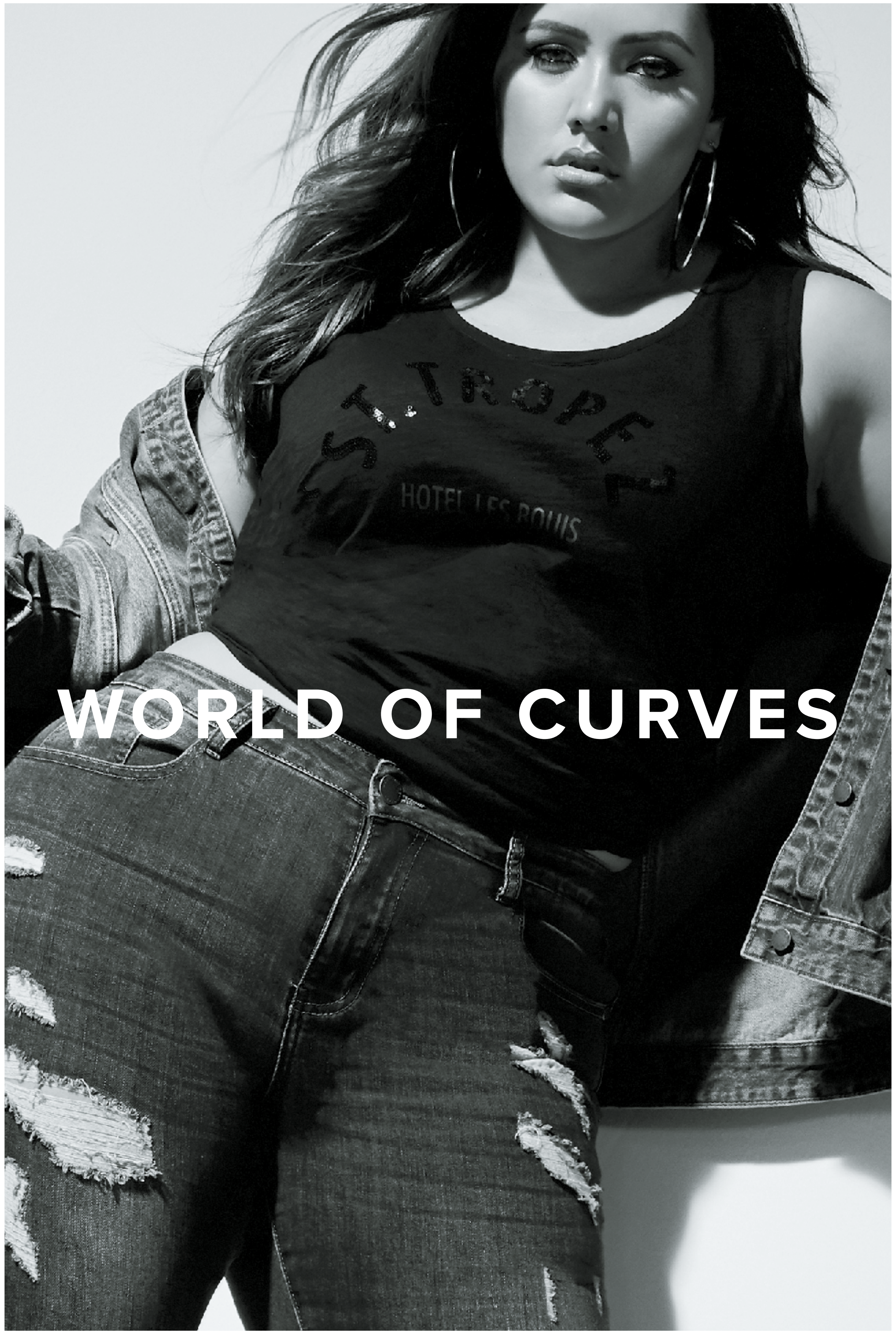
city chic collective

2022
ANNUAL
REPORT

Contents



We are...

Global

Plus-size

Customer led

Omni Channel

avenue

EVERYDAY ESSENTIAL FASHION

city chic

FIERCELY FASHIONABLE

EVANS

FASHION FOR YOUR SHAPE

navabi

THE LAGEN LOOK

A GLOBAL COLLECTIVE OF PLUS-SIZE BRANDS

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

2022 Snapshot

SALES
$369.2M

1.4M
ACTIVE CUSTOMERS

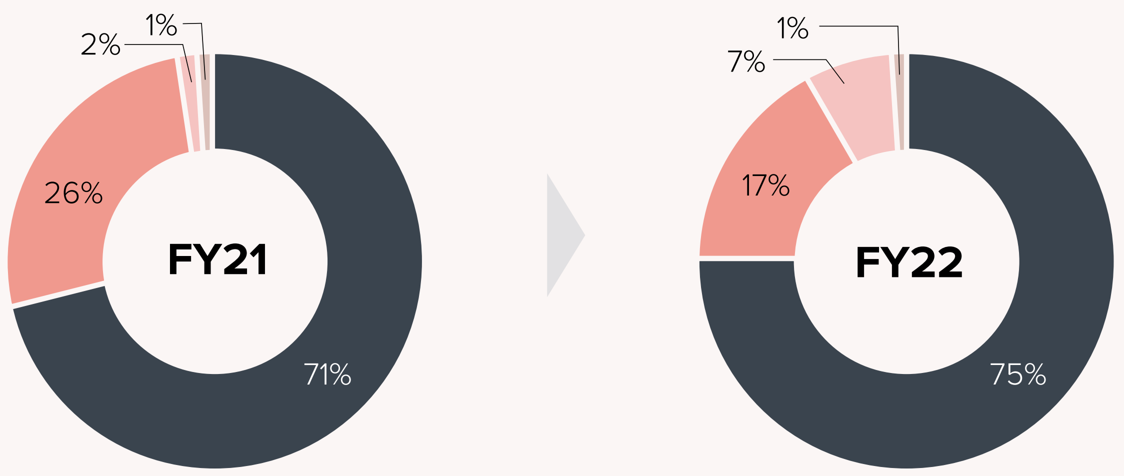
82%
ONLINE PENETRATION

78.6M
ANNUAL ONLINE TRAFFIC

3
KEY REGIONS GLOBALLY

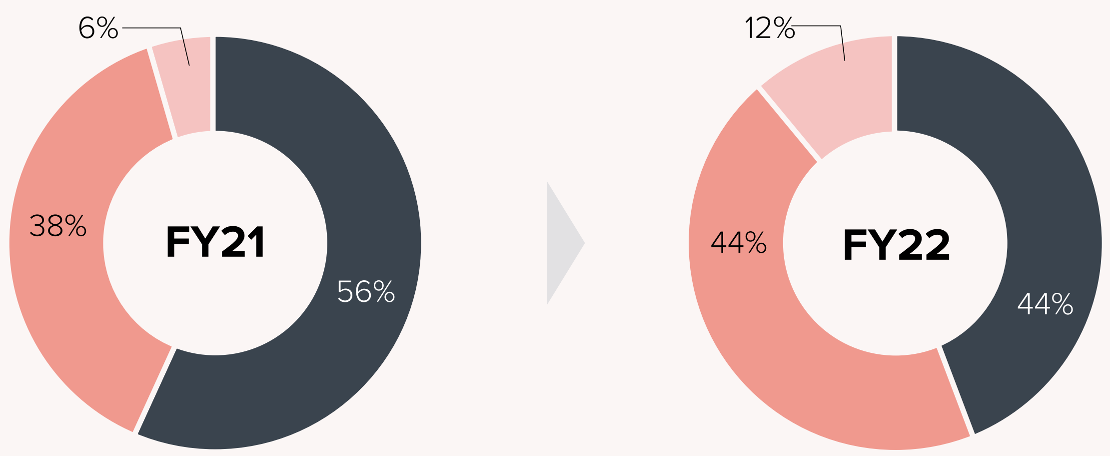
Building a Global Omni -Business

CONTRIBUTION BY CHANNEL



Online Website | Stores | Online Marketplaces | Wholesale

CONTRIBUTION BY REGION



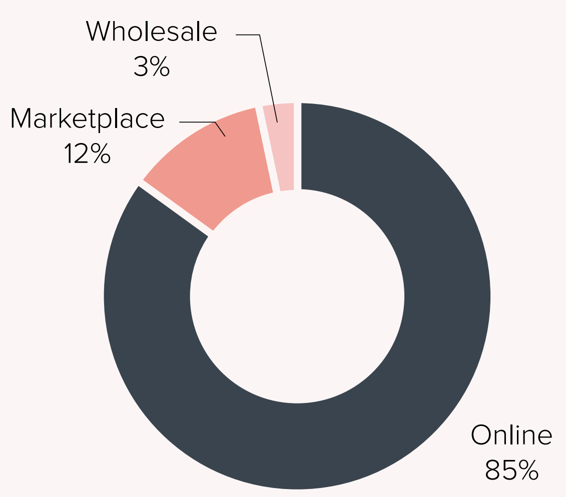
ANZ | Americas | EMEA

Customer-Centric Operating Model

Global Business Overview

AMERICAS

$162.4M REVENUE

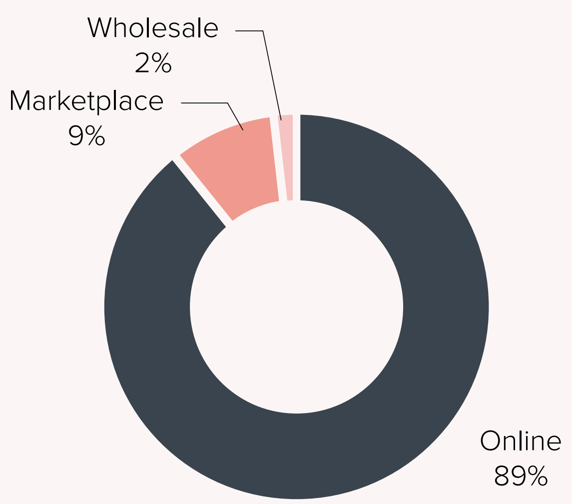


- 579k Active Customers
- 35.9m Annual Traffic
- A$237 Avg Annual Spend

USA fulfilment site in Dallas
Canada fulfilment site in Ontario
Office in New Jersey

EMEA

$45.1M REVENUE

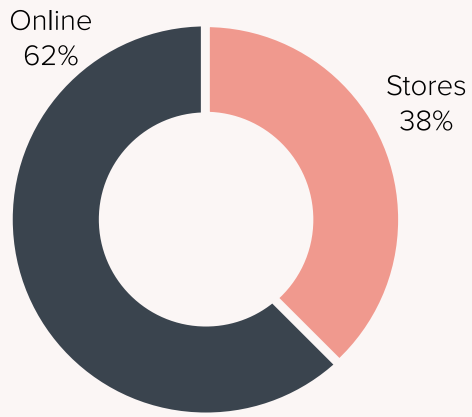


- 295k Active Customers
- 19.0m Annual Traffic
(includes 11 months since Navabi acquisition)
- A$135 Avg Annual Spend

UK fulfilment site in Gateshead
European fulfilment site in NW Germany
Office in London

AUSTRALIA & NEW ZEALAND

$161.8M REVENUE



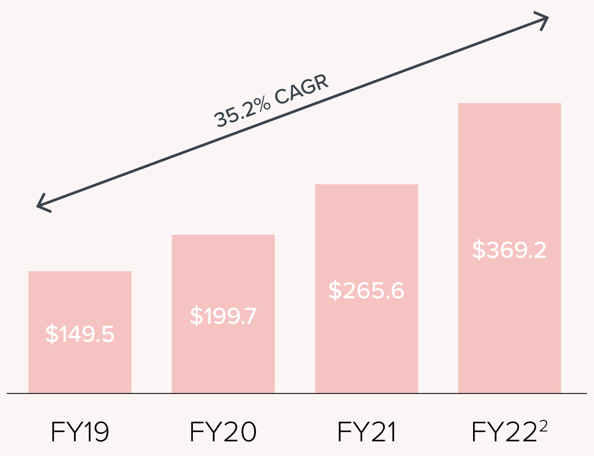
- 521k Active Customers
- 23.6m Annual Traffic
- A$310 Avg Annual Spend

ANZ fulfilment site in Sydney
90 stores as at 3 July 2022
Head office in Sydney

Financial Performance

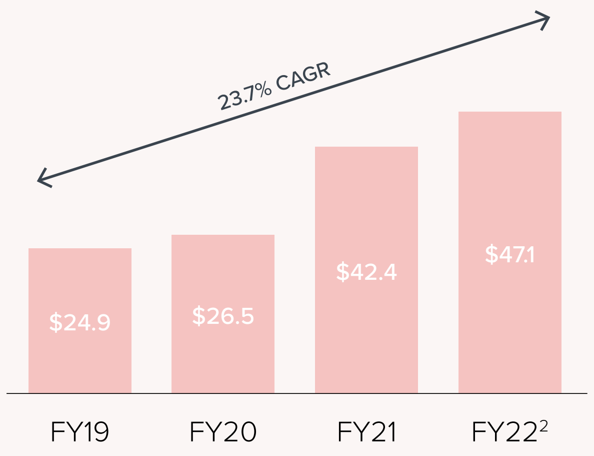
SALES GROWTH

SALES $M



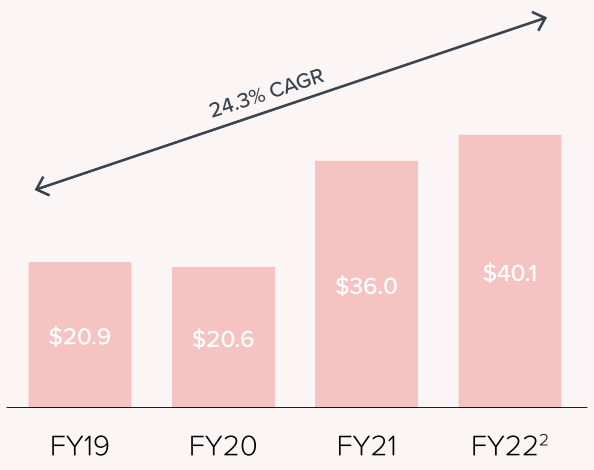
EARNINGS GROWTH

UNDERLYING EBITDA[1] $M



EARNINGS GROWTH

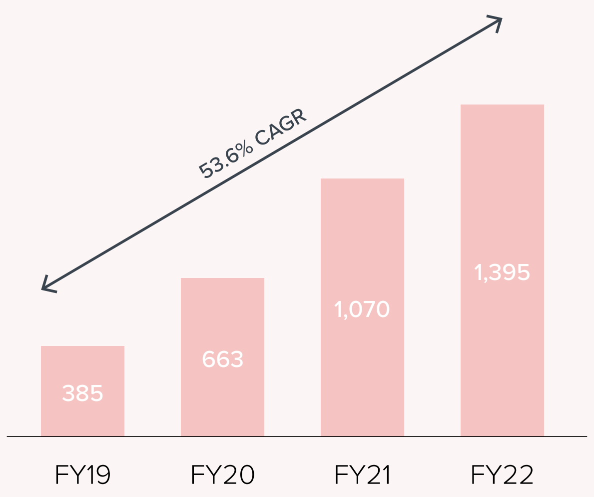
UNDERLYING EBIT[1] $M



Strong Execution of Digital Growth Strategy

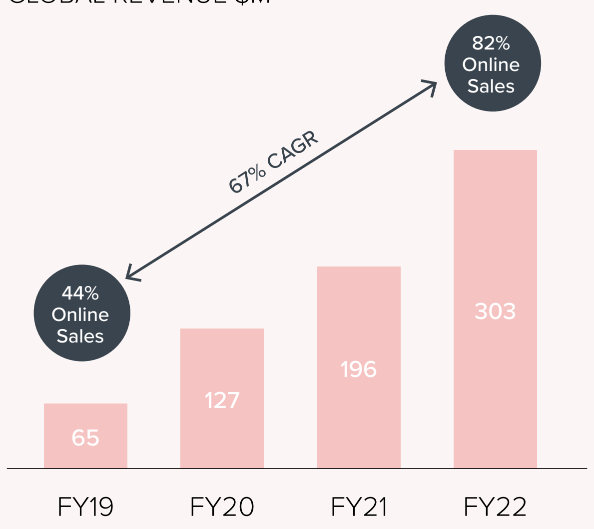
GLOBAL CUSTOMER BASE[3]

CUSTOMER NUMBERS '000



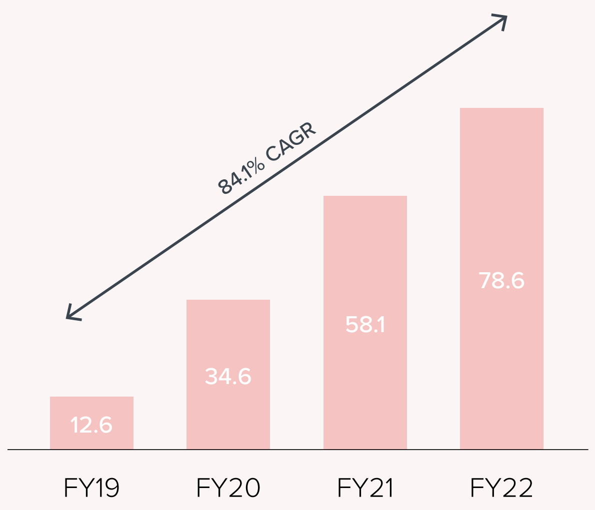
ONLINE PENETRATION[4]

GLOBAL REVENUE $M



ONLINE CUSTOMER ENGAGEMENT[5]

TRAFFIC '000



[1,2,3,4,5] Please refer to page 125

Message from Our Chairman and CEO

CHAIRMAN MICHAEL KAY

CEO & MANAGING DIRECTOR PHIL RYAN

The 2022 financial year was another period of profitable growth for City Chic, notwithstanding challenging global economic conditions, geopolitical uncertainty and the ongoing Covid-19 pandemic. The Company continued to execute its strategy to build a global business, adapted to changing conditions and uncertainty, and continued to build further resilience into its operations, in order to support our vision to lead a world of curves.

