVID-19:** The year to date LFL sales growth to the end of Q3 FY20 was 7.9%. The onset of COVID-19 resulted in the closure of all bricks and mortar stores between 29 March and 6 May<sup>74</sup> during which no sales were earned from these physical stores (online sales continued over this period). Q4 FY20 LFL sales growth of 70.8% resulted from a significant increase in online sales, as well as a significant increase in LFL sales for bricks and mortar stores when they reopened in May 2020. This relatively high level of LFL sales growth has continued into FY21 with LFL sales growth of 64.6% being achieved for the two-month period to August 2020, and 65.2% for the first three weeks of September. This is discussed in more detail below.

### COVID-19 impact on trading

Figure 23 below illustrates the impact of COVID-19 on the total physical stores and online sales on a monthly basis compared to the prior comparative period.

**Figure 23. Total monthly sales (A\$ millions) by channel – January to August 2020 vs. prior periods**



Note: In relation to the monthly data above, March and June are five-week months in the 2020 retail calendar, and all other months are four-week months.

dusk delivered total revenue growth of 17.5% in Q3 FY20 versus Q3 FY19 (LFL sales growth of 8.6%), although trading conditions in March eased as the initial onset of COVID-19 accelerated. All physical stores were closed on 29 March as a result of the initial COVID-19 lockdown and remained closed throughout April 2020. In April 2020, no physical store sales were recorded as a result of the store closures, although online sales of \$1.6 million were recorded, representing significant growth compared to the prior period (\$0.3 million in April 2019).

dusk commenced reopening physical stores on 1 May 2020<sup>75</sup> and all remaining physical stores were reopened by 7 May in time for Mothers' Day on 10 May 2020. Despite not trading for the full month of May 2020, total physical store sales in May 2020 were \$9.6 million, compared to \$7.2 million in May 2019 (33.3% growth). Online sales continued to grow strongly in May 2020 (by 282% vs. May 2019).

Total sales for both physical stores and online for June 2020, July 2020 and August 2020 continued at the high levels of growth compared to comparable months in 2019, despite total store sales in August being adversely affected by the second COVID-19 related lockdown in Victoria (see below for more detail).

<sup>74</sup> 22 stores reopened on reduced trading hours on 1 May and all remaining stores reopened by 7 May.

<sup>75</sup> 22 stores reopened on reduced trading hours on 1 May and all remaining stores were reopened by 7 May.

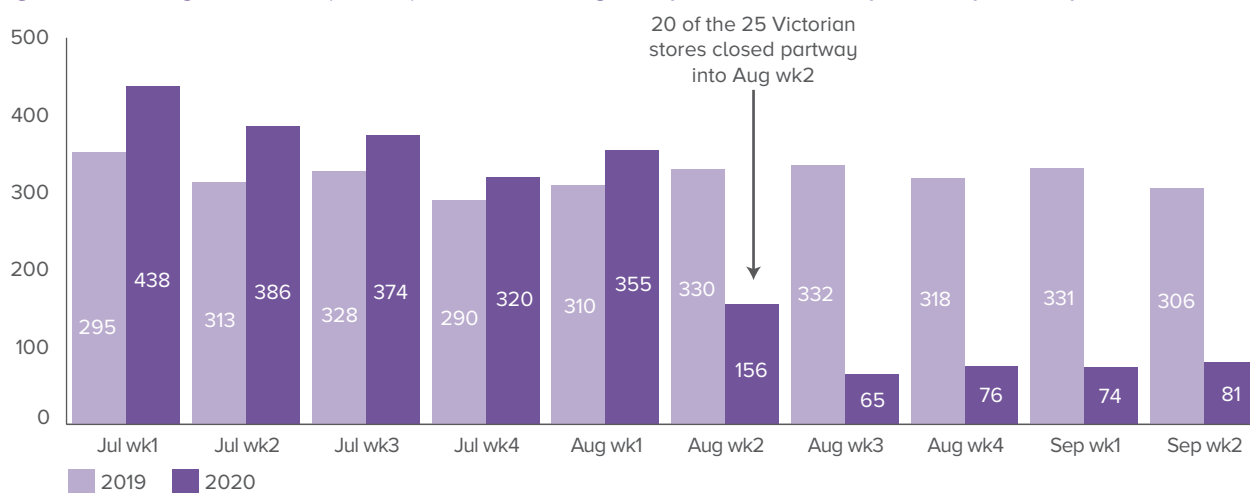
## 4 Financial information (continued)

LFL sales growth rates for the months of May 2020, June 2020, July 2020 and August 2020 were 75%, 49%, 60% and 71% respectively. Total sales growth delivered in these months were 46%, 58%, 69% and 57% for May, June, July and August 2020 respectively. Comparing the drivers of total sales growth in physical stores since reopening in May, Management has observed that the majority of the sales growth has been driven by a significant increase in transaction volumes, together with continued growth in ATV. See Section 3.8 for further detail.

dusk expects both the revenue levels and associated year on year growth rates achieved since the reopening of the store network to reduce over time and does not expect them to be sustained in the medium term. However, given the uncertainties created by, or related to, the COVID-19 pandemic, including but not limited to restrictions on consumer behaviour and mobility, new work from home practices, complex global interdependencies, variability in the impact of the pandemic between states, competitive changes, heightened market volatility, and uncertain economic climate, it is not currently possible for dusk to accurately forecast when, and at what rate, dusk's revenue and associated revenue growth rates will correct, or the time taken for dusk's revenue to reach sustainable levels. There also remains inherent uncertainty in relation to the extent to which government stimulus and policy, together with customers lifestyle restrictions, choices, and preferences observed over the last four to five months may (or may not) endure or subside. Taken as a whole, these factors have contributed to the increase in sales levels at dusk since April 2020. Refer to Risk factors in Section 5.2.1.

The second COVID-19 related lockdown associated with Stage 4 restrictions<sup>76</sup> in parts of Victoria resulted in the closure of 20 stores out of a total of 25 Victorian stores from 6 August 2020. These stores are forecast to remain closed for the duration of the forecast period. The weekly total sales profile from all Victorian stores (excluding online sales) over the months of July and August and the first two weeks of September 2020 is set out below, comparing sales achieved in these weeks in 2020 to the same weeks in 2019. The shortfall in sales from August week 2 (caused by the 20 Victorian stores being subject to stage 4 lockdown) to September week 2 was approximately \$1.2 million and this shortfall is expected to increase to approximately \$2.0 million by the end of September week 5.

**Figure 24. Weekly store sales (A\$'000) in Victoria – July to September 2020 vs. prior comparative period**



### Online sales

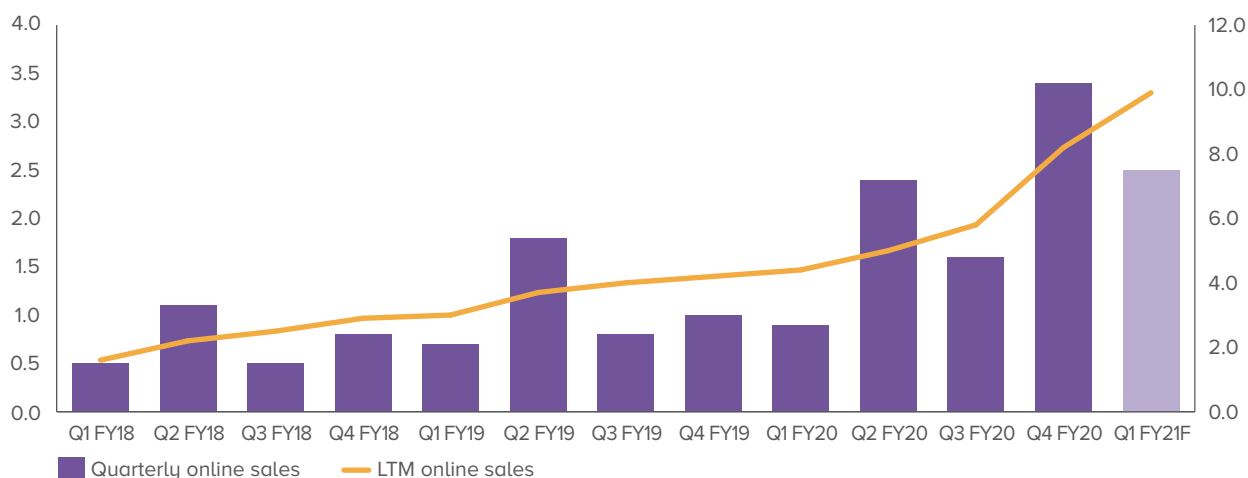
The online store has experienced a significant level of sales growth and contributed 8.2% of total revenue in FY20 (up from 3.9% in FY18), which is expected to increase to 9.0% in LTM Sep20F. Online store sales have grown at a CAGR of 69.0% between FY18 and FY20.

The figure below sets out the quarterly and LTM annual online sales profile.

<sup>76</sup> On 6 September 2020 the Victorian Government released a five-stage roadmap to reopening which included the proposed reopening of the (metro) retail sector on 26 October 2020 (subject to caveats). The 20 dusk stores will remain closed in October 2020 and dusk will support staff members of closed stores through the payment of \$0.13 million in wages in October 2020.



Figure 25. Quarterly online sales (A\$ millions) – Q1 FY18 to Q1 FY21F



The online store growth over FY18 to FY20 was driven by the introduction of tailored promotional activities and paid research, investment in skilled staff (a new Head of eCommerce was hired in August 2019 and a new eCommerce Manager was hired in November 2019), the introduction of Afterpay as a payment method for customers and a change to the logistics provider (resulting in improved order fulfilment and delivery times).

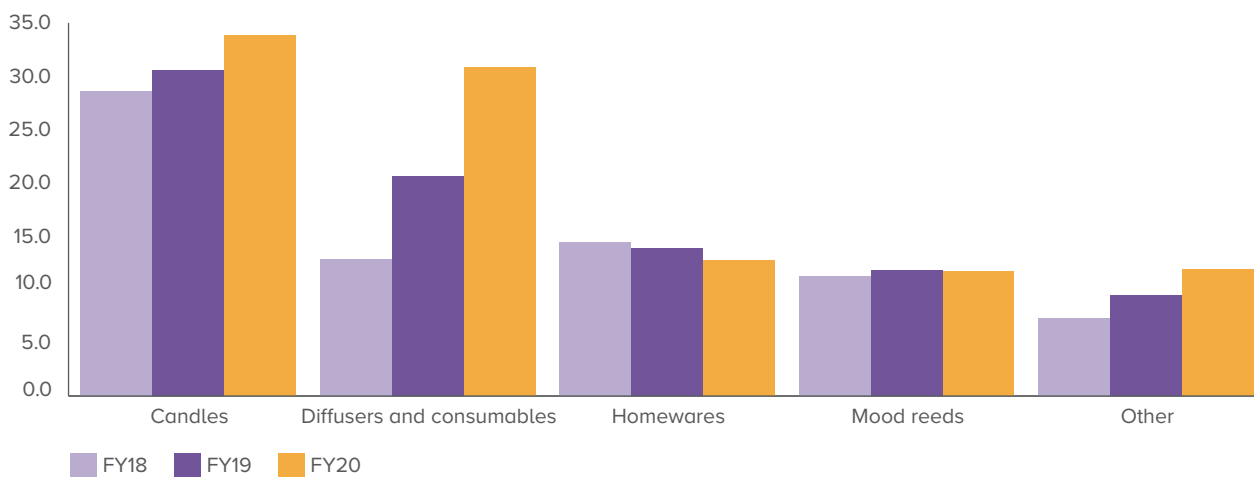
The onset of COVID-19 restrictions in Australia from mid-March 2020 resulted in a significant increase in online traffic and sales. The closure of all dusk stores for a six-week period in Q4 FY20 was a significant contributor to this growth. The closure of 20 stores in Victoria from 6 August 2020 due to a second COVID-19 related lockdown associated with Stage 4 restrictions in parts of Victoria is also contributing to continued strong online sales growth. Online sales accounted for approximately 15% of total sales in Q4 FY20 (5% in Q4 FY19) and are forecast to account for approximately 9% of total sales in Q1 FY21F (4.7% in Q1 FY20).

#### Revenue by product group

The diffusers and consumables product group has been dusk’s fastest growing category, reflecting strong customer demand and the allocation of increased shelf space in stores. Sales from this product category have grown at a CAGR of 54.9% between FY18 and FY20 and accounted for 30.5% of total sales in FY20 (17.3% share in FY18). This product category carries relatively higher price points compared to other dusk products and the high growth rate experienced in this category has led to a positive sales mix impact on dusk’s overall revenue.

Candles still represents the largest category by sales (approximately 33.5% of sales in FY20) for dusk, with growth at a CAGR of 8.7% between FY18 and FY20. The performance of the homewares category reflects reduced shelf space in favour of the diffusers and consumables product group which carries higher price points and higher gross profit margins compared to homewares.

Figure 26. Revenue (A\$ millions) by product group – FY18 to FY20

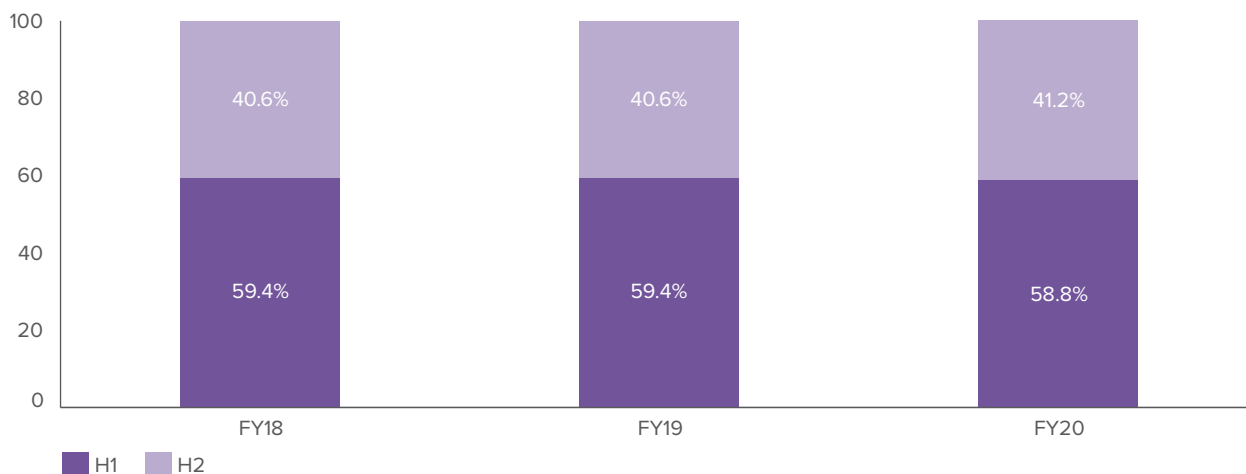


## 4 Financial information (continued)

### Revenue seasonality

dusk generates the majority of its revenue in the first half of each financial year due to the timing of Christmas which results in December being a significant trading month for the Company, generating approximately 28% of annual sales on average over FY18 to FY20.

Figure 27. Revenue contribution (H1 vs. H2) – FY18 to FY20



### 4.6.1.2 Gross profit margin

Cost of sales is deducted from revenue to arrive at the gross profit margin. The cost of sales comprises the product purchase price from the supplier, the cost of shipping the product from supplier to the warehouse, the cost of distribution to the stores, stock shrinkage and obsolescence and foreign exchange differences. Cost of sales also includes the cost of vouchers and discounts for dusk Rewards members and the costs of freight and postage in relation to online orders.

dusk's gross profit margin reduced from 66.6% in FY18 to 64.5% in FY19 (a reduction of 2.1 percentage points); however, increased slightly to 65.1% in FY20 (an increase of 0.6 percentage points).

Table 25. dusk gross profit margin – FY18 to LTM Sep20F

	FY18	FY19	FY20	LTM Sep20F
<b>Gross profit margin</b>	<b>66.6%</b>	<b>64.5%</b>	<b>65.1%</b>	<b>65.7%</b>
Exchange rates:				
AUD:USD <sup>77</sup>	0.78	0.72	0.67	0.68
AUD:RMB <sup>78</sup>	5.0	4.9	4.7	4.7

Approximately 90% of dusk supplier payments are made in USD and RMB and foreign exchange movements have a direct impact on dusk's gross profit margin; however, this sensitivity to exchange rates is able to be managed given dusk's relatively low cost of sales as a percentage of total revenue and its ability to control pricing due to its 'vertical' retail model. In order to help manage the short-term earnings volatility that can arise from its exposure to material movements in foreign exchange rates, dusk has a foreign exchange hedging policy.

dusk's gross profit margin declined in FY19 due to a combination of Australian dollar weakness resulting in an increase in the cost of dusk's inventory, introduction of recurrent volume discounts for 'multi-buy' customers, together with the increased significance of everyday discounts and vouchers for members of the growing dusk Rewards loyalty program. These drivers were partially offset by a positive gross profit margin mix impact related to the growth of the higher margin diffusers and consumables product group (which increased from 17% of sales in FY18 to 24% of sales in FY19) and the reduction in the sales contribution of the relatively lower margin homewares category as a percentage of dusk's total sales (reduced from 19% of sales in FY18 to 16% of sales in FY19).

<sup>77</sup> Reserve Bank of Australia historical Exchange Rates calculated as financial year averages.

<sup>78</sup> Reserve Bank of Australia historical Exchange Rates calculated as financial year averages.

dusk's gross profit margin increased to 65.1% in FY20 (despite further AUD currency weakness), primarily due to further favourable gross profit margin mix benefits, given diffusers and consumables product group as a percentage of total sales increased to 30.5% and homewares product sales reduced to 12.6% of total sales in FY20) and the relatively lower levels of promotional activity in Q4 FY20 given strong sales experienced after physical stores reopened in May 2020. Gross profit margin is forecast to increase to 65.7% for LTM Sep20 reflecting a relatively lower level of promotional activity.

#### 4.6.1.3 Cost of doing business

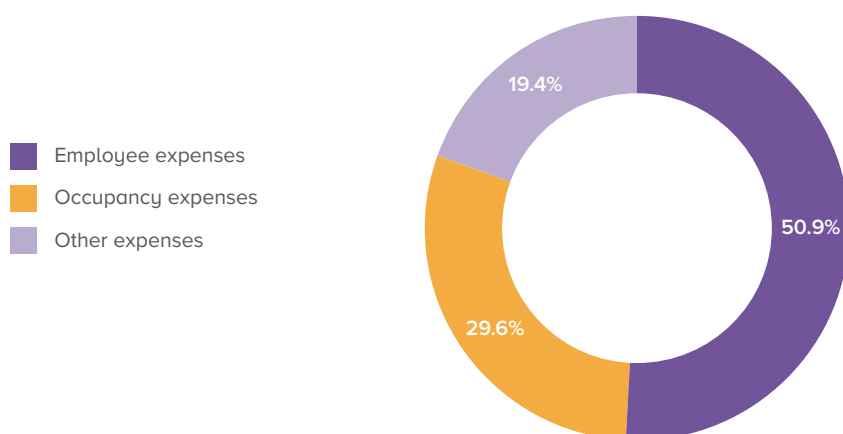
A summary of dusk's operating expenses or cost of doing business (CODB) is set out in the table below.

**Table 26. Expenses which form dusk's CODB**

<b>Employee expenses</b>	Salaries, wages and incentives for store and head office employees and Directors and superannuation expense.
<b>Occupancy expenses</b>	Rental expenses on dusk's leased store portfolio as well as dusk's head office. Expenses also include asset and property maintenance costs.
<b>Other expenses</b>	Includes advertising costs, professional fees, storage costs, bank fees, postage and stationery, travel, insurance and other costs.

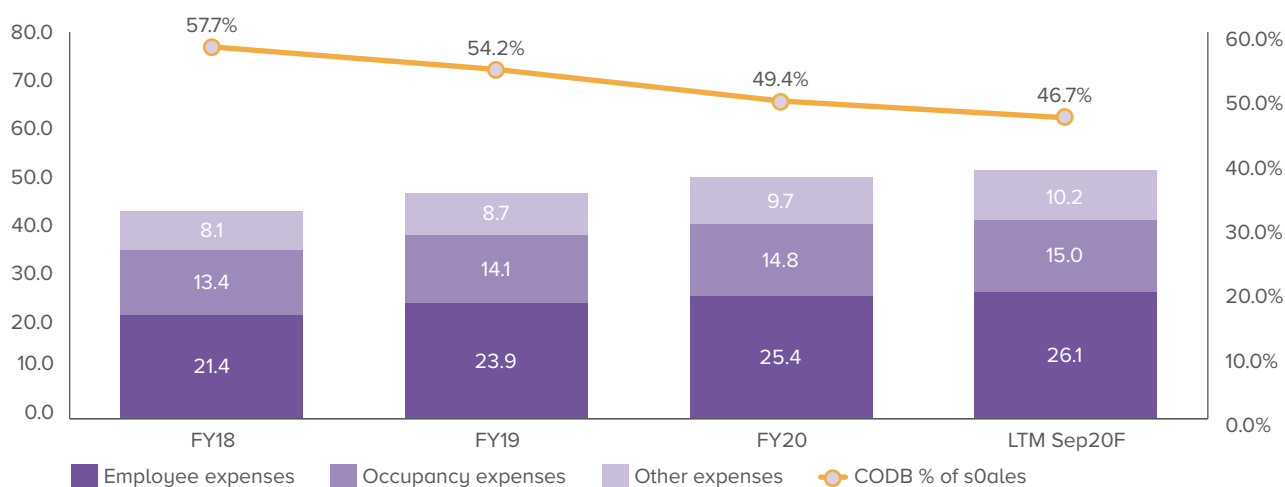
Figure 28 illustrates the contribution of each cost line to the total cost of doing business in FY20 and Figure 29 illustrates the trends in the components of cost of doing business over FY18 to LTM Sep20F and the overall trend in CODB as a percentage of revenue.

**Figure 28. Cost of doing business by expense category (FY20)**



## 4 Financial information (continued)

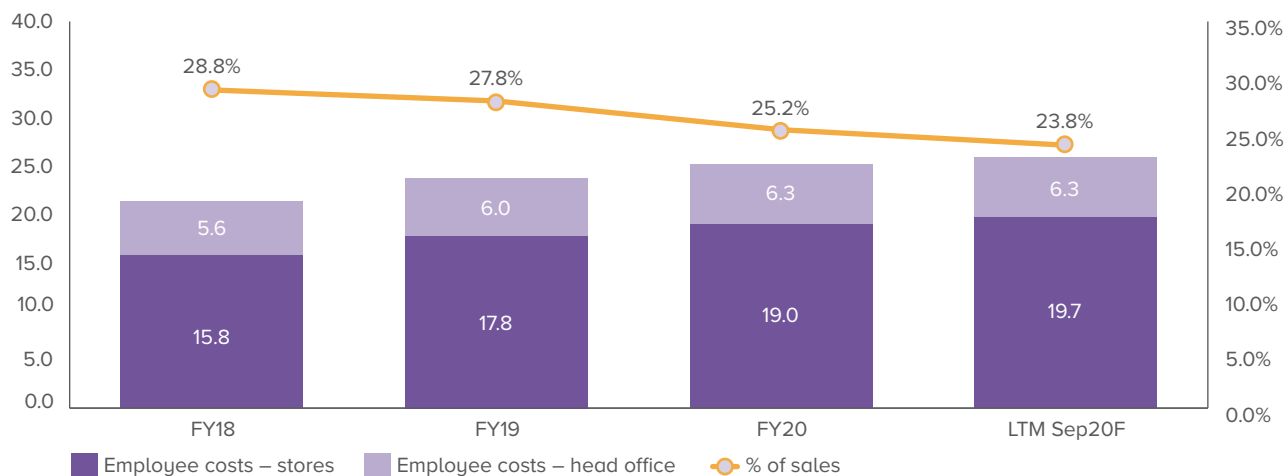
Figure 29. Cost of doing business (A\$ millions) – FY18 to LTM Sep20F



dusk's cost of doing business as a percentage of revenue decreased year on year from 57.7% in FY18 to 49.4% in FY20, reflecting the strong sales growth achieved and resulting benefit of leverage of the fixed cost elements of its operating cost base. This percentage is forecast to reduce further in LTM Sep20F to 46.7%, reflecting further strong sales growth and fixed costs leverage forecast for Q1 FY21F compared to Q1 FY20.

Figure 30 illustrates the employee expenses for FY18 to LTM Sep20F split by costs for store employees and head office employees.

Figure 30. Employee expenses (A\$ millions) – FY18 to LTM Sep20F



Total employee expenses increased by \$2.5 million from \$21.4 million in FY18 to \$23.9 million in FY19 and this increase was largely driven by store employment costs (full year impact of 10 stores opened in FY18 and 11 stores opened in FY19). The increase in total employee expenses in FY20 of \$1.5 million to \$25.4 million was also largely driven by store employment costs (reflecting the full year impact of the 11 new stores opened in FY19 and nine new stores opened in FY20).

Employee expenses as a percentage of revenue decreased from 28.8% in FY18 to 25.2% in FY20, reflecting strong sales growth and fixed cost leverage. This trend is forecast to continue into LTM Sep20F.

