Mosaic Brands Limited

ABN 96 003 321 579

Appendix 4D – Results for announcement to the market

and

Interim Financial Report

Half-year ended 31 December 2023

Lodged with the ASX under Listing Rule 4.2A

Appendix 4D – Mosaic Brands Limited
Results for announcement to the market – 31 December 2023

MOSAIC BRANDS LIMITED (ABN: 96 003 321 579)
Results for announcement to the market
For the half-year ended 31 December 2023
(Comparative information is for the half-year ended 1 January 2023)

Financial Results

				$'000
Revenue from ordinary activities	Decreased	10%	to	254,454
Profit from ordinary activities after tax from continuing operations attributable to the owners of Mosaic Brands Limited	Increased	38%	to	5,380
Profit from ordinary activities after tax attributable to the owners of Mosaic Brands Limited	Increased	121%	to	5,380

Dividends

No interim dividend has been declared or proposed for the half-year reporting period ended 31 December 2023.

Net Tangible Assets (NTA)	Dec 2023	Dec 2022
Net tangible assets booking per ordinary security	(1.03) dollars	(1.28) dollars

Commentary on results

Please refer to the Review of Operations for the commentary on results.

This report should also be read in conjunction with any public announcements made by Mosaic Brands in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

Control gained over entities **Not applicable**

Loss of control over entities **Not applicable**

Foreign entities

The results of all foreign entities have been compiled using the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Audit qualification or review

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

Attachments Half-Year Financial Report

Signed________________________________ 29 February 2024
Scott Evans
Managing Director and Chief Executive Officer
Sydney

Mosaic Brands Limited

ABN 96 003 321 579

Interim Financial Report

Half-year ended 31 December 2023

DIRECTORS' REPORT

The Directors present their report, together with the financial statements, on the Consolidated Entity consisting of Mosaic Brands Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2023.

DIRECTORS

The following persons were Directors of Mosaic Brands Limited during the whole of the half-year and up to the date of the report:

Richard Facioni	Chairman and Non-Executive Director
Scott Evans	Managing Director and Chief Executive Officer
David Wilshire	Non-Executive Director
Jaqueline Frank	Non-Executive Director
Quentin Gracanin	Non-Executive Director

Principal activities

Mosaic Brands Limited owns and operates nine retail clothing brands, predominately within women's apparel and accessories within Australia and New Zealand, sold through its network of approximately 763 stores and its online digital department platforms.

Review of operations

Mosaic Brands Limited (ASX: MOZ) announces its financial results for the half-year ended 31 December 2023:

Results for the six months to	31 Dec 2023 $'000	1 Jan 2023* $'000	Change %
Revenue and other income	254,454	284,158	(10%)
Gross Margin	118,298	151,053	(22%)
Profit before tax from continuing operations	8,386	8,661	(3%)
Earnings per share – basic (cents)	3.01	1.94	55%
Earnings per share – diluted (cents)	2.64	1.85	43%

* 2023 has been restated to present the results of EziBuy within discontinued operations. This has no impact on overall results for the period.

2024 Full Year Outlook

The Group enters the second half confident of continued balance sheet improvement, combined with expected sales and profitability growth. Recent negotiations have resulted in the Group achieving some of the most favourable cost prices for its products experienced in its history, which is forecasted to further support earnings and balance sheet improvement in H2 FY2024.

Review of financial position

The Group ended the half-year ended 31 December 2023 with a cash and cash equivalent balance of $24,687,000 (June 2023: $11,821,000) which is a $18,819,000 improvement in the net cash position (after loans and borrowings). The Group's net liability position of $60,637,000 as at 31 December 2023 improved by $5,448,000 since the last reporting date (June 2023: $66,085,000). Supplementary information on lease liabilities and bank loans is described in the section of 'Going Concern evaluation', refer to Note 1 in the financial statements for the going concern evaluation. Group cash from operating activities resulted in an inflow of $50,428,000 (December 2022: $38,727,000).

Significant changes in the state of affairs

On the 28th December 2023, the Group entered into an agreement to purchase EziBuy which is currently being held in liquidation. The purchase supported a paydown of the current bank facility between the Group and the Commonwealth Bank of Australia (CBA) of $6,000,000.

Apart from the above there were no other significant changes in the state of affairs.

Subsequent events

The Group has made significant progress in addressing its debt maturity and now have an agreed refinancing package with Hilco Capital which it expects to execute in the coming weeks. It will replace the current facility and extend it through to 2026.

Additionally, the Group have also secured an in-principle agreement to extend the convertible notes currently maturing at 30 September 2024 with key holders who control the majority of notes on issue, any agreements remain subject to regulatory and shareholder reviews and / or approvals.

Appointment of new CEO

Erica Berchtold, a former CEO of The Iconic and Managing Director of Rebel Sport, has been appointed CEO of Mosaic Brands, succeeding Scott Evans who is retiring.