Here are some of the financial and operational performance highlights for FY2022:

- Sales Revenue grew by 39% to $369.2m and comparable sales growth (CSG) was up 25.5%
- Underlying EBITDA grew by 11.3% to $47.1m, representing a 12.8% margin
- Statutory NPAT was $22.3m (up 4.7%) and Underlying NPAT was $28.5m (up 14.5%)
- Our global customer base grew 30% YoY to 1.4m active customers, with growth in all regions
- Global customer website traffic grew by 35% YoY to 78.6m visits
- Online comparable sales grew by 33.8%, with 82% online penetration
- Continuing geographic diversification of revenue, with 56% of revenue from Northern Hemisphere
- Ongoing diversification of revenue channels; Partner generated revenue grew to $30m, with $22m generated in the second half

Our performance was driven and supported by a range of operational and strategic initiatives as we continue to build a truly global omni-channel business, focussed exclusively on the plus size market.
Here are some of the key initiatives:

- Continued development of geographies, channels and lifestyles. In particular, City Chic:
  - expanded into new growth markets in Europe, Canada and the Middle East
  - continued to grow strongly our digital channel
  - continued upsizing high performing stores, increasing 'gold' look design stores and closing old or poor performing stores
  - continued implementation of the partnership strategy globally
  - expanded our global range to over 8,000 styles and 15 lifestyle brands; we launched the conservative product stream in Australia and expanded the range of styles and lifestyles offered in the USA and UK
- Continued to invest in bench-strength across planning and logistics. We will continue to strengthen the team with global experience to ensure our capability stays ahead of the growth curve
- Made a strategic investment in inventory to manage global supply chain volatility and support continuing growth with season appropriate stock now in-market, in all regions
- Continued to diversify the supply chain geographically and with a shift to in-country sourcing to support global growth and offset future impacts of volatility; we now ship from 6 sourcing origins to 7 destination ports and have expanded our factory network to ~100 tier 1 factories to reduce reliance on any single vendor or country
- Integrated strategic acquisitions of European plus-size online marketplace Navabi (acquired in July 2021) and USA plus-size marketplace CoEdition (acquired in December 2021)
- Continued execution of our ESG priorities; we have continued to make progress against our Modern Slavery roadmap, strengthened bans on high-risk cotton regions, commenced the introduction of preferred fibres into a small number of our products and developed more sustainable packaging options which we will roll out globally.

We remain focussed on our three strategic pillars; first, we are exclusively plus-size; second, we focus on the digital channel; and third, global customer acquisition. This has seen us achieve revenue and EBITDA CAGR in the 3 years from FY2019 to FY2022 of 35.2% and 23.7% respectively. This has been achieved during a period of acute global uncertainty and volatility which speaks to the quality of the City Chic franchise.

During FY2022, supply chains continued to be impacted by geopolitical and pandemic related issues, resulting in disruptions, delays and cost pressures. As was flagged by Management, during the year we continued to invest in inventory, both to support our organic and inorganic growth and to help mitigate the impacts of these supply chain constraints and accompanying inflation.

The strategic decisions we made in relation to sourcing included:

- Temporarily buying core ranges two seasons in advance to help achieve unit cost savings; our core ranges sell consistently across seasons and both hemispheres, leading to low obsolescence risk
- Adding a two-month buffer for inventory purchases
- Shifting production to origin ownership (FOB terms), which had the effect of increasing the 'goods in transit' inventory level. However, this enabled us to geographically diversify our supply chain into new countries and factories
- Taking early receipt of inventory that had been planned for FY2023, in late FY2022.

Our investment in inventory resulted in a carrying value of $195.9m at the end of the reporting period, with 52% of this inventory secured for sale in future periods. We have ensured that the stock is seasonally relevant which means we will have stock in market for key event periods. We believe these measures will conclude our requirement to accelerate future inbounding of inventory as supply issues normalise and accordingly, City Chic expects inventory to reduce to more normal levels over FY2023. We are targeting an inventory balance of $125-135m at the end of FY2023, with strong cash generation expected to deliver a positive net cash position in the second half of the current financial year.

During the 2022 financial year, 13.4% of store trading days were lost in ANZ due to mandated store closures related to Covid-19, with our overall revenue growth of 11% in ANZ contributing $161.8m in revenue, supported by strong online sales as our customer continued to shop our expanded range.

As noted last year, Avenue has proved to be a very good acquisition, raising our profile in our biggest market and providing opportunities to offer our collective of brands and range of lifestyles across our entire US customer base. Revenue in the Americas was $162.4m, up 53.9% with organic growth in all channels, due to a combination of website traffic being up 31%, 42% growth in customer numbers and strong partner growth.

Logistics issues that were affecting our EMEA business were ameliorated in the second half. These supply chain and logistics challenges impacted sales in the first half of the financial year and through to the start of the summer trading period, in particular in the UK. With improvements in product supply and logistics in the second half, the EMEA business delivered sales over the year of $45.1m and was profitable in the second half.

As noted above, the partner business globally saw substantial growth, in particular in the second half of the financial year and delivered revenue of $30m (which is included in the regional sales revenue numbers above). This growth was driven by existing partners 'resuming' normal operations and improved demand post the peak of Covid-19 related impacts as well as new partners that have been onboarded. This demonstrates our product range and lifestyle mix across all our assortment has global appeal.

As at 3 July 2022, our net debt position was $4m with $14m drawn under our expanded $60m debt facility. In light of ongoing macroeconomic and consumer spending uncertainty, and in considering the company's capital allocation priorities, the Board decided not to declare a dividend for FY2022. As noted below, we expect strong free cash flows as inventory unwinds over the current financial year (FY2023) and expect to be in a positive net cash position during the second half of FY2023. Consequently, capital management decisions will be reviewed as this working capital is released.

FY2023 KEY INITIATIVES AND OUTLOOK

In FY2023 City Chic is focussed on the execution of various initiatives including:

- Expanding market share and driving customer acquisition in the Americas by increasing customer purchase frequency and spend through personalised marketing
- Expanding market share in ANZ through the continued expansion of our conservative lifestyle product offering
- Expanding market share in the UK and Europe with seasonally relevant product in-market, across a range of brands in our collective
- Expanding and executing on marketplace partnerships in all regions
- Continuing the rotation of our store portfolio into new fit-outs & conversion to larger format stores
- Reviewing our retail price architecture, as appropriate across geographies and channels
- Continuing to develop the World of Curves social community
- Continuing to review inorganic opportunities to accelerate global customer growth
- Continuing to execute against our ESG priorities

We are acutely aware of the impacts of the evolving global economic conditions and geopolitical uncertainty, and just as the Company had to adapt over the last two and a half years, we remain focussed on remaining agile, building resilience and managing the business to traverse the current conditions in order to continue to deliver profitable growth.

We believe our expanded market penetration across geographies and channels, our category leadership globally with stock available in market for key sale periods during the year, and our investment in distribution infrastructure provides a strong foundation and will support us in our efforts to continue to grow the business and ultimately, to lead a world of curves.

Our sincere thanks to the City Chic team and our customers for their ongoing support over another challenging year. Throughout these two and a half Covid-19 affected years, the City Chic team hasn't faltered for a moment and throughout, has maintained its energy, enthusiasm and ambition. With the prospect of another volatile and uncertain year ahead, we are fortunate indeed to have such a talented and motivated team to serve our loyal customers around the world.

Michael Kay
Chairman

Phil Ryan
CEO & Managing Director

Board of Directors

Chairman and Non-Executive Director
MICHAEL KAY

Michael Kay joined the Board in October 2018 as an independent non-executive director and was subsequently appointed Chairman on 9 November 2018. Mr. Kay is a member of the Audit and Risk Committee and member of the People, Culture and Remuneration Committee.

Mr. Kay has significant listed company Board experience; he is the Chairman of Omni Bridgeway, and was previously Chairman of Lovisa. Mr. Kay has also held a number of senior executive roles during his career including CEO of McMillan Shakespeare and CEO of AAMI.

Chief Executive Officer and Managing Director
PHIL RYAN

Phil Ryan was announced CEO of City Chic Collective in September 2018 and joined the Board in February 2019 as an executive director.

Mr. Ryan is the original Brand Director of City Chic. In 2006 Mr. Ryan led a team of six people that created the City Chic brand. He is responsible for the strategic direction and operational leadership that has seen City Chic take a market leading position in the global plus-size industry.

Non-Executive Director
MEGAN QUINN

Megan Quinn joined the Board in October 2012 as an independent non-executive director. She is the Chair of the People, Culture and Remuneration Committee and a member of the Audit and Risk Committee.

Ms. Quinn is a specialist consultant working across a broad range of industries including financial and professional services, healthcare, consumer and digital, and is an international speaker. Ms Quinn was a co-founder of NET-A-PORTER and is a non-executive director at Reece, InvoCare and The Lottery Corporation.

Non-Executive Director
NATALIE MCLEAN

Natalie McLean joined the Board in August 2021 as an independent, non-executive director. She is a member of the Audit and Risk Committee and a member of the People, Culture and Remuneration Committee.

Mrs McLean has significant retail experience having worked in senior positions domestically in Australia and internationally with companies including Giordano, Rip Curl and the Cotton On Group. Mrs McLean is currently a director and the Chief Retail Officer of the Cotton On Group and a director of the Cotton On Foundation.

Non-Executive Director
NEIL THOMPSON

Neil Thompson joined the Board in August 2021 as an independent, non-executive director. He is the Chair of the Audit and Risk Committee and a member of the People, Culture and Remuneration Committee.
Mr. Thompson has significant financial, operational and strategic experience from a broad range of senior roles and industries, including in the freight and logistics, industrial products and technology sectors. Mr. Thompson is currently a Finance Operating Partner at private equity firm Potentia Capital and was previously the Chief Financial Officer of Ascender HCM (a payroll software and services company). He is also a director of the Australian World Orchestra.

City Chic Annual Recap

OPERATIONAL AND STRATEGIC HIGHLIGHTS

- Continued global range expansion to over 8,000 styles and 15 lifestyle brands
- Partnership strategy implemented globally with $30m global partner business
- ANZ store network invested in with 12 Premium Flagship stores
- Conservative product stream launched in Australia
- Expansion into new growth markets in Europe, Canada and the Middle East
- Strategic acquisitions of Navabi in July 2021 and CoEdition in December 2021
- Diversified supply chain with shift to in-country sourcing to support global growth and offset future impacts of volatility
- Infrastructure and cost base in place to support global scalability
- Expanded $60m, 3-year debt facility provides flexibility to drive growth

2023 Key Initiatives

- Expand market share and drive customer acquisition in the Americas; increase frequency and spend through personalised marketing
- Expand market share in ANZ through the continued expansion of our conservative lifestyle product offering
- Expand market share in the UK and Europe with seasonally relevant product in-market, across a range of brands in our collective
- Expand and execute on marketplace partnerships in all regions
- Continue rotation of store portfolio into new fit-outs & conversion to larger format stores
- Continue to develop the World of Curves social community
- Continue to review inorganic opportunities to accelerate global customer growth

Our People

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

WE PUT HER FIRST
She is at the heart of every decision;

WE ARE PASSIONATE CONNECTORS
We love what we do, and we work as one team;

WE KNOW IT, OWN IT, DO IT
We are knowledgeable, we are accountable, and we get it done;

WE MOVE FAST AND KEEP IT SIMPLE
We think quickly, act decisively, and keep things on point;

WE ARE FEARLESS AGILE THINKERS
We express ideas, take calculated risks, and embrace change.

Who we are and How we do things

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

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

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

Diversity and Inclusion

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

We know that true workplace diversity recognises and values the contribution of people from different backgrounds, experiences and perspectives. The CCX Diversity Policy is underpinned by a suite of policies and practices that provide the support and structure needed to facilitate these opportunities for each individual that enters our workforce.

Gender diversity

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

BOARD

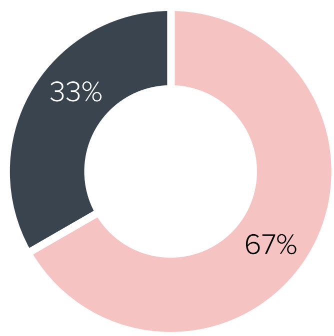
2 of 4 non-executive directors on the Board are women; 2 of 5 Board members (including non-executive and executive directors) are women

C-SUITE

1 in 3 C-Suite leaders (CEO, KMP and Head of Business) is a woman

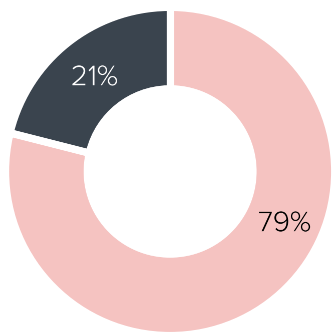
LEADERSHIP TEAM

67% of the Leadership Team (Other Executives and General Managers) are women



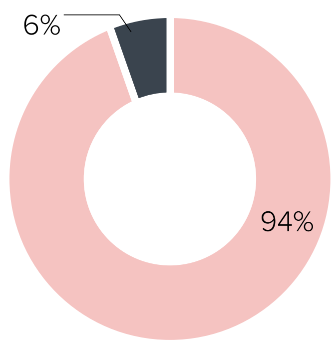
MANAGERS

79% of our Managers (Senior Managers and Other Managers) are women



WORKFORCE

94% of our workforce are women



In FY22 we sought to increase the attractiveness of the CCX brand to the male sector of the labour market and there was a 40% increase in male head count in our support office during the year. In FY23 we will seek to continue to increase gender diversity in middle management and professional positions in our support office workforce segments while being mindful of our ongoing objective to achieve a Sense of Belonging Score of 75% or above for all groups by the end of FY23.

Objectives established for achieving diversity (including gender diversity) and progress towards achieving them during the year ended 3 July 2022 are set out below:

FY2022 Diversity Objectives

OBJECTIVE	ACHIEVEMENT
Seek to achieve and maintain gender diversity in the composition of the Board and the C-Suite Leadership Team of no less than 30% of each gender.	Achieved
Conduct CCX Diversity Survey annually	Achieved
Achieve a Sense of Belonging Score of 75% or above for all groups[1] within the next two years (FY22 and FY23)	On track
Launch Diversity and Inclusivity Committee to lead diversity and inclusion awareness, process improvement, education, and initiatives	Achieved
Reposition employment brand and recruitment activity to increase the attractiveness of the company to males	Achieved
Launch FY22 workplace volunteering program	Discontinued

Due to the ongoing impact of COVID-19 related lockdowns, work from home arrangements and safety considerations during the reporting period, our objective to launch our workplace volunteering program was discontinued (having been originally rescheduled from FY21 to FY22). Although restrictions eased during the reporting period, a significant reduction in available volunteering opportunities remained reflecting health and safety concerns, including with respect to vulnerable populations and members of the community.

Our diversity strategy is supported by the following objectives established for FY2023:

FY2023 Diversity Objectives

OBJECTIVE
Seek to maintain gender diversity in the composition of the Board and the C-Suite Leadership Team of no less than 30% of each gender.
Achieve a Sense of Belonging Score of 75% or above for all groups[2] by FY23
Introduce a Gender Affirmation Policy
Undergo an end-to-end 'Job Access' assessment to ensure optimal access to employees with a disability or impairment

[1,2] Groups include LGBTQI+, Disability/Impairment, Parents, Carer responsibilities, ESL, Gender Identity, over 45 age bracket

Supporting Our People

Engagement and Flexible Working Conditions

Employee engagement is measured annually, with quarterly 'pulse' checks, to provide regular and granular feedback to HR and leaders on all factors of employment experience which in turn inform P&C initiatives and priorities.