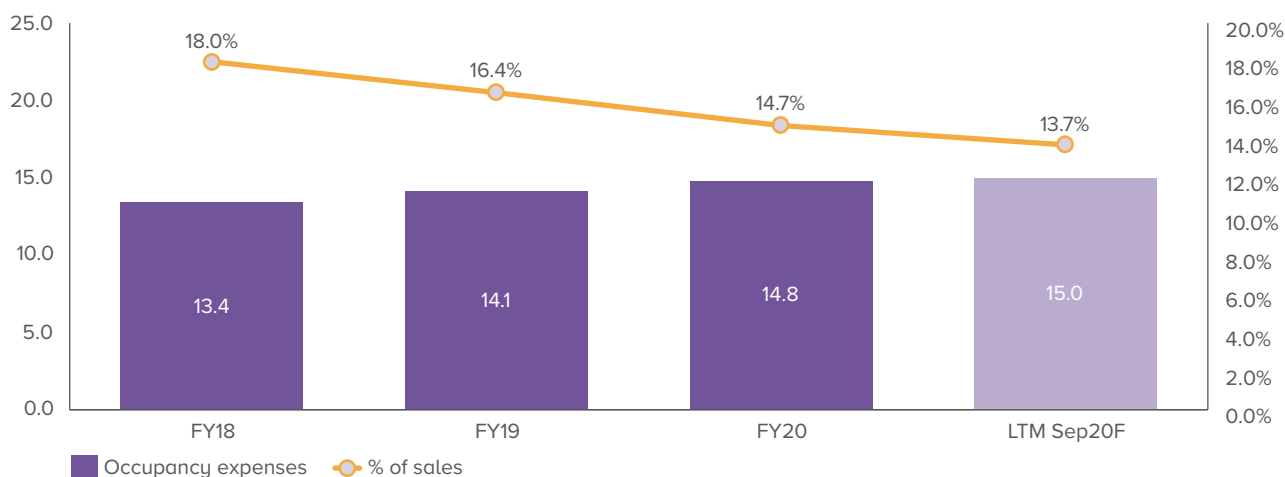
dusk qualified for the JobKeeper Payment on the basis of reduced turnover in April 2020 versus April 2019. Table 15 sets out the adjustment that has been made to dusk's FY20 Statutory Historical Results to remove the \$2.3 million non-recurring benefit to FY20 earnings of the JobKeeper Payment. The \$2.3 million reflected the amount of wage subsidy received by dusk to the extent it subsidised amounts earned and payable to qualifying staff in relation to hours worked in the period, and therefore reduced the cost of doing business that would otherwise have been incurred by the Company.

The pro forma earnings presented for LTM Sep20F also exclude this non-recurring benefit (\$5.0 million in LTM Sep20F). The pro forma employee expenses presented in Figure 30 above also exclude this non-recurring benefit.

In addition, dusk also received additional JobKeeper Payment in relation to staff who were not working, or where the amounts received were greater than the amount earned by staff in relation to hours worked. dusk paid these JobKeeper Payment amounts received through to staff. As a result, there was no net benefit to dusk's earnings from this portion of the total amount of the JobKeeper Payment received and therefore no pro forma adjustment has been made to remove this component of the JobKeeper Payment received (\$2.1 million in FY20 and \$3.5 million in LTM Sep20F) from dusk's earnings.

Figure 31 illustrates the occupancy expenses for FY18 to LTM Sep20F.

**Figure 31. Occupancy expenses (A\$ millions) – FY18 to LTM Sep20F**



Occupancy expenses comprise rent and outgoings for stores, and the head office in Sydney. dusk accounts for lease costs on a straight line basis, net of any landlord contributions or incentives. As discussed in Section 4.2.4, occupancy expenses are presented on a consistent basis, prior to the adoption of AASB 16 (adopted in the FY20 statutory financial statements – refer to Section 4.3).

Management of dusk's property lease portfolio (previously outsourced to BBRC) was brought back in-house from June 2018 and dusk has been successful in renegotiating leases for approximately one third of its stores to achieve rental savings of approximately 6% on those leases equating to approximately \$0.3 million per annum.

Occupancy expenses increased from \$13.4 million in FY18 to \$14.8 million in FY20 (a 5.0% CAGR), reflecting the increase in the number of physical stores from 88 stores at the start of FY18 to 111 stores at the end of FY20 (an increase of 26.1%). The increase in occupancy expenses, predominantly arising from the increase in the number of stores, and annual increases in rent costs in underlying leases have been offset by the benefit of landlord contributions for store fit outs owned by dusk (reducing the straight line costs of rent) and rental reductions achieved on renewal of leases. A further three stores opened in Q1 FY21 and occupancy expenses are forecast to increase to \$15.0 million for LTM Sep20F.

Occupancy expenses for FY20 and LTM Sep20F include the benefit of a \$1.0 million rent abatement agreed with landlords relating to COVID-19. Occupancy expenses as a percentage of revenue decreased from 18.0% in FY18 to 14.7% in FY20 (15.6% excluding the \$1.0 million rent abatement benefit) and are forecast to further reduce to 13.7% in LTM Sep20F (14.6% excluding the \$1.0 million rent abatement benefit), reflecting the strong growth in sales and the largely fixed cost nature of occupancy expenses.

Figure 32 illustrates the expiry profile of dusk's store portfolio leases.

## 4 Financial information (continued)

Figure 32. Lease expiry profile summary at 28 June 2020 (number of leases)

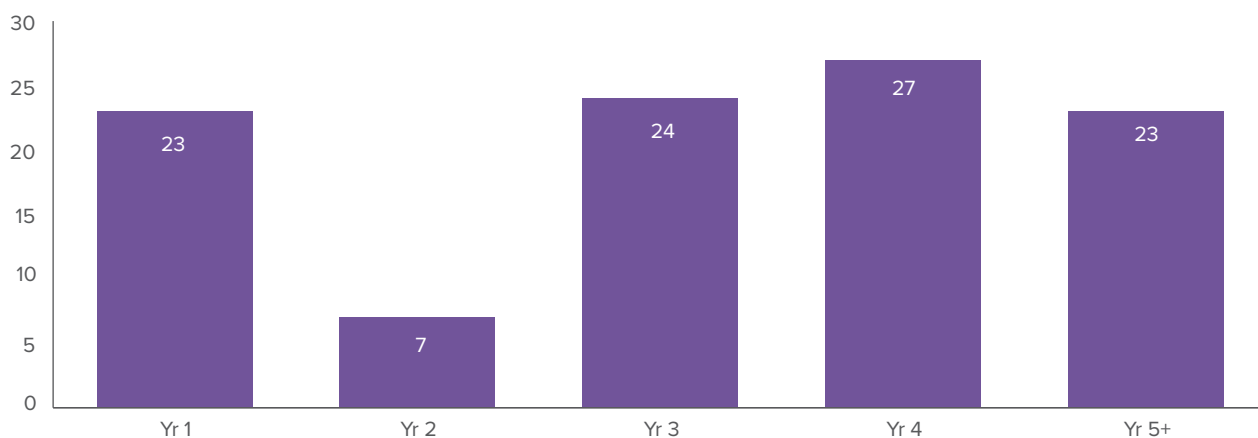
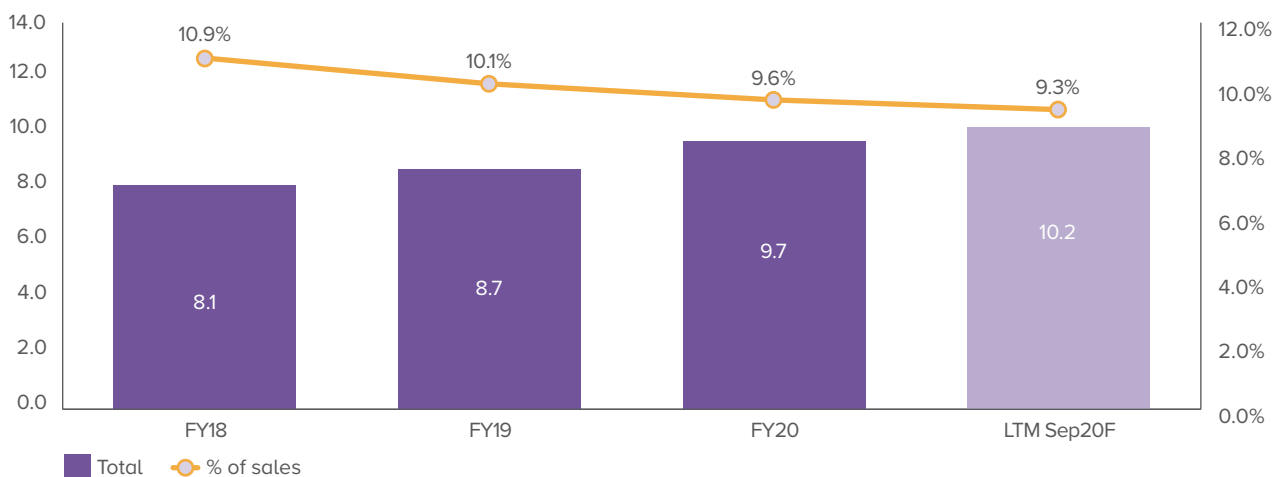


Figure 33 below illustrates other expenses for FY18 to LTM Sep20F.

Figure 33. Other expenses (A\$ millions) – FY18 to LTM Sep20F



Other expenses include advertising costs, store overheads, storage costs and other general and administration costs including insurance, bank fees, telephone costs and travel costs.

Other expenses increased by 7.3% in FY19 from \$8.1 million to \$8.7 million, mainly reflecting additional overheads at the store level due to the increase in the store network and to a lesser extent increased storage costs. The remaining overheads were flat.

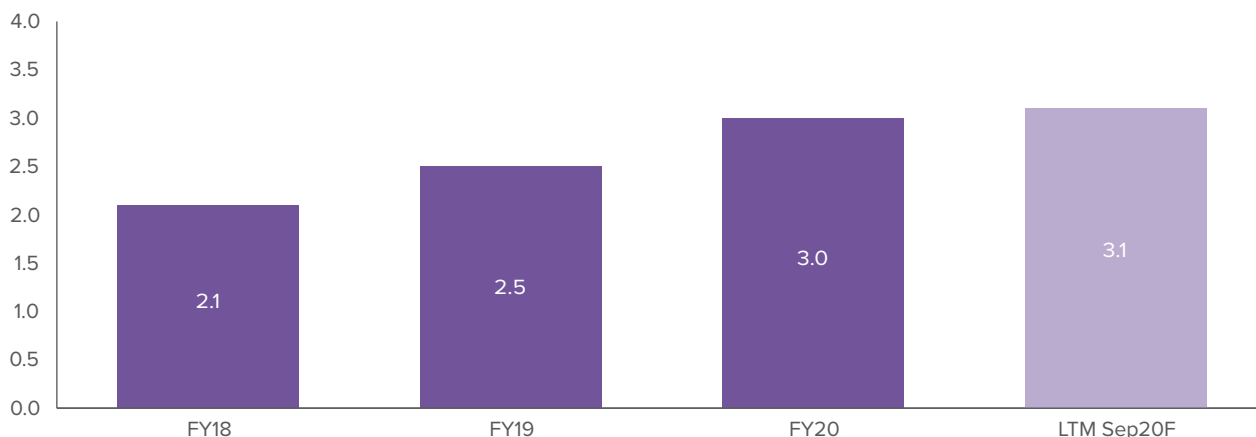
Other expenses increased by a further 11.7% in FY20 from \$8.7 million to \$9.7 million, with increases in the store network driving store overheads and to a lesser extent storage costs. The remaining overheads remained flat.

Other expenses as a percentage of revenue reduced from 10.9% in FY18 to 9.6% in FY20 reflecting a combination of sales growth and fixed cost leverage. Other expenses as a percentage of revenue are forecast to reduce further to 9.3% in LTM FY20F for the same reasons.

#### 4.6.1.4 Depreciation and amortisation

Depreciation and amortisation increased from \$2.1 million in FY18 to \$3.0 million in FY20, reflecting the opening of 30 new stores in this period as well as store refurbishments.

Figure 34. Depreciation and amortisation expense (A\$ millions) – FY18 to LTM Sep20F



#### 4.6.1.5 EBIT and EBIT margin

As shown in Figure 35, dusk's EBIT increased from \$4.5 million in FY18 to \$6.4 million in FY19 and to \$12.9 million in FY20, representing a CAGR of 72.4% over this period. EBIT for the LTM Sep20F is forecast to increase further to \$17.8 million.

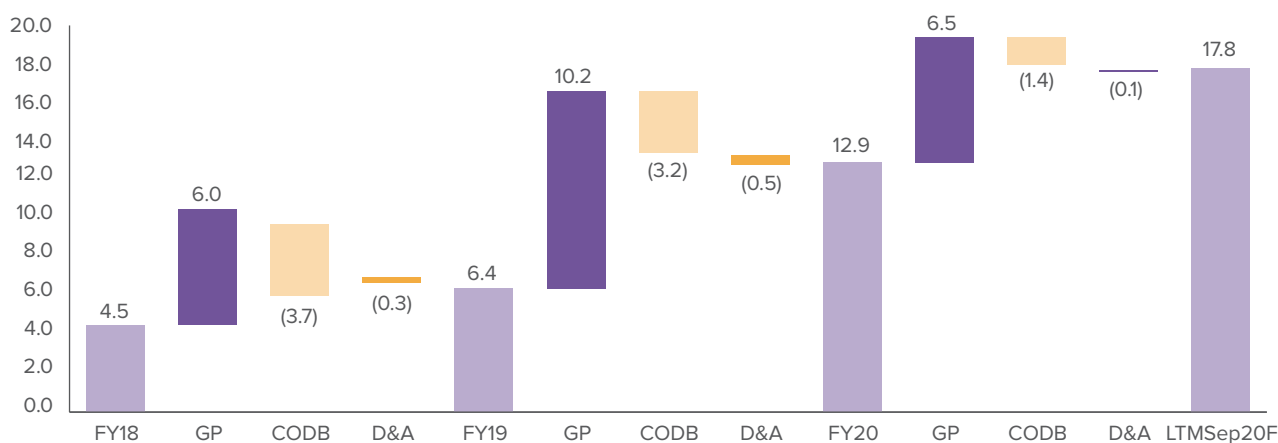
dusk's gross profit growth of \$6.0 million in FY19 reflected the revenue increase resulting from the increase in net new stores and from LFL sales growth, offset by an adverse gross profit margin impact due to the gross profit margin reducing from 66.6% in FY18 to 64.5% in FY19. The increase in CODB in FY19 was predominantly related to increased employee expenses due to the growth in store numbers.

The gross profit growth in FY20 of \$10.2 million reflected the revenue increase resulting from the further net increase in the store portfolio and from LFL sales growth, as well as the increase in gross profit margin to 65.1% in FY20. Of the \$3.2 million increase in CODB in FY20, approximately half the increase related to increased employee expenses in turn driven primarily by net increases in the store portfolio.

The forecast gross profit growth in LTM Sep20F of \$6.5 million reflects revenue growth from LFL sales, with further increase in gross profit margin expected in Q1 FY21F versus the prior corresponding period, partially offset by a forecast increase in CODB.

Figure 35 sets out the EBIT bridge between FY18 and LTM Sep20F.

Figure 35. EBIT bridge (A\$ millions) – FY18 to LTM Sep20F



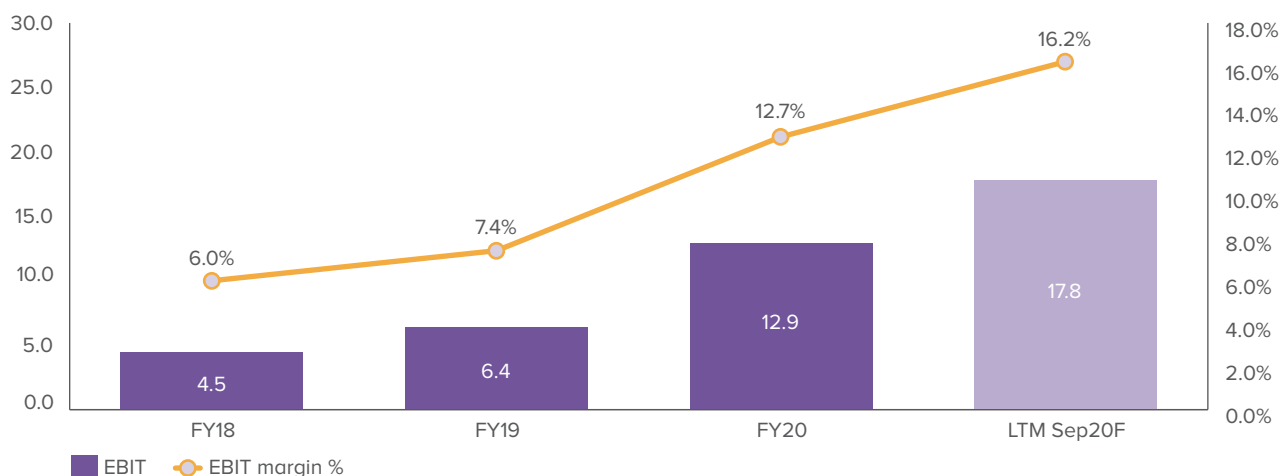


## 4 Financial information (continued)

EBIT margin increased from 6.0% in FY18 to 7.4% in FY19 and subsequently to 12.7% in FY20, reflecting net new store openings, the LFL sales growth achieved and the improvement in the CODB/revenue ratio as a result of the growth in sales compared a slower growth rate in operating expenses. The EBIT margin is forecast to further increase to 16.2% for LTM Sep20F which reflects the continuation of strong sales growth achieved in Q4 FY20 and ongoing fixed cost leverage arising from the significant fixed cost components of occupancy expenses and central overheads.

Figure 36 illustrates the increase in EBIT and EBIT margins over the FY18 to LTM Sep20F period.

**Figure 36. EBIT and EBIT margin (A\$ millions) – FY18 to LTM Sep20F**



### 4.6.1.6 Tax

dusk pays tax at the Australian corporate rate of 30%.

### 4.6.1.7 Movement in working capital

Table 27 summarises dusk's working capital for the three years to FY20.

**Table 27. dusk movement in working capital (A\$ millions) – FY18 to FY20**

	FY18	FY19	FY20
Trade and other receivables	(1.0)	0.0	(0.7)
Inventories	(2.8)	(0.5)	3.4
Trade and other payables	1.7	3.3	2.6
Provisions	1.2	(0.4)	1.1
<b>Net cash inflow/(outflow) from working capital movement</b>	<b>(0.9)</b>	<b>2.5</b>	<b>6.3</b>

Trade and other receivables related cash outflow of \$1.0 million in FY18 was due to higher landlord fit out contributions owing to dusk at June 2018 compared to June 2017. Trade and other receivables movement of \$(0.7) million in FY20 was primarily related to rental abatements due.

The cash outflow of \$2.8 million in relation to inventories in FY18 reflected increased inventory balances to support higher sales and new store growth compared to June 2017 as well as the timing of stock in transit at year end. The inventory related cash inflow in FY20 of \$3.4 million reflected the impact of COVID-19 on the timing of receipt of inventory – minimal new inventory was received by dusk between April 2020 and June 2020 as a result of supply chain disruptions, resulting in lower inventory levels compared to June 2019.

Trade and other payables movement of \$1.7 million in FY18 reflects growth in sales and stock levels as well as increased bonus provision compared to June 2017. Trade and other payables movement of \$3.3 million in FY19 reflects growth in sales and stock levels and an increase in expense accruals. The movement in FY20 mainly reflects the impact of COVID-19 related delayed payments to suppliers at year end.

Provisions related movement of \$1.2 million in FY18 reflects increased lease incentives due to new store growth. The movement of \$1.1 million in FY20 mainly reflects movement in make good related provisions and refund and voucher provisions.

#### 4.6.1.8 Capital expenditure

Table 28 summarises dusk's capital expenditure for the three years to FY20.

**Table 28. dusk capital expenditure summary (A\$ millions) – FY18 to FY20**

	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Leasehold improvements	3.4	3.2	4.1
Software	0.3	0.3	0.0
Other	0.2	0.2	0.3
<b>Total capital expenditure</b>	<b>3.9</b>	<b>3.8</b>	<b>4.4</b>

Approximately 89% (on average) of dusk's annual capital expenditure relates to leasehold improvements for new store openings and refurbishments of existing stores.

dusk incurred leasehold improvement capital expenditure of approximately \$3.5 million per annum on average between FY18 and FY20, opening on average new 10 stores per annum refurbishing a total of 19 stores in this period (six in FY18, three in FY19 and 10 in FY20).

Leasehold improvements in relation to store fit outs (new stores and refurbishments) recorded in fixed assets are stated net of landlord contributions where the landlord owns the store fit out. Where dusk owns the store fit out, leasehold improvements are stated gross of landlord contributions and the landlord contribution is recognised as a provision on the balance sheet and unwound against occupancy expenses over the life of the lease.

As at the Prospectus Date, dusk has committed to the following key items of capital expenditure for FY21 (total of \$1.0 million):

- opening of an additional six stores (expected capital expenditure of \$0.4 million required, net of landlord contributions);
- relocation of one existing store (expected capital expenditure of \$0.1 million required, net of landlord contributions);
- maintenance capital expenditure relating to existing stores, consumables and support office items across IT, intangibles and other low value items (expected capital expenditure of \$0.2 million required); and
- re-platforming the Company's website which commenced in FY20 and which is expected to go live in February 2021 (expected capital expenditure of \$0.3 million required).

#### 4.6.2 Assumptions underlying the Forecast Financial Information

As discussed in Section 4.2.3, the Forecast Financial Information for LTM Sep20F is based on actual trading for the 11 months to 23 August 2020 and a forecast for the five-week period to 27 September 2020.

The Forecast Financial Information is based on various general and specific assumptions, including those set out in this Section 4.6.2. In preparing the Forecast Financial Information, Management has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for the five-week period to 27 September 2020. The Directors believe that they have prepared the Forecast Financial Information with due care and attention and consider all assumptions when taken as a whole to be reasonable at the Prospectus Date.

The Forecast Financial Information has been prepared based on the significant accounting policies adopted, which are in accordance with AAS.

## 4 Financial information (continued)

### 4.6.2.1 General assumptions

In preparing the Forecast Financial Information, the Directors have adopted the following general assumptions:

- no material changes in the current competitive environment or current economic conditions in which dusk operates;
- no material changes from current government regulations or policies which impact dusk's business or customers;
- no significant interruptions, industry disturbances or disruptions in relation to dusk's operating model;
- no material amendment to any material contract, agreement or arrangement relating to dusk's business;
- no material industrial actions or other disturbances, environmental costs or legal claims;
- no material cash flow or consolidated income statement or financial position impact in relation to litigation (existing or otherwise);
- no material changes in key personnel, including key management personnel, and dusk is able to continue to recruit and retain personnel which will be required to support future growth;
- no material change in dusk's corporate or funding structure other than as set out in, or contemplated by, this Prospectus;
- no material unexpected change in applicable AAS, the Corporations Act or other mandatory professional reporting requirements which have a material effect on dusk's financial performance or cash flows, financial position, accounting policies, financial reporting or disclosures;
- no material acquisitions, divestments, restructuring or investments other than as set out in, or contemplated by, this Prospectus; and
- none of the key risks listed in Section 5 occurs, or if they do, none of them has a material adverse impact on dusk's operations.

### 4.6.2.2 Specific assumptions

The Forecast Financial Information is based on various best estimate assumptions for the month of September 2020 (i.e. the five-week period to 27 September 2020 in LTM Sep20F), including those set out below.

Having regard to the Prospectus Date and the relatively short period of the forecast coupled with the ability to observe actual results through to the end of August 2020 and actual sales performance for the first three weeks of September, the impact of changes in key assumptions has an immaterial impact in LTM Sep20F. Refer to Section 4.7 sensitivity analysis for further details.

In preparing the Forecast Financial Information, Management has analysed historical performance including the current rates of revenue and expenses and applied assumptions, where appropriate, across the business. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.7, the risk factors set out in Section 5, the significant accounting policies set out in Appendix A and other information contained in this Prospectus. The Investigating Accountant's Report set out in Section 8 also covers the Forecast Financial Information as set out in this Section 4.

**Table 29. Specific assumptions for the month of September 2020**

<b>Revenue assumptions</b>	<ul style="list-style-type: none"> <li>• Total sales forecast for September 2020 of \$9.2 million represents 30% growth on sales achieved in September 2019.</li> <li>• The forecast store revenue for September 2020 assumes a growth rate of 24% on September 2019 and reflects a continuation of the store sales growth rates dusk has been achieving since May 2020 (50% store sales growth in the four months to August 2020 compared to the prior corresponding period) and factors in zero store sales from the 20 Victorian stores that are closed throughout the month of September 2020 due to the Victorian COVID-19 lockdown.</li> <li>• Online sales are forecast to account for approximately 9% of total sales in Q1 FY21. The forecast online sales for the month of September 2020 assumes a growth rate of 151% over September 2019 and reflects a continuation of the online sales growth rates dusk has been achieving since May 2020 (195% online sales growth in the four-month period to August 2020 compared to the prior corresponding period).</li> </ul>
<b>Gross profit margin assumptions</b>	<ul style="list-style-type: none"> <li>• dusk’s gross profit margin for Q1 FY21 is forecast at 68.9%. This is higher than the level achieved in FY20 (65.1%) and primarily reflects lower levels of promotions activity in response to strong sales growth achieved since stores reopened in May 2020 after the COVID-19 lockdown. The gross profit margin in September 2020 is forecast to be 62.5% which is lower than the actual gross profit margins achieved in July 2020 and August 2020 of 72.8% and 71.5% respectively.</li> </ul>
<b>CODB assumptions</b>	<ul style="list-style-type: none"> <li>• CODB as a percentage of revenue is forecast to be 46.7% in LTM Sep20F compared to 53.9% in LTM Sep19 reflecting growth in sales driving operational leverage on a relatively fixed cost base.</li> </ul>

The rate of total sales growth experienced by dusk since the store network was reopened in early May 2020 was 46%, 58%, 69% and 57% for May, June, July and August 2020 respectively. As noted in Section 4.6, these levels of sales growth significantly exceed the sales growth rates achieved in the FY18, FY19 and YTD Q3FY20 periods and dusk does not believe that they are sustainable in the medium term. dusk is not currently able to accurately forecast when, and at what rate, dusk’s sales and associated sales growth rates will correct, or the time taken for dusk’s sales to reach sustainable levels as a result of the factors set out in Section 4.6.1. Refer also to the Risk factors in Section 5.2.1.