“Having got the Group back on its feet operationally, strategically, and financially, post-Covid Scott informed the Board some months ago of his intention to retire,’ said Mosaic Brands Chairman Richard Facioni.

“This has allowed for a seamless leadership transition to Erica, with Scott stepping down post the release of these results before working through a three-month handover period.”

“Over the past 10 years, Scott has overseen the amalgamation of nine underperforming and loss making brands and has successfully integrated them and turned them around. The Group experienced 5 years of consecutive years of growth and profitability under his stewardship, until this was derailed by Covid. He has now set the business up for success in the coming years, under new leadership, by building an online operation from the ground-up, resetting our store strategy and broadening our customer base.

Mr Facioni said Ms Berchtold brings over 20 years of retail experience in customer-facing and digital retail, including as CEO of The Iconic and Managing Director of Rebel Sport.

“As we accelerate our big box and digital strategy, Erica not only has the right skillset to drive the future direction of the Group but also a strong understanding of our customers as a former General Manager of two of our brands. I look forward to working with Erica as she takes the Group forward,” said Mr Facioni.

Other than the above, no other matters or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the Group’s state of affairs in future financial years.

Rounding of amounts

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

Auditor’s independence declaration

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

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

On behalf of the Directors

Richard Facioni
Chairman

Scott Evans
Managing Director and Chief Executive Officer

Dated this 29 February 2024

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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY JOHN BRESOLIN TO THE DIRECTORS OF MOSAIC BRANDS LIMITED

As lead auditor for the review of Mosaic Brands Limited for the half-year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Mosaic Brands Limited and the entities it controlled during the period.

John Bresolin
Director

BDO Audit Pty Ltd

Sydney, 29 February 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Note	31 Dec 2023 $'000	1 Jan 2023* $'000
Continuing operations			
Revenue	3	234,086	267,493
Other income	3	20,368	16,665
Cost of goods sold		(115,788)	(116,440)
Expenses (excluding finance costs)	4	(124,213)	(153,325)
Transaction and restructuring costs		(1,347)	(670)
Finance costs	4	(4,720)	(5,062)
Profit before income tax		**8,386**	**8,661**
Income tax expense		(3,006)	(4,749)
Profit from continuing operations		**5,380**	**3,912**
Discontinued operations			
(Loss) from discontinued operation, net of tax	22	-	(1,475)
Profit attributed to members of the parent entity		**5,380**	**2,437**
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(25)	(398)
Other comprehensive income, net of tax		**(25)**	**(398)**
Total comprehensive income attributed to members of the parent entity, net of tax		**5,355**	**2,039**
Profit attributed to members of the parent entity			
Profit from continuing operations		5,380	3,912
(Loss) from discontinued operations		-	(1,475)
		5,380	**2,437**
Earnings per share attributed to members of the parent entity			
Basic earnings per share (cents)	20	3.01	1.94
Diluted earnings per share (cents)	20	2.64	1.85
Earnings per share attributed to members of the parent entity from continuing operations			
Basic earnings per share (cents)	20	3.01	3.11
Diluted earnings per share (cents)	20	2.64	2.77