During periods of Covid-related lock-downs and/or work from home arrangements, we sought to maintain connection and engagement via a range of virtual social and connection activities.

To further support our employees, we provide our team with access to flexible working conditions, which based on their role and location may involve flexibility in start and finish times, casual or part time work, job sharing and/or for support office staff, hybrid working arrangements.

Safety

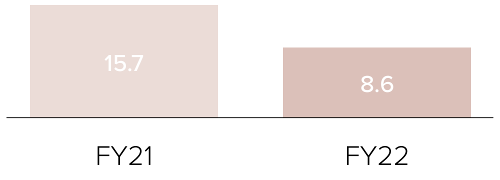
We care about the physical and psychological safety and health of our people and we are committed to creating a safe work environment.

As part of our HSE initiatives during the year, we, amongst other things:

- provided regular Covid-safety updates and associated training to ensure compliance with evolving government guidelines
- conducted regular covid-safety audits
- provided employees with access to vaccination leave to encourage the uptake of vaccinations
- continued to offer general first aid and mental health first aid to retail operations leaders, HR and other interested employees; and
- all employees have access to a multi-faceted EAP service

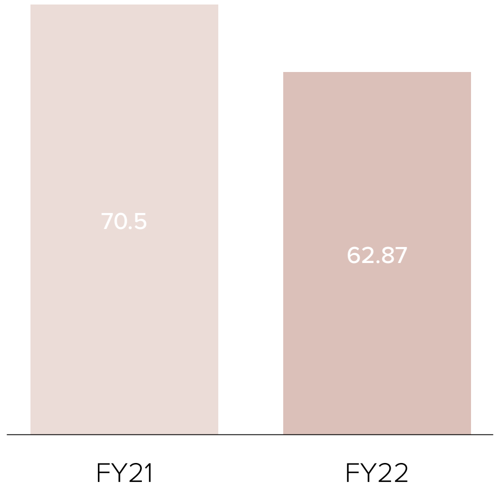
FY22 LTIFR[3]

DOWN FROM 15.7 IN FY21



FY22 TRIFR[4]

DOWN FROM 70.5 IN FY21



[3,4] Please refer to page 125

Environmental, social and corporate governance

ESG across our supply chain

Seeking to create safe and respectful working environments for all workers in our supply chain has long been, and remains, an overarching priority and focus. Following the acquisition of new brands and with the diversification of our sourcing regions, we have sought to partner with, and on-board, select new factories and vendors into our supply chain and our ethical trade policies.

We welcome the new opportunities and challenges that comes with the growth of brands, our geographical reach and the diversifying supply chain. Our goal is to work together with all our global partners to have a more positive impact to people and planet.

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

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

Social Responsibility

Our FY2022 Highlights

- Continued to make progress against our Modern Slavery Act roadmap
- Strengthened bans on high-risk cotton regions
- Piloted DNA / fingerprint testing on cotton product
- Continued tracing of all tiers of our supply chain

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

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

101	6	43,236	56%
Tier 1 Factories	Sourcing Countries	Workers in Tier 1	Female Workers

MODERN SLAVERY UPDATE

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

CCX is committed to taking steps to try and ensure our supply chain does not source directly or indirectly from known regions that openly engage in the use of forced labour, in line with our responsibilities under the UN Guiding Principles on Business and Human Rights.

In addition to strengthening our ban on known regions that endorse the use of forced labour, we have implemented a more diligent tracing program and associated plan for remediation. We worked closely with key suppliers to educate them on key indicators and documentation required to comply with a robust chain of custody process. It is important for us to monitor and validate our processes to assess their effectiveness. As a result, we piloted cotton DNA testing, to help validate the origins and audit products that are part of our supply chain. Testing across a randomly selected collection of products from the supply chain was conducted by accredited 3rd Parties and our team also worked closely on validating chain of custody documentation received from vendors as part of our due diligence.

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

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

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

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

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

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

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

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

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

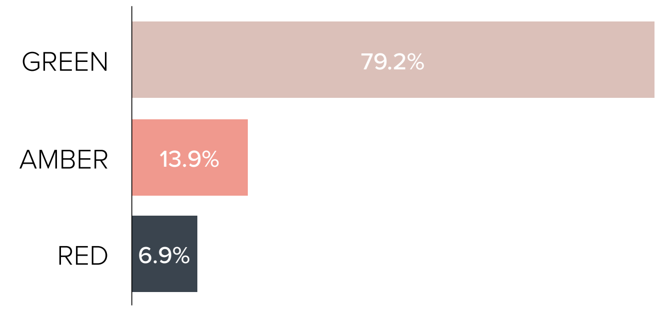
We seek to partner with the vendors in our supply chain to ensure working conditions are clean and safe and workers are not performing any unsafe work.

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

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

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

AUDIT RISK RATINGS



Environmental Sustainability

Our FY2022 Highlights

- Introduced preferred fibres into select range of product
- Developed more sustainable packaging options
- Continued to build knowledge & capacity for future climate strategies

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

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

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

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

Implementing Initiatives to help Manage & Reduce our Footprint

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

Preferred Materials

FIBRES

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

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

PACKAGING

We have been working with our distribution partners to develop satchels for eCommerce sales that have a high recycled plastics content. Our distribution centres in Australia and the UK are currently transitioning their satchels to a minimum of 65% made from recycled materials. We are working towards sourcing similar solutions for our USA and European warehouses.

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

EXTENDED PRODUCER RESPONSIBILITY (EPR)

As part of our global supply chain distribution responsibilities, we have registered under the relevant Extended Producer Responsibility schemes (EPR) in the UK, Germany and France.

Extended Producer Responsibility (EPR) for packaging aims to reduce the environmental and economic burdens of plastic waste management for municipalities by extending producer responsibility to the end-of-life stage.

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

Annual Financial Report 2022

Directors Report

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

Directors

The following persons were directors of City Chic Collective Limited during the financial period and up to the date of this report (unless otherwise stated):
Michael Kay
Megan Quinn
Phil Ryan
Neil Thompson (appointed 5 August 2021)
Natalie McLean (appointed 5 August 2021)
Michael Hardwick (resigned 17 November 2021)

Key Management Personnel

Peter McClelland (Chief Financial Officer, appointed 10 November 2021)
Munraj Dhaliwal (Chief Financial Officer, resigned 10 December 2021)

Company Secretary

Marta Kielich

Principal activities

City Chic Collective is a global omni-channel retailer specialising in plus-size women's apparel, footwear and accessories. It is a collective of customer-led brands including City Chic, Avenue, Evans, CCX, Hips & Curves, Fox & Royal and Navabi. City Chic and CCX are better dressing for plus women and its omni-channel model comprises; of a network of 90 stores across Australia and New Zealand (ANZ) and websites operating in ANZ, the US, the UK and Europe. Navabi (Germany-based), Avenue (US-based) and Evans (UK-based) target a broad customer base across the conservative segment, both with a long history and significant online customer following. Hips & Curves and Fox & Royal are online intimate brands. City Chic Collective acquired Europeanbased online marketplace Navabi in the current year and also sells its collective of brands through third-party marketplace and wholesale partners in Australia, New Zealand, US, Canada, UK, Europe and the Middle East.

There was no significant change in the nature of the activities of the Group during the period.

Dividends

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

Operating and financial review

The Group achieved revenue from continuing operations of $369.2m (27 June 2021: $265.6m), representing growth of 39%. Net profit after tax for continuing operations was $22.3m (27 June 2021: $21.6m), representing growth of 3.3%. Underlying EBITDA[1] – pre AASB 16 was $47.1m (27 June 2021: $42.4m), representing growth of 11.3%. Underlying EBITDA – post AASB 16 was $55.2m (27 June 2021: $50.2m), representing growth of 9.9%.

The revenue and profitability of the business are not directly comparable between the periods due to the impacts of the pandemic (including various state and territory store lockdowns) and acquisitions. Changes in geography and sales channel mix, while delivering margin growth has had a negative impact on the gross margin ratios. These changes were in part a consequence of; strategic investments in EMEA; expansion of strategic partnerships; and due to the growth in online revenue. The government directed store closures, had an approximately $4m impact on EBITDA in the current period. The prior period result also benefitted from nonrecurring COVID-19 related austerity measures of $10m, predominantly in marketing and other operating expenditure, as well as Government subsidies which are reported against employee benefits expense.

Gross Margin was also impacted by higher inbound logistics costs which were in part offset by lower product costs as a result of strategic changes implemented by the business. During the year the company completed a strategic change of its product sourcing and inbound supply chain to support the rapid growth and globalisation of the business. This resulted in greater direct country of origin sourcing, diversification of supplier base (both number of suppliers and countries of sourcing) and improved product margins. As part of this change the company took control of the product earlier in the process which contributed to an increase in the inventory balances, along with the strategic decision to invest in additional inventory to protect the business growth opportunities from supply chain volatilities. This investment in inventory is seasonably relevant for current and future seasons sales.

The year-end inventory balance has also been impacted by foreign exchange rates, with USD held inventory presented significantly higher in AUD reporting currency than the prior year. The inventory balance is expected to unwind and return to more normalised balances as supply chain disruptions normalise over the next 12 months.

The acquisitions in EMEA (Evans and Navabi) generated revenue of $43.9m and became EBITDA positive in the second half of the year. This is pleasing as these business continue to grow and COVID-19 and supply chain issues are addressed.

[1] Underlying EBITDA (earnings before interest, income tax expense, depreciation and amortisation) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') Reconciliation between the statutory profit/(loss) and underlying EBITDA is setout in note 3 to the financial statements.

NAVABI ACQUISITION

On 23 July 2021, the Group signed and completed a share purchase agreement to acquire 100% of the shares in JPC United GmbH ("Navabi") for €6.0m (A$9.6m) in cash, from the co-founders of Navabi. Navabi was established in 2009 as an online marketplace selling hundreds of third-party women's plus-size brands. The acquisition gives the Group an excellent foundation in a new geography and is part of the Group's strategy to expand the global customer base through the digital channel. Post the acquisition, Navabi was restructured to be in line with the operating model of the rest of the group. This restructuring has largely been completed during FY22.

COEDITION ACQUISITION

On 28 December 2021, the Group completed the asset acquisition of USA plus-size marketplace CoEdition's customer list, brand and URL for US$0.639m (A$0.9m). City Chic previously traded on CoEdition as a marketplace partner. The CoEdition platform was integrated into its City Chic USA platform in January 2022.

The Group ended the year with net debt of $4.0m at 3 July 2022 (27 June 2021: net cash of $71.5m). The net debt balance includes the payments for the acquisitions of Navabi and CoEdition, and also as a consequence of the strategic investment in inventory. There has also been capital investments in 8 new store fit outs and 11 refits for pre-existing stores, as well as spend on a new Head Office fit out.

The Underlying EBITDA from continuing operations pre-AASB 16 was $47.1m (27 June 2021: $42.4m) and post-AASB 16 was $55.1m (27 June 2021: $50.2m). The Underlying EBIT from continuing operations pre-AASB 16 was $40.1m (27 June 2021: $36.0m) and post-AASB 16 was $39.9m (27 June 2021: $35.8m). The Underlying NPAT from continuing operations pre-AASB 16 was $28.5m (27 June 2021: $24.9m) post-AASB 16 was $27.3m (27 June 2021: $24.0m).

LOAN FUNDED SHARE BUYBACK

As disclosed to the market, the Company bought back and cancelled 1,234,991 loan funded shares on 12 January 2022. The buy-back and cancellation have had no further impact beyond the reversal of the accrual that has already been disclosed and reported in the statement of profit or loss in the current period.

OTHER

On 22 June 2022, a new 3 year $60.0m multicurrency debt facility came into effect replacing the existing $40.0m facility that was due to mature in February 2023. At year end the group had borrowings of $14.0m and net debt of $4.0m.

FY23 Update and Outlook

In FY23 City Chic expects to deliver another year of profitable growth notwithstanding ongoing global economic and geopolitical uncertainty. This is underpinned by City Chic's expanded market penetration across geographies and channels, category leadership globally and investment in its distribution infrastructure.

Trading in the first seven weeks of FY23 has been broadly in line with the prior corresponding period and improving through August.

Regional and channel performance for the first 7 weeks of FY23 is outlined below:

- AU stores are trading above expectations and ahead of last year given the impact of store closures in FY22.
- AU online was below last year in the first two weeks of July but has performed well since, trading above last year.
- The US market was volatile with the City Chic website trading above last year as better dressing demand remains strong and the Avenue website trading below last year but showing week on week improvements.
- The UK has continued to show growth and is cycling logistical issues in H1 FY22.
- The Partner business has continued to perform well across multiple geographies and is expected to drive incremental revenue growth through FY23.

To hedge against anticipated promotional activity within the plus market globally, City Chic is leveraging its unique market position to implement, where appropriate, retail price increases to manage inflationary risks and margin.

The company's growth in FY23 will be supported by strong in-market inventory that was received in advance to help protect against supply chain inflation and volatility. Shipping availability, rates and transit times are improving. However, costs are still above pre pandemic levels and origin supply chain inflation and uncertainty continues.

City Chic expects inventory to normalise and is targeting $125-135 million at the end of FY23, with strong cash generation delivering a positive net cash position in the second half.

Material business risks

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

COVID-19 PANDEMIC

The COVID-19 pandemic has had a significant impact on the business in FY21 and FY22. It continues to have direct impacts on the global economy and the ability of businesses, individuals and governments to operate. There is also significant uncertainty surrounding how the pandemic will evolve and how consumers, businesses, employees and consumers will respond.

A number of aspects of City Chic's business may continue to be directly or indirectly affected by government, regulatory or health authority actions, work stoppages, lockdowns, quarantines and travel restrictions associated with COVID-19, including disruption to City Chic's supply chain and workforce, particularly the availability of products and logistics (including shipping of products) and government-imposed shutdowns of manufacturing and distribution centres affecting the supply of products to customers.

Management continues to closely monitor and manage the ongoing impacts and uncertainty. Management take confidence in its ability to trade profitably in FY21 and FY22 and is supported by the strength of the Group's business model, with high online penetration along with geographic and channel diversity. The business has diversified its supply chain and will make strategic decisions to invest in inventory to give greater certainty over product availability where appropriate. In addition, having a strong balance sheet gives flexibility to continue operating the business, maintaining key relationships with suppliers and ensuring the right, long term strategic decisions are being made.

COMPETITION AND CONSUMER DISCRETIONARY SPENDING

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

EXCHANGE RATES AND DUTIES

The Group relies significantly on imported products (directly sourced or via local or overseas wholesalers) and as a result the cost of the product may be subject to movements in the exchange rate of the Australian dollar. The Group also has significant operations in the USA which provide a natural hedge against currency movements on purchases. Any additional risk in exchange rate movement is monitored and can be mitigated through the use of forward hedging. However it is noted that no hedges have been put in place in FY22.

WORKPLACE HEALTH AND SAFETY (WHS)

The Group has approximately 790 employees as well as the customers who visit physical stores across ANZ. The Group has a high focus on WHS with investment in training and development of its employees a high priority.

TECHNOLOGY AVAILABILITY & CYBERSECURITY

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

Management is actively working to reduce these risks by continuing to enhance our cyber control environment, following the Australian Cyber Security Centre's "Essential Eight" and the NIST Cybersecurity Framework. Cyber security is overseen by our Board, Audit and Risk Committee and Group Executives, and external cyber security consultants are used to test and validate cyber security procedures that have been implemented.

ETHICAL SOURCING AND MODERN SLAVERY

The Group is exposed to reputational and regulatory risk with regards to ethical sourcing and modern slavery. CCX is committed to sourcing product in a recognised, responsible and transparent supply chain, including taking steps to try and ensure our supply chain does not source directly or indirectly from known regions that openly engage in the use of forced labour in line with our responsibilities under the UN Guiding Principles on Business and Human Rights.

ENVIRONMENTAL CHANGES

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

Significant changes in the state of affairs

COVID-19 PANDEMIC

During the current reporting period, the pandemic has continued to have an impact across the Group's global operations, particularly in the first half of FY22. The ANZ store network was impacted by extended periods of store closures in response to government-imposed restrictions with 13.4% of store trading days being lost over the period. Significant disruption to labour and logistics in the UK impacting the Group's ability to build seasonally appropriate stock in the first half however this was largely overcome in the second half of FY22. During the financial reporting period, the Directors continued to monitor COVID-19 related developments and worked closely with management to assess and navigate through the potential implications for team members, suppliers, customers, and operations.

STRATEGIC INVESTMENT IN INVENTORY

As noted in the Operating & Financial Review, there has been a strategic investment in inventory during the current period as the Group decided to take greater control of its supply chain in light of the abovementioned continued global supply chain pressures and volatilities, including freight capacity shortages.