## 4.7 Sensitivity analysis

Investors should be aware that future events cannot be predicted with certainty and as a result, future performance can be expected to deviate from the figures forecast in this Prospectus. To assist potential investors in assessing the impact of key variables on the performance of the business, set out in Table 30 is a summary of the sensitivity of certain Forecast Financial Information to changes in a number of key variables.

The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. The sensitivity analysis is intended as a guide only and variations in actual performance could exceed the ranges shown.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on annual financial performance. In practice, a change in one variable is likely to have a flow-on effect to other variables and may also affect the way in which Management responds to one or more of these variables.

## 4 Financial information (continued)

**Table 30. Key sensitivities impact on pro forma LTM Sep20F forecast NPAT**

	Increase/ decrease	Impact on pro forma LTM Sep20F NPAT (A\$ millions)
Change to revenue growth rate	+/- 5%	+/- 0.3
Change to gross profit margin	+/- 1%	+/- 0.1
Change to total cost of doing business (as a % of revenue)	+/- 1%	-/+ 0.1
Change in AUD to USD exchange rate	+/- 1 cent	+/- 0.0

Note: In the increase scenario, the driver is increased by the respective rate. Conversely, in the decrease scenario, the driver is decreased by the respective rate. The impact on pro forma NPAT as a result of increasing and decreasing these drivers is reflected in the table above.

The impact of changes in the key assumptions in the table above has an immaterial impact on the LTM Sep20F NPAT due to the LTM Sep20F representing 11 months of actual results and five-week period of forecast results to 27 September 2020.

In order to provide investors with further information of the potential impact of changes in the key variables on the annual financial results of dusk, Table 31 below sets out a summary calculation of the sensitivity of the FY20 pro forma results to changes in a number of key variables.

The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced. The sensitivity analysis is intended as a hypothetical guide only, as it seeks to quantify the impact of key variables on the actual pro forma financial results of dusk for FY20.

Care should be taken in interpreting these hypothetical sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on annual financial performance. In practice, a change in one variable is likely to have a flow-on effect to other variables and may also affect the way in which dusk Management responds to one or more of these variables.

**Table 31. Hypothetical key sensitivities impact on pro forma FY20 NPAT**

	Increase/ decrease	Hypothetical impact on pro forma FY20 NPAT (A\$ millions)
Change to revenue growth rate	+/- 5%	+/- 2.1
Change to gross profit margin	+/- 1%	+/- 0.7
Change to total cost of doing business (as a % of sales)	+/- 1%	-/+ 0.7
Change in AUD to USD exchange rate	+/- 1 cent	+/- 0.2

Note: In the increase scenario, the driver is increased by the respective rate. Conversely, in the decrease scenario, the driver is decreased by the respective rate. The impact on Pro forma NPAT as a result of increasing and decreasing these drivers is reflected in the table above.

## 4.8 Dividend policy

The current intention of the Board is to target a payout ratio of 60% to 80% of annual statutory NPAT (subject to the availability of profits and the financial position of the Company). The current intention of the Board is for the dividends to be fully franked to the extent franking credits are available.

The actual payout ratio may vary between periods depending on a number of factors including the general business environment, the operating results and financial condition of dusk, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by dusk and any other factors the Directors consider relevant.

It is estimated that 50% of the annual dividend will be paid in or around March (interim dividend) and 50% in or around October (final dividend). The first dividend which is expected to be paid in or around March 2021 will be based on the pro forma NPAT generated by the Company between Completion and 31 December 2020.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend. There may be periods in respect of which dividends are not paid.

**Section 5**

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**Risk factors**





## 5 Risk factors

### 5.1 Introduction

There are a number of risks both specific to dusk and of a general nature, which may either individually or in combination materially and adversely affect the future operating and financial performance of dusk, its business and the value of the Shares.

Prospective investors should note that this Section 5 does not contain an exhaustive list of risks associated with an investment in dusk, either now or in the future, and should be considered in conjunction with other information disclosed in this Prospectus. Many of the risks described below are outside the control of dusk, its Directors and Management and there can be no guarantee that dusk will achieve its stated objectives or that any forward-looking statements or forecasts contained in this Prospectus will be realised or otherwise eventuate. You should note that past performance may not be an indicator of future performance.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in dusk. Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

### 5.2 Risks specific to an investment in dusk

#### 5.2.1 The COVID-19 pandemic may adversely impact dusk's operations and performance

There is continuing uncertainty as to the duration and further impact of the COVID-19 pandemic, including in relation to the timing and nature of government imposed restrictions and advice or guidance as to business operations and community movements, and the depth and length of the negative and positive impacts on domestic and global economic activity and certain segments of the domestic economy.

Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic and its potentially lasting impacts on consumer attitudes, preferences and spending, it is not currently possible to assess the full impact of the COVID-19 pandemic on dusk's business and its prospects. This risk includes the prospect of certain factors associated with the COVID-19 pandemic which are currently supporting heightened spending on household goods and Home Fragrance Products diminishing, ceasing or reversing.

Prolonged restrictions on dusk's operations or its customers as occurred nationally in April 2020 and observed in Victoria from August into October 2020 (and possibly beyond) may materially adversely impact dusk's financial performance and profitability. The imposition of similar restrictions in other states or territories in the future, or reduction in demand for dusk's products arising from the impacts of the COVID-19 pandemic, may materially adversely impact dusk's financial performance and profitability. dusk may also be exposed to supply chain disruptions and increased costs associated with requirements in relation to social distancing, cleaning and hygiene measures at stores, distribution centres and its head office.

dusk also took certain actions in response to the COVID-19 pandemic, including delaying payments to suppliers or requiring discounts for payment, deferring and reducing some rental payments to landlords, standing down some employees and some other team members accepting pay reductions. dusk has since made the overdue and deferred payments to landlords, suppliers and employees and any residual unpaid amounts have been accrued in the FY20 accounts. While dusk is not aware of any ongoing claims in relation to these actions, should any supplier, landlord or employee successfully claim against dusk in relation to this, or should dusk be forced to take similar actions as a result of further COVID-19 impacts, this may have an adverse impact on dusk's relationship with its stakeholders or impose additional liabilities or costs on dusk.

Furthermore, in addition to restrictions directly impacting dusk or its customers, a number of aspects of dusk's business may also be indirectly affected by government, regulatory or health authority actions either in Australia or overseas, including disruption to dusk's supply chain and in particular availability of products and timely logistics services (including shipping of goods).

The indirect impact of the COVID-19 pandemic on the broader economy has affected and may further affect retail activity generally and may have an adverse effect on dusk's long-term business performance and profitability. Sales in the Home Fragrance Market appear to have been favourably affected by COVID-19. There is uncertainty about how long these positive effects of COVID-19 will persist, and the extent, rate and timing at which they may subside in the future.

Finally, dusk's strong recent trading performance, as discussed in Section 4.3, may not be sustained in future trading periods. In particular, the reduction of government stimulus packages supplementing Australian individual incomes and increases in unemployment may reduce spending on dusk's products. Further, restrictions on how Australians can spend disposable income will likely change in the future, and this may have an adverse effect on dusk's performance as consumers reallocate their disposable income in a post-COVID-19 environment. The COVID-19 pandemic has altered and may further alter consumer behaviour (e.g. it may cause a long-term shift towards online shopping or cause consumers to reduce household spending) and such changes may adversely affect dusk's operations and financial performance, or result in dusk incurring additional costs to adapt its operations in response.

## 5 Risk factors (continued)

### 5.2.2 The Australian retail environment and general economic conditions may deteriorate

The Australian retail environment in which dusk operates is currently experiencing challenging conditions due to low levels of consumer confidence and constrained retail demand. This has arisen as a result of general uncertainty about future Australian and international economic conditions such as the volatile trade relationship between the US and China, as well as the impacts of the COVID-19 pandemic (which are discussed further in Section 2.5).

A number of measures such as the easing of monetary policy by the Reserve Bank of Australia and policies introduced by the Australian Government, including in response to the COVID-19 pandemic, have been implemented to stimulate economic activity in Australia; however, there remains a risk that Australian economic conditions will worsen or that consumer sentiment will take longer than expected to improve leading to a further reduction in discretionary household expenditure. If Australian economic conditions worsen, there is a risk that the retail environment will deteriorate as consumers reduce their level of consumption or redirect their spending to cheaper products or discount stores. A reduction in consumer spending or a change in spending patterns which is adverse to dusk is likely to result in a reduction in the Company's revenue and may have a material adverse effect on the Company's future financial performance and financial position.

### 5.2.3 Customer buying habits or seasonal trading patterns may change

dusk's products are discretionary goods and consumer demand for these products is driven by home decoration and styling trends, along with the broader wellbeing trend, particularly in respect of dusk's ultrasonic diffuser products, and these trends are beyond the control of dusk.

While dusk's product development team aims to monitor and respond to the latest consumer trends, a failure to accurately judge the change in consumer preferences or a delay in the introduction of new innovative products in response to changing customer buying habits may have an adverse impact on demand for dusk's products or the margins dusk achieves on these products.

Any series of significant misjudgements in predicting product trends could adversely affect demand for dusk's products which may impact dusk's revenues, and in the longer term may adversely impact dusk's brand.

dusk's sales have historically been subject to seasonal patterns, with a disproportionate amount of annual sales being generated over the Christmas trading period, and to a lesser extent Mother's Day.

An unexpected decrease in sales over those traditionally high-volume trading periods may impact dusk's revenue during the relevant period, and could also result in abnormally large amounts of surplus inventory, which dusk would typically seek to sell before it becomes too old or obsolete. Sale of out of season or old stock would be affected through higher discounting which is likely to reduce dusk's revenue and earnings, and in turn adversely affect its financial performance. Increased volumes during high-volume trading periods may also put pressure on dusk's suppliers or warehouse providers, and any failure by them to adequately respond may impact dusk's ability to meet customer demands and maximise sales during high-volume trading periods.

### 5.2.4 dusk's competition may increase and change

The Australian retail industry in which dusk operates is competitive and is subject to changing customer preferences.

dusk faces competition from homewares and specialty retailers, department stores, discount department stores, supermarkets and independent retailers (such as pharmacies and boutique specialty retailers), as well as online only retailers. Competition is based on a variety of factors including merchandise range, quality, price, advertising (including SEO and SEM), store location, store presentation, product presentation and customer service.

dusk's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by dusk to successfully maintain its position as the retail environment changes. Any deterioration in dusk's competitive position may result in a loss of market share and a decline in revenue and earnings.

### **5.2.5 Management may be unable to achieve dusk's growth objectives**

dusk has identified a number of growth strategies to continue to drive sales including growing its store network in Australia along with store roll-outs in New Zealand, re-platforming and enhancing its website and potentially expanding into other international markets through the launch of websites targeting customers in a range of international markets.

dusk's ability to successfully open new stores as planned may be affected by a number of factors, including availability of suitable sites in target locations (in both Australia and New Zealand), reaching agreement with landlords in relation to lease terms, inability to find suitable sales team members, inability to source store fit out materials or project cost overruns due to unexpected increases in the cost of items such as materials and labour. Any material delays or failure to open new stores may reduce the growth of the business. The roll-out of new stores may also reduce the sales of any nearby existing stores, beyond that anticipated by dusk. There is also a risk that new stores opened by dusk may be unprofitable because they do not meet minimum sales targets to achieve profitability. Further, dusk's potential expansion into international markets, including New Zealand may take longer, cost more or be less successful than anticipated.

Other planned initiatives in the longer term include the potential sale of cannabidiol related essential oils and associated products. This strategy is highly dependent on the necessary regulatory changes to make this activity legal in Australia, and Management's assessment of consumer attitudes to these products at the time of legalisation.

dusk has recently entered into a supply arrangement with US firm Plant Therapy to supply essential oils. Plant Therapy also currently sells a range of cannabidiol products in other markets. It is currently illegal to sell cannabidiol products for consumer purposes in Australia. Whether a change to the relevant laws in Australia actually occurs in the future is inherently uncertain and may not happen. This change is necessary to allow dusk to stock and sell Plant Therapy's range of cannabidiol related products in Australia, or those of any other brand. As such, unless legislative change occurs, dusk will be unable to expand its products into cannabidiol related essential oils and will not be able to act on this growth initiative.

Any delay in implementation of, failure to successfully implement, or unintended consequences of implementing, any or all of the Company's growth strategies may have an adverse effect on the Company's future financial performance.

### **5.2.6 Disruption in product supply or distribution and changes in manufacturing contracts may adversely affect dusk's operations**

dusk does not manufacture the products which it sells and currently has relatively informal supply arrangements with in excess of 25 manufacturers of candles, diffusers, and other related products, with the top eight representing approximately 80% of dusk's purchases in FY20. However, dusk sources the majority of its products from five suppliers, representing in excess of 70% of purchases in FY20.

dusk's reliance on third party suppliers for the products it sells, exposes it to risks relating to the actions or operations of those suppliers. For example, dusk is exposed to potential risks relating to the quality of goods supplied to it or increases in the cost of materials and cost of manufacturing. dusk's relationships with its suppliers may deteriorate or international tensions or restrictions may have an impact on trade between dusk and its suppliers. Supply arrangements may also be terminated or discontinued (which may occur at short notice). There may also be potential delays in sourcing new products or disruptions in identifying and engaging alternative suppliers. Given the majority of its suppliers are located outside Australia (predominantly in China), dusk is also subject to foreign exchange risks, which are detailed further in Section 5.2.9.

Furthermore, dusk relies on the timely supply of products and services (e.g. production, freight and warehousing services) from its suppliers. In the event that there are delays or failures in providing products or services to dusk, this may impact dusk's retail operations and results. This may occur, for example, where dusk's suppliers are unable to adequately respond to increased demand for their products or services during seasons (e.g. Christmas) where dusk's sales are substantially higher than normal, and any failure of suppliers to adequately service dusk's needs during those periods may have a significant adverse impact on dusk's financial performance. While this may occur through the actions of the supplier itself, it may also occur if the operations of a significant supplier to dusk are disrupted due to factors outside its control including fire, labour disputes, weather events, regulation and actions of government authorities, or other similar events or circumstances.

Finally, dusk's current formal warehousing contract expired on 1 October 2020 and has been informally extended until January 2021 while dusk determines its approach to longer-term distribution arrangements. This contract may be terminated on short notice. Should this arrangement be terminated early by the counterparty, if dusk is unable to replace the warehousing services on similar terms or if disruptions to dusk's business occur as a result of changing its warehousing supplier, this may adversely impact dusk's operations and financial performance.

## 5 Risk factors (continued)

### 5.2.7 dusk may lose key management personnel

dusk is a leader in the retail Home Fragrance Market. There are relatively few companies in Australia operating in the Home Fragrance Market, and no others doing so at the scale of dusk. dusk's success depends to a significant extent on its key personnel, in particular Management discussed in Section 6.2, that have driven the growth in operations, earnings and financial performance and position of the Company. These individuals have extensive experience in, and knowledge of, the Australian retail industry and dusk's business along with relationships with dusk's key landlords and suppliers (including the businesses from which dusk sources its products and the fragrance houses from which its fragrances are sourced). The loss of key personnel, particularly if there is any inability to recruit or retain suitable replacement or additional personnel, may adversely affect the Company's operations along with its ability to develop and implement its business and growth strategies, which may affect its future financial performance.

In the interests of managing the risks and challenges associated with leadership succession and retention of intellectual property and experience, dusk has arrangements in place with key employees including employment agreements, short and long-term incentives, and key employee equity holdings. dusk also has an experienced Board which is mindful of the issues associated with succession, and the importance of its team in maintaining the performance of the business. These matters cannot however, ensure the successful retention or succession of key people.

### 5.2.8 The value of dusk's brand name may diminish

The dusk brand name is a key asset of the business and is integral in dusk's ability to consistently appeal to its existing customers and to attract new customers to maintain its sales growth. The reputation and value associated with the dusk brand name could be adversely impacted by a number of factors, in particular product recalls or liability claims, failure to provide customers with the quality of product and service standards they expect, disputes or litigation with third parties such as employees, suppliers and customers, or adverse media coverage (including social media). The occurrence of many of the risks outlined in this Section 5 may also be harmful to dusk's reputation. Significant deterioration in the reputation of, or value associated with, the dusk brand name could have an adverse effect on customer loyalty, relationships with key suppliers, employee retention rates and demand for dusk's products, any of which may adversely affect dusk's financial performance and position.

### 5.2.9 There may be adverse exchange rate movements

dusk purchases the majority of its products from suppliers in China. Most of the arrangements for purchase of products are denominated in US dollars, Chinese renminbi and Australian dollars in that descending order. dusk is therefore exposed to the foreign exchange rate movements. For example, if the Australian dollar falls in value against the US dollar or Chinese renminbi, and dusk's hedging strategies are not effective, the cost to dusk of purchasing its products will increase. If dusk is not able to pass the increased costs on to its customers, this will impact dusk's product margins and profitability.

Furthermore, should dusk move forward with international expansion plans, the Company could also be exposed to additional currencies through the receipt of revenues and payment of costs in foreign currencies. Adverse exchange rate movements in those currencies may also negatively impact on revenues generated by dusk, and as a result impact dusk's financial performance.

### 5.2.10 dusk's relationship with its landlords may deteriorate, or it may breach its leases or otherwise experience increases in rental costs upon renewal of leases

dusk currently sells its products from 114<sup>79</sup> leased retail premises throughout Australia, the majority of which are owned by large shopping centre operators. Any failure to comply with the terms of its leases, deterioration in relationships with its landlords, or other actions taken by landlords may negatively impact the security of tenure of dusk at relevant stores.

For example, any default under a store lease by dusk may lead to claims by the landlord or difficulties in renewing the lease, or eviction. Failures to maintain or renew existing leases on acceptable terms or an inability to negotiate alternative arrangements could adversely affect dusk's ability to operate stores in preferred locations. This in turn may have an adverse impact on dusk's ability to sell its products and therefore on its future financial performance.

Furthermore, a number of dusk's store leases require the landlord's consent for the relevant dusk entity to continue as a tenant following a change of control (which may occur upon Completion of the Offer). Any failure by the dusk entities to satisfy their obligations under the relevant change of control provision may result in the dusk entities being in breach of the applicable leases, which may result in variations to lease terms, termination of leases leading to store closures or other financial consequences. This may have a material adverse impact on dusk.

<sup>79</sup> As at the end of Q1 FY21 and excludes the online store.

dusk also currently has 10 – 15 stores in holdover and often has stores in holdover until such time as mutually acceptable terms can be agreed with the landlord. Holdover means these leases are outside their term, and are typically subject to termination by either party by the giving of 30 days' notice. dusk is therefore exposed to the risk that dusk is given notice at any time in relation to holdover.

Finally, dusk's store leases in each state and territory are currently covered by retail leases legislation, which provides certain protections to tenants. However, as a result of Completion of the Offer and dusk becoming listed on the ASX, the leases for dusk's stores in Western Australia, the Northern Territory and South Australia will cease to be covered by the relevant retail leases legislation. As a result, and subject to the terms of the relevant leases, certain outgoings and other costs which landlords were prevented from charging dusk may be passed on to dusk in the future. Furthermore, after dusk becomes listed on the ASX, as dusk enters into new leases, or renews existing leases in certain circumstances, these leases will also not be covered by the retail leases legislation in certain states and territories, and the relevant costs will be able to be passed on to dusk.

#### **5.2.11 There may be adverse movement in input costs of underlying raw materials**

The predominant inputs to dusk's products are glass, paper for packaging, paraffin based candle wax, soy based candle wax, and fragrance (concentrate). The cost of shipping and freight are also significant inputs. Each of these items in turn has various inputs, including oil for paraffin wax. The costs of most of these inputs is denominated in global markets in US dollars.

dusk is therefore exposed to movements in the price of various underlying commodities. For example, if the cost of glass increases and dusk or its suppliers are not able to negotiate prices or change inputs, specifications or formulations to mitigate this cost increase, the cost to dusk of purchasing some of its products will increase. If dusk is not able to pass the increased costs on to its customers, this will impact dusk's product margins and profitability.

#### **5.2.12 dusk also must comply with multiple complex awards for the payment of its employees, and may fail to do so**

dusk store staff are typically employed and paid under the Australian retail award. The award is complex when combined with the large number of employees, different circumstances and terms of employment, a fluid work environment and constantly changing conditions and circumstances, and a distributed workforce around Australia. While dusk is comfortable that it has consistently sought to pay all its employees in accordance with the relevant award and has implemented systems to support this objective, there are multiple precedents in the Australian retail industry over recent years that demonstrate the scope for mistakes to happen.

While dusk has also undertaken a review of its payroll systems and processes (and engaged independent experts to assist in this process) and informed the Fair Work Ombudsman of an issue discussed below, there remains a possibility that further issues will be identified in the future, which might result in additional liabilities to dusk, which would impact its financial performance and position.

In March 2019, dusk became aware that errors in the coding of its pay roll system had resulted in the underpayment of some of its staff since July 2013, in an amount of approximately \$2.8 million (including on-costs and interest). This amount represents the cumulative amount over a period of approximately six years. It represents less than 3% of the total payroll amount paid to employees over the same period, by dusk.

dusk has now paid the relevant amounts owed to current employees and has initiated contact and is seeking to make the payment to all former employees. This is fully provided for in the Company's statutory historical consolidated statement of financial position as at 28 June 2020.

In relation to the identified errors discussed above, dusk has advised the Fair Work Ombudsman and has not yet received any formal response in relation to this matter.

#### **5.2.13 dusk may face higher labour costs or have difficulties attracting or retaining store staff**

The retail sector in which dusk operates is dependent on its employees to manage its stores and deliver sales. Businesses in the sector (including dusk) have a high proportion of employees in entry level positions. The Company's ability to meet its labour needs while controlling costs associated with hiring and training new employees is subject to external factors including the actions of other businesses, unemployment rates, prevailing wage legislation (including applicable awards), the industrial relations landscape and changing demographics. There is a risk that adverse changes in these factors may occur which would inhibit dusk's ability to hire and retain employees or increase the cost of employing them. As a result, the Company's financial and operating performance may be adversely impacted if the cost of dusk's workforce increases, or dusk fails to find suitably qualified employees or adequately incentivise sales team members.

## 5 Risk factors (continued)

### 5.2.14 dusk may face risks associated with privacy and IT systems

dusk has access to a significant amount of customer information, including through its database of over 550,000<sup>80</sup> dusk Rewards members. The dusk Rewards program is a significant component of dusk's business and therefore the protection of customer data is critical. A significant breach of customer data could attract regulatory action, negative media attention or brand damage and result in lost memberships, sales, fines or litigation, which could have a material adverse effect on dusk's future financial performance and financial position. dusk does not store payment or credit card or bank account information of customers.

In addition, the Company has access to a significant amount of employee and company data, and any security breach in respect of this data could result in damage to dusk, including through financial penalties and damage to dusk's reputation with employees and suppliers and ultimately result in a material adverse effect on the financial performance of the business.

dusk does not insure against cyber risk and as a result the occurrence of any of the above would result in direct costs being incurred by dusk, which may impact its financial performance.

dusk is also reliant on third-party IT suppliers for the efficient operation of its IT systems (e.g. with respect to point of sale, its online store and loyalty program). Any failures of these IT suppliers to provide services to dusk's requirements, system outages, defects in their software or systems, or disruptions caused by changing suppliers, could adversely affect dusk's operations and financial performance.

Furthermore, dusk is in the process of upgrading its online sales platform. There is a risk that this may take longer or cost more than anticipated, or that the upgraded platform may, in particular during the initial stages of its roll-out, be unstable or the subject of system failure. While dusk expects that any issues can be rectified in a timely manner, there is a risk that any instances of instability and/or system failure may result in disruption to dusk's online sales and business, and have an adverse effect on dusk's operating and financial performance.

### 5.2.15 dusk may be unable to refinance debt or access new debt on favourable terms

dusk currently has in place a working capital facility with the Commonwealth Bank of Australia which is discussed further in Section 4.5.3. In the future dusk may wish to put in place other debt facilities or extend or renew the current facility. However, there is no guarantee that in the future dusk will be able to extend, renew or refinance its existing bank facilities at the required time, or access additional debt facilities if desired. Any new debt may also be available on terms that are less favourable to dusk.

If dusk is unable to access adequate debt financing when desired, or debt that is provided is on commercially less favourable terms, this may affect its financing costs, or its ability to fund its operations, meet its growth aspirations or respond to competitive pressures. This in turn may affect dusk's financial performance.