* 2023 has been restated to present the results of EziBuy within discontinued operations. This has no impact on overall results for the period.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	31 Dec 2023 $'000	2 Jul 2023 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**5**	24,687	11,821
Other receivables	**6**	5,490	3,596
Inventories	**7**	123,905	131,684
Other current assets	**8**	2,924	2,411
Income tax receivable		2	1
TOTAL CURRENT ASSETS		**157,008**	**149,513**
NON-CURRENT ASSETS			
Plant and equipment	**9**	8,503	10,113
Right-of-use assets	**10**	70,369	78,691
Intangible assets		12,738	9,810
Deferred tax assets	**21**	64,759	68,963
Other non-current assets		108	-
TOTAL NON-CURRENT ASSETS		**156,477**	**167,577**
TOTAL ASSETS		**313,485**	**317,090**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**11**	183,597	177,676
Borrowings	**12**	33,119	39,072
Provisions	**13**	19,511	20,256
Derivative financial instruments	**14**	146	771
Lease liabilities	**15**	39,860	45,989
Other current liabilities		173	179
Contract liabilities	**16**	10,010	8,444
Financial liabilities	**17**	15,472	-
TOTAL CURRENT LIABILITIES		**301,888**	**292,387**
NON-CURRENT LIABILITIES			
Provisions	**13**	1,378	1,552
Lease liabilities	**15**	45,573	48,377
Other non-current liabilities		147	531
Financial liabilities	**17**	-	13,992
Deferred tax liabilities	**21**	25,136	26,336
TOTAL NON-CURRENT LIABILITIES		**72,234**	**90,788**
TOTAL LIABILITIES		**374,122**	**383,175**
NET ASSETS		**(60,637)**	**(66,085)**
EQUITY			
Issued capital	**18**	125,356	125,320
Reserves		55,686	50,274
Accumulated losses		(241,679)	(241,679)
TOTAL EQUITY		**(60,637)**	**(66,085)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	Issued capital $'000	Equity reserve $'000	Foreign currency translation reserve $'000	Dividend profit reserve $'000	Accumulated losses $'000	Total $'000
Balance at 4 July 2022	**108,034**	**5,000**	**522**	**40,980**	**(239,323)**	**(84,787)**
Profit after income tax for the half-year	-	-	-	-	2,437	**2,437**
Transfer to dividend profit reserve	-	-	-	2,437	(2,437)	**-**
Other comprehensive income for the half-year, net of tax	-	-	(398)	-	-	**(398)**
Total comprehensive income for the half-year	**-**	**-**	**(398)**	**2,437**	**-**	**2,039**
Transactions with owners in their capacity as owners:						
Share based payment expense	-	177	-	-	-	**177**
Issue of shares on conversion of convertible notes	15,129	-	-	-	-	**15,129**
Balance at 1 January 2023	**123,163**	**5,177**	**124**	**43,417**	**(239,323)**	**(67,442)**
Balance at 3 July 2023	**125,320**	**5,536**	**(154)**	**44,892**	**(241,679)**	**(66,085)**
Profit after income tax for the half-year	-	-	-	-	5,380	**5,380**
Transfer to dividend profit reserve	-	-	-	5,380	(5,380)	**-**
Other comprehensive income for the half-year, net of tax	-	-	(25)	-	-	**(25)**
Total comprehensive income for the half-year	**-**	**-**	**(25)**	**5,380**	**-**	**5,355**
Transactions with owners in their capacity as owners:						
Share based payment expense	-	57	-	-	-	**57**
Issue of shares on conversion of convertible notes	36	-	-	-	-	**36**
Balance at 31 December 2023	**125,356**	**5,593**	**(179)**	**50,272**	**(241,679)**	**(60,637)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2023

	31 Dec 2023	1 Jan 2023
	$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	278,436	351,931
Payments to suppliers and employees (inclusive of GST)	(225,703)	(312,133)
Receipts from Government grants	-	256
Transaction and restructuring costs paid	(1,347)	(715)
Interest received	116	67
Interest and other finance costs paid	(1,073)	(682)
Income taxes received	(1)	3
Net cash provided by operating activities	**50,428**	**38,727**
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(2,532)	(2,840)
Payments for softw are assets	(2,193)	(939)
Payments for intangible assets	(28)	-
Proceeds from the sale of plant and equipment	-	5
Net cash (used in) investing activities	**(4,753)**	**(3,774)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrow ings	52,450	71,315
Repayment of borrow ings	(58,502)	(65,105)
Payment of lease liabilities	(26,757)	(33,520)
Net cash (used in) financing activities	**(32,809)**	**(27,310)**
Net (decrease) in cash and cash equivalents	**12,866**	**7,643**
Cash and cash equivalents at the beginning of the half-year	11,821	42,763
Cash and cash equivalents at the end of the half-year	**24,687**	**50,406**

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

Note 1. SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Mosaic Brands Limited is a for-profit company incorporated and domiciled in Australia. The consolidated interim financial statements, as at and for the half-year ended 31 December 2023, comprise the company and its subsidiaries (together referred to as the 'Consolidated Entity' or 'Group'). The Consolidated Entity owns and operates nine retail clothing brands predominantly within the women's apparel and accessories within Australia and New Zealand sold through its store network and online digital department platforms.

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 2 July 2023 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Going Concern evaluation

During the course of the 2023 financial year, Mosaic Brands and the broader retail industry continued to experience geopolitical events and the economic consequences of market uncertainty with frequent rising of interest rates, inflationary pressure, port disruptions and a weaker AUD impacted the customer sentiment during the period. These unfavourable market conditions are the key drivers of a net liability position in the balance sheet of $60,637,000 as at 31 December 2023 (June 2023: $66,085,000). When the above conditions are factored into the twelve month forecast and combined with an overlaid sensitivity analysis potential future covenant breaches may arise, together with the fact that the group has outstanding convertible notes of $15,472,000 maturing on 30 September 2024, these conditions give rise to the existence of a material uncertainty and may cast significant doubt on the Group's ability to continue as a going concern to realise its assets and discharge its liabilities in the normal course of business. Current liabilities include $39,860,000 in current lease liabilities (June 2023: $45,989,000), $33,250,000 in bank loans which is used from a $19,000,000 revolving 'Trade Finance Facility' and $20,000,000 'Working Capital Facility' with a term ending August 2024 (refer to note 12), contract liabilities of $10,010,000 (June 2023: $8,444,000), derivative financial instruments of $146,000 (June 2023: $771,000) and current employee benefit provisions of $15,979,000 (June 2023: $15,637,000) which include a non-cash component of $6,086,000 (June 2023: $5,956,000).