NAVABI ACQUISITION

As noted in the Operating and Financial review, on 23 July 2021, the Group signed and completed a share purchase agreement to acquire 100% of the shares in JPC United GmbH ("Navabi") for €6.0m (A$9.6m) in cash, from the co-founders of Navabi. Navabi was established in 2009 as an online marketplace selling hundreds of third-party women's plus-size brands. The acquisition gives the Group an excellent foundation in a new geography and is part of the Group's strategy to expand the global customer base through the digital channel.

COEDITION ACQUISITION

On 28 December 2021, the Group completed the asset acquisition of USA plus-size marketplace CoEdition's customer list, brand and URL for US$0.639m (A$0.9m). City Chic previously traded on CoEdition as marketplace partner. The CoEdition platform was integrated into its City Chic USA platform in January 2022.

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 3 July 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

Certain likely developments in the operations of the consolidated entity and the expected results of operations in financial years subsequent to the period ended 3 July 2022 are referred to in the preceding operating and financial review and outlook.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law. The Group has dedicated resources to ensure continued compliance across all regulatory requirements in the markets operated in by the Group.

Information on directors

MICHAEL KAY

TITLE:	Chairman and non-executive director
QUALIFICATIONS:	B.LLB
EXPERIENCE AND EXPERTISE:	Michael Kay joined the City Chic Collective Limited Board on 1 October 2018 as an independent non-executive director and was subsequently appointed Chairman on 9 November 2018. Mr. Kay has significant listed company experience, as detailed more fully below, and is also a non-executive director of Royal Automobile Club Insurance (WA) and a non-executive director of the Pharmacy Guild of Australia (and its various subsidiaries). A qualified lawyer, Mr. Kay brings a broad range of commercial experience to the Board. Mr. Kay was Chief Executive Officer and Managing Director of McMillan Shakespeare Limited (ASX: MMS) for six years and previously held a number of senior executive roles at AAMI including Chief Executive Officer. He also spent 12 years in private legal practice specialising in commercial law.
OTHER CURRENT DIRECTORSHIPS:	Mr. Kay is currently Chairman of Omni Bridgeway Ltd (ASX: OBL) (formerly called IMF Betham Limited (ASX: IMF).
FORMER DIRECTORSHIPS (LAST 3 YEARS):	Mr. Kay was Chairman of Lovisa Holdings Limited (ASX:LOV) until his retirement on 30 October 2018 where he led the Board during a period of substantial growth. He was previously Chairman and non-executive director of ApplyDirect Limited (ASX:AD1) until 19 March 2019.
SPECIAL RESPONSIBILITIES:	Chairman of the Board; Member of the Audit and Risk Committee (ARC); Member of the People, Culture and Remuneration Committee (PCRC)
INTERESTS IN SHARES:	800,000 ordinary shares
INTERESTS IN OPTIONS:	None
INTERESTS IN RIGHTS:	None

MEGAN QUINN

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

NEIL THOMPSON (APPOINTED 5 AUGUST 2021)

TITLE:	Non-executive director (appointed 5 August 2021)
QUALIFICATIONS:	B.Ec
EXPERIENCE AND EXPERTISE:	Neil Thompson joined the City Chic Collective Limited Board on 5 August 2021 as an independent, non-executive director. Mr. Thompson has over thirty years of financial, operational and strategic experience from a broad range of roles and industries with global reach, including freight and logistics, industrial products and software sectors. Mr. Thompson is currently a Finance Operating Partner at private equity firm Potentia Capital and was previously the Chief Financial Officer of Ascender HCM (a payroll software and services company). He is also a director of the Australian World Orchestra.
OTHER CURRENT DIRECTORSHIPS:	Mr. Thompson does not hold any other listed company directorships.
FORMER DIRECTORSHIPS (LAST 3 YEARS):	Mr. Thompson has not held any other listed company directorships in the last three years.
SPECIAL RESPONSIBILITIES:	Chair of the ARC; Member of the PCRC
INTERESTS IN SHARES:	21,000 ordinary shares
INTERESTS IN OPTIONS:	None
INTERESTS IN RIGHTS:	None

NATALIE MCLEAN (APPOINTED 5 AUGUST 2021)

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

PHIL RYAN

TITLE:	Chief Executive Officer and Managing Director
QUALIFICATIONS:	MBA, B.Bus
EXPERIENCE AND EXPERTISE:	Phil Ryan is the original Brand Director of City Chic. In 2006, Mr. Ryan led a team of six people that created the City Chic brand. He is responsible for the strategic direction and operational leadership that has seen CCX take a market leading position in the global plus size industry, with a collective of customer-led brands including City Chic, Avenue, Hips & Curves and Evans. Under Mr. Ryan's leadership, CCX now has more than 90 stores in Australia and New Zealand with online sales representing more than 70% of total sales globally and in the US, UK and Europe, CCX trades exclusively in a digital capacity. Mr. Ryan has driven successful partnerships with Nordstrom, Macy's, Bloomingdale's, Target and Hudson's Bay in the USA; ASOS, The Very Group and Next in the UK, Alshaya in the Middle East and Zalando in Germany. Mr. Ryan is a global authority in the plus size consumer. He has over 25 years' experience in senior and strategic retail apparel management. Mr. Ryan's family had a fashion manufacturing, wholesale and retail business called Ambition in the 1980's and 1990's and from this he knows all areas of a rag trade business; from the cutting table to the retail shop floor.
OTHER CURRENT DIRECTORSHIPS:	None
FORMER DIRECTORSHIPS (LAST 3 YEARS):	None
SPECIAL RESPONSIBILITIES:	Chief Executive Officer; Managing Director
INTERESTS IN SHARES:	337,576 ordinary shares
INTERESTS IN OPTIONS:	2,161,235 ordinary shares issued under CCX's 2019 Employee Share Plan and escrow provisions
INTERESTS IN RIGHTS:	1,200,000 performance rights over ordinary shares

MICHAEL HARDWICK (RESIGNED 17 NOVEMBER 2021)

TITLE:	Non-executive director
QUALIFICATIONS:	B.Comm
EXPERIENCE AND EXPERTISE:	Michael Hardwick joined the City Chic Collective Limited Board in May 2012. He was an independent, non-executive director. Mr. Hardwick is a director and the Chief Financial Officer of the Cotton On Group, and a director of the Cotton On Foundation. Mr. Hardwick is also a non-executive director of the Grill'd Group of Companies which includes Australia's largest privately-owned chain of Burger Restaurants and also Koko Black, a premium branded Australian chocolatier. Mr. Hardwick is a Chartered Accountant and member of the AICD. He spent 10 years at PwC in both Melbourne and New York in the transaction advisory practice and also spent 10 years as a partner with the New-York based private equity firm Hudson Valley Capital Partners.
OTHER CURRENT DIRECTORSHIPS:	Mr. Hardwick does not hold any other listed company directorships.
FORMER DIRECTORSHIPS (LAST 3 YEARS):	Mr. Hardwick has not held any other listed company directorships in the last three years.
SPECIAL RESPONSIBILITIES:	Chairman of the ARC; Member of the PCRC
INTERESTS IN SHARES:	504,836 Ordinary shares as at date of retirement
INTERESTS IN OPTIONS:	None
INTERESTS IN RIGHTS:	None

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

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

Company secretary

Marta Kielich joined City Chic as General Counsel and Company Secretary on 7 July 2020. Ms. Kielich has held company secretarial and senior legal positions for several ASX-listed companies. Ms. Kielich also has broad international experience across various sectors.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the period ended 3 July 2022, and the number of meetings attended by each director were:

	Full Board		PCRC		ARC	
	Attended	Held	Attended	Held	Attended	Held
Michael Kay	28	29	5	5	5	5
Michael Hardwick	9	9	3	3	3	3
Megan Quinn	29	29	5	5	5	5
Natalie McLean	25	27	4	4	4	5
Neil Thompson	26	27	4	4	5	5
Phil Ryan[2]	29	29	N/A	N/A	N/A	N/A

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

Retirement, election and continuation in office of directors

At the 2021 Annual General Meeting ("AGM") held on 17 November 2021, 99.80% of the votes received supported the re-election of director Michael Kay as part of the company's constitution that specifies all directors must stand for re-election at least every three years. 99.99% and 99.94% of the votes received supported the election of Natalie McLean and Neil Thompson respectively.

Michael Hardwick, who had been on the board since 2012, retired with effect from the conclusion of City Chic's Annual General Meeting on 17 November 2021.

[2] Phil Ryan is not a member of either the PCRC or the ARC, but was invited to attend these meetings and his attendance was noted in the minutes.

Remuneration report (audited)

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

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

a. Introduction

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

Key management personnel of the consolidated entity were also the key management personnel of City Chic Collective Limited (the parent entity) for the years ended 3 July 2022 and 27 June 2021. The key management personnel consisted of the following directors and senior executives of City Chic Collective Limited:

Name	Role
Non-executive directors:	
Michael Kay	Chairman and non-executive director
Megan Quinn	Non-executive director
Natalie McLean (appointed 5 August 2021)	Non-executive director
Neil Thompson (appointed 5 August 2021)	Non-executive director
Michael Hardwick (resigned 17 November 2021)	Non-executive director
Executive directors:	
Phil Ryan	Chief Executive Officer and Managing Director
Other key management personnel:	
Peter McClelland (appointed 10 November 2021)	Chief Financial Officer
Munraj Dhaliwal (resigned 10 December 2021)	Chief Financial Officer

b. Remuneration strategy and policy

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

USE OF REMUNERATION CONSULTANTS

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

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

PRINCIPLE 1

The objectives of the Group’s executive remuneration framework are as follows:
- competitiveness and sustainability;
- acceptability to the Group's strategic and business objectives and the creation of shareholder value;
- performance linkage/ alignment of executive compensation;
- transparency and acceptability to shareholders.

PRINCIPLE 2

The reward framework is designed to align executive reward to the Company’s interests. The Board have considered that it should seek to enhance the Company’s interests by:
- including economic profit as a core component of plan design; and
- attracting and retaining high calibre executives.

PRINCIPLE 3

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for profitable growth; and
- provides a clear structure for earning rewards.

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

c. Remuneration framework

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

(i) NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

Non-executive chairman and non-executive directors' fees for FY22 are reflected below:

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

(ii) EXECUTIVE DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

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

FIXED REMUNERATION

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

SHORT-TERM INCENTIVES

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

For the year ended 3 July 2022, the PCRC had determined that KMP-level executives would be eligible for an STI plan of up to 20% of fixed remuneration, in addition to their long-term incentive, specifically if hurdles were met in relation to the acquisition of Evans.

As Peter McClelland joined the Company as CFO after the commencement of the financial period, as part of his 'sign on' remuneration package and in lieu of a grant of long-term incentives for FY22, Peter was eligible for a STI valued at up to 50% of fixed remuneration, subject to a Company financial performance hurdle based on FY22 underlying EBITDA.

The relevant hurdles for all KMP-level executives was not met and no amount is payable with respect to the financial period.

LONG-TERM INCENTIVES

The Group's long-term incentives (LTI) rewards executives for high performance and ongoing commitment over a three to five-year horizon and recognises the important role executives play in delivering the long-term growth of the Group.

No grants were made under the Group's LTI plans (referred to as the LTIP and the LFSP below) during the financial period. If grants are made in FY23, it is expected that the grants will utilise the structure of the existing LTI plans.

LONG TERM INCENTIVES

The Group's long-term incentives are comprised of the Long-Term Incentive Plan (LTIP) and the Loan Funded Share Plan (LFSP). The following share-based payment arrangements were in existence during the current year:

Tranche	Grant Date	Performance period end date	Share price at grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/ forfeited	Balance at the end of the period
1	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	781,848	-	(781,848)	-	-
2A	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	(1,237,500)	-	-
2B	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	(1,237,500)	-	-
2C	13/11/2018	30/06/2023	$1.17	40.00%	3.50%	2.33%	2,475,000	-	-	(175,000)	2,300,000
Total Performance Rights							**5,731,848**	**-**	**(3,256,848)**	**(175,000)**	**2,300,000**
3	21/11/2019	30/06/2024	$2.68	35.00%	N/A	0.81%	7,533,448	-	-	(1,234,991)	6,298,457
3	03/03/2020	30/06/2024	$2.79	35.00%	N/A	0.81%	667,464	-	-	-	667,464
3	16/09/2020	30/06/2024	$3.33	40.00%	N/A	0.29%	474,576	-	-	-	474,576
Total Loan Funded Shares							**8,675,488**	**-**	**-**	**-**	**7,440,497**

LTIP TRANCHES

Vesting conditions of the LTIP tranches are set out below.

Tranche 1

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's underlying earnings per share before tax (EPS) during the three years to June 2021 in accordance with the following schedule:

EPS CAGR across the Tranche 1 Performance Period	Proportion of Tranche 1 Performance Rights held that will satisfy Vesting Condition 2
Below 5.0%	Nil
5.0%	25%
5.0% ≤ EPS CAGR ≤ 20.0%	Straight line pro-rata vesting between 25% and 100% (inclusive)

Based on EPS CAGR for the three years to June 2021, 100% of Tranche 1 Performance Rights vested for eligible participants.

Tranche 2A

Vesting Condition	Continued service to 27 August 2021, with no holding lock on resulting shares.

Tranche 2B

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares.
Vesting Condition 2	Group underlying EPS (before income tax and share-based payments) performance in accordance with the following schedule:

Group EPS for the year to 30 June 2021	Proportion of Tranche 2B Performance Rights held that will satisfy Vesting Condition 2
Below \$0.0975 (1.3 x FY18 EPS)	Nil
\$0.0975 ≤ EPS < \$0.1050 (1.4 x FY18 EPS)	50%
EPS ≥ \$0.1050	100%

Based on Group EPS for the year ended June 2021, 100% of Tranche 2B Performance Rights vested for eligible participants.

Tranche 2C

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

Group EPS for the year to 30 June 2023	Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2
Below \$0.1125 (1.5 x FY18 EPS)	Nil
\$0.1250 ≤ EPS < \$0.1200 (1.6 x FY18 EPS)	50%
\$0.1200 ≤ EPS < \$0.1275 (1.7 x FY18 EPS)	75%
EPS ≥ \$0.1275	100%

LFSP TRANCHE

The key terms of the LFSP are listed as follows:

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

Vesting conditions of the LF Shares are set out below.

Tranche 3

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

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

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

Voting and comments made at the company's 2021 AGM

At the 2021 AGM held on 17 November 2021, 98.40% of the votes received supported the adoption of the remuneration report for the year ended 27 June 2021. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

d. Remuneration outcomes for key management personnel

(a) Payments and benefits

AMOUNTS OF REMUNERATION

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

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

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

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

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

2021	Cash salary & fees $	Total short-term $	Post-employment superannuation $	Other long-term leave benefits (A) $	Share-based payments (B) $	Total $	Proportion of performance related remuneration %
Non-executive directors							
Michael Kay	186,617	186,617	17,729	-	-	204,346	0%
Michael Hardwick	93,577	93,577	8,890	-	-	102,467	0%
Megan Quinn	91,385	91,385	8,682	-	-	100,067	0%
Executive directors							
Phil Ryan	700,354	700,354	21,694	66,528	1,114,669	1,903,245	59%
Other key management personnel							
Munraj Dhaliwal	399,632	399,632	21,694	38,547	285,458	745,331	38%
	1,471,565	**1,471,565**	**78,689**	**105,075**	**1,400,127**	**3,055,456**	

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

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

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

	Fixed Remuneration		At risk - STI		At risk - LTI		Cash bonus paid/payable		Cash bonus forfeited	
Name	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Executive director:										
Phil Ryan	71%	37%	12%	N/A	17%	63%	N/A	N/A	180,000	N/A
Other key management personnel:										
Peter McClelland	70%	0%	30%	N/A	0%	0%	0	N/A	157,000	N/A
Munraj Dhaliwal	83%	54%	17%	N/A	0%	46%	0	N/A	55,000	N/A

e. Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

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

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

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

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

f. Disclosures relating to share options and performance rights

ISSUE OF SHARE OPTIONS AND PERFORMANCE RIGHTS

There were no options issued to key management personnel as part of compensation during the period ended 3 July 2022 (FY21: nil).

There were no performance rights issued to key management personnel as part of compensation during the periods ended July 2022 (FY21: nil).

There were no loan funded shares issued to key management personnel as part of compensation during the period ended 3 July 2022 (FY21: nil).