### 5.2.16 dusk may experience product recalls

From time to time, goods sold in the home fragrance and wellbeing market can be subject to manufacturer or mandatory product recall notices due to failure of those goods to comply with the relevant Australian mandatory product safety standards or otherwise due to defects and risks posed by products.

dusk does not insure against the risk of product recalls, and as such any product recall would impose direct costs on dusk related to undertaking the recall, and may also result in significant brand and reputational damage for dusk. These outcomes could in turn result in a material adverse impact on the Company's costs, sales and financial performance.

dusk has had two significant product recalls in the last five years:

- in August 2017, as a part of a national ban spanning all retailers of similar products, dusk commenced a product recall of its MoodFlame ethanol burner product in cooperation with the Australian Competition and Consumer Commission; and
- in 2016, it also commenced a voluntary recall of the Horizon oil burner following the national interim ban on decorative alcohol-fuelled burners.

The cost to dusk associated with the Moodflame ethanol burner recall (which is still ongoing) amounted to approximately \$1.4 million over FY17 to FY19 and \$25,000 in relation to the Horizon oil burner. The Moodflame ethanol burner is also the subject of a small number of product liability claims, which are discussed further in Section 5.2.17.

80 As at the Prospectus Date.

### **5.2.17 dusk may be involved in disputes or litigation**

dusk may from time to time be the subject of complaints, litigation, inquiries or audits initiated by customers, employees, suppliers, landlords, government agencies, regulators or other third parties alleging matters such as incorrect product descriptions, injury, health, environmental, safety or operational concerns, negligence, failure to comply with applicable laws and regulations or failure to comply with contractual obligations. In particular, dusk is currently the subject of a number of product liability claims from customers related to its Mood Flame ethanol burner product, which was also the subject of a product recall (discussed further above in Section 5.2.16).

If dusk were found to be liable under any such claims or decided to settle them, there is no assurance that dusk's insurance will be adequate to cover liabilities resulting from such claims, and the need for payments by dusk could have a material adverse effect on dusk's financial position and performance. Furthermore, claims made against dusk which are covered by insurance will likely increase premiums paid by dusk to its insurers, and may make it more difficult for dusk to obtain insurance on favourable terms, or at all, in the future.

Finally, even if such claims or complaints were ultimately unsuccessful against dusk, they could have an adverse effect on dusk's reputation and may divert Management's attention from normal operations, which could in turn have a material adverse effect on dusk's operational and financial performance.

### **5.2.18 A workplace accident or injury may occur**

dusk's employees are at risk of workplace accidents and injuries, and dusk is currently the subject of workers compensation and common law claims. While dusk has workers compensation insurance in place, the Company may still be liable for penalties under workplace health and safety laws, or face liabilities should the insurance coverage be inadequate or otherwise not cover the claim. Should the Company be required to pay monetary penalties or other amounts in connection with these claims, or if its insurance premiums were to increase materially as a result of claims, this may adversely affect dusk's financial position and performance.

### **5.2.19 Laws and regulations may change and any breach of law may negatively impact dusk**

dusk is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to privacy, fair trading and consumer protection, product safety, employment, property, taxation (including employment tax, GST and stamp duty) and customs and tariffs. dusk is also required to hold a licence in relation to the importation of certain industrial chemicals.

Changes to laws and regulations in these areas may restrict dusk's operations or otherwise adversely affect dusk, including by increasing dusk's costs either directly (such as an increase in the amount of tax the Company is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact dusk's future financial performance.

Any failure to comply with laws or licencing requirements, or a failure to renew its licence may adversely affect dusk's operations and financial performance, including by resulting in fines or penalties, negative publicity or other claims against dusk or inability to operate its business as currently operated.

### **5.2.20 Dividends may not be fully franked**

dusk expects future dividends to be franked to the maximum extent possible. However, there is no guarantee that the Company will have sufficient franking credits in the future to fully frank dividends or that the imputation system will not be varied or abolished.

In addition, if a proportion of dusk's future earnings are derived from offshore operations, it may not be possible to fully frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder. Shareholders should seek their own tax advice.

### **5.2.21 Climate change may impact dusk's operations**

dusk's supply chain involves the production, importation, distribution and retail of Home Fragrance Products.

The steps in this supply chain may be impacted by climate change (including adverse weather events) or regulatory or behavioural responses to climate change. For example, the transition to a lower-carbon economy may impact the cost of energy for dusk's suppliers or change the way they produce products, or may impact the way in which dusk's products are transported. If dusk is unable to pass on any increased costs to its customers arising from these changes, this may impact its financial performance.



## 5 Risk factors (continued)

### 5.3 General risks of an investment in dusk

#### 5.3.1 Prices of shares may fluctuate

The price of the Shares on the ASX may rise or fall due to numerous factors that impact all securities listed on a securities exchange and that are outside dusk's control, including:

- general economic conditions including inflation rates and interest rates;
- variations in the local and global market for listed stocks, in general, or in particular for consumer discretionary and retail stocks;
- changes to government policy, legislation or regulation;
- inclusion or removal from major market indices;
- the nature of competition in the markets in which dusk operates;
- global hostilities, tensions and acts of terrorism;
- natural disasters; and
- general operational and business risks.

No assurances can be given that the performance of the Shares will not be adversely affected by any such market fluctuations or factors. None of dusk, its Directors or any other person guarantees the performance of the Shares.

#### 5.3.2 Trading and liquidity in shares

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

As noted in Section 9.6, certain Shares will be escrowed for a period of up to 22 months from Completion of the Offer. The fact that these Shares cannot be traded until they are released from escrow will also reduce the liquidity of trading in Shares for the duration of the escrow periods. Following release of escrow restrictions on the Shares, a significant sale of Shares by one or more Existing Shareholders, or the perception that such a sale might occur, could adversely affect the market price of Shares.

#### 5.3.3 There is a risk of Shareholder dilution

In the future, dusk may elect to issue Shares (or securities convertible into Shares), including to fund investments that dusk may wish to undertake. While dusk will be subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or securities.

#### 5.3.4 There is a risk of taxation changes

Taxation law is complex and frequently changing, both prospectively and retrospectively. Changes in taxation law (including employment tax, GST and stamp duty), or changes in the way taxation laws are interpreted, create a degree of uncertainty and may impact the tax liabilities or future profitability of dusk or the tax treatment of a Shareholder's investment. In particular, any change to the current rate of company income tax in jurisdictions where dusk operates will impact on Shareholder returns. Any changes to the current rates of income tax applying to individuals and trusts will similarly impact on Shareholder returns. In addition, any change in tax arrangements between Australia and other jurisdictions could have an adverse impact on the level of dividend franking.

Tax authorities may review the tax treatment of transactions entered into by dusk. Any actual or alleged failure to comply with, or any change in the application or interpretation of, taxation laws applied in respect of such transactions, may increase dusk's tax liabilities or expose it to legal, regulatory or other actions. An interpretation of taxation law by a revenue authority that is contrary to dusk's or its advisers' interpretation of those taxation laws may also increase the amount of tax to be paid.

An investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective investor is encouraged to seek professional tax advice in connection with any investment in dusk.

### **5.3.5 There is a risk of changes to accounting standards**

Australian Accounting Standards are set by the AASB and are outside the control of either dusk or its Directors. From time to time, the AASB may introduce new or refined Australian Accounting Standards, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.

There is also a risk that interpretation of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in dusk's financial statements.

### **5.3.6 General economic and financial market conditions**

General economic conditions (both domestically and internationally) may impact the demand for dusk's products. For example, an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, among other factors, could be expected to have an impact on demand for dusk's products and may result in a material impact on the its business and financial performance.

### **5.3.7 Expected future events may not occur**

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of dusk to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements. In addition, under no circumstances should a forward-looking statement be regarded as a representation or warranty by dusk or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

## Section 6

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Key people,  
interests  
and benefits






## 6 Key people, interests and benefits

### 6.1 Board of Directors

The profile of each Director is set out below.




The Directors bring relevant experience and skills to the Board, including industry and business knowledge, financial management and corporate governance experience.

**Table 32. Board of Directors**

Director/Position	Experience, qualifications and expertise
 <p><b>John Joyce</b> Chairman Non-Executive Director</p>	<p>John has been the Chairman of dusk since 2016.</p> <p>John has over 30 years' experience in senior management roles across a range of retailers and supermarkets. John previously held positions as CEO at Rebel Group and Managing Director at ALDI and currently runs his own independent advisory (Business Improvement Solutions) focused on retail and related businesses.</p> <p>John has a MBA from Leeds University.</p> <p>John is also a non-executive director of Independent Living Specialists.</p> <p>John is a member of the Remuneration Committee.</p>
 <p><b>Peter King</b> Chief Executive Officer and Managing Director Executive Director</p>	<p>Peter joined dusk in 2014 as the CEO and was appointed to the Board in 2014.</p> <p>Peter has over 25 years' experience in senior leadership positions including General Manager Australia/NZ and Head of Global New Product Development and Sourcing at Skins Australia and NZ, General Manager at Colorado Group, General Manager at Tabcorp, Marketing Director at Maxxium Australia and Marketing Director at Levi Strauss.</p> <p>Peter holds a Bachelor of Business degree from Charles Sturt University.</p> <p>Peter is a graduate of the advanced Executive Programme from Northwestern University – Kellogg Graduate School of Management</p>
 <p><b>Trent Peterson</b> Non-Executive Director</p>	<p>Trent has been a non-executive director of dusk since 2011 and served as Chairman between 2011 and 2016.</p> <p>Trent has over 20 years' investment and private equity experience, focused primarily on businesses operating in consumer, retail and media sectors. Trent is Managing Director of Catalyst Investment Managers and the founder and Managing Director of both Catalyst Direct Capital Management and IPMB Capital Partners.</p> <p>Trent is a non-executive director of ASX-listed companies Adairs Limited<sup>81</sup> and Shaver Shop Group Limited. Trent is also the Chairman of Universal Store and Cirrus Media. Trent is a director of Australian Pure Health Pty Ltd (trading as Mr Vitamins) and the Ascham Foundation. Trent is also a director of a not for profit charity, Gather My Crew, which dusk supports.</p> <p>Trent was previously a director of Just Group, Max Fashions, EziBuy, Taverner Hotel Group, Global Television, Metro GlassTech, Australian Discount Retail and SkyBus.</p> <p>Trent qualified as a Chartered Accountant and graduated from The University of Melbourne with a Bachelor of Commerce.</p> <p>Trent is the Chair of the Remuneration Committee and a member of the Audit and Risk Committee.</p>

<sup>81</sup> In 2017, Adairs Limited (a company of which Trent Peterson and David MacLean are a non-executive directors), paid an infringement notice of \$66,000 (without admission of liability) following an ASIC investigation for alleged failure by Adairs Limited to meet its continuous disclosure obligations. Adairs Limited is not regarded as having contravened the ASX Listing Rules or the Corporations Act by paying this amount.

## 6 Key people, interests and benefits (continued)





Director/Position	Experience, qualifications and expertise
 <p><b>David MacLean</b> Non-Executive Director</p>	<p>David has been a non-executive director of dusk since 2014.</p> <p>David was formerly the CEO and Managing Director of Adairs Limited for 14 years from 2002 to 2016.</p> <p>David is a non-executive director at Adairs Limited and Universal Store and runs his family investment office as well as holding minority interests in a number of private retail businesses.</p> <p>David is a member of the Audit and Risk Committee.</p>
 <p><b>Tracy Mellor</b> Non-Executive Director</p>	<p>Tracy joined dusk as non-executive director in April 2020.</p> <p>Tracy brings over 30 years of global experience in leadership roles across a number of different sectors including Pharma, Technology and Retail.</p> <p>Tracy is currently a consultant specialising in leadership effectiveness and company culture. Prior to this, she was Global People and Culture Director for GreenLight Clinical, an Australian global clinical research organisation and before that Managing Director and Global People Director for Reward Gateway, a company specialising in employee engagement. Prior to this, Tracy was Executive General Manager of People and Development at Rebel Group.</p> <p>Tracy is a Chartered Fellow of the Chartered Institute of Personnel and Development, a Fellow Certified Practitioner of the Human Resources Australian Human Resources Institute and a Graduate of the Australian Institute of Company Directors.</p> <p>Tracy is a member of the Remuneration Committee.</p>
 <p><b>Katherine Ostin</b> Non-Executive Director</p>	<p>Katherine joined dusk as non-executive director in August 2020.</p> <p>Katherine was an audit partner at KPMG between 2005 and 2017, during which time she established and led KPMG's New South Wales Health, Ageing and Human Services Practice.</p> <p>Katherine is also a non-executive director at ASX-listed companies Capral Ltd and Swift Media Limited where she is also respectively Chair of the Audit &amp; Risk Committees; and at eftpos Payments Australia where she is the Chair of the Finance &amp; Financial Audit Committee, Chair of the Risk and Internal Audit Committee and a member of the Pricing and Rebates Committee.</p> <p>Katherine is a Graduate of the Australian Institute of Company Directors, a Fellow of the Financial Services Institute of Australasia, a Member of Chartered Accountants Australia and New Zealand (previously, The Institute of Chartered Accountants in Australia) and graduated from The University of New South Wales with a Bachelor of Commerce (Accounting and Finance).</p> <p>Katherine is the chair of the Audit and Risk Committee of the Company.</p>

The composition of the Board Committees and a summary of its key corporate governance policies are set out in Section 6.4.5 and Section 6.5. Kate Sundquist, the CFO, acts as Company Secretary.

## 6.2 Management





Profiles of the key members of Management are set out in the table below.

**Table 33. Management**

Member/Position	Experience, qualifications and expertise
 <p><b>Peter King</b> Chief Executive Officer Executive Director</p>	<p>See Section 6.1 above.</p>
 <p><b>Kate Sundquist</b> Chief Financial Officer and Company Secretary Head of Property</p>	<p>Kate joined dusk as the CFO in 2017.</p> <p>Kate has held a number of senior financial leadership positions including CFO at Napoleon Perdis Cosmetics and Philips Dynalite. Kate’s experience includes European Financial Controller at Philips Lighting and ANZ Finance Manager at General Electric Corporation.</p> <p>Kate is a Certified Practising Accountant and has a Bachelor of Business from the University of Technology, Sydney and a MBA from Deakin University.</p>
 <p><b>Julia Utz</b> Head of Product</p>	<p>Julia joined dusk as Head of Product in 2016.</p> <p>Julia was previously Head of Buying at Sportscraft, Senior Women’s Buyer and Product Development at David Jones, Group Buying Manager at General Pants Co and Development coordinator at Jigsaw Clothing.</p>
 <p><b>John McFee</b> Technical Product Director</p>	<p>John has held the position of Technical Product Director at dusk since 2010.</p> <p>John has 25 years’ experience in the manufacturing, chemical and engineering fields, including nine years in fragrance development and candle making.</p> <p>John was previously Chief Operating Officer at WestCare Incorporated, General Manager at Activ Industries and Planning and Inventory Manager at Canningvale Weaving Mill.</p>



## 6 Key people, interests and benefits (continued)

Member/Position	Experience, qualifications and expertise
 <p><b>Garry Hamilton Smith</b> Head of eCommerce</p>	<p>Garry joined dusk as Head of eCommerce in 2019.</p> <p>Garry has 18 years' experience in digital and the eCommerce industry in Australia.</p> <p>Prior to joining dusk, Garry was Head of Global Digital at Tigerlily. Preceding that role, Garry was Head of eCommerce (Rebel Group) at Super Retail Group from 2014 – 2018 where he set up the Rebel Group digital business.</p>
 <p><b>Vanessa Skinner</b> Head of Planning</p>	<p>Vanessa joined dusk as Merchandise Planner in 2018 and was promoted to Head of Planning and Logistics in November 2019.</p> <p>Vanessa has previously held Planning roles at Harvey Norman, David Jones and The University Co-op in Australia and was Senior Buyer and Planner for Per-Scent, a fragrance wholesaler in the UK for five years.</p>
 <p><b>Georgina Calopedos</b> Head of Marketing</p>	<p>Georgina joined dusk as Head of Marketing in 2016. With over 12 years' experience in Marketing and Digital. Georgina was previously Marketing Manager at Retail Apparel Group and Marketing Manager at David Lawrence. Georgina holds a Bachelor of Business from the University of Western Sydney.</p>
 <p><b>Wayne Krzeminski</b> National Retail Manager</p>	<p>Wayne joined dusk as Head of Retail in 2019. Wayne was previously Chief Operations Officer at Australian Geographic, Director/Owner of Retail Development Consultancy and held Senior Retail Operation Roles at Adairs, Pumpkin Patch, Tarocash, Barbeques Galore and Caltex</p>



Member/Position	Experience, qualifications and expertise
 <p data-bbox="181 607 341 629"><b>Diana La Vista</b></p> <p data-bbox="181 651 368 734">National Business Development Manager</p>	<p data-bbox="416 367 1410 450">Diana joined dusk as Regional Manager of SA/NT/ACT and Wagga Wagga in 2004 and moved into National Business Development in 2012. Diana was previously Regional Manager of Table Eight and Department Head of Cosmetics and Fashion in John Martins/David Jones Group.</p>
 <p data-bbox="181 1019 341 1041"><b>Paula Christie</b></p> <p data-bbox="181 1064 368 1115">Human Resources Manager</p>	<p data-bbox="416 770 1426 853">Paula joined dusk in 2016 and was promoted to the Human Resources Manager position in March of 2017. Paula holds a Bachelor of Business and Commerce majoring in Human Resources from the University of Western Sydney.</p>

### 6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such person for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a director of the Company or SaleCo.

#### 6.3.1 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Shaw and Partners Limited and Canaccord Genuity (Australia) Limited have acted as Joint Lead Managers to the Offer. The Company has agreed to pay the Joint Lead Managers the fees described in Section 9.5.1 for these services;

## 6 Key people, interests and benefits (continued)

- Allier Capital Pty Ltd has acted as independent financial adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$800,000 (excluding disbursements and GST) for these services up to the Prospectus Date;
- Herbert Smith Freehills has acted as Australian legal adviser (other than in relation to taxation and stamp duty) to dusk in relation to the Offer. The Company has paid, or agreed to pay, approximately \$800,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to Herbert Smith Freehills in accordance with its normal time-based charges;
- PricewaterhouseCoopers Securities Ltd has acted as Investigating Accountant to the Company in relation to the Financial Information and has prepared the Independent Limited Assurance Report included in Section 8. The Company has paid, or agreed to pay, approximately \$395,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to the Investigating Accountant in accordance with its normal time-based charges;
- PricewaterhouseCoopers has acted as taxation adviser to dusk in relation to the Offer. The Company has paid, or agreed to pay, approximately \$155,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to PricewaterhouseCoopers in accordance with its normal time-based charges; and
- Frost & Sullivan has prepared certain information relating to the industry in which the Company operates for inclusion in this Prospectus. The Company has paid, or agreed to pay, approximately \$12,000 (excluding disbursements and GST) for these services up to the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by the Company out of available cash.

### 6.3.2 Directors' interests and remuneration

#### 6.3.2.1 Chief Executive Officer and Managing Director

dusk has entered into an employment agreement with Peter King to govern his employment with dusk. Peter King is employed in the position of Chief Executive Officer of dusk.

Refer to Table 34 for a description of the CEO's remuneration.

#### 6.3.2.2 Non-Executive Director remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a director but the total aggregate amount provided to all non-executive directors of the Company for their services as directors must not exceed in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$650,000 per annum.

Any change to that aggregate annual sum needs to be approved by Shareholders. The ASX Listing Rules require that remuneration of Directors (who are not Executive Directors) must not include a commission on, or a percentage of, profits or operating revenue.

As at the Prospectus Date, the annual Non-Executive Directors' base fees and committee fees agreed to be paid by the Company (inclusive of any superannuation payable) are as follows:

- base fee of \$110,000 per annum to the Chairman;
- base fee of \$70,000 per annum to each other Non-Executive Director;
- fee of \$10,000 per annum to the Audit and Risk Committee Chairman;
- fee of \$5,000 per annum to the Remuneration Committee Chairman;
- fee of \$2,000 per annum for each of the members of the Audit and Risk Committee; and
- fee of \$1,000 per annum for each of the members of the Remuneration Committee.

In subsequent years, these figures may vary.

The Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Such amounts will not form part of the aggregate remuneration amount approved by Shareholders.

Any Directors' fees payable to Trent Peterson shall be paid to Catalyst Investment Managers Pty Ltd for so long as Catalyst has a substantial shareholding in the Company.

Any Director who performs extra services, makes any special exertions for the benefit of the company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a non-executive director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. Any amount paid will not form part of the aggregate remuneration amount approved by Shareholders.

At or around the Listing date, Tracy Mellor and Katherine Ostin will receive fees of \$15,000 and \$10,000 respectively in relation to the pre-IPO work performed and John Joyce will receive \$100,000 as a reward for his efforts in connection with the Company achieving Listing.

### 6.3.2.3 Deeds of indemnity, insurance and access

The Company has entered into deeds of indemnity, insurance and access with each Director. Each deed contains a right of access to certain books and records of the Company and its related bodies corporate for a period of seven-years after the Director ceases to hold office. This seven-year period is extended where certain proceedings or investigations commence during the seven year period but are not resolved until later.

Pursuant to the Constitution, the Company must indemnify Directors and executive officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by those individuals as officers of the Company or a related body corporate. Under the deeds of indemnity, insurance and access, the Company indemnifies each Director on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate.

Pursuant to the Constitution, the Company may purchase and maintain insurance for each director and executive officer of the Company to the full extent permitted by law against any liability incurred by those individuals in their capacity as officers of the Company or a related body corporate. Under the deeds of indemnity, insurance and access, the Company must maintain such insurance for each Director until a period of seven years after a Director ceases to hold office. This seven-year period is extended where certain proceedings or investigations commence during the seven-year period but are not resolved until later.

### 6.3.2.4 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

The Directors' (and their associated entities') interests in Shares and other securities in dusk on the Prospectus Date and at Completion of the Offer (subject to any further acquisitions under the Offer) are set out below:

Figure 37. Directors' interests in Shares

Director	Notes	Shares held immediately prior to Completion of the Offer		Shares transferred to SaleCo in connection with the Offer		Shares acquired in the Offer		Shares held on Completion of the Offer	
		No.	%	No.	%	No.	%	No.	%
John Joyce	1	2,275,000	3.7%	–	–	–	–	2,275,000	3.7%
Peter King	1	2,275,000	3.7%	–	–	–	–	2,275,000	3.7%
Trent Peterson	2	–	–	–	–	250,000	0.4%	250,000	0.4%
David MacLean	3	3,173,832	5.1%	1,924,605	3.1%	–	–	1,249,227	2.0%
Tracy Mellor		–	–	–	–	25,000	0.0%	25,000	0.0%
Katherine Ostin	4	–	–	–	–	15,000	0.0%	15,000	0.0%

Notes:

1. Prior to the Prospectus Date, the Company entered into agreements with John Joyce and Peter King under which it has agreed to buyback and cancel certain options over Shares held by them. The consideration for the buyback and cancellation of \$2.5 million each is anticipated to be paid prior to Listing, which is equal to 35% of the aggregate value of these options and Shares held by John Joyce and Peter King at the Prospectus Date calculated at the Offer Price. John Joyce and Peter King are not selling Shares to SaleCo in connection with the Offer.
2. Trent Peterson also has an indirect interest in the Shares held by Catalyst (see Table 38) as a result of his employment with, and minority investment in, Catalyst. He may receive payments determined by the performance of the Catalyst funds (which will be influenced by the performance of assets held by those funds, including in relation to the sale of Shares to SaleCo in connection with the Offer and the ongoing shareholding of those funds in the Company).
3. David MacLean's shareholding is via his private company, David MacLean Investments.
4. Katherine Ostin's shareholding is via Katherine Ostin and the Ostin-Shortus Family Trust.

Shares held on Completion of the Offer include Shares which will be subject to voluntary escrow conditions (see Section 9.6 for more details).

## 6 Key people, interests and benefits (continued)

### 6.3.3 Executive remuneration

#### 6.3.3.1 Chief Executive Officer

Table 34. Chief Executive Officer remuneration

Term	Description
<b>Employer</b>	Peter King is employed by dusk Australasia Pty Ltd.
<b>Total fixed remuneration (TFR)</b>	<p>From 1 October 2020, Peter is entitled to receive annual TFR of \$520,000 (inclusive of base salary and superannuation).</p> <p>Dusk Australasia Pty Ltd makes contributions on Peter's behalf to a complying superannuation fund in accordance with relevant superannuation legislation and his terms of employment.</p>
<b>Short-term incentive (STI)</b>	<p>Peter is eligible to participate in dusk's STI arrangements on the following basis:</p> <ul style="list-style-type: none"> <li>the amount of the STI award that Peter becomes entitled to each year (if any) will be determined by the Board based on the achievement of set performance targets;</li> <li>performance will be measured against a 12-month financial year;</li> <li>for FY21, Peter will be eligible to receive a maximum STI award of up to 50% of his annual TFR if targets are met. Performance conditions will include a mix of financial and non-financial targets; and</li> <li>if Peter becomes entitled to receive an STI award, 100% of this will be delivered in cash.</li> </ul>
<b>Long-term incentive</b>	Peter is entitled to receive an FY21 LTI award, which is approximately equal to 48% of his annual TFR, subject to the satisfaction of performance conditions determined by the Board.
<b>Termination</b>	Peter's employment may be terminated by either party upon giving six months' notice. In either event, dusk may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, dusk may terminate Peter's employment contract immediately without payment in lieu of notice.
<b>Restraint</b>	Following termination of Peter's employment, he will be subject to post-employment non-competition and non-solicitation restraints that apply across Australia for a period of three months. The enforceability of the restraint clause is subject to all usual legal requirements.