The Directors believe it is appropriate to prepare the financial report on a going concern basis after considering the following factors:

1. Management has a history of successfully managing the working capital needs of the Group when needed. This includes:
    a) Re-phasing inventory orders.
    b) Continuing to pursue operating efficiencies across the entire Group, spanning wages to logistics and other below the line operational costs.
    c) Re-negotiating and extending payment terms with key suppliers.
    d) Negotiating rental concessions and modified rental agreements with landlords.

2. On the 3 April 2023, the Group announced that its EziBuy operations which is based in New Zealand went into voluntary administration. This was a major step within the Group's operations in order to recapitalise the Company and realising positive operating cash flows.

3. For the first-half of the 2024 financial year, Mosaic posted a net profit after tax improvement by 121% (December 2023: $5,380,000, December 2022: $2,437,000) and a positive operating cash flows of $50,428,000 (December 2022: $38,727,000).

4. The Group currently has access to a finance facility with the Commonwealth Bank of Australia (CBA) of $43,000,000 in available funding which ends in August 2024. As part of the EziBuy terms and conditions for the purchase, the Group made a $6,000,000 repayment to CBA. The current terms of the facility include a 'Trade Finance Facility' of $19,000,000, a 'Working Capital Facility' of $20,000,000 and a 'Guarantee and credit facility' of $4,000,000. The Directors are confident in the current process which is focused on refinancing the CBA debt to extend its facility needs past the CBA funding period.

    The Group has made significant progress in addressing its debt maturity and now have an agreed refinancing package with Hilco Capital that will replace the current facility and extend it through to 2026. This will bring Mosaic in line with other major retailers that will provide greater operational flexibility. The final executed documents are expected to be completed within the next few weeks.

5. The Directors are confident of being able to re-negotiate the maturity date of the majority of the outstanding convertible notes to a period beyond twelve months from the date of this half-year financial report withthe Group having secured an in-principle agreement to extend the convertible notes with key holders who control the majority of notes on issue. These agreements remain subject to regulatory and shareholder reviews and / or approvals.

Should the cash flow forecast and a deterioration of market forces eventuate, the Group in all events, retains the ability to take alternative measures, which may include capital raisings, renegotiation of financing covenants and facilities, additional debt financing or further cost curtailment, which the Group has a history of achieving. The financial statements do not include any adjustment relating to the recoverability and classification of assets carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debt as and when they fall due.

The Directors have concluded that, given the above, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they fall due. On this basis the financial report has been prepared on a going concern basis.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial period.

Currency

The interim financial statements are presented in Australian dollars.

Registered office and principal place of business

Ground Floor, 61 Dunning Avenue, Rosebery
NSW 2018, Australia

Note 2. Operating segments

Management has determined the operating segments based on internal reports reviewed and used by the Chief Executive Officer (CEO) in assessing performance and in determining the allocation of resources.

Fashion retail (Australia and New Zealand)

The fashion retail segment in Australia and New Zealand share similarities in its offering (fashion clothing) with the same customer demographic across different brands and are supported by one integrated support function.

The integrated support functions for the fashion retail segment include finance, information technology, marketing (both in the processes and the target customer) as well as the production and distribution processes.

The information reported to the CEO is on at least a monthly basis, including weekly reporting on key revenue metrics. The accounting policies adopted for internal reporting to the CEO are consistent with those adopted in the financial statements.

At the end of the reporting period the Group's geographic areas of operation consisted of Australia and New Zealand:

	Fashion Retail					
	Australia		New Zealand		Total	
	31 Dec 2023	1 Jan 2023*	31 Dec 2023	1 Jan 2023*	31 Dec 2023	1 Jan 2023*
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and other income:						
Revenue	231,120	263,627	2,966	3,866	**234,086**	**267,493**
Other income	17,840	16,575	2,528	90	**20,368**	**16,665**
Total revenue and other income	**248,960**	**280,202**	**5,494**	**3,956**	**254,454**	**284,158**
Total revenue and other income per the statement of profit or loss and other comprehensive income					**254,454**	**284,158**
Results:						
Cost of sales	(111,473)	(114,624)	(4,315)	(1,816)	**(115,788)**	**(116,440)**
Employee benefits expense	(52,638)	(60,716)	(581)	(840)	**(53,219)**	**(61,556)**
Depreciation	(24,519)	(30,814)	(221)	(209)	**(24,740)**	**(31,023)**
Amortisation	(721)	(672)	-	-	**(721)**	**(672)**
Impairment reversal / (expense) of non-current assets	1,784	(1,443)	7	-	**1,791**	**(1,443)**
Finance costs	(4,707)	(5,058)	(13)	(4)	**(4,720)**	**(5,062)**
Profit / (loss) before tax expense from continuing operations	10,520	8,659	(2,134)	2	**8,386**	**8,661**
Tax expense	(3,005)	(4,661)	(1)	(88)	**(3,006)**	**(4,749)**

* 2023 has been restated to present the results of EziBuy within discontinued operations. This has no impact on overall results for the period.