			Performance rights			Loan funded shares
Tranche	**1**	**2A**	**2B**	**2C**	**Total**	**3**
Phil Ryan	-	-	-	1,200,000	1,200,000	2,161,235
Peter McClelland	-	-	-	-	-	-
Munraj Dhaliwal	-	-	-	-	-	-
Total	**-**	**-**	**-**	**1,200,000**	**1,200,000**	**2,161,235**

ADDITIONAL INFOMATION

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

	2022	**2021**	**2020**	**2019**	**2018**
Profit before income tax for continuing underlying operations	$39.5m	$35.6m	$20.1m	$21.3m	$14.4m
EPS (underlying before income tax) - Tranche 1	17.1 cents	15.8 cents	10.5 cents	11.1 cents	7.5 cents
Profit before income tax for continuing underlying operations (before share-based payments)	$35.8m	$38.8m	$22.9m	$22.4m	
EPS (underlying before income tax and share-based payments) - Tranches 2B and 2C	15.5 cents	17.3 cents	11.9 cents	11.6 cents	
Profit after income tax for continuing underlying operations	$29.0m	$24.9m	$13.8m	$15.7m	
ADEPS (underlying after income tax) - Tranche 3	12.5 cents	11.1 cents	7.2 cents	8.2 cents	

g. Additional disclosures relating to key management personnel

SHAREHOLDING

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

	Balance at the start of the period	**Received as part of renumeration**	**Net Movement**	**Balance at the end of the period**
Directors				
Phil Ryan	133,836	1,440,740	(1,237,000)	337,576
Michael Kay	700,000	-	100,000	800,000
Neil Thompson	-	-	21,000	21,000
Natalie McLean	-	-	10,900	10,900
Other key management personnel				
Peter McClelland*	3,284	-	7,000	10,284
Munraj Dhaliwal**	99,672	308,333	(250,000)	N/A
Total	**936,792**	**1,749,073**	**(1,348,100)**	**1,179,760**

*The number of shares that are held at the start/end of the period, or, where the holder is key management personnel for part-year only, on the relevant start/end dates of holding key management personnel office.

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

PERFORMANCE RIGHTS HOLDING

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

	Balance at the start of the period	Granted	Vested	Expired/ forfeited	Balance at the end of the period
Phil Ryan	2,640,740	-	(1,440,740)	-	1,200,000
Munraj Dhaliwal	483,333	-	(308,333)	(175,000)	-
Total	**3,124,073**	**-**	**(1,749,073)**	**(175,000)**	**1,200,000**

LOAN FUNDED SHAREHOLDING

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

	Balance at the start of the period	Granted	Vested	Expired/ forfeited	Balance at the end of the period
Phil Ryan	2,161,235	-	-	-	2,161,235
Munraj Dhaliwal	1,234,991	-	-	(1,234,991)	-
Total	**3,396,226**	**-**	**-**	**(1,234,991)**	**2,161,235**

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND THEIR RELATED PARTIES

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

	Consolidated	
	2022 $'000	**2021 $'000**
Payment for other expenses:		
Services provided by Southern Cross Shopfitting, a company that is associated with the Cotton on Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[3]	1,642,070	2,356,173
Services provided by International Southern Cross Shopfitting (NZ), a company that is associated with the Cotton On Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[4]	9,790	9,360
Total related party transactions	**1,651,860**	**2,365,533**

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

[3] Natalie McLean and Michael Hardwick were not involved in the decision making relating to Southern Cross Shopfitting and its dealings with the Group. Michael Hardwick resigned as director on 17 November 2021

[4] Natalie McLean and Michael Hardwick were not involved in the decision making relating to International Southern Cross Shopfitting (NZ) and its dealings with the Group. Michael Hardwick resigned as director on 17 November 2021

RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES

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

	Consolidated	
	2022 $'000	**2021 $'000**
Current payables		
Trade payables to Southern Cross Shopfitting, a company that is associated with the Cotton Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[5]	6,557	841,580
Trade payables to International Southern Cross Shopfitting (NZ), a company that is associated with the Cotton on Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[6]	534	-

This concludes the remuneration report, which has been audited.

[5] Natalie McLean and Michael Hardwick were not involved in the decision making relating to Southern Cross Shopfitting and its dealings with the Group. Michael Hardwick resigned as director on 17 November 2021

[6] Natalie McLean and Michael Hardwick were not involved in the decision making relating to International Southern Cross Shopfitting (NZ) and its dealings with the Group. Michael Hardwick resigned as director on 17 November 2021

Shares under option

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

Shares under performance rights

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

Shares issued on the exercise of options

There were no ordinary shares of City Chic Collective Limited issued on the exercise of options during the period ended 3 July 2022 and up to the date of this report.

Shares issued on the exercise of performance rights

During the financial period 3,256,848 ordinary shares of City Chic Collective Limited were issued upon the vesting of 3,256,848 performance rights.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

Proceedings on behalf of the company

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

Change of Auditor

The Company appointed Ernst & Young (EY) as auditor of the Company, effective 27 April 2022.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor (EY) and previous auditor (Deloitte Touche Tohmatsu) are outlined in Note 27 to the financial statements.

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

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

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

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the directors

MICHAEL KAY	PHIL RYAN
Chairman	Chief Executive Officer and Managing Director

25 August 2022
Sydney

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

As lead auditor for the audit of the financial report of City Chic Collective Limited for the financial year ended 3 July 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit.

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst + Young

Ernst & Young

Yvonne Barnikel
Partner
25 August 2022

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Independent auditor's report to the members of City Chic Collective Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of City Chic Collective Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 3 July 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 3 July 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Building a better working world

Inventory valuation

Why significant	How our audit addressed the key audit matter
At 3 July 2022 the Group's consolidated statement of financial position includes inventories with a carrying value of $195.9 million, representing 55.1%of total assets. Inventory is held at geographically diverse locations at various third-party distribution centres and retail stores. As detailed in Note 9 of the financial report, inventories are valued at the lower of cost and net realisable value. There is judgment involved in determining the cost of inventories and in assessing net realisable value. The cost of inventories includes elements relating to the cost of freight, customs duties and certain warehousing charges. Judgements were involved in the process of allocating these costs to inventories. There is judgement exercised in estimating the value of inventory which may be sold below cost and determining the net realisable value of this inventory. Such judgements include the expectations of future sales price, future sales volumes and inventory clearance plans, including the cost to dispose of any excess inventory. Inventory valuation was a key audit matter due to the value of the inventory balance relative to total assets and the various judgements required in determining its valuation.	Our audit procedures included the following: ► Assessed whether the Group's inventory costing methodologies, specifically in relation to freight, customs duties and warehousing charges, was consistent with Australian Accounting Standards. ► Assessed the effectiveness of relevant controls in relation to the inventory costing process and assessed the accuracy of the Group's inventory valuation methodology, on a sample basis. ► Assessed the basis by which the Group determined that inventory was recorded at the lower of cost and net realisable value, including the rationale for recording specific adjustments to value inventory below cost, where required. ► Examined sales margins achieved, the Group's process for identifying specific slow-moving inventories, historical inventory turnover and expected future sales and assessed other considerations made by the Group over aged inventories.

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Impairment assessment of brand intangible assets

Why significant	How our audit addressed the key audit matter
At 3 July 2022 the Group's consolidated statement of financial position includes brand intangible assets with a carrying value of $28.1 million, representing 7.9%of total assets. As disclosed in Note 12 of the financial statements, the assessment of the impairment of the Group's brand intangible assets incorporated significant judgments and estimates, based upon conditions existing as at 3 July 2022, specifically concerning factors such as forecast revenues, royalty rates, discount rates, terminal growth rates and the application of tax amortisation benefits. The judgments and assumptions relate to the sustainability of future performance, market and economic conditions. Significant assumptions used in the impairment testing referred to above are inherently subjective. The disclosures in the financial report provide important information about the assumptions made in the impairment testing and the market conditions at 3 July 2022. Accordingly, we considered the impairment testing of brand intangible assets and the related disclosures in the financial report to be a key audit matter.	Our audit procedures included the following: ► Assessed whether the Group's impairment assessment process was in accordance with Australian Accounting Standards. ► Assessed the revenue forecasts used in the impairment assessment by considering the reliability of the Group's historical forecasts, our knowledge of the business and corroborating assumptions with external information, where possible. ► Assessed royalty rates, discount rates and terminal growth rates applied in the impairment model with involvement from our valuation specialists. ► Considered whether the application of tax amortisation benefits were in accordance with the deductibility rules of brands held in various jurisdictions with involvement from our taxation specialists. ► Tested the mathematical accuracy of the brand impairment testing models and assessed whether the models were consistent with the latest Board approved forecasts. ► Performed sensitivity analysis on key assumptions including discount rates, royalty rates, and revenue forecasts for each of the Group's brand intangibles. ► Assessed the adequacy of the financial report disclosures contained in Note 12.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's 2022 Annual Report other than the financial report and our auditor's report thereon. We obtained the directors' report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

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Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably

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be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 23 of the directors' report for the year ended 3 July 2022.

In our opinion, the Remuneration Report of City Chic Collective Limited for the year ended 3 July 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

Yvonne Barnikel
Partner
Sydney
25 August 2022

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City Chic Collective Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 3 July 2022

	Note	Consolidated 2022 $'000	2021 $'000
Revenue from continuing operations	4	369,247	265,588
Interest and other revenue	4	605	1,386
Expenses			
Purchase and inbound-related costs of inventory	5	(148,050)	(98,694)
Fulfilment costs	5	(65,167)	(37,768)
Cost of sales		(213,217)	(136,462)
Employee benefits expense	5	(45,398)	(37,345)
Depreciation, amortisation and impairment expense	5	(15,204)	(14,379)
Rental-related recoveries, concessions and expenses	5,13	(3,792)	(3,551)
Other expenses	5	(57,923)	(42,418)
Finance costs		(1,583)	(1,347)
Profit before income tax expense from continuing operations		**32,735**	**31,472**
Income tax expense	6	(10,458)	(9,916)
Profit after income tax expense from continuing operations		**22,277**	**21,556**
Profit after income tax expense for the period attributable to the owners of City Chic Collective Limited	22	**22,277**	**21,556**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		5,581	(4,967)
Other comprehensive income for the period, net of tax		5,581	(4,967)
Total comprehensive income for the period attributable to the owners of City Chic Collective Limited		**27,858**	**16,589**
Total comprehensive income for the period is attributable to:			
Continuing operations		27,858	16,589
		27,858	**16,589**

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

City Chic Collective Limited
Consolidated statement of profit or loss and other comprehensive income
For the period ended 3 July 2022

	Notes	Cents	Cents
Earnings per share for profit from continuing operations attributable to the owners of City Chic Collective Limited			
Basic earnings per share	23	9.6	9.6
Diluted earnings per share	23	9.5	9.4
Earnings per share for profit attributable to the owners of City Chic Collective Limited			
Basic earnings per share	23	9.6	9.6
Diluted earnings per share	23	9.5	9.4

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

City Chic Collective Limited
Consolidated statement of financial position
As at 3 July 2022

	Note	Consolidated 2022 $'000	2021 $'000
Assets			
Current assets			
Cash and cash equivalents	7	9,953	71,457
Trade and other receivables	8	11,011	5,606
Inventories	9	195,936	66,996
Other	10	4,845	6,870
Total current assets		**221,745**	**150,929**
Non-current assets			
Plant and equipment	11	15,355	10,191
Right-of-use assets	13	26,255	22,442
Intangibles	12	84,666	75,602
Deferred tax	6	7,330	7,808
Total non-current assets		**133,606**	**116,043**
Total assets		**355,351**	**266,972**
Liabilities			
Current liabilities			
Trade and other payables	14	80,325	41,896
Lease liabilities	13	9,090	9,286
Income tax	6	3,284	1,818
Provisions	16	8,788	8,070
Other	17	4,304	3,072
Total current liabilities		**105,791**	**64,142**
Non-current liabilities			
Lease liabilities	13	24,176	18,768
Provisions	16	422	459
Borrowings	15	14,000	-
Other	17	385	701
Total non-current liabilities		**38,983**	**19,928**
Total liabilities		**144,774**	**84,070**
Net assets		**210,577**	**182,902**
Equity			
Issued capital	20	182,167	182,000
Reserves	21	(28,975)	(34,206)
Retained profits	22	57,385	35,108
Total equity		**210,577**	**182,902**

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

City Chic Collective Limited
Consolidated statement of changes in equity
For the period ended 3 July 2022

Consolidated	Issued capital $'000	Share-based payments $'000	Foreign currency translation reserve $'000	Loss reserve $'000	Retained profits $'000	Total equity $'000
Balance at 29 June 2020	71,191	(18,105)	(1,758)	(10,991)	13,552	53,889
Profit after income tax expense for the period	-	-	-	-	21,556	21,556
Other comprehensive income for the period, net of tax	-	-	(4,967)	-	-	(4,967)
Total comprehensive income for the period	-	-	(4,967)	-	21,556	16,589
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs (Note 20)	109,229	-	-	-	-	109,229
Share-based payments (Note 19)		3,195	-	-	-	3,195
Issue of loan funded shares (Note 20)	1,580	-	-	-	-	1,580
Loan funded shares held in trust (Note 20)	-	(1,580)	-	-	-	(1,580)
Balance at 27 June 2021	**182,000**	**(16,490)**	**(6,725)**	**(10,991)**	**35,108**	**182,902**

Consolidated	Issued capital $'000	Share-based payments $'000	Foreign currency translation reserve $'000	Loss reserve $'000	Retained profits $'000	Total equity $'000
Balance at 28 June 2021	182,000	(16,490)	(6,725)	(10,991)	35,108	182,902
Profit after income tax expense for the period	-	-	-	-	22,277	22,277
Other comprehensive income for the period, net of tax	-	-	5,581	-	-	5,581
Total comprehensive income for the period	-	-	5,581	-	22,277	27,858
Transactions with owners in their capacity as owners:						
Share-based payments (Note 21)	-	(183)	-	-	-	(183)
Performance rights over ordinary shares (Note 20)	3,477	(3,477)	-	-	-	-
Loan funded shares held in trust (Note 20)	(3,310)	-	-	-	-	(3,310)
Refund of loan funded shares held in trust	-	3,310	-	-	-	3,310
Balance at 3 July 2022	**182,167**	**(16,840)**	**(1,144)**	**(10,991)**	**57,385**	**210,577**
Note reference	20	21	21	21	22	

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

City Chic Collective Limited
Consolidated statement of cash flows
For the period ended 3 July 2022

	Note	Consolidated 2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST, VAT and sales tax)		401,804	288,833
Payments to suppliers and employees (inclusive of GST, VAT and sales tax)		(443,809)	(268,677)
Government grants received		21	4,964
Interest received		34	243
Other revenue		452	352
Interest and other finance costs paid		(1,583)	(1,330)
Income taxes paid		(8,813)	(9,232)
Net cash from operating activities	18	**(51,894)**	**15,153**
Cash flows from investing activities			
Payments for plant and equipment	11	(9,077)	(5,034)
Payments for intangibles	12	(2,468)	(1,542)
Payment for purchase of business (net of cash acquired)	32	(4,254)	(40,208)
Net cash used in investing activities		**(15,799)**	**(46,784)**
Cash flows from financing activities			
Net proceeds from the issue of shares	20	-	108,618
Repayment of lease liabilities		(8,040)	(7,845)
Proceeds from / (repayment of) borrowings	15	14,000	(17,500)
Net cash from financing activities		**5,960**	**83,273**
Net (decrease)/increase in cash and cash equivalents from continuing operations		**(61,733)**	**51,642**
Cash and cash equivalents at the beginning of the financial period		71,457	21,382
Effects of exchange rate changes on cash and cash equivalents		229	(1,567)
Cash and cash equivalents at the end of the financial period	7	**9,953**	**71,457**

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

City Chic Collective Limited
General information
3 July 2022

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

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

151-163 Wyndham Street
Alexandria, NSW 2015
Sydney, Australia
Telephone: (+61) 2 9059 4300

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 August 2022. The directors have the power to amend and reissue the financial statements.

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 1. Significant accounting policies

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

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

Financial reporting period
The company reports within a retail financial period. The current financial year represents a 53 week period ended 3 July 2022 (2021: 52 week period ended 27 June 2021). This treatment is consistent with *s323D Corporations Act 2001*.

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

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

Parent entity information
In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 31. Parent entity disclosures.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of City Chic Collective Limited ('company' or 'parent entity') as at 3 July 2022 and the results of all subsidiaries for the period then ended. City Chic Collective Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 1. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 1. Significant accounting policies (continued)

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

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Refer to Note 8. Trade and other receivables for detail.

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

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

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

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

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 1. Significant accounting policies (continued)

Comparative amounts
Where management has considered appropriate to achieve more relevant and reliable presentation of the entity's financial performance, the presentation of certain items in the financial statements has changed since the prior year. Where this re-presentation of results requires reclassification of comparative amounts, the comparatives have been re-presented to achieve more relevant and reliable presentation and comparability.

The principle accounting policies adopted are consistent with those of the previous financial year and corresponding current reporting period, except for the policies stated below.