### 6.3.3.2 Chief Financial Officer

Table 35. Chief Financial Officer remuneration

Term	Description
<b>Employer</b>	Kate Sundquist is employed by dusk Australasia Pty Ltd.
<b>Total fixed remuneration (TFR)</b>	<p>From 1 October 2020, Kate is entitled to receive annual TFR of \$355,000 (inclusive of base salary and superannuation).</p> <p>Dusk Australasia Pty Ltd makes contributions on Kate's behalf to a complying superannuation fund in accordance with relevant superannuation legislation and her terms of employment.</p>
<b>Short-term incentive (STI)</b>	<p>Kate is eligible to participate in dusk's STI arrangements on the following basis:</p> <ul style="list-style-type: none"><li>• the amount of the STI award that Kate becomes entitled to each year (if any) will be determined by the Board based on the achievement of set performance targets;</li><li>• performance will be measured against a 12-month financial year;</li><li>• for FY21, Kate will be eligible to receive a maximum STI award of up to 37.5% of her annual TFR if targets are met. Performance conditions will include a mix of financial and non-financial targets; and</li><li>• if Kate becomes entitled to receive an STI award, 100% of this will be delivered in cash.</li></ul>
<b>Long-term incentive</b>	Kate is entitled to receive an FY21 LTI award, which is approximately equal to 39% of her annual TFR, subject to the satisfaction of performance conditions determined by the Board.
<b>Termination</b>	Kate's employment may be terminated by either party upon giving six months' notice. In either event, dusk may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, dusk may terminate Kate's employment contract immediately without payment in lieu of notice.
<b>Restraint</b>	Following termination of Kate's employment, she will be subject to post-employment non-competition and non-solicitation restraints that apply across Australia for a period of three months. The enforceability of the restraint clause is subject to all usual legal requirements.

### 6.3.3.3 IPO payments

The Company intends to pay certain executives and non-executives a one off payment to reward their efforts in relation to the Company achieving Listing. Of the total payment of \$700,000, the Chairman will receive \$100,000, the CEO will receive \$200,000 and the CFO will receive \$350,000.

### 6.3.3.4 Termination benefits

Any payments made to the members of senior management upon termination may be subject to the termination benefits cap under the Corporations Act. The shareholders of dusk Australasia Pty Ltd and the Company have approved the provision of benefits on cessation of employment to current and future members of key management personnel of the Company and its related bodies corporate, including the benefits summarised in Section 6.3.4.

## 6 Key people, interests and benefits (continued)

### 6.3.4 Employee incentive plans

#### 6.3.4.1 Short-term incentive plan

Under the STI Plan, participants are entitled to receive a cash bonus subject to the achievement by the participant of individual performance hurdles as determined by the Board. The performance hurdles will include financial and non-financial performance measures. The frequency, quantum and maximum payments under the STI Plan will be determined by the Board.

Participation in the STI Plan is subject to a participant's ongoing employment with the Group. Where a participant ceases to be employed by the Group, the Board has the discretion to determine whether the participant will retain any eligibility to their STI Plan awards or if the participant's STI Plan award will be forfeited.

For FY21, the maximum incentive (**Maximum STI**) that may be awarded to Management has been set as follows, expressed as a percentage of annual TFR: CEO at 50%, CFO at 37.5% and other Management at 30% to 45%.

Other selected employees may also be eligible to participate in the STI Plan, and the Maximum STI for those employees will be determined by the Board.

In FY21, the key measure upon which the STI entitlement is determined is pro forma EBIT, based on the growth level achieved relative to pro forma EBIT in FY20 as presented in this Prospectus.

Pro forma EBIT for FY21 shall be calculated excluding any net benefit derived from participating in the JobKeeper Payment, consistent with the manner in which pro forma EBIT for FY20 has been presented in this Prospectus.

#### 6.3.4.2 Equity Incentive Plan

The Company has established the Dusk Group Limited Equity Incentive Plan (**Equity Incentive Plan**) to assist in the motivation, reward and retention of senior executives and other employees that may be invited to participate in the plan from time to time.

The Equity Incentive Plan is designed to align the interests of employees with the interests of Shareholders, by providing an opportunity for employees to receive an equity interest in the Company.

The dusk Equity Incentive Plan Rules (**Plan Rules**) provide flexibility for the Company to grant Rights, Options and/or restricted Shares as incentives, subject to the terms of individual offers and the satisfaction of performance and vesting conditions determined by the Board from time to time.

The key features of the Plan Rules are outlined in the table below.

**Table 36. Key features of the Plan Rules**

Term	Description
<b>Eligibility</b>	Offers may be made at the Board's discretion to employees of the Company or any other person that the Board determines to be eligible to receive a grant under the Plan Rules.
<b>Types of securities</b>	<p>The Company may grant Rights, Options and/or restricted Shares as incentives, subject to the terms of individual offers.</p> <p><b>Options</b> are an entitlement to receive Shares upon satisfaction of applicable conditions and payment of an applicable exercise price.</p> <p><b>Rights</b> are an entitlement to receive Shares subject to the satisfaction of applicable conditions.</p> <p><b>Restricted Shares</b> are Shares that are subject to dealing restrictions, vesting conditions or other restrictions or conditions.</p> <p>Unless otherwise specified in an offer document, the Board has the discretion to settle Options or Rights with a cash equivalent payment.</p>
<b>Offers under the Plan Rules</b>	Under the Plan Rules, the Board may make offers at its discretion, subject to any requirements for Shareholder approval. The Board has the discretion to set the terms and conditions on which it will offer incentives in individual offer documents. An offer must be accepted by the participant and can be made on an opt-in or opt-out basis.

<b>Term</b>	<b>Description</b>
<b>Issue price</b>	Unless the Board determines otherwise, no payment is required for a grant of a Right, Option or restricted Share allocated under the Plan Rules.
<b>Vesting</b>	<p>Vesting of the incentives is subject to any vesting or performance conditions determined by the Board and specified in the offer document. Subject to the Plan Rules and the terms of the specific offer document, incentives will either lapse or be forfeited if the relevant vesting and performance conditions are not satisfied.</p> <p>Options must be exercised by the employee and the employee is required to pay any exercise price applicable. Rights may also have an exercise mechanism; however, no exercise price is payable.</p>
<b>Cessation of employment</b>	Under the Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment. It is intended that individual offer documents will provide more specific information on how the entitlements will be treated if the participating employee ceases employment.
<b>Clawback and preventing inappropriate benefits</b>	The Plan Rules provide the Board with broad clawback powers if, for example, the participant has acted fraudulently or dishonestly or there is a material financial misstatement.
<b>Change of control</b>	The Board may determine that all or a specified number of a participant's incentives will vest or cease to be subject to restrictions where there is a change of control event in accordance with the Plan Rules.
<b>Rights issues, bonus issues, corporate actions and other capital reconstructions</b>	<p>The Plan Rules include specific provisions dealing with rights issues, bonus issues, corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their incentives as a result of such corporate actions.</p> <p>Participants are not entitled to participate in new issues of securities by the Company prior to the vesting (and exercise if applicable) of their Options or Rights. In the event of a bonus issue, Options or Rights will be adjusted in the manner allowed or required by the ASX Listing Rules.</p>
<b>Restrictions on dealing</b>	Prior to vesting, the Plan Rules provide that participants must not sell, transfer, encumber, hedge or otherwise deal with their incentives. After vesting, participants will be free to deal with their incentives, subject to the Securities Dealing Policy.
<b>Other terms</b>	The Plan Rules contain customary and usual terms for dealing with administration, variation, suspension and termination of any incentive plan.

#### 6.3.4.3 LTI awards

The Equity Incentive Plan described in Section 6.3.4.2 will be used to deliver long-term incentive (LTI) awards.



## 6 Key people, interests and benefits (continued)

### 6.3.4.4 The key terms of the FY21 LTI award

Term	Description
<b>Eligibility</b>	Offers may be made at the Board's discretion to certain senior executives. The CEO is the only Director who is eligible to receive an LTI award.
<b>Grant of Options</b>	<p>The LTI award will be delivered in Options. An Option entitles the participant to acquire a Share on vesting and exercise, subject to the satisfaction of vesting conditions and payment of an exercise price. The Board retains a discretion to make a cash payment to participants on vesting and exercise of the Options in lieu of an allocation of Shares.</p> <p>The Board has determined to use Options because they create share price alignment between executives and Shareholders but do not provide the executives with the full benefits of share ownership (such as dividend and voting rights) unless and until the Options vest and are exercised. The exercise price also requires share price appreciation for executives to receive value from their Options.</p>
<b>Quantum of grants</b>	<p>The CEO will be granted 450,000 Options under his FY21 LTI award. The CEO's Options have a fair value of \$202,500.</p> <p>The CFO will be granted 250,000 Options under her FY21 LTI award. The CFO's Options have a fair value of \$112,500.</p> <p>In addition, a total of 300,000 Options with a fair value of \$135,000 will be granted to other members of the senior executive team as their FY21 LTI award.</p>
<b>Grant date</b>	Options are intended to be granted shortly prior to listing.
<b>Issue and exercise price</b>	<p>The Options will be issued to the participant at no cost as they form part of the participant's remuneration.</p> <p>Participants must pay an exercise price to exercise their Options and the Board may allow for a cashless exercise mechanism to be used. The exercise price for Options issued under the FY21 LTI award will be the Offer Price.</p>

Term	Description																				
<p><b>Performance conditions and performance period</b></p>	<p>The performance period for LTI awards will generally be three years. As Listing will occur after the commencement of FY21, the performance conditions for the FY21 award will be measured over a period from Listing to 30 June 2023 (<b>Performance Period</b>).</p> <p>50% of a participant's Options will be tested against the CAGR of the Company's total shareholder return (<b>TSR CAGR Hurdle</b>), and the remaining 50% will be tested against the CAGR of the Company's underlying earnings per share (<b>EPS CAGR Hurdle</b>).</p> <p><b>TSR CAGR Hurdle</b></p> <p>The number of Options subject to the TSR CAGR Hurdle that vest will be determined by the Board by reference to the CAGR in the Company's total shareholder return (<b>TSR</b>).</p> <p>The percentage of Options that vest, if any, will be determined by reference to the following vesting schedule:</p> <table border="1" data-bbox="470 775 1441 1032"> <thead> <tr> <th data-bbox="470 797 869 831">Level of achievement</th> <th data-bbox="877 775 1441 831">Percentage of participant's Options subject to the TSR CAGR Hurdle that vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="470 842 869 875">Less than 4%</td> <td data-bbox="877 842 1441 875">Nil</td> </tr> <tr> <td data-bbox="470 887 869 920">4% (threshold performance)</td> <td data-bbox="877 887 1441 920">20%</td> </tr> <tr> <td data-bbox="470 931 869 965">Between 4% and 15%</td> <td data-bbox="877 931 1441 965">Straight line pro rata vesting between 20% and 100%</td> </tr> <tr> <td data-bbox="470 976 869 1010">15% or above (stretch performance)</td> <td data-bbox="877 976 1441 1010">100%</td> </tr> </tbody> </table> <p>The base for TSR is the Offer Price and the end is the volume weighted average price for the five trading days following the announcement of the FY23 full year audited results.</p> <p><b>EPS CAGR Hurdle</b></p> <p>The Board currently expects that costs associated with the Offer will be removed from earnings per share (<b>EPS</b>) calculations to arrive at an appropriate underlying EPS figure.</p> <p>The percentage of Options that vest, if any, will be determined by reference to the following vesting schedule:</p> <table border="1" data-bbox="470 1323 1441 1581"> <thead> <tr> <th data-bbox="470 1346 869 1379">Level of achievement</th> <th data-bbox="877 1323 1441 1379">Percentage of participant's Options subject to the EPS CAGR Hurdle that vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="470 1391 869 1424">Less than 4%</td> <td data-bbox="877 1391 1441 1424">Nil</td> </tr> <tr> <td data-bbox="470 1435 869 1469">4% (threshold performance)</td> <td data-bbox="877 1435 1441 1469">20%</td> </tr> <tr> <td data-bbox="470 1480 869 1514">Between 4% and 15%</td> <td data-bbox="877 1480 1441 1514">Straight line pro rata vesting between 20% and 100%</td> </tr> <tr> <td data-bbox="470 1525 869 1559">15% or above (stretch performance)</td> <td data-bbox="877 1525 1441 1559">100%</td> </tr> </tbody> </table> <p>The base for EPS CAGR is the FY20 pro forma NPAT disclosed in the Prospectus and the end is the EPS reported in the FY23 full year audited results.</p> <p>Calculation of the performance conditions and achievement against the performance conditions and vesting schedule will be determined by the Board in its absolute discretion, having regard to any matters that it considers relevant (including any adjustments for unusual or non-recurring items that the Board considers appropriate).</p>	Level of achievement	Percentage of participant's Options subject to the TSR CAGR Hurdle that vest	Less than 4%	Nil	4% (threshold performance)	20%	Between 4% and 15%	Straight line pro rata vesting between 20% and 100%	15% or above (stretch performance)	100%	Level of achievement	Percentage of participant's Options subject to the EPS CAGR Hurdle that vest	Less than 4%	Nil	4% (threshold performance)	20%	Between 4% and 15%	Straight line pro rata vesting between 20% and 100%	15% or above (stretch performance)	100%
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15% or above (stretch performance)	100%																				
<p><b>Vesting</b></p>	<p>The Board will arrange for the performance conditions to be tested following the release of the Company's full year audited results after the end of the Performance Period and determine the appropriate vesting outcome.</p> <p>Any Options that remain unvested following testing will lapse immediately.</p>																				

## 6 Key people, interests and benefits (continued)

Term	Description
<b>Exercise of Options</b>	Participants may exercise any vested Options from the date the Options vest until the fifth anniversary of the date on which the Options are granted. After that time, any unexercised Options will lapse.
<b>Dividends and voting rights</b>	Options do not carry dividend or voting rights prior to vesting and exercise. Shares allocated on exercise of Options carry the same dividend and voting rights as other Shares.
<b>Cessation of employment</b>	<p>Unless the Board determines otherwise:</p> <ul style="list-style-type: none"> <li>• if a participant's employment is terminated for cause or a participant resigns (or gives notice of their resignation) prior to the vesting date, all of their unvested Options will lapse;</li> <li>• if a participant ceases employment for any other reason prior to the vesting date, a pro rata proportion of their unvested Options (calculated based on the portion of the Performance Period that has elapsed) will remain on foot and will be tested in the ordinary course; and</li> <li>• all vested Options will remain on foot if a participant ceases employment after the vesting date and must be exercised within 60 days.</li> </ul>
<b>Change of control</b>	<p>If there is a takeover bid for the Company or the Board considers a change of control is likely to occur, the Board has the discretion to accelerate vesting of some or all of a participant's unvested Options. Where only some of the Options vest, the remainder will lapse, unless the Board determines otherwise. Any vested but unexercised Options will be exercisable for a period of 60 days or otherwise for a period notified by the Board and will lapse after the end of that period if they are not exercised.</p> <p>If an actual change of control occurs before the Board has exercised its discretion, all unvested Options will vest and participants will have 60 days to exercise vested Options.</p>

### 6.4 Corporate governance

#### 6.4.1 Overview

This Section 6.4 explains how the Board will oversee the management of dusk's business. The Board is responsible for the overall corporate governance of dusk.

In conducting dusk's business, the Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising dusk's strategies, policies and performance;
- protect and optimise Company performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution;
- set, review and monitor compliance with dusk's values and governance framework; and
- ensure that Shareholders are kept informed of dusk's performance and major developments affecting its state of affairs.

Accordingly, the Board has created a framework for managing dusk, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for dusk's business and that are designed to promote the responsible management and conduct of dusk.

The main policies and practices adopted by dusk, which will take effect from Listing, are summarised below.

Copies of dusk's key policies and the charters for the Board and each of its Committees will be available from Listing at <https://duskoffer.thereachagency.com>.

#### 6.4.2 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

dusk is seeking a listing on the ASX. The ASX Corporate Governance Council has developed the 4th edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**), which set out recommended corporate governance practices for entities listed on the ASX in order to assist listed entities achieve good corporate governance outcomes and meet investor expectations.

The ASX Recommendations are not prescriptive, but guidelines. Under the ASX Listing Rules, dusk must prepare a corporate governance statement disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where dusk does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. dusk intends to comply with all of the ASX Recommendations from the time of its Listing, with the exception of ASX Recommendation 8.1 which provides that the board of a listed entity should have a remuneration committee which is chaired by an independent director. Trent Peterson will be the Chair of the Remuneration Committee. The Board feels that Trent's skills and experience make him suitable for the role and that he will bring objective and independent judgement to the Board's deliberations.

### 6.4.3 Board composition

The Board of Directors is comprised of six Directors, comprising an Independent Chairman, the Chief Executive Officer and four Non-Executive Directors (three of whom are independent).

Detailed profiles of the Board members on Listing are provided in Section 6.1.

The Board considers a Director to be independent where he or she is free of any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of dusk as a whole rather than an individual shareholder or other party. The Board reviews the independence of each Non-Executive Director in light of information disclosed to the Board.

The Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on the fourth edition ASX Recommendations.

The Board considers that each of John Joyce, David MacLean, Tracy Mellor and Katherine Ostin is free from any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of dusk as a whole rather than in the interests of an individual shareholder or other party and is able to fulfil the role of an Independent Director for the purpose of the ASX Recommendations. These Directors' shareholdings in the Company are disclosed in Section 6.3.2.4 and the Board has formed the view that these shareholdings do not impact on the independence of each of these Directors, as in each case the Director is not a substantial Shareholder (as defined in the Corporations Act).

Peter King is not considered by the Board to be an independent Director as he is the Chief Executive Officer of dusk.

Trent Peterson is a director of, and minority investor in, certain Catalyst entities and funds. As Catalyst will be a substantial Shareholder on Completion of the Offer, the Directors consider that this position results in him not being independent. Notwithstanding his role at Catalyst, the Board considers that Trent will add significant value to Board deliberations given his experience and skills.

### 6.4.4 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities; and
- the relationship and interaction between the Board, Board Committees and Management.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising dusk's strategies, policies and performance. This includes overseeing the financial and human resources dusk has in place to meet its objectives and reviewing management performance;
- protect and optimise dusk's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with dusk's values and governance framework (including establishing and observing high ethical standards); and
- ensure Shareholders are kept informed of dusk's performance and major developments affecting its state of affairs.

While the Board retains ultimate responsibility for the strategy and performance of dusk, the day-to-day operation of dusk is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

## 6 Key people, interests and benefits (continued)

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair or the Board as a whole.

The Board has determined to not have a separate nomination committee. Board succession issues and other matters ordinarily considered by a nomination committee are the responsibility of the Board.

### 6.4.5 Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Remuneration Committee. Other Committees may be established by the Board as and when required.

#### 6.4.5.1 Audit and Risk Committee

Under its charter, the Audit and Risk Committee must consist of a minimum of three members of the Board, only Non-Executive Directors, a majority of independent Directors and an independent chair who is not the Chairman of the Board. The Audit and Risk Committee will comprise:

- Katherine Ostin (Chair);
- David MacLean; and
- Trent Peterson.

The Audit and Risk Committee's key responsibilities and functions are to oversee dusk's:

- financial and other periodic corporate reporting;
- relationship with the external auditor and the external audit function generally;
- processes for identifying and managing financial and non-financial risk;
- internal controls and systems; and
- processes for monitoring compliance with laws and regulations.

All Non-Executive Directors have a standing invitation to attend Audit and Risk Committee meetings. Other non-committee members, including members of Management and the external auditor, may attend meetings of the Committee at the invitation of the Committee Chair.

#### 6.4.5.2 Remuneration Committee

Under its charter, this committee must consist of a minimum of three members of the Board, only Non-Executive Directors, and a majority of independent Directors. The Remuneration Committee comprises:

- Trent Peterson (Chair);
- John Joyce; and
- Tracy Mellor.

ASX Recommendation 8.1 provides that the board of a listed entity should have a remuneration committee which is chaired by an independent director. After Listing, Trent is the Chair of the Remuneration Committee. The Board considers that Trent's skills and experience make him suitable for the role and that he will bring objective and independent judgement to the Board's deliberations.

The responsibilities of the Remuneration Committee include:

- review and recommend to the Board employment and remuneration arrangements for the CEO;
- on the recommendation of the CEO, approve employment and remuneration arrangements for other members of the senior executive team;
- conduct regular reviews of, and monitor the implementation of, the Company's remuneration framework;
- approve major changes and developments in dusk's policies and procedures related to remuneration, recruitment, retention, termination, and performance assessment;
- approve major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for dusk;
- approve major changes and developments in relation to the dusk's employee equity incentive plans;

- oversee the operation of dusk's employee equity incentive plans and confirm whether offers are to be made under any of dusk's employee equity incentive plans in respect of a financial year; and
- for the CEO, review and recommend to the Board, and for other members of the senior executive team approve, the terms of any incentive offers made.

All Non-Executive Directors have a standing invitation to attend Remuneration Committee meetings. Other non-committee members, including members of Management, may attend meetings of the Committee at the invitation of the Committee Chair.

## 6.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be available from Listing on dusk's website at <https://duskoffer.thereachagency.com>.

### 6.5.1 Anti-bribery and Corruption Policy

dusk is committed to acting ethically and has zero tolerance for bribery and corruption. dusk has developed an Anti-bribery and Corruption Policy for countering bribery and corruption.

The Anti-bribery and Corruption Policy applies to the Company and all subsidiary and affiliate companies over which it exercises control and all directors, officers and employees of the Company (which includes temporary employees, contract staff and consultants). dusk also expects that its business partners (including individuals and corporate entities associated with dusk, who act for or on behalf of dusk, or perform functions in relation to dusk) will comply with the Anti-bribery and Corruption Policy, to the extent they do not have their own policies managing bribery and corruption risk.

The Anti-bribery and Corruption Policy requires that personnel and business partners of dusk must not pay, offer, promise or accept, directly or indirectly, any bribe, kickback, secret commission, facilitation payment, or other form of improper payment, or otherwise breach relevant anti-corruption laws.

The Anti-bribery and Corruption Policy also requires that personnel and business partners of dusk must not:

- make political donations on behalf of dusk;
- make any charitable or community donations or sponsorships which are or could be perceived as bribes or otherwise in a manner contrary to the Anti-bribery and Corruption Policy;
- offer, provide or accept gifts, hospitality or travel in a manner contrary to the Anti-bribery and Corruption Policy;
- engage or deal with a business partner in a manner contrary to the Anti-bribery and Corruption Policy;
- enter new business ventures or invest in new companies or countries in a manner contrary to the Anti-bribery and Corruption Policy;
- falsify or mis-describe any book, record or account relating to dusk's business. All receipts and expenditures must be supported by documents that describe them accurately and properly; or
- cause or authorise any of the above conduct or any other conduct which is inconsistent with the Anti-bribery and Corruption Policy or any anti-corruption laws.

### 6.5.2 Disclosure Policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company is aware of its obligation to keep the market fully informed of any information the Company becomes aware of concerning dusk, which may have a material effect on the price or value of dusk's securities, subject to certain exceptions. dusk has adopted a Disclosure Policy to take effect from Listing to reinforce its commitment to addressing its continuous disclosure obligations and to describe the processes in place that enable dusk to provide Shareholders with the timely disclosure of material price-sensitive information.

### 6.5.3 Communications strategy

The Company communicates openly and honestly with its Shareholders and aims to keep them informed of major developments affecting the state of affairs of dusk. The Company recognises that potential investors and other interested stakeholders may wish to obtain information about dusk from time to time. To achieve this, the Company will communicate information regularly to Shareholders and other stakeholders through a range of forums and publications, including dusk's website, at the annual general meeting, and through dusk's annual report and ASX announcements.

## 7 Key people, interests and benefits (continued)

### 6.5.4 Securities Dealing Policy

The Company has adopted a Securities Dealing Policy that is intended to recognise that some types of dealing in securities are prohibited by law and outline the policy and procedures that apply to Directors and employees when dealing in dusk's securities.

The Policy provides that Directors and employees must not deal in the Company's or another company's securities when they are aware of 'inside' information.

In addition, Directors and certain designated employees must not deal in the Company's securities during any of the following blackout periods (except in exceptional circumstances with approval):

- the period from the close of trading on the ASX on 30 June each year until the day following the announcement to the ASX of the full year results;
- the period from the close of trading on the ASX on 30 November each year until the day following the announcement to the ASX of the half year results; and
- any other period that the Board specifies from time to time.

Outside these periods, the Directors and designated employees must receive prior approval for any proposed dealing in the Company's securities, and in all instances, buying or selling securities is not permitted at any time by any person who possesses 'inside' information.

Directors and designated employees must not hedge unvested equity remuneration or vested equity subject to holding locks, and must not deal in the Company's securities on a short-term basis.

### 6.5.5 Code of Conduct

dusk is committed to integrity and ethical standards in all business practices. Accordingly, the Board has adopted a Code of Conduct that outlines how dusk expects its employees and Directors to behave and conduct business in the workplace on a range of issues.

The Code is designed to:

- provide a benchmark for professional behaviour;
- support dusk's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences of breaching the code.

### 6.5.6 Diversity Policy

The Board has approved a Diversity Policy in order to, among other matters, address the representation of women in senior management positions and on the Board, and to continue to actively facilitate a more diverse and representative management structure and workforce. The Company will include in the corporate governance statement each year the measurable objectives set for that reporting period to achieve gender diversity and dusk's progress towards achieving the measurable objectives.

### 6.5.7 Speak Up Policy

dusk has adopted a Speak Up Policy to provide a means for anyone with information about potential misconduct to report that information to the Company.