	Fashion Retail					
	Australia		New Zealand		Total	
	31 Dec 2023	2 Jul 2023	31 Dec 2023	2 Jul 2023	31 Dec 2023	2 Jul 2023
	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities:						
Segment assets	307,747	316,359	5,738	731	**313,485**	**317,090**
Segment liabilities	364,649	380,870	9,473	2,305	**374,122**	**383,175**

Note 3. Revenue and other income

	Consolidated Group	
	31 Dec 2023	1 Jan 2023*
	$'000	$'000
Revenue:		
Sale of goods	**234,086**	**267,493**
Other income:		
Interest	116	43
Jewellery commission	4,616	6,360
Postage	7,265	4,971
Drop ship commission	1,176	2,013
Other	7,195	3,278
Total other income	**20,368**	**16,665**

* 2023 has been restated to present the results of EziBuy within discontinued operations. This has no impact on overall results for the period.

Note 4. Expenses

	Consolidated Group	
	31 Dec 2023	1 Jan 2023*
	$'000	$'000
a) Expenses (excluding finance costs)		
Marketing and selling expenses	60,422	70,193
Occupancy expenses	25,541	27,511
Administrative expenses	37,863	55,327
Other expenses	387	294
Total expenses (excluding finance costs)	**124,213**	**153,325**

* 2023 has been restated to present the results of EziBuy within discontinued operations. This has no impact on overall results for the period.

	Consolidated Group	
	31 Dec 2023	1 Jan 2023*
	$'000	$'000
b) Profit before income tax from continuing operations includes the following specific expenses:		
Expenses		
Finance costs comprising interest attributed to:		
- interest and borrowing expense	1,280	1,008
- interest expense on lease liabilities	1,926	1,726
- Convertible Notes Interest - Coupon	665	1,026
Underlying finance costs	**3,871**	**3,760**
Convertible Notes Interest - amortisation from discount value to par using effective interest rate method	849	1,302
Total finance costs	**4,720**	**5,062**

* 2023 has been restated to present the results of EziBuy within discontinued operations. This has no impact on overall results for the period.

Note 5. Cash and cash equivalents

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Cash at bank and on hand	24,687	11,821

Note 6. Other receivables

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Sundry debtors	5,490	3,596

Note 7. Inventories

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Finished goods at cost, net of obsolescence and shrinkage	123,905	131,684

The provision for obsolescence and shrinkage of inventories assessment requires a significant degree of estimation and judgement. The level of the provision is assessed by taking into account the sales experience, the classification and ageing of inventories and other factors that affect inventory obsolescence. Management's provision for obsolescence is based on three key assessments: (i) the assessment of the aged inventory, (ii) the sell-through test for the seasonal inventory, (iii) management's assessment on the judgment of sales.

Note 8. Other current assets

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Prepayments	1,665	1,454
Right of return assets	1,259	957
	2,924	**2,411**

Note 9. Plant and equipment

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
a) Plant and Equipment		
Plant and equipment:		
At cost	80,217	86,979
Accumulated depreciation and impairment	(71,714)	(76,866)
	8,503	**10,113**

	Plant and Equipment	Total
	$'000	$'000
b) Movements in carrying amounts		
Consolidated Group:		
Balance at 3 July 2022	**10,837**	**10,837**
Additions	5,768	**5,768**
Derecognition of EziBuy	(376)	**(376)**
Disposals	(374)	**(374)**
Depreciation and impairment expense	(5,742)	**(5,742)**
Balance at 2 July 2023	**10,113**	**10,113**
Additions	751	**751**
Disposals	(42)	**(42)**
Depreciation and impairment expense	(2,319)	**(2,319)**
Balance at 31 December 2023	**8,503**	**8,503**

Note 10. Right-of-use assets

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Lease rights - property	385,373	371,349
Less: Accumulated depreciation and impairment	(315,004)	(292,658)
Total right-of-use assets	**70,369**	**78,691**

The Group leases buildings for its offices and retail outlets under agreements of between one to ten years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated. Right-of-use assets included impairment reversal of $357,000 (December 2022: $1,740,000) during period ended 31 December 2023.

Note 11. Trade and other payables

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Trade payables	127,851	120,604
Accruals	12,824	12,422
Stock in transit	7,546	7,701
Sundry payables	35,376	36,949
	183,597	**177,676**

Note 12. Borrowings

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
CURRENT		
Secured liabilities:		
Bank loans	33,119	39,072
Total current borrowings	**33,119**	**39,072**

Loans

Bank loans are recognised at the fair value of the consideration less directly attributable transaction costs. Fees paid on establishment of loan facilities are amortised over the term of the facility. At the reporting date, loans and borrowings of $33,119,000 (June 2023: $39,072,000) included $13,450,000 from the bank 'Trade Finance Facility' (June 2023: $19,502,000) and $19,800,000 from the bank 'Working Capital Facility' (June 2023: $19,800,000) with $541,000 paid in establishment fees being amortised over the term of the facility. Bank loans have been classified as current liabilities due to repayment conditions over the facility term ending August 2024.