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

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:
- *AASB 2021-3 Amendments to Australian Accounting Standards –Covid-19-Related Rent Concessions beyond 30 June 2021*
- *AASB 2020-8 Amendments to Australian Accounting Standards –Interest Rate Benchmark Reform –Phase 2*

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 1. Significant accounting policies (continued)

Impact of the initial application of amended Standards and agenda decisions published by the IFRS Interpretations Committee ("IFRIC") that are effective for the current period

During the current reporting period, the Group had transactions which were affected by the following newly effective standards and IFRIC agenda decisions:

Amendment Standards / IFRIC Agenda Decisions	Description
AASB 2021-3 *Amendments to Australian Accounting Standards –Covid-19-Related Rent Concessions beyond 30 June 2021*	The Group early adopted the AASB 2021-3 amendment in FY20, with its adoption having a material impact on the disclosures and amounts reported in the FY20 and prior period's financial statements. AASB 2021-3 extends the practical expedient introduced by AASB 2020-4 Amendments to Australian Accounting Standards –COVID-19 –Related Rent Concessions by a further 12 months –permitting lessees to apply the relief to rent concessions for which reductions in lease payments were originally due on or before 30 June 2022. If a lessee elected to apply AASB 2020-4, then the AASB 2021-3 amendments are mandatory. This is because a lessee applies the practical expedient consistently to eligible contracts that share similar characteristics and in similar circumstances, irrespective of when the rent concession became eligible. This means that lessees may be required to reverse previous lease modification accounting if a rent concession did not qualify for the practical expedient under the AASB 2020-4 amendment, but does qualify as a result of the AASB 2021-3 extension. The impact on accounting for changes in lease payments as a result of applying the exemption has been disclosed in Note 13. Right-of-use assets and Lease Liabilities. Given this amendment was early adopted in FY20, the Group did not have to apply the practical expedient retrospectively to all rent concessions that meet the conditions in AASB16.46B, and therefore has not had to restate prior period figures.
AASB 2020-8 *Amendments to Australian Accounting Standards –Interest Rate Benchmark Reform –Phase 2*	AASB 2020-8 amends AASB 9 Financial Instruments, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts, AASB 16 Leases and AASB 139 Financial Instruments: Recognition and Measurement to introduce practical expedients in relation to accounting for modification of financial contracts and/or leases if a change results directly from IBOR reform. Amendments also allow a series of exemptions from the regular hedge accounting rules and introduce additional disclosure requirements. AASB 2020-9 amends AASB 1060 to relieve entities from disclosing the financial effects of changing accounting policies in response to interest rate benchmark reform, and other editorial corrections. The standard addresses issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments complement *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* and focus on the effects on financial statements when an entity replaces the existing interest rate benchmark with an alternative benchmark rate as a result of the reform. The Group has adopted the amendment with no impact on the Group.

The other new or revised amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect current or future periods.

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Note 1. Significant accounting policies (continued)

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards (AASs) and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 3 July 2022.

Standards in issue but not yet effective New or revised requirement	When effective
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	Effective for annual reporting periods beginning on or after 1 January 2022
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards– Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Effective for annual reporting periods beginning on or after 1 January 2023
AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128	Effective for annual reporting periods beginning on or after 1 January 2025

The Group has not yet assessed the impact of the remaining new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Allowance for impairment of inventories
The allowance for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by considering the recent sales experience, the ageing of inventories and other factors such as end of life or terminal inventory, that affect inventory obsolescence. Refer to Note 9. Inventories for further information.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 12. Intangibles. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. The recoverable amount of brands is determined independently using the Relief from Royalty valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and expected useful life. Refer to Note 12. Intangibles for further information.

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

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

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

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Determining the lease term of contracts with renewal options
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease or the ability of staying on past lease expiry date (in holdover) if it is reasonably certain to be exercised. The Group applies judgement in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period. Refer to Note 13. Right-of-use assets and Lease liabilities for further information.

Holdover leases
The Group has historically always had several lease contracts in holdover. The Group applies judgement in evaluating whether it is reasonably certain whether leases will be extended beyond the contracted period. A range of 2 to 5 years extension is estimated based on average lease terms. Refer to Note 13. Right-of-use assets and Lease liabilities for further information

Note 3. Operating segments

Identification of reportable operating segments
The Group's overall strategy remains to operate as a global omni-channel retailer, focused on the plus-size market and as such the consolidated entity is organised into one operating segment, being fashion retail. Despite having numerous brands and geographies, the Chief Executive Officer (who is identified as the Chief Operating Decision Makers ('CODM') assesses the performance and determines the allocation of resources at a single segment, consolidated level with each part of the business exhibiting similar long-term financial performance and economic characteristics.

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

The information reported to the CODM is on at least a monthly basis, including daily and weekly reporting on key metrics.

Major customers
There is no revenue that is significant from any particular customer. Segment revenue from external parties, assets and liabilities are all reported to the CODM in a manner consistent with the financial statements.

City Chic Collective Limited
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3 July 2022

Note 3. Operating segments (continued)

Revenue by geographical area
The Group operates in the following geographical regions:
- Asia Pacific (APAC) – current operations in Australia and New Zealand. Both regions serviced by stores, website and marketplace
- Americas – current operations in United States and Canada. US sales are comprised of online (website and marketplace) and wholesale; Canadian business is wholesale and online (marketplace only)
- Europe, Middle East and Africa (EMEA) – current operations in UK and Europe. UK sales are comprised of online (website and marketplace) and wholesale; Europe is online (website) only; Middle East business is solely wholesale.

Refer to Note 4. Revenue for details on revenue by geographical area.

Reconciliation of net profit to Underlying EBITDA[21]
Reconciliation of net profit after income tax from continuing operations to Underlying EBITDA (Earnings before interest, taxation, depreciation, amortisation, impairment, and other adjustments) from continuing operations is provided as follows:

	Consolidated 2022 $'000	2021 $'000
Net profit after tax from continuing operations	22,277	21,556
Net interest expense (excluding AASB 16 impact)	622	395
Tax expense from continuing operations	10,458	9,916
Depreciation, amortisation and impairment expense (excluding AASB 16 impact)	7,041	6,405
Transition costs[15]	2,277	2,298
Strategic logistics review[16]	321	-
Transaction costs[17]	2,334	1,008
Share issue costs[18]	-	184
Other[19]	731	(233)
Net AASB 16 impact[20]	1,085	838
Underlying EBITDA from continuing operations - pre-AASB16[21]	**47,146**	**42,367**
Repayment of lease liabilities	8,040	7,845
Underlying EBITDA from continuing operations - post-AASB16	**55,186**	**50,212**

AASB 16 accounts

	Consolidated 2022 $'000	2021 $'000
Depreciation on right-of-use assets	8,163	7,974
Interest expense on lease liabilities and make good provisions	962	709
Repayment of lease liabilities	(8,040)	(7,845)
Net AASB 16 impact	**1,085**	**838**

[15] FY22 Transition costs related to costs to integrate Evans and Navabi, including restructuring and consulting fees; FY21 Transition costs related to costs to integrate Evans.
[16] Strategic review of northern hemisphere logistics
[17] FY22 Transaction costs related to executing the acquisition of Navabi and costs associated with other acquisition opportunities; FY21 costs related to executing the acquisition of Evans.
[18] FY21 share issue costs relate to the July-August 2020 equity raise, to the extent not allocated to equity.
[19] FY22 costs related mainly to the impact of additional on-costs in respect of the vesting of the performance rights over ordinary shares during the current reporting period and the outstanding performance rights and loan funded shares at the end of the reporting period; these costs are net of a favourable impact from the forfeiture of performance rights and loan funded shares in FY22. FY21 includes realised foreign currency gains from settling intercompany balances within the Group and the settlement and subsequent release of provision for cure costs previously recognised in respect of the acquisition of Avenue.
[20] Net impact of the AASB16 Lease adjustments to reflect pre-AASB16 rent expense in Underlying EBITDA.
[21] Underlying EBITDA (earnings before interest, income tax expense, depreciation and amortisation) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS')

City Chic Collective Limited
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Note 4. Revenue

	Consolidated	
	2022	2021
	$'000	$'000
From continuing operations		
Sale of goods	359,413	258,477
Delivery fee income	9,834	7,111
Revenue from continuing operations	**369,247**	**265,588**
Interest revenue	34	243
Other revenue	571	1,143
	605	1,386
Revenue	**369,852**	**266,974**

Reclassification of delivery fee income
The Group charges a delivery fee to customers for certain online sales. Historically this recovery from customers has been less significant and was previously recognised in fulfilment costs as an offset to fees incurred from a third party to provide this service. With the continued growth of the online business this balance has become more significant and management have concluded that under AASB 15, the delivery fee income should be disclosed as part of revenue. This is because the delivery fee income is not considered an independent rendering of services, but rather part of the Sale of Goods. As such the prior year has been restated to include delivery fee income of $7,111,000 as part of revenue and remove from fulfilment costs as outlined below.

	Balance previously reported	Reclassification	Balance currently reported
	$'000	$'000	$'000
Revenue from continuing operations	**258,477**	**7,111**	**265,588**
Purchase of inbound related costs of inventory	(98,694)	-	(98,694)
Fulfilment costs	(30,657)	(7,111)	(37,768)
Cost of Sales	**(129,351)**	**(7,111)**	**(136,462)**

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

	Consolidated	
	2022	2021
	$'000	$'000
Timing of revenue recognition		
Goods transferred at a point in time	369,247	265,588
Geographical regions		
APAC	161,757	145,751
Americas	162,388	105,855
EMEA	45,102	13,983
	369,247	**265,588**
Channel		
Online website	278,222	191,735
Stores	61,030	66,990
Online marketplace	24,494	4,461
Wholesale	5,501	2,402
	369,247	**265,588**

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 4. Revenue (continued)

Accounting policy for revenue recognition
The consolidated entity recognises revenue as follows:

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

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

Contract liabilities for vendor funded markdown provision
In determining the level of vendor funded markdown provision required, the consolidated entity makes judgements in respect of the expected vendor discounting and the likelihood of the vendor achieving their guaranteed margin. The provision is based on estimates from historical margin achieved by the vendor. As at 3 July 2022, there were no provisions required for vendor funded markdowns.

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

Retail sales
Revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods. Amounts disclosed as revenue are net of sales returns, trade discounts and commission paid. Return policy on sale of goods range from 30 to 90 days and provision is made based on historical return percentage. Please refer to Note 16. Provisions on sales return raised and Note 10. Other assets on corresponding right-of-return assets recognised.

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

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Purchase and inbound-related costs of inventory	148,050	98,694
Fulfilment costs[22]	65,167	37,768
Depreciation, amortisation, and impairment expense (excluding AASB16 charges)	7,041	6,405
Depreciation on ROU assets	8,163	7,974
Rental-related expenses	3,818	4,595
Rent concessions	(26)	(1,043)
Employee benefits expense excluding superannuation and share-based payments	41,501	35,433
Defined contribution superannuation expenses	3,164	2,267
Share-based payments expense	754	3,196
Government grants	(21)	(3,551)
	277,611	191,738
Other expenses		
Utility and maintenance expenses	5,142	5,292
Transactional fees and charges	7,982	6,048
Marketing expenses	9,832	5,979
Advertising expenses	19,457	15,432
Professional, consulting and insurance	7,983	5,888
Other	7,527	3,779
	57,923	42,418
Total	**335,534**	**234,156**

In the current period City Chic New Zealand Limited benefitted from AUD $21K from the New Zealand government related to New Zealand store lockdowns. In the prior year the following significant government support packages were received as a result of COVID-19 during the period:

Support received	Description
JobKeeper Scheme (Australia)	Due to the impact of COVID-19 on the Group's turnover, government subsidies of $3.5m were received in the prior year under the Australian Federal Government's JobKeeper Scheme. The entity became eligible for the Scheme from its inception in March 2020. The amounts were paid in full to employees in line with the government's objective of helping businesses to continue paying employees to keep them in their jobs so that businesses can re-start when business conditions improve, for example during the period of Victorian store closures. The grants were deducted in the prior reporting period against employee benefits expense. The Australian JobKeeper was paid monthly in arrears in the first three months of the prior reporting period and concluded on 27 September 2020, after which the Group was no longer eligible.

Accounting policy for government grants

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in profit or loss of the period in which it becomes receivable, on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

[22] Fulfilment costs represent warehousing and freight costs to deliver online sales. Previously fulfilment costs (net) included delivery fee income recovered from customers (FY22: $9.8m and FY21: $7.1m). In the current year this has been reclassified to revenue from continuous operations, refer to note 4.

City Chic Collective Limited
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Note 5. Expenses (continued)

Accounting policy for rent concessions

Refer to Note 13. Right-of-use assets and Lease liabilities.

Accounting policy for Advertising and Marketing expenses

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

Note 6. Income tax

	Consolidated 2022 $'000	Consolidated 2021 $'000
a) Income tax expense		
Current tax	10,159	8,344
Deferred tax - origination and reversal of temporary differences	506	1,508
Prior year current tax over/ (under) provisions	(104)	88
Foreign exchange	(103)	(24)
Aggregate income tax expense	10,458	9,916
Income tax expense is attributable to:		
Profit from continuing operations	10,458	9,916
Aggregate income tax expense	10,458	9,916
b) Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax from continuing operations	32,735	31,472
Tax at the statutory tax rate of 30%	9,821	9,442
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
LTIP and LFSP	42	958
Unrealised foreign exchange loss (gain)	602	-
Other non-deductible expenses	573	-
	11,038	10,400
Difference in overseas tax rates	(203)	6
Prior year deferred tax (under)/over provisions	614	(356)
Prior year current tax over/(under) provisions	(104)	88
Foreign exchange	95	(222)
US state tax payable	171	-
DTA recognised on prior year tax losses	(1,153)	-
Income tax expense from continuing operations	10,458	9,916

c) Capital losses
Unused tax losses related to capital losses of $147.2m (2021: $147.2m) carried forward for which no deferred tax asset has been recognised. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

d) Income tax losses

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Note 6. Income tax (continued)

As at 3 July 2022, the consolidated entity had carried forward income tax losses of $20.7m from its US, UK and EU businesses (2021: $10.8m). These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

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

f) Deferred tax assets

	Consolidated	
	2022 $'000	2021 $'000
Deferred tax asset comprises temporary differences attributable to:		
Tax losses	2,448	1,687
Property, plant and equipment	(4,914)	(2,615)
Employee benefits	1,181	1,253
Leases	2,222	2,154
Other provisions and accruals	4,702	3,995
Inventories	1,398	696
Other	(74)	26
	6,963	7,196
Amounts initially recognised in equity	367	612
Deferred tax asset	7,330	7,808
Movements:		
Opening balance	7,808	8,661
Foreign exchange on opening balance	752	(353)
Prior year under/over	(636)	-
(Charged)/Credited to profit or loss - continuing	(506)	(1,508)
(Charged)/Credited to Business Combination and Equity	(88)	1,008
Closing balance	7,330	7,808

	Consolidated	
	2022 $'000	2021 $'000
Provision for income tax	3,284	1,818

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

City Chic Collective Limited
Notes to the consolidated financial statements
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Note 6. Income tax (continued)

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

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

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

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

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

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

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

Note 7. Cash and cash equivalents

	Consolidated	
	2022 $'000	2021 $'000
Current assets		
Cash at bank	9,953	71,457

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

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Note 8. Trade and other receivables

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Trade receivables	8,252	2,432
Less: Allowance for expected credit losses	(306)	(202)
Other receivables	3,065	3,376
Total trade and other receivables	**11,011**	**5,606**

Past due but not impaired

As at 3 July 2022, trade receivables of $0.7m (2021: $0.3m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

	Consolidated 2022 $'000	Consolidated 2021 $'000
30 to 60 days	460	133
60 to 90 days	59	-
90 days and over	161	150
Trade receivables - past due but not impaired	**680**	**283**
Current	7,572	2,149
Total trade receivables	**8,252**	**2,432**

Allowance for expected credit losses
The Group has recognised a loss of $0.1m (2021: gain of $0.1m) in profit of loss in respect of the expected credit losses for the year ended 3 July 2022. The recoverability of trade and other receivables at 3 July 2022 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues were noted. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current	219	83
30 to 60 days	66	44
60 to 90 days	-	-
90 days and over	21	75
Allowance for expected credit loss	306	202

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Note 8. Trade and other receivables (continued)

Movement of allowance for expected credit loss

	Consolidated 2022 $'000	Consolidated 2021 $'000
Carrying amount at the start of the period	202	354
Additional allowance recognised	149	-
Allowance derecognised	-	(118)
Amount used	(45)	(34)
Carrying amount at the end of the period	**306**	**202**

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

Note 9. Inventories

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Inventories on hand at lower of cost and net realisable value	195,936	66,996

The inventory balance as of 3 July 2022 includes $23.3m of Goods in Transit (27 June 2021: $5.1m). The increase in inventory is aligned with the growth of the business globally, the acquisition of Navabi and Evans in the current year and prior year respectively, the restructure of the global sourcing structures and the strategic investment in inventory to counter the impact of global supply chain volatility. A significant amount of the groups' inventory is located in the United States and purchased and maintained in USD. At 3 July 2022 this translates to a significantly higher AUD reporting balance at a group level than at 27 June 2021.