The Speak Up Policy:

- encourages people to speak up if they become aware of potential misconduct;
- explains how to make a report and what protections a discloser will receive;
- outlines dusk's processes for responding to reports; and
- promotes a workplace environment in which everyone feels safe, supported and encouraged to "speak up".



# Section 7

## Details of the Offer



## 7 Details of the Offer

### 7.1 The Offer

The Offer is an initial public offering of shares, at an Offer Price of \$2.00 per Share, to apply for:

- 10 Shares offered for issue by the Company, to raise proceeds of approximately \$20; and
- 35.0 million Shares offered for sale by SaleCo, to raise proceeds of approximately \$70.0 million.

The Shares offered under this Prospectus will represent approximately 56.2% of the Shares on issue on Completion of the Offer, being approximately 62.3 million Shares. All Shares are fully paid and will rank equally with each other. A summary of the rights attaching to Shares is set out in Section 7.11.

On Completion of the Offer, 27.3 million Shares will be held by the Existing Shareholders (representing 43.8% of the Shares on issue) and 26.1 million of these Shares (representing approximately 42.0% of the Shares on issue) will be subject to the voluntary Escrow Arrangements described in Section 9.6.

The Offer will be fully underwritten by the Joint Lead Managers. A summary of the Underwriting Agreement, including the events which would entitle the Joint Lead Managers to terminate the Underwriting Agreement, is set out in Section 9.5.

The Offer is made with disclosure under this Prospectus and is made on the terms, and is subject to the conditions, set out in this Prospectus.

#### 7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;
- the Priority Offer, which is open to selected investors in Australia nominated by the Company who receive an offer to apply for Shares; and
- the Institutional Offer, which consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions, made under this Prospectus.

No general public offer of Shares will be made in the Offer.

The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer will be determined by agreement between the Company and the Joint Lead Managers.

For further details of the:

- Broker Firm Offer and the allocation policy under it, see Section 7.3;
- Priority Offer and the allocation policy under it, see Section 7.4; and
- Institutional Offer and the allocation policy under it, see Section 7.6.

#### 7.1.2 Purpose of the Offer and use of proceeds

The Offer is expected to raise \$70.0 million, predominantly by the sale of Existing Shares by SaleCo. The proceeds received by SaleCo will be paid to the Selling Shareholders. The Company is expected to issue a nominal 10 Shares, which will raise \$20 in order for the Company to be an issuer of the Prospectus, reflecting ASIC's preference that a company being listed is an issuer of its prospectus.

The Offer is being conducted to:

- allow Existing Shareholders an opportunity to realise part of their investment in dusk;
- provide dusk with access to capital markets to improve financial flexibility;
- create a liquid market for the Shares and an opportunity for others to invest in the Company; and
- provide dusk with the benefits of an increased profile that arises from being a listed entity.

### 7.1.3 Sources and uses of Offer proceeds

The following table details the sources and uses of funds.

**Table 37. Sources and uses of Offer proceeds**

<b>Sources</b>	<b>A\$</b>	<b>Uses</b>	<b>A\$</b>
Cash proceeds received by the Company for the issue of Shares under the Offer	\$20.0	General corporate purposes	\$20.0
Cash proceeds received for the transfer of Shares by SaleCo under the Offer	\$70.0 million	Payment by SaleCo of cash proceeds to the Selling Shareholders as consideration for the acquisition of Shares being transferred under the Offer	\$70.0 million
<b>Total sources</b>	<b>\$70.0 million</b>	<b>Total uses</b>	<b>\$70.0 million</b>

### 7.1.4 Other information about dusk and the Offer

dusk's Pro Forma Historical Statement of Financial Position following Completion of the Offer, including details of pro forma adjustments, is set out in Section 4.5.

The Company's capital structure and indebtedness as at FY20 year end is set out in Section 4.5.2.

The Company is an Australian resident public company for tax purposes. The Company operates on a weekly retail calendar and its reporting periods end on a Sunday. Accordingly, its financial year end can vary such that its financial year end does not always fall on 30 June.

### 7.1.5 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion of the Offer, dusk will have sufficient working capital available to fulfil the purposes of the Offer and meet dusk's stated business objectives.

## 7 Details of the Offer (continued)

### 7.1.6 Shareholding structure

The details of the ownership of Shares immediately prior to Completion of the Offer and on Completion of the Offer, are set out below.

Table 38. dusk shareholding structure

Shareholder	Shares held prior to Completion of the Offer		Shares transferred to SaleCo in connection with the Offer		Shares acquired in the Offer		Shares held at Completion of the Offer	
	Shares	%	Shares	%	Shares	%	Shares	%
Catalyst <sup>1</sup>	40,132,032	64.5%	24,335,983	39.1%	–	–	15,796,049	25.4%
BBRC <sup>1</sup>	11,512,282	18.5%	6,981,024	11.2%	–	–	4,531,258	7.3%
John Joyce and Peter King <sup>1,2</sup>	4,550,000	7.3%	–	–	–	–	4,550,000	7.3%
David MacLean Investments <sup>1</sup>	3,173,832	5.1%	1,924,605	3.1%	–	–	1,249,227	2.0%
Other Directors (Trent Peterson, Tracy Mellor and Katherine Ostin) <sup>3</sup>	–	–	–	–	290,000	0.5%	290,000	0.5%
Other Existing Shareholders	2,899,709	4.7%	1,758,378	2.8%	–	–	1,141,331	1.8%
Successful Applicants <sup>4</sup>	–	–	–	–	34,710,000	55.7%	34,710,000	55.7%
<b>Total</b>	<b>62,267,855</b>	<b>100.0%</b>	<b>34,999,990</b>	<b>56.2%</b>	<b>35,000,000</b>	<b>56.2%</b>	<b>62,267,865</b>	<b>100.0%</b>

Notes:

1. The Shares held by Catalyst, BBRC, John Joyce, Peter King and David MacLean Investments on Completion of the Offer will be subject to the voluntary escrow arrangements described in Section 9.6.
2. Prior to the Prospectus Date, the Company entered into agreements with John Joyce and Peter King under which it agreed to buyback and cancel certain options over Shares held by them.
3. No voluntary escrow arrangements apply to the Shares held by these Directors. Trent Peterson also has an indirect interest in the Shares held by Catalyst as a result of his employment with, and minority investment in, Catalyst.
4. Excludes Existing Shareholders and Directors who apply for and receive Shares in the Offer.



## 7.2 Terms and conditions of the Offer

Topic	Summary
<b>What type of security is being offered?</b>	Shares (being fully paid ordinary shares in the Company).
<b>What are the rights and liabilities attached to the Shares?</b>	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
<b>What is the consideration payable for each Share?</b>	The Offer Price is \$2.00 per Share.
<b>What are the Broker Firm Offer Period and Priority Offer Period?</b>	<p>The key dates, including details of the Broker Firm Offer Period and Priority Offer Period, are set out in the “Timetable and key Offer statistics” section. No Shares will be issued or transferred on the basis of this Prospectus later than the Expiry Date.</p> <p>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney Time.</p> <p>The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary the dates and times of the Offer (including, subject to the ASX Listing Rules and the Corporations Act, to extend the Offer, close the Offer early, to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion) in each case without notifying any recipient of this Prospectus or any Applicants.</p> <p>If the Offer is cancelled or withdrawn before the allotment of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as soon as possible after the Offer opens. The admission of the Company to the Official List and the commencement of quotation of the Shares are subject to confirmation from the ASX.</p>
<b>What are the cash proceeds to be raised under the Offer?</b>	\$70.0 million will be raised from investors under the Offer.
<b>What is the minimum and maximum Application size under the Broker Firm Offer?</b>	<p>The minimum Application under the Broker Firm Offer is \$2,000, and in multiples of \$100 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>The Joint Lead Managers, the Company and SaleCo reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. The Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer.</p>
<b>What is the minimum and maximum Application size under the Priority Offer?</b>	<p>The minimum Application amount under the Priority Offer is \$10,000 and in multiples of \$1,000 thereafter, or such other amounts as specified in the terms of the invitation to participate in the Priority Offer. There is no maximum value of Shares that may be applied for under the Priority Offer.</p> <p>The Joint Lead Managers, the Company and SaleCo reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for subject to any guaranteed minimum allocation specified in the terms of the invitation to participate in the Priority Offer. The Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>

## 7 Details of the Offer (continued)

Topic	Summary
<b>What is the guaranteed minimum allocation size under the Priority Offer?</b>	Invited Applicants under the Priority Offer will receive a guaranteed minimum allocation of Shares which will be specified in their personalised invitation.
<b>What is the allocation policy?</b>	<p>The allocation of Shares between the Broker Firm Offer, Priority Offer and Institutional Offer will be determined by agreement between the Company and the Joint Lead Managers.</p> <p>With respect to the Broker Firm Offer, it will be a matter for Brokers as to whom they allocate Shares among their eligible clients, and they (and not the Joint Lead Managers or the Company) will be responsible for ensuring that eligible clients who have received an allocation from them, receive the relevant Shares.</p> <p>The allocation of Shares in the Priority Offer will be determined by the Company, following consultation with the Joint Lead Managers, subject to guaranteed minimum allocations specified in the personalised invitations received by those invited to participate in the Priority Offer.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company.</p>
<b>When will I receive confirmation whether my Application has been successful?</b>	<p>It is expected that initial holding statements will be dispatched by standard post on or about 3 November 2020.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of Application Monies received from them, will be made as soon as possible after Completion of the Offer, which is expected to occur on or about 29 October 2020. No refunds will be made where the overpayments relate solely to rounding at the Offer Price.</p>
<b>Will the Shares be quoted?</b>	<p>The Company will apply to the ASX within seven days after the Prospectus Date for admission to the Official List and quotation of Shares on the ASX under the code DSK.</p> <p>If the Company does not make such an application within seven days after the Prospectus Date, or permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by the Company and SaleCo will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of dusk or the Shares offered under the Offer.</p>
<b>When are the Shares expected to commence trading?</b>	<p>It is expected that trading of the Shares on the ASX will commence on or about 2 November 2020 and that dispatch of holding statements will occur on or about 3 November 2020.</p> <p><b>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</b></p> <p>The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, even if such person received confirmation of their allocation from the dusk IPO Offer Information Line or confirmed their firm allocation through a Broker.</p>

Topic	Summary
<b>Is the Offer underwritten?</b>	Yes. The Joint Lead Managers have fully underwritten the Offer. Details are provided in Section 9.5.
<b>Are there any Escrow Arrangements?</b>	Yes. Details are provided in Section 9.6.
<b>Has any ASIC relief or ASX waiver been obtained or been relied on?</b>	No.
<b>Are there any tax considerations?</b>	<p>Yes. Refer to Section 9.12 and note that given the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of each investor to make their own enquiries (including consulting independent taxation advisers) concerning the taxation consequences of an investment in Shares.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, taxation adviser or other independent and qualified professional adviser.</p>
<b>Are there any brokerage, commission or stamp duty considerations?</b>	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p> <p>See Section 9.5.1 for details of various fees payable by the Company and SaleCo to the Joint Lead Managers.</p>
<b>How can I apply?</b>	<p>Broker Firm Offer Applicants should refer to Section 7.3.2 for details on how to apply.</p> <p>Priority Offer Applicants should refer to Section 7.4.2 for details on how to apply.</p> <p>Institutional Offer Applicants were contacted by the Joint Lead Managers in relation to applying under the Institutional Offer.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>
<b>What should I do with any enquiries?</b>	<p>For more information, call the dusk IPO Offer Information Line on 1300 157 205 (within Australia) or +61 3 9415 4019 (outside Australia) from 8.30am until 5.00pm (Sydney Time) Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should consult with your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>

## 7.3 Broker Firm Offer

### 7.3.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.



## 7 Details of the Offer (continued)

### 7.3.2 How to apply

Applications for Shares may only be made on an application form attached to or accompanying this Prospectus. If you are an Applicant applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received an invitation to participate. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an Application under the Broker Firm Offer, you declare that you were given access to this Prospectus (including any supplementary or replacement prospectus), together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is \$2,000 of Shares, and in multiples of \$100 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company, SaleCo and the Joint Lead Managers reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. The Company and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer Application procedures or requirements, in their discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker in accordance with the Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Company, SaleCo, the Joint Lead Managers and the Share Registry take no responsibility for the acts or omissions of your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney Time) on 12 October 2020 and is expected to close at 5.00pm (Sydney Time) on 21 October 2020. The Company and SaleCo, in consultation with the Joint Lead Managers, reserve the right to vary the dates and times of the Offer (including, subject to the ASX Listing Rules and the Corporations Act, to extend the Offer, close the Offer early, to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion) in each case without notifying any recipient of this Prospectus or any Applicants. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### 7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker.

### 7.3.4 Broker Firm Offer allocation policy

The allocation of Shares to Brokers is determined by agreement between the Joint Lead Managers and the Company.

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company, SaleCo and the Joint Lead Managers to reject or scale back Applications). It will be a matter for those Brokers as to how they allocate Shares among their retail clients, and they (and not the Company, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

## 7.4 Priority Offer

### 7.4.1 Who can apply?

The Priority Offer is open to investors nominated by the Company who receive a Priority Offer invitation.

### 7.4.2 How to apply

If you receive a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation to complete and lodge your Application.

By making an Application under the Priority Offer, you declare that you were given access to this Prospectus (including any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

Applications under the Priority Offer must be for a minimum size of \$10,000 worth of Shares at the Offer Price and in multiples of \$1,000 worth of Shares thereafter (or as otherwise specified in the terms of the invitation). Applicants under the Priority Offer will receive a guaranteed minimum allocation of the amount of Shares specified in their personalised invitation, and thereafter may be subject to scale back by the Company in consultation with the Joint Lead Managers.

#### **7.4.3 How to pay**

Applicants under the Priority Offer must pay by BPAY<sup>®</sup> following the instructions outlined in their personalised invitation and Priority Offer Application Form. When completing your BPAY<sup>®</sup> payment, please make sure to use the specific biller code and unique customer reference number provided to you on your online Priority Offer Application Form.

It is the Applicant's responsibility to ensure payments are received by the end of the Priority Offer Period, being 5.00pm (Sydney Time) on 19 October 2020. If you make a BPAY<sup>®</sup> payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY<sup>®</sup> and may have policies with respect to timing for processing BPAY<sup>®</sup> transactions, which may vary between bank, credit union or building society. The Company, SaleCo and the Joint Lead Managers take no responsibility for any failure to receive Application Monies by BPAY<sup>®</sup> before the end of the Priority Offer Period arising as a result of, among other things, delays in processing of payments by financial institutions.

If the amount of your BPAY<sup>®</sup> payment for Application Monies (or the amount for which those BPAY<sup>®</sup> payments clear in time for allocation) is insufficient to pay for the number of Shares you have applied for in your Priority Offer Application Form, you may be taken to have applied for such lower number of Shares as your cleared Application Monies will pay for (and to also have specified that amount in your Priority Offer Application Form), or your Application may be rejected.

#### **7.4.4 Allocation policy**

The allocation of Shares in the Priority Offer will be determined by the Company, following consultation with the Joint Lead Managers. Applicants under the Priority Offer will receive a guaranteed minimum allocation of Shares as specified in their personalised invitation to participate in the Priority Offer. The Company and SaleCo may reject an Application in their absolute discretion.

The Company and SaleCo reserve the right to scale back or reject Applications in whole or part, without giving any reason, subject to the guaranteed minimum allocation described above. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for (subject to the guaranteed minimum allocation), will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded. The Company and SaleCo may amend or waive the Priority Offer Application procedures or requirements, in their discretion in compliance with applicable laws.

### **7.5 Acceptance of Applications under the Broker Firm and Priority Offer**

An Application in the Broker Firm Offer and Priority Offer is an offer by an Applicant to the Company and SaleCo to acquire Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application is irrevocable.

An Application in any part of the Offer may be accepted by the Company and SaleCo in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract. The Company, SaleCo and the Joint Lead Managers reserve the right to reject any Application, which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Offer or any part of it, or to waive or correct any errors made by the Applicant in completing their Application.

Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Your Application Monies should be for the entire number of Shares you are applying for.

## 7 Details of the Offer (continued)

### 7.6 Institutional Offer

#### 7.6.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer were made under this Prospectus and were at the Offer Price per Share.

#### 7.6.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Joint Lead Managers and the Company. The Joint Lead Managers and the Company had absolute discretion regarding the basis of allocation of Shares among the Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Joint Lead Managers. The allocation policy for the Institutional Offer was influenced, but not constrained by, the following factors:

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion of the Offer;
- the Company's desire to establish a wide spread of institutional Shareholders;
- the overall anticipated level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Joint Lead Managers considered appropriate.

### 7.7 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company, SaleCo or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued or transferred the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, SaleCo and the Joint Lead Managers and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that the Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company and SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged, transferred in the United States, except in accordance with US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States or a US Person;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

## 7.8 Underwriting arrangements

The Offer is fully underwritten by the Joint Lead Managers. The Joint Lead Managers, the Company and SaleCo have entered into the Underwriting Agreement under which the Joint Lead Managers have agreed, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer in equal proportions and to manage the Offer. The Underwriting Agreement sets out a number of circumstances in which the Joint Lead Managers may terminate the Underwriting Agreement and their underwriting obligations.

A summary of certain terms of the Underwriting Agreement, including the termination provisions, is provided in Section 9.5.

## 7.9 Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before Completion of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Joint Lead Managers, the Company and SaleCo also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, waive or correct any errors made by any Applicant in completing an Application Form, or allocate to any Applicant fewer Shares than those applied for. Applications received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

## 7.10 ASX listing, registries and holding statements

### 7.10.1 Application to ASX for listing of the Company and quotation of Shares

The Company will apply to the ASX within seven days after the Prospectus Date for admission to the Official List and quotation of Shares on the ASX under the code DSK.

If the Company does not make such an application within seven days after the Prospectus Date, or permission is not granted for the official quotation of the Shares on the ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by the Company and SaleCo will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

The ASX and its officers take no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit the Company to the Official List is not to be taken as an indication of the merits of dusk or the Shares offered for sale.

### 7.10.2 CHESS and issuer sponsored holdings

The Company will apply to participate in the ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on the ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, being an electronic CHESS subregister or an issuer sponsored subregister.

## 7 Details of the Offer (continued)

For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESSE or a Shareholder sponsored by a participant in CHESSE will be registered on the CHESSE subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. It is expected that holding statements will be dispatched by standard post on or about 3 November 2020. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESSE holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their Shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESSE subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

### 7.10.3 Trading and selling Shares on market

It is expected that trading of the Shares on the ASX will commence on or about 2 November 2020 and dispatch of initial holding statements is expected to occur on or about 3 November 2020.

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. The Company, SaleCo, the Share Registry and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the dusk IPO Offer Information Line or confirmed your firm allocation through a Broker.

### 7.10.4 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Each Applicant under the Institutional Offer has been required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

## 7.11 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

### 7.11.1 Meetings of members

Every Shareholder is entitled to receive notice of, attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act and the ASX Listing Rules.

The Directors may determine to hold a general meeting of members using or with the assistance of any technology that gives the members as a whole a reasonable opportunity to participate, which may include but is not limited to electronic participation facilities or linking separate meeting places together by technology.

#### **7.11.2 Voting at a general meeting**

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney and entitled to vote is entitled to one vote on a show of hands and, on a poll, one vote for each Share held by the Shareholder (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to any deliberative vote.

#### **7.11.3 Dividends**

The Board may pay any dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a share, and fix a record date for a dividend and method of payment.

#### **7.11.4 Transfer of Shares**

Subject to the Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred by a proper transfer executed in accordance with the ASX Settlement Operating Rules, Corporations Regulations and ASX Listing Rules or by a written transfer in any other form approved by the Board and permitted by the relevant laws and ASX requirements.

The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

#### **7.11.5 Issue of further shares**

The Board may, subject to the Constitution, Corporations Act and ASX Listing Rules issue, allot, or grant Options for, or otherwise dispose of shares in the Company on such terms as the Board decides.

#### **7.11.6 Preference shares**

The Company may issue preference shares including preference shares which are, or at the option of the Company or a holder are, liable to be redeemed or convertible to Shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been decided by the Board under the terms of issue.

#### **7.11.7 Winding up**

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any shares or classes of shares, shareholders will be entitled to share in any surplus property of the Company in proportion to the number of shares held by them.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of shareholders, divide among the shareholders all or part of the Company's property and decide how the division is to be carried out as between shareholders or different classes of shareholders.

#### **7.11.8 Non-marketable parcels**

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution.

#### **7.11.9 Variation of class rights**

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

## 7 Details of the Offer (continued)

### 7.11.10 Directors – appointment and retirement

Under the Constitution, the number of Directors shall be a minimum of three Directors and a maximum of nine Directors unless the Company resolves otherwise at a general meeting.

No Director (excluding the managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director, either as an addition to the existing Directors or to fill a casual vacancy on the Board, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

A person is eligible for election to the office of a Director at a general meeting if they are nominated or recommended by the Board or if not less than the number of Shareholders required to give notice of a resolution under the Corporations Act (subject to timing requirements) nominate a person in accordance with the Constitution.

### 7.11.11 Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present at the meeting and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote at the meeting, in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

A written resolution of the Board may be passed without holding a meeting of the Board, if 80% of the Directors who are entitled to vote on the resolution and would have constituted a quorum at a physical meeting of Directors sign or consent to the resolution.

### 7.11.12 Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. The total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director (who is not an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.2.2. Any change to that maximum aggregate amount needs to be approved by Shareholders in general meeting.

Directors are entitled to be paid for all travelling and other expenses incurred in attending to the Company's affairs, including attending and returning from general meetings of the Company or of the Board or of committees of the Board. Any Director who performs extra services, makes any special exertions for the benefit of the Company or otherwise performs services, which, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of funds of the Company.

Non-Executive Directors' remuneration is discussed further in Section 6.3.2.2.

### 7.11.13 Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and are not required by law or the Constitution to be done by the Company in general meeting.

### 7.11.14 Access to records

The Company may enter into contracts with a Director or former Director agreeing to provide continuing access, for a specified period after the Director ceases to be a Director, to Board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director on such terms and conditions as the Board thinks fit. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.



**7.11.15 Indemnities**

The Company must indemnify each officer of the Company on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by that person as an officer of the Company or its related bodies corporate.

The Company, may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or its related bodies corporate, including but not limited to a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

**7.11.16 Amendment**

The Constitution may be amended only by special resolution passed by at least 75% of the Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of the Company.

**7.11.17 Share capital**

On Completion of the Offer, the only classes of security on issue by the Company will be fully paid ordinary shares.

## Section 8

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# Investigating Accountant's Report



## 8 Investigating Accountant's Report



The Directors  
Dusk Group Limited  
75/85 O'Riordan Street  
Alexandria 2015

The Directors  
Dusk Group SaleCo Limited  
75/85 O'Riordan Street  
Alexandria 2015

2 October 2020

Dear Directors

### ***Investigating Accountant's Report***

### ***Independent Limited Assurance Report on Dusk Group Limited historical and Pro Forma forecast financial information and Financial Services Guide***

We have been engaged by Dusk Group Limited (the **Company**) and Dusk Group SaleCo Limited (**SaleCo**) (collectively, you) to report on the historical and Pro Forma forecast financial information of the Company, as defined below, for inclusion in the Prospectus (**Offer Document**) dated on or about 2 October 2020 and relating to the initial public offering of fully paid ordinary shares in the Company (**Shares**) for issue by the Company and sale by SaleCo and the associated listing of the Company and its shares on the Australian Securities Exchange (**Offer**).

Expressions and terms defined in the Offer Document have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001 (Cth). PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001 (Cth). This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

### ***Scope***

You have requested PricewaterhouseCoopers Securities Ltd to review the following financial information of the Company (the responsible party) (**Financial Information**) included in the Offer Document:

**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572**

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001  
T: +61 2 8266 0000, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124  
T: +61 2 9659 2476, F: +61 2 8266 9999, [www.pwc.com.au](http://www.pwc.com.au)

## 8 Investigating Accountant's Report (continued)



- The **Statutory Historical Financial Information** of the Company comprising:
  - Statutory historical consolidated income statements for the financial years ended 1 July 2018 (**FY18**), 30 June 2019 (**FY19**) and 28 June 2020 (**FY20**) (**Statutory Historical Results**);
  - Statutory historical consolidated cash flows for FY18, FY19, FY20 (**Statutory Historical Cash Flows**); and
  - Statutory historical consolidated statement of financial position as at 28 June 2020 (**Statutory Historical Statement of Financial Position**).

The Statutory Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, as described in Appendix A of the Offer Document

The Statutory Historical Financial Information has been extracted from the financial reports of the Company for FY18, FY19, and FY20, which were audited by EY in accordance with the Australian Auditing Standards. EY issued unmodified audit opinions on each of the financial reports.

The Statutory Historical Financial Information is presented in the Offer Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

- The **Pro Forma Historical Financial Information** of the Company comprising:
  - Pro forma historical consolidated income statements for FY18, FY19 and FY20 and for the 52 weeks ended 29 September 2019 (**LTM Sep'19**) (**Pro Forma Historical Results**);
  - Pro forma historical consolidated cash flows for FY18, FY19 and FY20 (**Pro Forma Historical Cash Flows**); and
  - Pro forma historical consolidated statement of financial position as at 28 June 2020 (**Pro Forma Historical Results**).

The Pro Forma Historical Financial Information assumes Completion of the Offer (as described in the Offer Document). The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of the Company, after adjusting for the effects of Pro Forma adjustments described in section 4.3.3 of the Offer Document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the Pro Forma adjustments relate, as described in section 4.3.3 of the Offer Document, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance, and cash flows.