The total bank loan facilities available to the Group was $39,000,000 (June 2023: $45,000,000) which includes a 'Trade Finance Facility' (revolving facility) of $19,000,000 and a 'Working Capital Facility' of $20,000,000. Of these facilities $5,750,000 was unused with the facility term ending August 2024. Bank loans are secured by both the warehouse and store inventory and a general security deed which is a fixed and floating charge over the business. Interest of 6.22% (June 2023: 6.06%) is charged on the loans. The carrying amount of bank loans approximates their fair value.

Note 13. Provisions

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
CURRENT		
Employee benefits	15,979	15,637
Other provisions	3,532	4,619
Total current provisions	**19,511**	**20,256**
NON-CURRENT		
Employee benefits	1,378	1,552
Total non-current provisions	**1,378**	**1,552**

Other provisions

	$'000
Balance at 3 July 2023	**4,619**
Amounts utilised for make good provision	(1,404)
Additional provisions recognised	317
Balance at 31 December 2023	**3,532**

Note 14. Derivative financial instruments

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Financial liabilities – convertible note (equity conversion feature)	146	771
	146	**771**

Fair Value of financial instruments

AASB 13: Fair Value Measurement requires the disclosure of fair value of financial instruments according to the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level input that is significant to the entire measurement. The fair value hierarchy is as follows:

- Level 1 – the fair value is calculated using quoted prices in active markets for identical assets or liabilities.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Group selects a valuation technique that is appropriate for the circumstances. The fair value of the equity conversion feature of the convertible notes is performed by an independent expert using a Monte Carlo model. The exercise condition of the conversion option embedded in the convertible notes is contingent on the future path of Mosaic's share price. A Monte Carlo model was used to project a number of different scenarios of the Mosaic share price and therefore the conversion price of the convertible notes. This methodology incorporates the probability of exercising the conversion option after the restriction period has finished on 30 September 2022, and any note exercises that have occurred already as of the valuation date.

The instruments are not quoted in an active market. The significant inputs used to determine the fair value of the equity conversion feature are derived from market observable prices, and therefore the instruments are classified as Level 2.

	Level 1		Level 2		Level 3		Total	
	31 Dec 2023	2 Jul 2023	31 Dec 2023	2 Jul 2023	31 Dec 2023	2 Jul 2023	31 Dec 2023	2 Jul 2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Recurring fair value measurements								
Derivatives Asset / (Liability) held for hedging:								
- Forward exchange forward contracts	-	-	-	-	-	-	-	-
- Equity conversion feature of convertible note	-	-	(146)	(771)	-	-	(146)	(771)
Total liabilities recognised at fair value	**-**	**-**	**(146)**	**(771)**	**-**	**-**	**(146)**	**(771)**

The movement in fair value of the equity conversion feature of the convertible notes during the reporting period is set out below:

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Opening balance	**771**	**1,970**
Fair value (gain) / loss through profit or loss	(623)	1,267
De-recognition of converted notes	(2)	(2,466)
Closing balance (liability)	**146**	**771**

Note 15. Lease liabilities

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
CURRENT		
Lease liability	39,860	45,989
NON-CURRENT		
Lease liability	45,573	48,377
Total lease liabilities	**85,433**	94,366

Note 16. Contract liabilities

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Contract and customer liabilities	10,010	8,444

Note 17. Financial liabilities

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Opening Balance	**13,992**	**25,069**
Interest capitalised	665	1,663
Interest charged (using effective interest method)	849	2,080
Conversion notes	(34)	(14,820)
Financial liabilities	**15,472**	**13,992**

Convertible Notes

On 13 October 2021, Mosaic Brands Limited issued 25,642,668 in secured convertible notes, and a further 6,375,140 notes on 22 November 2021. The convertible notes are subject to the below terms:

- Each convertible note has an initial face value of $1.00.
- The convertible notes will be secured by second-ranking security behind the security granted in respect of the Senior Debt Obligations.
- The convertible notes are convertible by the Noteholders in whole or in part into ordinary Mosaic shares at any time from 30 September 2022 until maturity on 30 September 2024 (refer to Note 14 for conversion feature).
- The convertible notes bear a cash interest rate of 8% per annum payable quarterly in arrears.
- If on any interest payment date the Group is not permitted to make a payment under the terms of the intercreditor deed, any part of the cash interest amount not paid will be capitalised on the relevant interest payment date and added as principal to the convertible note principal amount.
- The conversion price of the convertible notes is subject to a minimum price of AUD 0.25, and is determined as the lower of:
  - AUD 0.515.
  - A 15% discount to the 30-day VWAP or Mosaic shares prior to the date of conversion.
  - A 15% discount to the price of any equity capital raising by the Group that occurred in the 30-day period prior to conversion.