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

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

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Notes to the consolidated financial statements
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Note 10. Other assets

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current assets		
Prepayments	3,248	5,564
Right of return assets	1,597	1,306
Total other assets	**4,845**	**6,870**

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

Note 11. Plant and equipment

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Plant and equipment - at cost	30,505	24,508
Less: Accumulated depreciation	(15,150)	(14,317)
Total plant and equipment	**15,355**	**10,191**

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

Consolidated	Total plant and equipment $'000
Balance at 28 June 2020	**8,944**
Additions	5,034
Depreciation expense	(2,926)
Accelerated depreciation	(976)
Exchange differences	115
Balance at 27 June 2021	**10,191**
Additions	9,077
Depreciation expense	(3,921)
Accelerated depreciation	(409)
Exchange differences	417
Balance at 3 July 2022	**15,355**

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

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Note 11. Plant and equipment (continued)

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

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

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

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

Management has performed an impairment assessment on all stores at year-end and the calculations confirmed that there was no impairment (2021: nil).

Note 12. Intangibles

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Goodwill - at cost	52,153	45,199
Brand assets - at cost	28,116	26,001
Customer relationships - at cost	3,871	2,757
Less: Customer relationships - accumulated amortisation	(2,145)	(981)
	1,726	**1,776**
Other intangible assets - at cost	9,071	7,421
Less: Customer relationships - accumulated amortisation	(6,400)	(4,795)
	2,671	**2,626**
Total intangibles	**84,666**	**75,602**

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Note 12. Intangibles (continued)

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

Consolidated	Goodwill $'000	Brand assets $'000	Customer relationships $'000	Other intangibles $'000	Total $'000
Balance at 28 June 2020	**22,466**	**12,691**	1,105	**2,931**	**39,193**
Additions through business combinations (Note 32)	23,087	14,007	1,418	-	38,512
Additions	-	-	-	1,542	1,542
Amortisation expense	-	-	(669)	(1,834)	(2,503)
Exchange differences	(354)	(697)	(78)	(13)	(1,142)
Balance at 27 June 2021	**45,199**	**26,001**	1,776	**2,626**	**75,602**
Additions through business combinations (Note 32)	6,942	1,347	164	-	8,453
Additions	-	-	936	1,532	2,468
Amortisation expense	-	-	(1,147)	(1,564)	(2,711)
Exchange differences	12	768	(3)	77	854
Balance at 3 July 2022	**52,153**	**28,116**	1,726	**2,671**	**84,666**

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

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

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

City Chic Collective Limited
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Note 12. Intangibles (continued)

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

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

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

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

Impairment
Intangible assets with a finite life are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment irrespective of whether there are any indicators of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash generating units.

Goodwill impairment assessment
Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units (CGUs) to which the goodwill has been allocated. These calculations reflect an estimated cash flow projection based on a five-year forecast and requires the use of assumptions, including estimated discount rates; growth rates of estimated future cash flows; and terminal growth rates. The CGU for goodwill is assessed at a consolidated Group level, in line with the one operating segment used in its reporting. This is consistent with the prior year assessment.

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

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Note 12. Intangibles (continued)

The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

(i) Forecast sales growth rates
Forecast sales growth rates are based on past experience adjusted for sales/market trends and the strategic decisions made in respect of the CGU.

(ii) Operating profits
Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of changes to product and fulfilment costs and cost saving initiatives.

(iii) Cash conversion
Cash conversion is the ratio of operating cash flow to operating profit. Management forecasts cash conversion rates based on historical experience.

The discount rates used in the value-in-use calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGU. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. The discount rate is applied in the current year value-in-use model: 15.8% (2021: 10.7%). The higher current year rate reflects the increased cost of capital and higher risk in the current market conditions. A terminal growth rate of 2.5% (2021: 2.5%) has been assumed in the value-in-use calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculations confirmed that there was no impairment of goodwill (2021: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID-19 and diminishing macro-economic conditions, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amount to exceed its recoverable amount.

The key assumptions used by management in setting the financial budgets for the initial five-year period were as follows:

(iv) Forecast sales growth rates
Forecast sales growth rates are based on past experience adjusted for sales/market trends and the strategic decisions made in respect of the CGU.

(v) Operating profits
Operating profits are forecast based on historical experience of operating margins, adjusted for the impact of changes to product and fulfilment costs and cost saving initiatives.

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Note 12. Intangibles (continued)

(vi) Cash conversion
Cash conversion is the ratio of operating cash flow to operating profit. Management forecasts cash conversion rates based on historical experience.

The discount rates used in the value-in-use calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGU. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. Discount rate applied in the current year value-in-use model: 15.8% (2021: 10.7%). The higher current year rate reflects the increased cost of capital and higher risk in the current market conditions. A terminal growth rate of 2.5% (2021: 2.5%) has been assumed in the value-in-use calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculations confirmed that there was no impairment of goodwill (2021: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID-19 and diminishing macro-economic conditions, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amount to exceed its recoverable amount.

Brand assessment
(i) Avenue Brand
On 16 October 2019, the Group acquired the e-commerce assets of Avenue Stores LLC for cash consideration of US$16.5m. Brand assets of $10.3m was recognised. The recoverable amount of the Avenue Brand was determined independently using the Relief from Royalty ('RFR') valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life.

(ii) Hips & Curves Brand
On 29 April 2019, the Group acquired select assets of CMI Enterprises LLC trading as Hips & Curves, a US based plus-size online retailer, for cash consideration of US$2.0m. Brand assets of A$2.5m was recognised. The recoverable amount of the Hips & Curves brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discounted rates and an assumed indefinite useful life.

(iii) Evans Brand
On 23 December 2020, the Group completed the acquisition of the Evans brand, and the e-commerce and wholesale businesses, for cash consideration of $40.2m. Brand assets of $14.0m was recognised. The recoverable amount of the Evans brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life.

(iv) Navabi Brand
On 23 July 2021, the Group acquired the Navabi brand, an online marketplace, for the cash consideration of for €6.0m (A$9.6m). Brand assets of $1.3m, Customer Relationships of $0.2m and Goodwill of $6.9m were recognised. The recoverable amount of the Navabi brand was determined independently using the RFR valuation method. The calculations reflect a five-year revenue forecast and requires the use of assumptions, including estimated royalty rates, tax rate, estimated discount rates and an assumed indefinite useful life. Refer to Note 32 for further information on the acquisition of the Navabi business.

(v) Brand asset impairment assessment
The five-year revenue forecast used in independently determining the recoverable amount of each brand using the RFR valuation method was based on Board approved business plans. Business plans are modelled assuming like for like sales growth based on historical performance taking into account changing market conditions. The royalty rates used in the valuation model were based on rates observed in the various markets, ranging from 2% - 8%.

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Note 12. Intangibles (continued)

Determining whether a brand is impaired requires an estimation of the fair value of the CGUs to which the brand has been allocated. These calculations reflect an estimated cash flow projection based on a five-year forecast and requires the use of assumptions, including estimated discount rates; growth rates of estimated future cash flows; and terminal growth rates.

The discount rates used in the fair value calculations are pre-tax and reflect management's estimate of the time value of money, as well as the risks specific to the CGUs. The discount rates have been determined using the average weighted cost of capital and the current market risk-free rate, adjusted for relevant business risks. The discount rate applied in the current year fair value model is 15.8% (2021: 10.7%). A terminal growth rate of 2.5% (2021: 2.5%) has been assumed in the fair value calculation and reflects the long-term growth expectations beyond the five-year forecast horizon.

The calculations confirmed that there was no impairment of any of the Brands (2021: nil), with excess headroom remaining when performing sensitivity analysis. In performing the sensitivity analysis, management considered a stressed scenario due to the uncertainty of COVID-19 and diminishing macro-economic conditions, and no impairment was identified. Based on what is known at the time of this report including the current volatility in economic conditions, management believes that any reasonably possible change in the key assumptions used in the calculations, would not cause the carrying amounts to exceed their recoverable amount. The expected continued promotion and marketing of the various brands supports the assumption that each brand has an indefinite life.

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Note 13. Right-of-use assets and Lease liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current assets		
Right-of-use assets	39,560	34,620
Less: Accumulated depreciation	(13,305)	(12,178)
Total Right-of-use assets	26,255	22,442
Current liabilities		
Lease liabilities	9,090	9,286
Non-current liabilities		
Lease liabilities	24,176	18,768
Total lease liabilities	33,266	28,054

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

The Group has applied the practical expedient per *COVID-19-Related Rent Concessions (Amendment to AASB 16)*
and recognised the effect of rent concessions received from landlords as a result of COVID-19 in the profit and loss statement where applicable and have not accounted for these related rent concessions as lease modifications. Rent concessions received for the current reporting period amounted to $0.02m (2021: $1.0m).

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

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

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

Consolidated	Total right-of-use asset $'000
Balance at 28 June 2020	**22,252**
Additions	14,692
Disposals	(11,578)
Accumulated depreciation on disposals	5,125
Depreciation expense	(7,974)
Exchange differences	(75)
Balance at 27 June 2021	**22,442**
Additions	15,477
Disposals	(10,450)
Accumulated depreciation on disposals	7,032
Depreciation expense	(8,163)
Exchange differences	(83)
Balance at 3 July 2022	**26,255**

City Chic Collective Limited
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Note 13. Right-of-use assets and Lease liabilities (continued)

	Consolidated 2022 $'000	Consolidated 2021 $'000
Amounts recognised in profit and loss		
Depreciation expense on right-of-use assets	8,163	7,974
Interest expense on lease liabilities	962	692
Expenses relating to leases not recognised under *AASB 16*	3,286	2,292

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

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Accounting policy for lease liabilities

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

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

Note 14. Trade and other payables

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Trade creditors	37,815	13,395
Sundry creditors	23,655	11,744
Other payables	18,855	16,757
Total trade and other payables	**80,325**	**41,896**

Refer to Note 25 for further information on financial instruments.

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 14. Trade and other payables (continued)

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

Note 15. Borrowings

	Consolidated 2022 $'000	Consolidated 2021 $'000
Non-current liabilities		
Bank loans	14,000	-

On 22 June 2022, the company commenced a new, multicurrency, revolving debt facility of $60.0m, maturing on 22 June 2025, including both working capital and acquisition tranches. The covenants entered by the Group require specified calculations regarding the Groups Fixed Charge Cover Ratio and Net Leverage Ratio. The group was in compliance with all covenants during the financial year. The interest rate is BBSY plus an agreed margin.

Refer to Note 25. Financial Instruments for further information.

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

	Consolidated 2022 $'000	Consolidated 2021 $'000
Total facilities		
Corporate credit card	1,163	944
Bank loans	59,888	39,950
Letter of credit	112	50
	61,163	**40,944**
Used at the reporting date		
Corporate credit card	227	463
Bank loans	14,000	-
Letter of credit	112	50
	14,339	**513**
Unused at the reporting date		
Corporate credit card	936	481
Bank loans	45,888	39,950
Letter of credit	-	-
	46,824	**40,431**

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

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Note 16. Provisions

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Employee benefits	3,560	2,899
Lease make good	564	731
Onerous contracts	660	267
Sales return provision	3,718	3,476
Restructuring provision	286	697
Total provisions - current	8,788	8,070
Non-current liabilities		
Employee benefits	422	459
Total provisions - non-current	422	459
Total provisions	9,210	8,529

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

Consolidated – 2022	Employee benefits $'000	Sales return provision $'000	Other provisions $'000	Total $'000
Current provisions				
Carrying amount at the start of the period	**2,899**	**3,476**	**1,695**	**8,070**
Recognised on business combination (Note 32)	76	488	856	1,420
Additional provisions recognised	1,022	24,425	553	26,000
Amounts used	(437)	(24,671)	(1,594)	(26,702)
Carrying amount at the end of the period	3,560	3,718	1,510	8,788
Non-current provisions				
Carrying amount at the start of the period	**459**	-	**-**	**459**
Recognised on business combinations (Note 32)	-	-	-	-
Additional provisions recognised	61	-	-	61
Amounts used	(98)	-	-	(98)
Carrying amount at the end of the period	422	-	-	422

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

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

Onerous contracts
Current year balance represents onerous contracts entered into on the acquisition of the Navabi brand. The prior year balance represented onerous contracts entered into on the acquisition of Evans online assets.

City Chic Collective Limited
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Note 16. Provisions (continued)

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

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

Accounting policy for employee benefits

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

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

Note 17. Other liabilities

	Consolidated 2022 $'000	Consolidated 2021 $'000
Current liabilities		
Deferred income	4,268	3,040
Deferred revenue - customer loyalty points	36	32
	4,304	3,072
Non-current liabilities		
Deferred income	385	701
Total other liabilities	**4,689**	**3,773**

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

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

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

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Note 17. Other liabilities (continued)

Deferred lease incentives represents operating lease incentives received for those leases not accounted for under *AASB 16 Leases*. The incentives are allocated to profit or loss on a straight-line bases over the lease term.

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

Note 18. Cash flow information

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

	Consolidated	
	2022 $'000	2021 $'000
Profit after income tax expense from continuing operations	22,277	21,556
Adjustments for:		
Depreciation, amortisation, and impairment	15,204	14,379
Share-based payments	185	3,195
Foreign exchange and other differences	5,043	(1,218)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(5,405)	(533)
Increase in inventories	(128,940)	(28,923)
Decrease/(Increase) in other assets	2,024	(4,608)
Increase/(Decrease) in deferred tax assets	478	853
Increase in trade and other payables	38,430	4,368
Increase/(Decrease) in provision for income tax	1,466	(712)
Increase in other provisions	681	1,404
Increase in other liabilities	917	3,696
Business combinations (opening balances)	(4,254)	1,696
Net cash from continuing operating activities	**(51,894)**	**15,153**

Reconciliation of liabilities arising from financing activities:

	2021 $'000	Cash flows $'000	Non-cash changes Acquisitions $'000	Non-cash changes New leases $'000	2022 $'000
Long-term borrowings	-	14,000	-	-	14,000
Lease liabilities	28,054	(8,040)	-	13,252	33,266
	28,054	5,960	-	13,252	47,266

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Note 19. Share-based payments

The Group's long-term incentives rewards executives for high performance and ongoing commitment over a three to five-year horizon and recognises the important role executives play in delivering the long-term growth of the Group.

The Group's long-term incentives are comprised of the Long-Term Incentive Plan (LTIP) and the Loan Funded Share Plan (LFSP). The following share-based payment arrangements were in existence during the current year:

Tranche	Grant date	Performance period end date	Share price at grant date	Expected volatility %	Dividend yield %	Risk-free interest rate %	Balance at the start of the period	Granted	Vested	Expired/ forfeited/ other	Balance at the end of the period
1	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	781,848	-	(781,848)	-	-
2A	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	(1,237,500)	-	-
2B	13/11/2018	30/06/2021	$1.17	35.00%	3.50%	2.12%	1,237,500	-	(1,237,500)	-	-
2C	13/11/2018	30/06/2023	$1.17	40.00%	3.50%	2.33%	2,475,000	-	-	(175,000)	2,300,000
Total Performance Rights							5,731,848	-	(3,256,848)	(175,000)	2,300,000
3	21/11/2019	30/06/2024	$2.68	35.00%	N/A	0.81%	7,533,448	-	-	(1,234,991)	6,298,457
3	03/03/2020	30/06/2024	$2.79	35.00%	N/A	0.81%	667,464	-	-	-	667,464
3	16/09/2020	30/06/2024	$3.33	40.00%	N/A	0.29%	454,576	-	-	-	474,576
Total Loan Funded Shares							8,675,488	-	-	(1,234,991)	7,440,497

LTIP Tranches

Vesting conditions of the LTIP tranches are set out below:

Tranche 1

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Compound annual growth rate (CAGR) in the Group's underlying earnings per share before tax (EPS) during the three years to June 2021 in accordance with the following schedule:

EPS CAGR across the Tranche 1 Performance Period	Proportion of Tranche 1 Performance Rights held that will satisfy Vesting Condition 2
Below 5.0%	Nil
5%	25%
5.0% ≤ EPS CAGR ≤ 20.0%	Straight line pro-rata vesting between 25% and 100% (inclusive)

Tranche 2A

Vesting Condition	Continued service to 27 August 2021, with no holding lock on resulting shares

Tranche 2B

Vesting Condition 1	Continued service to 27 August 2021, with no holding lock on resulting shares;
Vesting Condition 2	Group underlying EPS (before income tax and share-based payments) performance in acco with the following schedule:

Group EPS for the year to 30 June 2021	Proportion of Tranche 2B Performance Rights held that will satisfy Vesting Condition 2
Below $0.0975 (1.3 x FY18 EPS)	Nil
$0.0975 ≤ EPS ≤ $0.1050 (1.4 x FY18 EPS)	50%
EPS ≥ $0.1050	100%

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Note 19. Share-based payments (continued)

Tranche 2C

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

Group EPS for the year to 30 June 2023	Proportion of Tranche 2C Performance Rights held that will satisfy Vesting Condition 2
Below $0.1125 (1.5 x FY18 EPS)	Nil
$0.1250 ≤ EPS ≤ $0.1200 (1.6 x FY18 EPS)	50%
$0.1200 ≤ EPS ≤ $0.1275 (1.7 x FY18 EPS)	75%
EPS ≥ $0.1275	100%

LFSP Tranches

During the period, 1,234,991 loan funded shares were forfeited, bought back and subsequently cancelled in accordance with the terms of the LFSP. As at 3 July 2022, the Loan Funded (LF) shares issued under the LFSP have been treated as 'in-substance' options which have been valued using a Modified Binomial Lattice option pricing model which allows for varying exercise price. The resulting value is amortised over the vesting period on a probability adjusted basis.