- The **Pro Forma Forecast Financial Information** of the Company comprising:





- Pro forma forecast consolidated income statement for the 52 weeks ending 27 September 2020 (LTMSep20F) (**Pro Forma Forecast Results**).

The directors' best-estimate assumptions underlying the Pro Forma Forecast Financial Information are described in section 4.6.2 of the Offer Document.

The Pro Forma Forecast Financial Information assumes Completion of the Offer (as described in the Offer Document). The stated basis of preparation used in the preparation of the Pro Forma Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards, the Company's adopted accounting policies and the event(s) or transaction(s) to which the Pro Forma adjustments relate, as described in section 4.3.3 of the Offer Document, as if those event(s) or transaction(s) had occurred as at 30 September 2019. Due to its nature, the Pro Forma Forecast Financial Information does not represent the company's actual prospective financial performance for the 52 weeks ending 27 September 2020.

### ***Directors' Responsibility***

The directors of the Company are responsible for the preparation of the Historical Financial Information and Pro Forma Historical Financial Information including its basis of preparation and the selection and determination of Pro Forma adjustments made to the Historical Financial Information, as included in the Pro Forma Historical Financial Information.

The directors of the Company are also responsible for the preparation of the Pro Forma Forecast Financial Information, including its basis of preparation, the best-estimate assumptions underlying the Pro Forma Forecast Financial Information and the selection and determination of the Pro Forma adjustments included in the Pro Forma Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal control as the directors determine are necessary to enable the preparation of Historical Financial Information, Pro Forma Historical Information and Pro Forma Forecast Information that are free from material misstatement.

### ***Our Responsibility***

Our responsibility is to express limited assurance conclusions on the Historical Financial Information, the Pro Forma Historical Financial Information, and the Pro Forma Forecast Financial Information, the best-estimate assumptions underlying the Pro Forma Forecast Financial Information, and the reasonableness of the Pro Forma Forecast Financial Information themselves, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.



### **Conclusions**

#### ***Statutory Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Company, as described in sections 4.2.1 and 4.2.2 of the Offer Document is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2.2 of the Offer Document being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies.

#### ***Pro Forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information of the Company as described in sections 4.2.1, 4.2.2 and 4.3.3 of the Offer Document is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in sections 4.2.2 and 4.3.3 of the Offer Document being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the event(s) or transaction(s) to which the Pro Forma adjustments relate, as described in sections 4.2.2 and 4.3.3 of the Offer Document, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information.

#### ***Pro Forma Forecast Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Pro Forma Forecast Financial Information of the Company for the 52 weeks ending 27 September 2020 do not provide reasonable grounds for the Pro Forma Forecast Financial Information; and
- in all material respects, the Pro Forma Forecast Financial Information:
  - is not properly prepared on the basis of the directors' best-estimate assumptions, as described in section 4.6.2 of the Offer Document; and
  - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Pro Forma Forecast Financial Information and the Pro Forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Pro Forma Forecast Financial Information itself is unreasonable.

The Pro Forma Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the 52 weeks ending 27 September 2020. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s)



that have not yet occurred and may not occur. Actual results are likely to be different from the Pro Forma Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material.

The directors' best-estimate assumptions on which the Pro Forma Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the directors' best-estimate assumptions on which the Pro Forma Forecast Financial Information are based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Offer Document, and the inherent uncertainty relating to the Pro Forma Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.7 of the Offer Document. The sensitivity analysis described in section 4.7 of the Offer Document demonstrates the impact on the Pro Forma Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Pro Forma Forecast Financial Information will be achieved.

The Pro Forma Forecast Financial Information has been prepared by the directors for the purpose of inclusion in the Offer Document. We disclaim any assumption of responsibility for any reliance on this report, or on the Pro Forma Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

#### ***Notice to investors outside Australia***

Under the terms of our engagement this report has been prepared solely to comply with Australian Auditing Standards applicable to review engagements.

This report does not constitute an offer to sell, or a solicitation of an offer to buy, any securities. We do not hold any financial services licence or other licence outside Australia. We are not recommending or making any representation as to suitability of any investment to any person.

#### ***Restriction on Use***

Without modifying our conclusions, we draw attention to section 4.2 of the Offer Document, which describes the purpose of the Financial Information, being for inclusion in the Offer Document. As a result, the Financial Information may not be suitable for use for another purpose.

#### ***Consent***

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the Offer Document in the form and context in which it is included.





### ***Liability***

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Offer Document . PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or any omissions from, the Offer Document .

### ***Independence or Disclosure of Interest***

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this proposed initial public offering other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

### ***Financial Services Guide***

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Troy Porter', is written over a faint, light-colored signature line.

Troy Porter  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd



## ***Appendix A – Financial Services Guide***

### **PRICEWATERHOUSECOOPERS SECURITIES LTD**

#### **FINANCIAL SERVICES GUIDE**

#### **This Financial Services Guide is dated 2 October**

##### **1. About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) ("**PwC Securities**") has been engaged by Dusk Group Limited (the "**Company**") and Dusk Group SaleCo Limited (**SaleCo**) (collectively, **you**) to provide a report in the form of an Investigating Accountant's Report in relation to the historical and Pro Forma forecast financial information of the Company (the "**Report**") for inclusion in the Offer Document dated on or about 2 October 2020 relating to the proposed initial public offering of ordinary shares in the Company and listing on the Australian Securities Exchange.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

##### **2. This Financial Services Guide**

This Financial Services Guide ("**FSG**") is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

##### **3. Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

##### **4. General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product

## 8 Investigating Accountant's Report (continued)



advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

### 5. Fees, commissions and other benefits we may receive

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees charged are \$390,000 (excluding GST).

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

### 6. Associations with issuers of financial products

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business.

### 7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (“AFCA”), an external complaints resolution service. AFCA can be contacted by calling 1800 931 678. You will not be charged for using the AFCA service.

### 8. Contact Details

PwC Securities can be contacted by sending a letter to the following address:

Mr Troy Porter  
PricewaterhouseCoopers Securities Ltd  
One International Towers Sydney, Watermans Quay,  
Barangaroo NSW 2000

## Section 9

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### Additional information



## 9 Additional information

### 9.1 Registration

The Company was registered in Victoria, Australia, on 24 November 2014 and converted to a public company on 25 September 2020.

SaleCo was incorporated in Victoria, Australia on 14 September 2020.

### 9.2 Company tax status and financial year

The Company, as head company of the Dusk Group Limited income tax consolidated group, which comprises the following subsidiary members: Dusk Australasia Pty Ltd, Dusk Wholesale & Imports Pty Ltd and Dusk Europe Pty Ltd, will be taxed as an Australian resident public company for the purpose of Australian income tax law. The Company will be subject to tax at the applicable Australian corporate tax rate. The Company has a 365-day floating year end for Australian income tax purposes. The Company's tax year end has been aligned with its accounting year end.

### 9.3 Sale of Shares by SaleCo

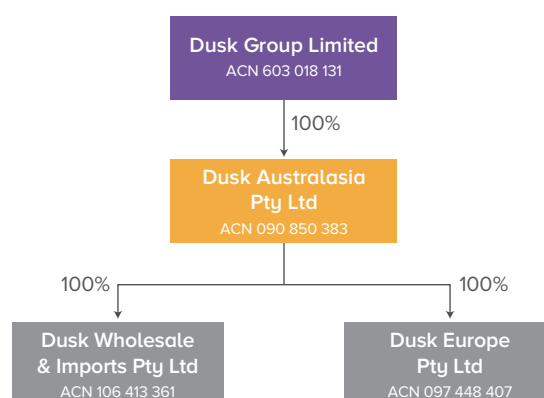
SaleCo is a special purpose vehicle that has been established to facilitate the sale of Shares by certain Existing Shareholders, being the Selling Shareholders.

Each of the Selling Shareholders has entered into an irrevocable sale deed with SaleCo under which they irrevocably offer to sell some or all of their Shares to SaleCo free from encumbrances and third party rights.

The Selling Shareholders have agreed to sell approximately 35.0 million Shares to SaleCo, being 56.2% of the Shares on issue at Completion of the Offer. The Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo to the Selling Shareholders for these Shares is the Offer Price.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and sale deeds described above. The shareholders and directors of SaleCo are John Joyce, Trent Peterson and Peter King. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer. The Company has also indemnified SaleCo and each SaleCo Director for any loss which SaleCo or the SaleCo Directors may incur in connection with the Offer.

### 9.4 Corporate structure



The diagram above sets out the corporate structure of dusk before and after Completion of the Offer. Each of the entities shown above is in the business of selling home fragrance products (except for Dusk Wholesale & Imports Pty Ltd and Dusk Europe Pty Ltd, which currently do not undertake any operations). Each entity was incorporated in Australia and its business activities are principally conducted in Australia.

## 9.5 Underwriting arrangements

The Company, SaleCo and the Joint Lead Managers have entered into an underwriting agreement dated 2 October 2020 (**Underwriting Agreement**) pursuant to which the Joint Lead Managers have agreed to, subject to certain customary conditions, arrange, manage and underwrite the Offer.

This summary of the key terms of the Underwriting Agreement does not purport to be complete.

### 9.5.1 Commission, fees and expenses

The Company or SaleCo must pay the Joint Lead Managers an underwriting fee of 3.50% of the Offer proceeds and a selling and management fee of 1.00% of the Offer proceeds (less certain retainer fees already paid) on the settlement date (as shown in the 'Key dates for the offer' section) (**Settlement Date**) (or in certain circumstances within two business days thereof). These fees will be shared equally between the Joint Lead Managers, and may be set off as a deduction from the total Offer proceeds upon issue and transfer of Shares under the Offer.

The Company and SaleCo have also agreed to pay or reimburse the Joint Lead Managers for reasonable costs, charges or expenses of and incidental to the Offer.

### 9.5.2 Termination events

If any of the following events has occurred or occurs at any time from the date of the Underwriting Agreement until 10.00am on the Settlement Date or at any other earlier time as specified below, a Joint Lead Manager may terminate the Underwriting Agreement without cost or liability by notice to the Company, SaleCo and the other Joint Lead Manager:

- (**disclosures in Prospectus**) a statement in this Prospectus or any supplementary or replacement prospectus is misleading or deceptive or likely to mislead or deceive, or there is an omission from this Prospectus or any supplementary or replacement prospectus of material required to be included in it (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- (**supplementary prospectus**) the Company and SaleCo:
  - issue or are required to issue, a supplementary or replacement prospectus because of the operation of section 719(1) of the Corporations Act; or
  - lodge a supplementary or replacement prospectus with ASIC in a form and substance that has not been approved by that Joint Lead Manager in circumstances required by the Underwriting Agreement;
- (**market fall**) at any time the S&P/ASX 300 Index falls to a level that is 90.0% or less of the level as at the close of trading on the date of the Underwriting Agreement and is at or below that level at the close of trading:
  - for at least 2 consecutive business days during any time after the date of the Underwriting Agreement and prior to the Settlement Date; or
  - on the business day immediately prior to the Settlement Date;
- (**share sale deed**) the share sale deed under which the Selling Shareholders irrevocably offer to sell some or all of their Shares to SaleCo is varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- (**voluntary escrow deeds**) any of the voluntary escrow deeds under which Escrowed Shareholders are restricted from dealing in their Shares are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with;
- (**forecasts**) there are not, or there ceases to be, reasonable grounds for any statement or estimate in this Prospectus or other related Offer documents which relate to a future matter or any statement or estimate in these documents which relate to a future matter is unlikely to be met in the projected timeframe (including in each case financial forecasts);
- (**fraud**) any of the Company, SaleCo or any of their directors or officers (as those terms are defined in the Corporations Act) engage, or have been alleged by a governmental authority to have engaged since the date of the Underwriting Agreement, in any fraudulent conduct or activity whether or not in connection with the Offer;
- (**listing and quotation**) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions (in the reasonable opinion of that Joint Lead Manager), to:
  - the Company's admission to the official list of ASX on or before the Settlement Date; or
  - the quotation of the Shares on ASX or for the Shares to be traded through CHESS on or before the date of expected commencement of trading on the ASX, as shown in the 'Key dates for the offer' section),

## 9 Additional information (continued)

or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions in the reasonable opinion of that Joint Lead Manager) or withheld or the ASX indicates to the Company or SaleCo that approval is likely to be withdrawn, qualified (other than by customary conditions in the reasonable opinion of that Joint Lead Manager) or withheld;

- **(notifications)** any of the following notifications are made in respect of the Offer:
  - ASIC applies for an order under section 1324B or 1325 of the Corporations Act in relation to the Offer, this Prospectus or other Offer documents, and the application is not dismissed or withdrawn before the Settlement Date;
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act and any such inquiry or hearing is not withdrawn within 3 business days or if it is made within 3 business days of the Settlement Date it has not been withdrawn before the Settlement Date;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer document or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer document, and any such application, inquiry or hearing is not withdrawn within 3 Business Days or if it is made within 3 business days of the Settlement Date it has not been withdrawn before the Settlement Date;
  - any person who has previously consented to the inclusion of its name in this Prospectus (other than the terminating Joint Lead Manager) withdraws that consent; or
  - any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus (other than that Joint Lead Manager or a co-lead manager or co-manager);
- **(certificate)** the Company or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- **(withdrawal)** the Company or SaleCo withdraws this Prospectus, any supplementary or replacement prospectus or the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- **(timetable)** an event specified in the timetable set out in the Underwriting Agreement up to and including the Settlement Date is delayed (other than as permitted by the Underwriting Agreement);
- **(unable to issue or transfer)** the Company is prevented from issuing under the Offer or SaleCo is prevented from transferring under the Offer, by applicable laws, an order of a court of competent jurisdiction or a governmental authority, within the time required by the timetable set out in the Underwriting Agreement, the Offer documents, the Listing Rules, the Corporations Act and any other applicable laws;
- **(repayment of application moneys)** any circumstance arises after lodgement of this Prospectus with ASIC that results in the Company either repaying the money received from applicants or offering applicants an opportunity to withdraw their applications for Offer Shares and be repaid their application moneys;
- **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any governmental agency which makes it illegal for a Joint Lead Manager to satisfy a material obligation of the Underwriting Agreement, or to market, promote or settle the Offer;
- **(change to Company)** the Company:
  - alters the issued capital of the Company or a Group member; or
  - disposes or attempts to dispose of a substantial part of the business or property of the Group, without the prior written approval of the Joint Lead Managers (not to be unreasonably withheld or delayed);
- **(constitution)** the Company varies any term of its constitution without the prior written consent of the Joint Lead Managers or the Company does not comply with its constitution;
- **(insolvency events)** any Group member or SaleCo becomes insolvent, or there is an act or omission which is likely to result in a Group member or SaleCo becoming insolvent;
- **(regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform its obligations under the Underwriting Agreement, such that the Company or SaleCo is rendered unable to perform its obligations under the Underwriting Agreement;
- **(change in management)** a change in the managing director or chief financial officer of the Company is announced or occurs, or there is a change in the Board without the prior written consent of the Joint Lead Managers (which must not be unreasonably withheld or delayed);



- **(vacancy in office)** the managing director or chief financial officer of the Company, or a director, vacates his or her office (or announces an intention to do so); or
- **(prosecution)** any of the following occurs:
  - a director or proposed director of the Company or SaleCo is charged with an indictable offence; or
  - any director of the Company or SaleCo is disqualified from managing a corporation under Part 2D.6.

#### 9.5.2.1 Termination events subject to materiality

A Joint Lead Manager may terminate without cost or liability by notice to the Company, SaleCo and the other Joint Lead Manager if any of the following events occur at any time on or before 10.00am on the Settlement Date or at any earlier time as specified below, and the Joint Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the financial condition, financial position or financial prospects of Group, the success, settlement outcome or marking of the Offer, the ability of the Joint Lead Manager to market, promote or settle the Offer or on the willingness of investors to subscribe for shares under the Offer; or (ii) will, or is likely to, give rise to a liability of the Joint Lead Manager under, or a contravention by the Joint Lead Manager of any applicable law:

- **(compliance with law)** any of the Offer documents or any aspect of the Offer does not comply with the Corporations Act, the Listing Rules, or any other applicable law or regulation;
- **(new circumstances)** there occurs a new circumstance that arises after this Prospectus is lodged, that would have been required to be included in this Prospectus if it had arisen before lodgement;
- **(disclosures in public information)** a statement in any of public information made by, or on behalf of and with the knowledge and consent of the Company and SaleCo in relation to the Group or the Offer is or becomes misleading or deceptive or is likely to mislead or deceive;
- **(disclosures in the due diligence report)** the due diligence report provided to the Joint Lead Managers in connection with the Offer is, or becomes, false, misleading or deceptive, including by way of omission;
- **(information supplied)** any information supplied (including any information supplied prior to the date of the Underwriting Agreement) by or on behalf of a Group member to the Joint Lead Managers in connection with the Offer is, or is found to be, misleading or deceptive or likely to mislead or deceive (including by omission);
- **(legal proceedings)** any of the following occurs:
  - the commencement of legal proceedings against the Company, any other Group member or SaleCo or against any director or officer of any of them in that capacity; or
  - any governmental agency commences certain inquiries in relation to the Offer or the Company or announces that it intends to take such action, and such inquiry is not discontinued or withdrawn by the Settlement Date;
- **(adverse change)** an event occurs which is, or is likely to give rise to:
  - an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group from those disclosed in this Prospectus; or
  - an adverse change in the nature of the business conducted by the Group as disclosed in this Prospectus;
- **(misleading certificate)** a statement in any closing certificate provided to the Joint Lead Managers under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect;
- **(breach of laws)** there is a contravention by the Company or SaleCo or any entity in the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act, its constitution, the Listing Rules or any other applicable law;
- **(representations and warranties)** a representation or warranty contained in the Underwriting Agreement on the part of the Company or SaleCo is breached, becomes not true or correct or is not performed;
- **(breach)** the Company or SaleCo defaults on one or more of its undertakings or obligations under the Underwriting Agreement;
- **(encumbrances)** other than as disclosed in this Prospectus or associated Offer documents, a Group member charges or agrees to charge or creates any encumbrance (other than an encumbrance disclosed to the Joint Lead Managers prior to the date of the Underwriting Agreement) over, the whole, or a substantial part of its business or property;
- **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);

## 9 Additional information (continued)

- **(hostilities)** in respect of any one or more of Australia, New Zealand, the United States, the member states of the European Union, the United Kingdom, the Peoples' Republic of China and the Hong Kong Special Administrative Region:
  - hostilities not presently existing commence;
  - a major escalation in existing hostilities occurs (whether war is declared or not);
  - a declaration is made of a national emergency or war; or
  - a major terrorist act is perpetrated; or
- **(disruption in financial markets)** any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, New Zealand, the United States, Japan, the member states of the European Union, the United Kingdom, the Peoples' Republic of China or the Hong Kong Special Administrative Region is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, New Zealand, the United States, Japan, the member states of the European Union, the United Kingdom, the Peoples' Republic of China or the Hong Kong Special Administrative Region, or in foreign exchange rates or any development involving a prospective change in political, financial or economic conditions in any of those countries; or
  - trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, the Shanghai Stock Exchange or the Hong Kong Stock Exchange is suspended for at least 1 day on which that exchange is open for trading.
- **(material contracts)** if any of the obligations of the relevant parties under any of the contracts disclosed in this Prospectus as material are not capable of being performed in accordance with their terms or if all or any part of any of such contracts:
  - is terminated, withdrawn, rescinded, avoided or repudiated;
  - is altered, amended or varied in any material respect without the consent of the Joint Lead Managers;
  - is breached, or there is a failure by a party to comply in each case in any material respect;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or withdrawn or of limited force and effect, or its performance is or becomes illegal; or
- **(product warning)** a product warning or recall is issued in Australia in relation to any of the Group's products.

### 9.5.3 Conditions, representations, warranties and undertakings

The Underwriting Agreement contains representations, warranties and undertakings provided by either or both of the Company and SaleCo to the Joint Lead Managers, as well as customary conditions precedent. The representations and warranties relate to matters such as the Company's and SaleCo's powers and capacities, conduct (including in relation to the Group's businesses and operations, compliance with applicable laws, the due diligence undertaken and in relation to the Offer), information provided to the Joint Lead Managers, financial information, accounting controls, litigation and other matters including intellectual property, insurance, property and labour relations.

The Company's undertakings include that it will not (without the consent of the Joint Lead Managers), at any time after the date of the Underwriting Agreement and up to 120 days after Completion of the Offer, undertake certain actions, including not making certain changes to its business, Board, CEO or CFO, constitution or material contracts, and not issuing or agreeing to issue, any shares or other securities of the Company or any Group member (or securities convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any Group member), subject to certain limited exceptions including pursuant to an equity incentive plan, a dividend reinvestment or a bonus share plan.

### 9.5.4 Indemnity

Subject to certain exclusions including fraud, wilful misconduct, recklessness or gross negligence by an indemnified party, the Company and SaleCo each agree to keep the Joint Lead Managers and certain of their affiliated parties indemnified from losses suffered or incurred in connection with the Offer.

## 9.6 Escrow Arrangements

Each Escrowed Shareholder has entered into a voluntary escrow deed in respect of their Shares held on Completion of the Offer, which prevents them from dealing in their Shares for the periods set out in the table below (**Escrow Period**).

In aggregate, 26.1 million Shares will be the subject of these Escrow Arrangements, representing approximately 42.0% of the total Shares on issue immediately following Completion of the Offer. A table setting out the Escrowed Shareholders, the Shares they will hold following Completion of the Offer and the percentage of the total Shares on issue following Completion of the Offer subject to voluntary escrow is set out below:

Shareholder	Shares held on Completion of the Offer (#)	% of total issued Shares on Completion of the Offer subject to voluntary escrow	End of Escrow Period
John Joyce	2,275,000	3.7%	In respect of the following percentage of the Escrowed Shares held: <ul style="list-style-type: none"> <li>• 25% – at the close of trading on ASX on the day of announcement of the Company’s unaudited financial results for the financial year ending 30 June 2021;</li> <li>• 25% – at the close of trading on ASX on the day of announcement of the Company’s unaudited financial results for the half year ending 31 December 2021; and</li> <li>• 50% – at the close of trading on ASX on the day of announcement of the Company’s unaudited financial results for the financial year ending 30 June 2022.</li> </ul>
Peter King	2,275,000	3.7%	
Catalyst	15,796,049	25.4%	At the close of trading on ASX on the day of announcement of the Company’s unaudited financial results for the financial year ending 30 June 2021, provided that 40% of the Escrowed Shares held will be released from escrow earlier if, after announcement of the Company’s unaudited financial results for the half year ending 31 December 2020 the volume-weighted average Share price for any 10 consecutive days beginning on the day after the release of these results exceeds the Offer Price by at least 20%.
BBRC	4,531,258	7.3%	
David MacLean Investments	1,249,227	2.0%	
<b>Total</b>	<b>26,126,534</b>	<b>42.0%</b>	

The restriction on “dealing” is broadly defined and includes, among other things, to dispose of, or agree or offer to dispose of, the Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares or to create or agree or offer to create any security interest in the Escrowed Shares.

An Escrowed Shareholder may be released early from these escrow obligations, as required by law, or to enable:

- the Escrowed Shareholder to accept an offer under a takeover bid in respect of all or a proportion of the Escrowed Shares, provided that the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the takeover bid relate, have accepted an offer under the takeover bid; or
- the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act,

provided that, in each case, if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement, then the holder of such Escrowed Shares agrees that the restrictions applying to the Escrowed Shares will continue to apply.

## 9 Additional information (continued)

### 9.7 Supply agreements and licences

#### 9.7.1 Product supply contracts

dusk has in place supply arrangements with a number of counterparties for the manufacture of its products. These product supply contracts largely comprise terms and conditions agreed between dusk and the respective counterparty, under which dusk can submit purchase orders for the supply of goods.

The pricing mechanisms for the supply contracts differ across the arrangements, but generally involve either prices being pre-agreed between the parties or the subject of a quote (lasting 12 months from the date of the quote) given to dusk in respect of an item.

The product supply contracts generally have no fixed term and rely on the various counterparties accepting purchase orders that are submitted by dusk. Some contracts provide for early termination for convenience by the counterparty.

An important aspect of dusk's product offering is its use of fragrances which are made to its specifications, as discussed further in Section 3.3. These fragrances are typically developed and produced by various fragrance houses with whom dusk has established relationships; however, dusk does not have in place any contracts with these fragrance houses and is not the direct customer of the fragrance houses. Instead, dusk's product suppliers purchase the fragrances directly from the fragrance houses in connection with their manufacturing processes. The pricing, supply and exclusivity agreements pertaining to dusk's fragrances rely on dusk's historical business relationship with the fragrance houses, including longstanding relationships that dusk's personnel has with each of the fragrance houses.

#### 9.7.2 Other supply arrangements

dusk has a range of established supply arrangements with suppliers of other services important to dusk's business, for example for warehousing, logistics, IT systems and payment systems services. These relationships are typically governed by commercial contracts between dusk and the various providers which are standard for arrangements of this nature (often based on the relevant supplier's standard form agreement). In the event that one of these arrangements terminates, dusk considers that replacement arrangements are generally available.

#### 9.7.3 Licences

dusk has a licence through the Australian Industrial Chemicals Introduction Scheme to introduce relevant industrial chemicals into Australia up to a specified value. This licence is required to import a high proportion of the products sold by dusk, including dusk's mood reeds, MoodMist oils, essential oils, room sprays, fabric sprays and other similar products, and fragranced gem beads. The licence is required to be renewed annually.