As described above, on any interest payment date, the Group can elect to either pay the interest amount in cash or capitalise part or all of the interest amount and add this amount to the principal of the convertible notes. It is the Group's intention to capitalise future interest payments, subject to future business and market conditions.

Two interest payment dates occurred during the half-year period:

Interest payment date	Interest payment
30 September 2023	Capitalised
31 December 2023	Capitalised

For the half year ended 31 December 2023, 35,328 notes were converted which had an amortised cost of $34,712 on conversion, resulting in the issuance of 158,708 ordinary shares.

Note 18. Issued capital

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Balance at the beginning of the period	125,320	108,034
Shares issued from exercise of convertible notes	36	17,286
Balance at the end of the period	125,356	125,320

	NO	NO
Balance at the beginning of the period	178,347,733	107,562,930
Shares issued from exercise of convertible notes	158,708	71,284,803
Share buy-back	-	(500,000)
Balance at the end of the period	178,506,441	178,347,733

Note 19. Dividends paid

There were no dividends paid, recommended or declared with respect to the current financial period from the dividend profit reserve. There were no dividends paid, recommended or declared with respect to the previous corresponding financial period.

Note 20. Earnings per share

Basic earnings per share

	Consolidated Group	
	31 Dec 2023	1 Jan 2023*
	Cents	Cents
From continuing operations attributed to members of the parent entity	3.01	3.11
From discontinued operations	-	(1.17)
Total basic earnings per share attributed to members of the parent entity	**3.01**	**1.94**

Diluted earnings per share

	Consolidated Group	
	31 Dec 2023	1 Jan 2023*
	Cents	Cents
From continuing operations attributed to members of the parent entity	2.64	2.77
From discontinued operations	-	(0.92)
Total diluted earnings per share attributed to members of the parent entity	**2.64**	**1.85**

Reconciliation of earnings used in calculating earnings per share

	Consolidated Group	
	31 Dec 2023	1 Jan 2023*
	$'000	$'000
Basic earnings per share		
Profit for the half-year from continuing operations	5,380	3,912
(Loss) for the half-year from discontinued operation	-	(1,475)
Profit attributed to members of the parent entity used in calculating basic earnings per share	**5,380**	**2,437**

	Consolidated Group	
	31 Dec 2023	1 Jan 2023*
	$'000	$'000
Diluted earnings per share		
Profit for the half- year from continuing operations:		
Used in calculating basic earnings per share	5,380	3,912
Add: interest savings on convertible notes, net of tax	1,060	528
Used in calculating diluted earnings per share	6,440	4,440
(Loss) for the half-year from discontinued operation	-	(1,475)
Profit attributed to members of the parent entity used in calculating diluted earnings per share	**6,440**	**2,965**

Weighted average number of shares used as the denominator

	Consolidated Group	
	31 Dec 2023	1 Jan 2023
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	178,473,304	125,796,055
Adjustments for calculation of diluted earnings per share		
Convertible notes	65,387,022	34,702,247
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	243,860,326	160,498,302

Note 21. Deferred tax assets and liabilities

	Consolidated Group	
	31 Dec 2023	2 Jul 2023
	$'000	$'000
Applicable tax rate		
The applicable tax rate is the national corporate tax rate in Australia of 30%.		
Analysis of deferred tax assets:		
Employee entitlements	5,209	5,157
Lessors fit out contribution	96	213
Accruals	1,404	2,134
Inventory temporary differences	3,064	3,562
Depreciation temporary differences	3,180	3,430
Contract liabilities	943	720
Future tax benefit of tax losses	23,495	21,948
Business capital expenditure	6	7
Other provisions	1,265	1,742
Right-of-use asset impairment (business combination)	-	2
Lease liabilities	25,622	28,141
Other temporary differences	475	1,907
Total deferred tax assets	**64,759**	**68,963**
Analysis of deferred tax liabilities:		
Brand names	2,713	2,285
Trademarks	27	28
Foreign currency balances	1,256	396
Right-of-use assets	21,105	23,597
Other temporary differences	35	30
Total deferred tax liabilities	**25,136**	**26,336**

Note 22. Discontinued operations

On 3 April 2023, the Group announced that its EziBuy operations which is based in New Zealand went into voluntary administration. The decision was made following a decline in EziBuy's sales, particularly in the context of the Group's wider positive portfolio of online performance. This led to the Group conducting a review of its operating and cost structure. The Board believed the process to restructure EziBuy is in the best interests of the Group's shareholders.

The EziBuy operations was not previously classified as a discontinued operation. The comparative consolidated statement of profit or loss has been re-presented to show the discontinued operation separately from continuing operations.