### 9.8 Participation in issues of securities

Except as described in this Prospectus, the Company has not granted, or proposed to grant, any rights to any person, or to any class of person, to participate in an issue of the Company's securities.

### 9.9 Description of the syndicate

The Joint Lead Managers to the Offer are Shaw and Partners Limited and Canaccord Genuity (Australia) Limited.

### 9.10 Selling restrictions

#### 9.10.1 International offer restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## Hong Kong

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to “professional investors” (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of allotment of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (**FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

## Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (**SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) an “accredited investor” (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

## 9.11 Legal proceedings

The Company and its subsidiaries are, from time to time, party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, there are no current, pending or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company or its subsidiaries are directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

## 9 Additional information (continued)

### 9.12 Taxation considerations

The following comments provide a general summary of Australian tax issues for Australian tax resident investors who acquire Shares under this Prospectus.

The categories of investors considered in this summary are limited to individuals, certain companies, trusts, partnerships and complying superannuation entities, each of whom hold their shares on capital account.

This summary does not consider the consequences for non-Australian tax resident investors, or Australian tax resident investors who are insurance companies, banks, investors that hold their shares on revenue account or carry on a business of trading in shares or investors who are exempt from Australian tax. This summary also does not cover the consequences for Australian tax resident investors who are subject to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (the Taxation of Financial Arrangements or “TOFA” regime).

This summary is based on the law in Australia in force at the Prospectus Date. This summary does not take into account the tax law of countries other than Australia. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The taxation laws of Australia or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each investor’s specific circumstances.

Investors should obtain their own advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

#### 9.12.1 Dividends paid on Shares

##### 9.12.1.1 Individuals and complying superannuation entities

Where dividends on a Share are distributed, those dividends will constitute assessable income of an Australian tax resident investor. Australian tax resident investors who are individuals or complying superannuation entities should include the dividend in their assessable income in the year they derive the dividend, together with any franking credit attached to that dividend if they are a “qualified person” (refer further comments below). Such investors should be entitled to a tax offset equal to the franking credit attached to the dividend subject to being a “qualified person” or where the investor receives less than \$5,000 in franking credits from all sources for the income year. The tax offset can be applied to reduce the tax payable on the investor’s taxable income. Where the tax offset exceeds the tax payable on the investor’s taxable income in an income year, such investors should be entitled to a tax refund.

Where a dividend paid is unfranked, the investor will generally be taxed at their prevailing tax rate on the dividend received with no tax offset.

##### 9.12.1.2 Corporate investors

Corporate investors are required to include both the dividend and associated franking credit in their assessable income subject to being a “qualified person”. A tax offset is then allowed up to the amount of the franking credit on the dividend.

An Australian tax resident corporate investor should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend received. Such corporate investors can then pass on the benefit of the franking credits to their own investor(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund, but may be able to be converted into carry forward tax losses.

##### 9.12.1.3 Trusts and partnerships

Investors who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in their assessable income in determining the net income of the trust or partnership. Subject to being a “qualified person”, the relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit received by the trust or partnership.

##### 9.12.1.4 Shares held at risk

The benefit of franking credits can be denied where an investor is not a “qualified person” in which case the investor will not be able to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a qualified person, an investor must satisfy the holding period rule including, if necessary, the related payment rule.

The holding period rule requires an investor to hold the Shares “at risk” for more than 45 days continuously, in the period beginning the day after the day on which the investor acquires the Shares and ending on the 45th day after the day on which the Shares become ex-dividend. The date the Shares are acquired and disposed of are ignored for the purpose of determining the 45-day period. Any day on which an investor has a materially diminished risk or loss of opportunity for gain (through transactions such as granting Options or warrants over Shares or entering into a contract to sell the Shares) will not be counted as a day on which the investor held the Shares “at risk”. This holding period rule is subject to certain exceptions. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the investor has made, or is under an obligation to make, a related payment in relation to a dividend. A related payment is one where an investor or their associate passes on the benefit of the dividend to another person. The related payment rule requires the investor to have held the Shares “at risk” for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, this should not impact investors who do not pass the benefit of the dividend to another person. Investors should obtain their own tax advice to determine if these requirements have been satisfied.

Dividend washing rules can apply such that no tax offset is available (nor is an amount required to be included in your assessable income) for a dividend received. Investors should consider the impact of these rules having regard to their own personal circumstances.

### **9.12.2 Disposal of Shares**

The disposal of a Share by an investor will be a capital gains tax (CGT) event. A capital gain will arise where the capital proceeds on disposal exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm’s length on-market sale, the capital proceeds will generally be the cash proceeds from the sale.

A CGT discount may be applied against the capital gain (after reduction of total capital gains by capital losses) where the investor is an individual, complying superannuation entity or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one half, after offsetting current year or prior year capital losses. For a complying superannuation entity, any capital gain may be reduced by one third, after offsetting current year or prior year capital losses.

Where the investor is the trustee of a trust that has held the Shares for more than 12 months before disposal the CGT discount may flow through to the beneficiaries of the trust if those beneficiaries are not companies. Investors that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains.

A capital loss will be realised where the reduced cost base of the Shares exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the investor in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

### **9.12.3 Goods and services tax (GST)**

Investors should not be liable for GST in respect of their investment in Shares. Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Separate GST advice should be sought by investors in this respect.

### **9.12.4 Stamp duty**

Investors should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by investors on any subsequent transfer of Shares.

Investors should seek their own advice as to the impact of stamp duty in their own particular circumstances.

### **9.12.5 Tax file number (TFN) or Australian Business Number (ABN)**

Resident investors may, if they choose, notify the Company of their TFN, ABN or a relevant exemption from withholding tax with regards to dividends. In the event the Company is not so notified, tax will automatically be deducted at the highest marginal rate, including where relevant, the Medicare levy, from unfranked dividends and/or distributions.

Resident investors may be able to claim a tax credit/rebate (as applicable) in respect of any tax withheld on dividends in their income tax returns.



## 9 Additional information (continued)

### 9.13 Consent to be named and statement of disclaimers of responsibility

Each of the parties listed below in this Section 9.13 (each a **consenting party**) to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the consenting parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Shaw and Partners Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer;
- Canaccord Genuity (Australia) Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as a Joint Lead Manager to the Offer;
- Allier Capital Pty Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as independent financial adviser to the Company in relation to the Offer;
- Herbert Smith Freehills has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation and stamp duty matters) to the Company in relation to the Offer;
- PricewaterhouseCoopers Securities Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information and to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 8;
- Ernst & Young has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the auditor of the Company;
- PricewaterhouseCoopers has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as taxation adviser to the Company in relation to the Offer;
- Frost & Sullivan Australia Pty Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus and to the inclusion in this Prospectus of the information relating to the Home Fragrance Market which is attributed to it; and
- Computershare Investor Services Pty Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Share Registry to the Company.

No consenting party referred to in this Section 9.13 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each consenting party referred to in this Section 9.13 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in this Section 9.13.

### 9.14 Ownership restrictions

#### 9.14.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company, either themselves or through an associate.

#### **9.14.2 Foreign Acquisitions and Takeovers Act 1975 (Cth)**

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) (**FATA**) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (**substantial interest**), or 40% or more by two or more unassociated foreign persons and their associates (**aggregate substantial interest**). Where a foreign person holds a substantial interest in the Company or foreign persons hold an aggregate substantial interest in the Company, the Company itself will be a 'foreign person' for the purpose of the FATA.

Where an acquisition of a substantial interest or aggregate substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer, and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's Foreign Investment Policy (**Policy**) or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with the Policy, acquisitions of a direct interest in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval, irrespective of value. According to the Policy, a 'direct interest' will typically include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company but may also include investment of less than 10% in certain circumstances (for example where the investor is in a position to influence or control the target investment).

#### **9.15 Costs of the Offer**

The costs of the Offer are expected to be approximately A\$7.5 million (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Joint Lead Managers' management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). These costs have been, or will be, borne by the Company from available funds.

#### **9.16 Governing law**

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

#### **9.17 Statement of Directors**

This Prospectus has been authorised by each Director and each SaleCo Director who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent. The Directors have made enquiries and nothing has come to their attention to suggest that the Company is not continuing to earn profit from continuing operations up to the date of this Prospectus.

## Appendix A

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### Significant accounting policies



## Appendix A Significant accounting policies

The principal accounting policies adopted in the preparation of the financial information included in Section 4 of the Prospectus are set out below. These accounting policies are consistent with the general-purpose financial reports of dusk for the year ended 28 June 2020 which were audited in accordance with Australian Auditing Standards. The financial information has been extracted from the audited financial statements, which have been prepared in accordance with the requirements of the Corporations Act, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

### Basis of preparation

The financial information has been prepared on the historical cost basis and complies with the IFRS as issued by the IASB.

### Basis of consolidation

The consolidated financial information comprises the financial information of the Company and its subsidiaries at each reporting date disclosed. Control is achieved when dusk is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, dusk controls an investee if, and only if, dusk has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

### Foreign currencies

dusk's financial information is presented in Australian dollars, which is also the Company's functional currency. For each entity, dusk determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. 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 at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the consolidated income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

### Trade and other receivables

A receivable represents dusk's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value. dusk holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate (**EIR**) method. For trade and other receivables, dusk applies a simplified approach in calculating expected credit losses (**ECLs**). Therefore, dusk does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. dusk has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Cash

Cash in the consolidated statement of financial position comprises cash at bank and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash, as defined above.



## Appendix A Significant accounting policies (continued)

### Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- finished goods: cost of product, freight, central warehousing, duties and other customs charges.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, dusk depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- computer equipment                      3 years;
- plant and other equipment              5 to 8 years;
- shop fixtures and fittings                Over initial lease term;

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e. at the date the seller loses control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the consolidated income statement in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates and adjusted on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e. at the date the seller loses control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement.

dusk records direct costs associated with the development of computer software for external direct costs of materials and services consumed. Computer software has been determined to have a finite life, and is amortised on a straight-line basis over its useful life of three years. The assets' residual values, useful lives and amortisation methods are reviewed and adjusted, if appropriate, at each reporting date.

## Leases

### For FY20

dusk assesses at contract inception whether a contract is, or contains, a lease i.e. if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where dusk is a lessee, dusk applies a single recognition and measurement approach for all leases, except for leases of low-value assets. dusk recognises lease liabilities to make lease payments and right of use assets representing the right to use the underlying assets.

#### (i) Right of use assets

dusk recognises right of use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- property 5 to 7 years; and
- storage licenses 5 to 7 years.

If ownership of the leased asset transfers to dusk at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right of use assets are also subject to impairment.

#### (ii) Lease liabilities

At the commencement date of the lease, dusk recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by dusk and payments of penalties for terminating the lease, if the lease term reflects dusk exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, dusk uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

#### (iii) Short-term leases and leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases of property and storage licences that are considered to be low value. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term. However, the Group has not elected to use the short-term lease recognition exemption to its leases of property and storage licences (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

### For FY18 and FY19

Where dusk is a lessee, the determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to dusk is classified as a finance lease.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated income statement on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

## Appendix A Significant accounting policies (continued)

### Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not discounted. They represent liabilities for goods and services provided to dusk prior to the end of the financial year that are unpaid and arise when dusk becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

### Provisions

Provisions are recognised when dusk has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

- Refund liabilities – A provision has been made for dusk's obligation to return to customers the consideration paid for a product. The provision is calculated using the historical run-rate data.
- Voucher liabilities – A provision has been made for the expected redemption value of vouchers available under the dusk Rewards program.
- Make good provisions – A provision has been made for the present value of anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with returning the premises to their original condition.
- Wages, salaries and annual leave – Liabilities for wages and salaries, including non-monetary benefits and annual leave which are expected to be settled within 12 months of the reporting date, are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.
- Long service leave – dusk does not expect its long service leave benefits to be settled wholly within 12 months of each reporting date. dusk recognises a liability for long service leave measured as 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 currencies that match, as closely as possible, the estimated future cash outflows.
- Employee accruals – As dusk utilises a retail year end format of financial reporting, the need to accrue for unpaid or paid in advance retail wages can occur from year to year. This calculation incorporates the various retail award rates and penalty rates across each Australian state jurisdiction, including significant timesheet data for retail staff and estimates at year end of time worked, mandatory break periods and other award conditions.

### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which dusk expects to be entitled in exchange for those goods. dusk has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods before transferring them to the customer.

- Sale of goods – Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products.
- dusk Rewards (loyalty program) – dusk has a loyalty program, dusk Rewards, which gives rise to a separate performance obligation as it provides a material right to the customer. A portion of revenue is deferred and recognised as a contract liability which is recognised on a straight-line basis over the term of the loyalty card (24 months).

### Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of dusk by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of dusk by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

### Segment reporting

dusk operates a single operating segment being retail sales, operating in one geographical location, Australia.



## Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where dusk operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated income statement and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside the consolidated income statement is recognised outside the consolidated income statement. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

dusk offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Goods and services tax (**GST**) – Revenues, expenses and assets are recognised net of the amount of GST, except when:

- the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the consolidated statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

## Appendix B

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## Glossary



## Appendix B Glossary

Term	Meaning
<b>AAS or Australian Accounting Standards</b>	Australian Accounting Standards and other authoritative pronouncements (including the Australian Accounting Interpretations) issued by the AASB.
<b>AASB</b>	Australian Accounting Standards Board.
<b>Appendix</b>	an appendix to this Prospectus.
<b>Applicant</b>	a person who submits an Application.
<b>Application</b>	an application made to subscribe for Shares offered under this Prospectus.
<b>Application Form</b>	an application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
<b>Application Monies</b>	the amount of money submitted or made available by an Applicant in connection with an Application.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASIC Act</b>	<i>Australian Securities and Investments Commission Act 2001</i> (Cth).
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange that it operates, as the context requires.
<b>ASX Listing Rules or Listing Rules</b>	the listing rules of the ASX as amended, modified or waived from time to time.
<b>ASX Recommendations</b>	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).
<b>ASX Settlement</b>	ASX Settlement Pty Limited ABN 49 008 504 532.
<b>ASX Settlement Operating Rules</b>	the settlement operating rules of ASX Settlement.
<b>ATV</b>	average transaction value, being the total revenue divided by the total number of transactions (including online transactions).
<b>A\$, \$ or AUD</b>	the Australian dollar, being the lawful currency of Australia.
<b>BBRC</b>	BB Retail Capital Pty Ltd, a private investment company founded by Australian entrepreneur Brett Blundy.
<b>Board or Board of Directors</b>	the board of directors of the Company.
<b>Broker</b>	any ASX participating organisation selected by the Joint Lead Managers and the Company to act as a broker to the Offer.



## Appendix B Glossary (continued)

Term	Meaning
<b>Broker Firm Application Form</b>	an application form attached to or accompanying this Prospectus (including any electronic form provided by an online application facility) in respect of the Broker Firm Offer.
<b>Broker Firm Offer</b>	the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received a firm allocation from their Broker provided that such clients are not in the United States as described in Section 7.10.4.
<b>Broker Firm Offer Period</b>	the period from 12 October 2020 to 21 October 2020.
<b>CAGR</b>	compound annual growth rate.
<b>Catalyst</b>	Catalyst Investment Managers Pty Ltd ACN 118 410 101 and various entities or funds associated with, managed or advised by Catalyst Investment Managers Pty Ltd. Trent Peterson is engaged by Catalyst Investment Managers and holds a minority interest in various entities or funds associated with, managed or advised by Catalyst Investment Managers Pty Ltd.
<b>CEO</b>	Chief Executive Officer.
<b>CFO</b>	Chief Financial Officer.
<b>CHESS</b>	Clearing House Electronic Subregister System operated in accordance with the Corporations Act.
<b>Company</b>	Dusk Group Limited ACN 603 018 131.
<b>Completion or Completion of the Offer</b>	the date on which Shares are issued and transferred to Successful Applicants in accordance with the terms of the Offer.
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>COVID-19</b>	COVID-19 is the infectious disease caused by the most recently discovered coronavirus. This new virus and disease were unknown before the outbreak began in Wuhan, China, in December 2019. COVID-19 is now a pandemic affecting many countries globally. <sup>82</sup>
<b>David MacLean Investments</b>	David MacLean Investments Pty Ltd ACN 065 412 731 as trustee for the David MacLean ARG Retail Trust.
<b>Director</b>	a member of the Board.
<b>dusk</b>	the Company and its controlled entities and where the context requires the business carried on by them.
<b>EBIT</b>	earnings before interest and tax.

<sup>82</sup> World Health Organization website – <https://www.who.int/emergencies/diseases/novel-coronavirus-2019/coronavirus-disease-answers?query=What+is+COVID19%3F>

<b>Term</b>	<b>Meaning</b>
<b>EBIT margin</b>	EBIT divided by revenue.
<b>EBITDA</b>	net profit before interest expense on debt, income tax expense, depreciation and amortisation.
<b>EBITDA margin</b>	EBITDA divided by revenue.
<b>Escrow Arrangements</b>	the voluntary escrow arrangements described in Section 9.6.
<b>Escrowed Shareholder</b>	<ul style="list-style-type: none"> <li>• Peter King (CEO of the Company);</li> <li>• John Joyce (Chairman of the Company);</li> <li>• Catalyst;</li> <li>• BBRC; and</li> <li>• David MacLean Investments.</li> </ul>
<b>Escrowed Shares</b>	Shares held by the Escrowed Shareholders at Completion of the Offer.
<b>Existing Shareholders</b>	those Shareholders who hold Existing Shares immediately prior to Completion of the Offer.
<b>Existing Shares</b>	Shares held immediately prior to Completion.
<b>Expiry Date</b>	13 months after the Prospectus Date.
<b>Exposure Period</b>	the seven-day period commencing after lodgement of this Prospectus with ASIC during which no Applications may be accepted, which may be extended by ASIC for up to an additional seven days.
<b>FATA</b>	<i>Foreign Acquisitions and Takeovers Act 1975</i> (Cth).
<b>Financial Information</b>	the Historical Financial Information together with the Forecast Financial Information described in Section 4.
<b>Forecast Financial Information</b>	the Pro Forma Forecast Financial Information described in Section 4.
<b>FY17</b>	the financial year ended 30 June 2017.
<b>FY18</b>	the financial year ended 1 July 2018.
<b>FY19</b>	the financial year ended 30 June 2019.
<b>FY20</b>	the financial year ended 28 June 2020.
<b>FY21</b>	the financial year ending 30 June 2021.
<b>Group</b>	the Company and the Company's subsidiaries.
<b>GST</b>	goods and services tax imposed in Australia.

## Appendix B Glossary (continued)

Term	Meaning
<b>HIN</b>	Holder Identification Number.
<b>Historical Financial Information</b>	the Statutory Historical Financial Information together with the Pro Forma Historical Financial Information.
<b>Home Fragrance Market</b>	the market in Australia for Home Fragrance Products.
<b>Home Fragrance Products</b>	candle products (including scented, unscented and LED candles, but excluding birthday and other functional candles); diffusers and other home fragrance products (including ultrasonic diffusers, reed diffusers, air purifiers and essential oils); and candle related homewares (including candle holders and lanterns).
<b>IASB</b>	International Accounting Standards Board.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Institutional Investors</b>	investors who are: <ul style="list-style-type: none"> <li>• persons in Australia who are either “sophisticated investors” or “professional investors” under sections 708(8) and 708(11) of the Corporations Act; or</li> <li>• an institutional investor in certain other jurisdictions, as agreed between the Company and the Joint Lead Managers, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing, registration or qualification with, or approval by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply).</li> </ul>
<b>Institutional Offer</b>	the invitation to Institutional Investors to acquire Shares under this Prospectus, as described in Section 7.
<b>Investigating Accountant</b>	PricewaterhouseCoopers Securities Ltd.
<b>Investigating Accountant’s Report</b>	the Investigating Accountant’s Report and financial services guide prepared by the Investigating Accountant and set out in Section 8.
<b>IPO</b>	initial public offering.
<b>IT</b>	information technology.
<b>JobKeeper Payment</b>	a wage subsidy provided by the Australian Government for businesses significantly impacted by COVID-19.
<b>Joint Lead Managers or JLMs</b>	Shaw and Partners Limited and Canaccord Genuity (Australia) Limited.
<b>LFL</b>	like for like or comp sales is a measure of the sales for a store compared to the sales for that store in the previous corresponding period. It is calculated as a percentage change of the total aggregated sales generated from stores (including the online store) in a relevant period, compared to the total aggregated sales from the same set of stores in the relevant previous corresponding period.

<b>Term</b>	<b>Meaning</b>
<b>Listing</b>	admission of the Company to the Official List and quotation of the Shares.
<b>LTI</b>	has the meaning given in Section 6.3.4.3.
<b>Management</b>	the management team of the Company.
<b>New Shares</b>	Shares which are issued by the Company in the Offer.
<b>NPAT</b>	net profit after tax.
<b>Offer</b>	the offer of Shares under this Prospectus.
<b>Offer Price</b>	A\$2.00.
<b>Official List</b>	the official list of entities that the ASX has admitted to and not removed from listing.
<b>Policy</b>	has the meaning given in Section 9.14.2.
<b>Priority Offer</b>	the offer of Shares under this Prospectus to select investors nominated by the Company, as described in Section 7.4.
<b>Priority Offer Application Form</b>	a personalised application form attached to or accompanying this Prospectus and distributed to selected investors to accept their Priority Offer.
<b>Priority Offer Period</b>	the period from 12 October 2020 to 19 October 2020.
<b>Pro Forma Financial Information</b>	the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information for FY18, FY19, FY20, LTM Sep20F and Q1 FY21F as described in Section 4.1.
<b>Pro Forma Forecast Financial Information</b>	the pro forma forecast financial information for LTM Sep20F and Q1 FY21F as described in Section 4.1.
<b>Pro Forma Historical Cash Flow Information</b>	the pro forma historical cash flow information for FY18, FY19 and FY20 as described in Section 4.1.
<b>Pro Forma Historical Financial Information</b>	the pro forma historical financial information for FY18, FY19 and FY20 as described in Section 4.1.
<b>Pro Forma Historical Statement of Financial Position</b>	the pro forma historical statement of financial position as at 28 June 2020.
<b>Pro Forma Net Debt</b>	calculated as at 28 June 2020.
<b>Prospectus</b>	this document (including the electronic form of this document) and any supplementary or replacement prospectus in relation to this document.
<b>Prospectus Date</b>	the date on which a copy of this Prospectus was lodged with ASIC, being 2 October 2020.



## Appendix B Glossary (continued)

Term	Meaning
<b>Regulation S</b>	Regulation S under the US Securities Act.
<b>Retail Offer</b>	the Broker Firm Offer and the Priority Offer.
<b>SaleCo</b>	Dusk Group SaleCo Limited ACN 644 319 371.
<b>SaleCo Directors</b>	the directors of SaleCo, being John Joyce, Peter King and Trent Peterson.
<b>Selling Shareholders</b>	those Existing Shareholders who have agreed to sell Shares to SaleCo prior to Completion of the Offer.
<b>SEM</b>	search engine marketing.
<b>SEO</b>	search engine optimisation.
<b>Settlement</b>	settlement in respect of the Shares the subject of the Offer, occurring as described in the Underwriting Agreement.
<b>Share</b>	a fully paid ordinary share in the Company.
<b>Share Registry</b>	Computershare Investor Services Pty Limited ACN 078 279 277.
<b>Shareholder</b>	a holder of Shares.
<b>Shareholding</b>	a holding of Shares.
<b>SRN</b>	Securityholder Reference Number.
<b>Statutory Historical Financial Information</b>	the statutory historical financial information for FY18, FY19 and FY20 as described in Section 4.1.
<b>STI and STI Plan</b>	short-term incentive.
<b>Successful Applicant</b>	a person who submits an Application to subscribe for Shares offered under this Prospectus, which is successful.
<b>Sydney Time</b>	the official time in Sydney, Australia.
<b>Underwriting Agreement</b>	the underwriting agreement dated 2 October 2020 between the Company, SaleCo and the Joint Lead Managers.
<b>United States, US or USA</b>	the United States of America.
<b>US Person</b>	has the meaning given in Rule 902(k) under Regulation S.
<b>US Securities Act</b>	United States Securities Act of 1933, as amended.

# Appendix C Application Form







# Corporate directory

## Registered office

Building 1, Level 3  
75-85 O'Riordan Street  
Alexandria NSW 2015

## Legal adviser

### **Herbert Smith Freehills**

Level 34, ANZ Tower  
161 Castlereagh Street  
Sydney NSW 2000

## Joint Lead Managers

### **Shaw and Partners Limited**

Level 7, Chifley Tower  
2 Chifley Square  
Sydney NSW 2000

### **Canaccord Genuity (Australia) Limited**

Level 15, 333 Collins Street  
Melbourne VIC 3000

## Financial adviser

### **Allier Capital Pty Ltd**

Level 7, 2 Bligh Street  
Sydney NSW 2000

## Investigating Accountant

### **PricewaterhouseCoopers Securities Ltd**

One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000

## Auditor

### **Ernst & Young**

200 George Street  
Sydney NSW 2000

## Taxation adviser

### **PricewaterhouseCoopers**

One International Towers Sydney  
Watermans Quay  
Barangaroo NSW 2000

## Share Registry

### **Computershare Investor Services Pty Limited**

Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

## dusk IPO Offer Information Line

1300 157 205 (within Australia) or +61 3 9415 4019  
(outside Australia) from 8.30am until 5.00pm  
(Sydney Time), Monday to Friday.

## Offer website

<https://duskoffer.thereachagency.com>

## Corporate website

[www.dusk.com.au](http://www.dusk.com.au)



dusk