Results of discontinued operations

	Consolidated Group	
	31 Dec 2023	1 Jan 2023
	$'000	$'000
Revenue	-	34,093
Expenses other than finance costs	-	(31,560)
Finance costs	-	(637)
Loss before tax	-	1,896
Tax expense	-	(3,371)
(Loss) on discontinued operations, net of tax	**-**	**(1,475)**

	Consolidated Group	
	31 Dec 2023	1 Jan 2023
	cents	cents
Basic (loss) per share	-	(1.17)
Diluted (loss) per share	-	(0.92)

Cash flow (used in) discontinued operations

	Consolidated Group	
	31 Dec 2023	1 Jan 2023
	$'000	$'000
Net cash (used in) operating activities	-	(2,400)
Net cash (used in) investing activities	-	(261)
Net cash (used in) financing activities	-	(2,630)
Net (decrease) in cash and cash equivalents	**-**	**(5,291)**

Note 23. Commitments and contingent liabilities

Contractual commitments

As at 31 December 2023, the Group had no contractual commitments apart from lease liabilities (Note 15).

Contingent liabilities

Mosaic Brands Limited is a party to various legal proceedings incidental to its business. The Group faces exposure from actual or potential claims and legal proceedings that are not at a stage where any fault or quantifying liability has been determined. Although the ultimate result of the legal proceedings cannot be predicted due to the uncertainty, it is the opinion of the Group's management that the outcome of any claim which is pending, either individually or on a combined basis, will not have a material effect on the financial position of the Group, its cash flows and result of operations. Accordingly, no settlement provision has been provided within these financial statements.

At the end of the reporting period the Group had total bank guarantees of $1,216,000 (June 2023: $3,503,000).

Apart from the above, there were no other contingent liabilities for the period ended 31 December 2023.

Note 24. Related party transactions

Transactions with related parties

The Group paid rent to four Alceon-controlled property trusts amounting to $174,000 (December 2022: $129,000) in relation to stores in Orange and Sale. The rental paid was at normal commercial terms and conditions.

A total of $30,000 in management fees to related party of the Non-Executive Directors during the financial period (December 2022: $60,000).

Relatives of key management personnel were employed throughout the year with a total salary and wages being paid of $123,890 (December 2022: $103,768). These were paid in line with the relevant awards.

The Group paid $101,000 to related parties as financing cost fees.

Receivables from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans from or loans to related parties at the current reporting period (December 2022: $ nil).

Note 25. Events after the reporting date

The Group has made significant progress in addressing its debt maturity and now have an agreed refinancing package with Hilco Capital which it expects to execute in the coming weeks. It will replace the current facility and extend it through to 2026.

Additionally, the Group have also secured an in-principle agreement to extend the convertible notes currently maturing at 30 September 2024 with key holders who control the majority of notes on issue, any agreements remain subject to regulatory and shareholder reviews and / or approvals.

Appointment of new CEO

Erica Berchtold, a former CEO of The Iconic and Managing Director of Rebel Sport, has been appointed CEO of Mosaic Brands, succeeding Scott Evans who is retiring.

“Having got the Group back on its feet operationally, strategically, and financially, post-Covid Scott informed the Board some months ago of his intention to retire,’ said Mosaic Brands Chairman Richard Facioni.

“This has allowed for a seamless leadership transition to Erica, with Scott stepping down post the release of these results before working through a three-month handover period.”

“Over the past 10 years, Scott has overseen the amalgamation of nine underperforming and loss making brands and has successfully integrated them and turned them around. The Group experienced 5 years of consecutive years of growth and profitability under his stewardship, until this was derailed by Covid. He has now set the business up for success in the coming years, under new leadership, by building an online operation from the ground-up, resetting our store strategy and broadening our customer base.

Mr Facioni said Ms Berchtold brings over 20 years of retail experience in customer-facing and digital retail, including as CEO of The Iconic and Managing Director of Rebel Sport.

“As we accelerate our big box and digital strategy, Erica not only has the right skillset to drive the future direction of the Group but also a strong understanding of our customers as a former General Manager of two of our brands. I look forward to working with Erica as she takes the Group forward,” said Mr Facioni.

Other than the above, no other matters or circumstance has arisen since 31 December 2023 that has significantly affected, or may significantly affect the Group’s operations, the results of those operations, or the Group’s state of affairs in future financial years.

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Consolidated Entity's financial position as at 31 December 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Richard Facioni
Chairman

Scott Evans
Managing Director and Chief Executive Officer

Declaration made 29 February 2024

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Mosaic Brands Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Mosaic Brands Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the half-year ended on that date; and

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

Basis for conclusion

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

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty related to going concern

We draw attention to Note 1 in the half-year financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

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

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

BDO

J Bresolin

John Bresolin
Director

Sydney, 29 February 2024