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

Vesting conditions of the LF Shares are set out below:

Tranche 3

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

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

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees.

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Note 19. Share-based payments (continued)

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

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

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

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

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

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

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

Note 20. Issued capital

	Consolidated			
	2022 Shares	2021 Shares	2022 $'000	2021 $'000
Ordinary shares - fully paid	239,360,583	237,338,726	182,167	182,000
Total issued capital	**239,360,583**	**237,338,726**	**182,167**	**182,000**

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Note 20. Issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	28 June 2020	**200,437,033**		**71,191**
Institutional Placement	30 July 2020	26,229,509	$3.05	80,000
Share Purchase Plan	24 August 2020	10,197,608	$3.05	31,103
Share issue expenses (net of tax)		-	$0.00	(1,874)
Issue of Loan funded shares	16 September 2020	474,576	$3.33	1,580
Balance	27 June 2021	**237,338,726**		**182,000**
Performance rights over ordinary shares (net of cost)	30 August 2021	3,256,848	$1.07	3,477
Cancellation of Loan funded shares	12 January 2022	(1,234,991)	$2.68	(3,310)
Balance	3 July 2022	**239,360,583**		**182,167**

During the current reporting period, the Company issued 3,256,848 ordinary shares on the exercise of 3,256,848 performance rights issued under its LTIP. These performance rights had a fair value at grant date of $1.067 per performance right. As a result of this share issue, $3.477m (net of cost) was transferred from the share-based payments reserve to issued capital.

As disclosed to the market, the Company also bought back and cancelled 1,234,991 loan funded shares on 12 January 2022. There were no other movements in the ordinary share capital or other issued share capital of the Company in the current reporting period.

In the previous reporting period, the Company completed a fully underwritten $80.0m Placement of new fully paid ordinary shares to eligible institutional investors. The Placement was conducted at $3.05 per share, resulting in 26.2 million new shares. New shares issued under the Placement settled on 30 July 2020 and commenced trading on 31 July 2020. Following the completion of the Placement, City Chic offered all eligible shareholders the opportunity to participate in a non-underwritten Share Purchase Plan (SPP). City Chic raised $31.1m through the SPP, which closed on 18 August 2020. The SPP was conducted at $3.05 per share, resulting in 10.2 million new shares being issued. The Placement and the SPP together raised $111.1 and resulted in 36.4 million new shares being issued.

In the prior year Issued Capital was disclosed net of Loan Funded Shares. These have been disclosed as part of Reserves (Note 21) in the current year, to align with the Share Based Payment Reserve.

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

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

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

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

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

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Note 20. Issued capital (continued)

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

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

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

Accounting policy for issued capital
Ordinary shares are classified as equity.

Note 21. Reserves

	Consolidated	
	2022 $'000	2021 $'000
Foreign currency reserve	(1,144)	(6,725)
Share-based payments reserve	3,482	7,142
Loan funded shares held in trust	(20,322)	(23,632)
Loss Reserve	(10,991)	(10,991)
Total reserves	**(28,975)**	**(34,206)**

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

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

Loan funded shares
Under the LFSP, the participants are granted a loan by the company to purchase the beneficial interest in shares. These are limited recourse loans to the participants and any dividends received in respect of the loan funded shares are used to reduce the loan balance net of tax payable. Participants are required to meet service requirements and performance conditions before being entitled to acquire full title to these shares and are required to repay the loan in order to do so. The shares held by the company have been deducted from equity as shares are held in trading lock until vesting in line with accounting standards.

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Note 21. Reserves (continued)

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

Consolidated	Loan funded shares held in trust $'000	Loss Reserve $'000	Share-based payments reserve $'000	Foreign currency translation reserve $'000	Total $'000
Balance at 28 June 2020	**(22,052)**	**(10,991)**	**3,947**	**(1,758)**	**(30,854)**
Issue of loan funded shares held in trust	(1,580)	-	-	-	(1,580)
Foreign currency translation	-	-	-	(4,967)	(4,967)
Share-based payments expense	-	-	3,195	-	3,195
Balance at 27 June 2021	**(23,632)**	**(10,991)**	**7,142**	**(6,725)**	**(34,206)**
Cancelation of loan funded shares held in trust	3,310	-	-	-	3,310
Foreign currency translation	-	-	-	5,581	5,581
Transferred to issued capital (upon vesting)	-	-	(3,477)	-	(3,477)
Share-based payments expense / (gain)	-	-	(183)	-	(183)
Balance at 3 July 2022	**(20,322)**	**(10,991)**	**3,482**	**(1,144)**	**(28,975)**

Note 22. Retained profits

	Consolidated 2022 $'000	2021 $'000
Retained profits at the beginning of the financial period	35,108	13,552
Profit after income tax expense for the period	22,277	21,556
Retained profits at the end of the financial period	**57,385**	**35,108**

Previously the Loss Reserve was disclosed as part of Retained Earnings however this is now presented in Reserves (Note 21).

Note 23. Earnings per share

	Consolidated 2022 $'000	2021 $'000
Earnings per share for profit from continuing operations		
Profit after income tax attributable to the owners of City Chic Collective Limited	22,277	21,556

	Cents	Cents
Basic earnings per share	9.6	9.6
Diluted earnings per share	9.5	9.4

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Note 23. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	231,358,258	224,648,407
Adjustments for calculation of diluted earnings per share:		
Adjustments for performance rights	1,536,236	4,578,118
Adjustments for loan funded shares	1,215,110	569,838
Weighted average number of ordinary shares used in calculating diluted earnings per share	234,109,604	229,796,363

Accounting policy for earnings per share

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

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 24. Dividends

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

	Consolidated 2022 $'000	2021 $'000
Final dividend for the period (2021: 0 cents per ordinary share)	-	-

Franking credits

	Consolidated 2022 $'000	2021 $'000
Franking credits available at the reporting date based on a tax rate of 30%	66,826	58,143
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	946	1,888
Franking credits available for subsequent financial years based on a tax rate of 30%	67,772	60,031

	Consolidated 2022 $'000	2021 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	67,772	60,031

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Note 24. Dividends (continued)

The above amounts represent the balance of the franking account as at the end of the financial period, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends
Dividends are recognised when declared during the financial period and no longer at the discretion of the company.

Note 25. Financial instruments

Financial Assets and Liabilities:
Amounts are accounted for at amortised cost and shown at fair values below:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Financial assets		
Cash and cash equivalents	9,953	71,457
Trade and other receivables	11,011	5,606
	20,964	77,063
Financial liabilities		
Trade and other payables	80,325	41,896
Other liabilities	4,689	3,773
Lease liabilities - current	9,090	9,286
Lease liabilities – non-current	24,176	18,768
Borrowings	14,000	-
	132,280	73,723

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

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

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. The capital risk management policy remains unchanged from the 2021 Annual Report.

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

The consolidated entity is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year. Formal notification of this compliance is confirmed on a quarterly basis.

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Note 25. Financial instruments (continued)

The capital structure of the consolidated entity consists of net cash (cash and cash equivalents as detailed in Note 7. Cash and cash equivalents, less borrowings as detailed in Note 15. Borrowings) and equity of the consolidated entity (comprising issued capital, reserves and accumulated losses) as detailed in Note 20. Issued capital, Note 21. Reserves and Note 22. Retained profits.

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

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

In FY22 approximately 44% of Group revenue was in USD from its US operations and the consolidated entity was able to source a similar corresponding amount of its inventory in USD. This natural hedge meant the Group was not required to hedge its foreign exchange exposure. Management monitors his natural hedge on an ongoing basis to ensure that the exposure to foreign exchange is acceptable.

In December 2020 the Group acquired UK-based Evans, with revenues received and operating expenses in GBP and stock purchases in both GBP and USD. In July 2021 the Group also acquired EU-based Navabi, with revenues received and operating expenses in EUR and stock purchases largely in USD.

In H1 FY22 the two EMEA based businesses were breakeven and H2 began to generate a small profit. As such, while management has been building these businesses, the cash flows have been neutral and the groups' exposure to GBP and EUR has been minimal.

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

For the current financial period, if AUD to USD rates had changed by +/- 10% from the year-end rates with all other variables held constant, the impact on pre-tax profit for the year would have been $0.6m lower/higher (2021: $0.3m higher/lower).

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

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

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

Consolidated	2022 Weighted average interest rate %	2022 Balance $'000	2021 Weighted average interest rate %	2021 Balance $'000
Cash and cash equivalents	0.17%	9,953	0.229%	71,457
Borrowings	1.84%	(14,000)	2.732%	-
Net exposure to cash flow interest rate risk		(4,047)		71,457

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Note 25. Financial instruments (continued)

For the current financial period, if interest rates had changed by +/- 100 basis points from the year-end rates with all other variables constant, the impact on post-tax profit for the year would have been $0.1m higher/lower (2021: $0.6m higher/lower), relating to the interest income on the cash at bank and interest expense on the borrowings.

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

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

The consolidated entity has a credit risk exposure with trade debtors, which as at 3 July 2022 owed the consolidated entity $8.3m (2021: $2.4m). There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with its customers to mitigate risk. The Group has recognised a loss of $0.1m (2021: gain of $0.1m) in profit or loss in respect of the expected credit losses for the year ended 3 July 2022. The recoverability of trade and other receivables at 3 July 2022 has been assessed to consider the impact of the COVID-19 pandemic and no material recoverability issues were noted.

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

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

At balance date, the bank loan facility totalling $60.0m, comprising of both working capital and acquisition tranches, was available to the Group (27 June 2021: $40.0m). Management monitors rolling forecasts of the consolidated entity's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents based on expected cash flows. This is generally carried out at a local level in the operating companies of the consolidated entity in accordance with practice and limits set by the consolidated entity. These limits vary by location to consider the liquidity of the market in which the entity operates. In addition, the consolidated entity's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

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Note 25. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2022 $'000	Consolidated 2021 $'000
Corporate credit card	936	481
Bank loans	45,888	39,950
	46,824	40,431

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

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

Consolidated - 2021	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	41,896	-	-	-	41,896
Interest-bearing - variable						
Undiscounted lease liabilities	3.00%	9,393	7,231	11,686	1,413	29,723
Total non-derivatives		51,289	7,231	11,686	1,413	71,619

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

The lease liabilities include holdover assumptions in addition to contractually obligated periods, as disclosed in Note. 13 Right-of-use assets and Lease liabilities.

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Note 25. Financial instruments (continued)

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

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

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

The consolidated entity has financial assets and liabilities which are measured at fair value at the end of each reporting period.

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

Note 26. Key management personnel

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

Michael Kay	Chairman and non-executive director
Megan Quinn	Non-executive director
Neil Thompson (appointed 5 August 2021)	Non-executive director
Natalie McLean (appointed 5 August 2021)	Non-executive director
Phil Ryan	Chief Executive Officer and Managing Director
Michael Hardwick (resigned 17 November 2021)	Non-executive director

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

Peter McClelland (appointed 10 November 2021)	Chief Financial Officer
Munraj Dhaliwal (resigned 10 December 2021)	Chief Financial Officer

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

	Consolidated 2022 $	2021 $
Short-term employee benefits	2,116,598	1,471,565
Post-employment benefits	124,594	78,689
Short-term benefits	100,954	84,525
Long-term benefits	51,341	20,550
Share-based payments	(157,633)	1,400,127
	2,235,854	3,055,456

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Note 26. Key management personnel (continued)

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

	Balance at the start of the period	Net Movements during the period	Balance at the end of the period
Directors' shareholding			
Ordinary shares:			
Michael Kay	700,000	100,000	800,000
Neil Thompson	-	21,000	21,000
Natalie McLean	-	10,900	10,900
Phil Ryan	133,836	203,740	337,576
Total	**833,836**	**335,640**	**1,169,476**
Other key management personnel shareholding			
Ordinary shares:			
Peter McClelland	3,284	7,000	10,284
Munraj Dhaliwal (resigned 10 December 2021)*	99,672	(250,000)	N/A
Total	**102,956**	**(243,000)**	**10,284**

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

Note 27. Remuneration of auditors

	Consolidated 2022 $	2021 $
Amounts received or due and receivable by the auditor of the parent entity and any other entity in the group for:		
Current auditors of the company – Ernst & Young		
Auditing the statutory financial report of the parent covering the group	400,400	-
Auditing the statutory financial reports of any controlled entities	62,400	-
Previous auditors of the company - Deloitte Touche Tohmatsu		
Auditing the statutory financial report of the parent covering the group	120,965	508,578
Auditing the statutory financial reports of any controlled entities	-	62,160
	583,765	570,738
Other services – Ernst & Young		
Fees for other assurance and agreed upon procedure services	3,120	-
Other services - Deloitte Touche Tohmatsu		
Fees for other assurance and agreed upon procedure services	11,743	10,840
	14,863	10,840
	598,628	581,578

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 27. Remuneration of auditors (continued)

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

Note 28. Contingent liabilities

The consolidated entity had contingent liabilities at 3 July 2022 in respect of:

The Group recognised a contingent liability of $0.1m (FY21: $50k) in the course of a letter of credit (see Note 15).

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

Note 29. Commitments

	Consolidated	
	2022 $'000	2021 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	115	743
One to five years	448	2,765
More than five years	-	844
Total lease commitments - operating	563	4,352
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Plant and equipment	4,118	166

Lease commitments includes contracted amounts for a small number of retail outlets considered short term (expiring within less than one year) and contracted amounts for leases not yet commenced as of 3 July 2022 to which the Group is committed.

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

Capital commitments includes contracted amounts for fit-out costs (net of landlord fit-out contributions) relating to retail outlets for which the leases have not yet commenced as of 3 July 2022 but to which the Group is committed.

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 30. Related party transactions

Parent entity
City Chic Collective Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 33.

Key management personnel
Disclosures relating to key management personnel are set out in Note 26. Key management personnel and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2022 $	2021 $
Payment for other expenses:		
Services provided by Southern Cross Shopfitting, a company that is associated with the Cotton on Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[23]	1,642,070	2,356,173
Services provided by International Southern Cross Shopfitting (NZ), a company that is associated with the Cotton on Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[24]	9,790	9,360
Total related party transactions	1,651,860	2,365,533

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

	Consolidated	
	2022 $	2021 $
Current payables		
Trade payables to Southern Cross Shopfitting, a company that is associated with the Cotton Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[23]	6,557	841,580
Trade payables to International Southern Cross Shopfitting (NZ), a company that is associated with the Cotton on Group, of which Natalie McLean is Director and Chief Retail Officer. Michael Hardwick is a Director and the CFO of the Cotton on Group[24]	511	-
Total related party transactions	7,068	841,580

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date. Refer to note 19 on information on loan funded share plan.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates. Proposals are sought from various suppliers and awarded to the best proposal, i.e. a number of suppliers were engaged for shopfitting services for the period.

[23] Natalie McLean and Michael Hardwick was not involved in decision making related to Southern Cross Shopfitting and its dealings with the Group.
[24] Natalie McLean and Michael Hardwick was not involved in decision making related to International Southern Cross Shopfitting (NZ) and its dealings with the Group.

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity

Statement of profit or loss and other comprehensive income

	Parent 2022 $'000	Parent 2021 $'000
Revenue	146,411	133,064
Expenses	(121,916)	(100,836)
Profit before income tax	24,495	32,228
Income tax expense	(8,467)	(9,772)
Profit after income tax from discontinued operations	-	-
Total profit after income tax for the year from parent entity	16,028	22,456
Other comprehensive income / (loss)	-	(198)
Total comprehensive income from parent entity	16,028	22,258

Statement of financial position

	Parent 2022 $'000	Parent 2021 $'000
Cash and cash equivalents	2,013	60,366
Trade and other receivables	1,028	1,734
Inventories	39,273	18,564
Other	2,833	2,361
Intercompany	86,015	5,064
Total current assets	131,162	88,089
Plant and equipment	14,263	9,840
Investments in subsidiaries	130,132	120,501
Right-of-use assets	23,842	21,150
Intangibles	3,021	3,208
Deferred tax	2,161	2,887
Total non-current assets	173,419	157,586
Total assets	304,581	245,675
Trade and other payables	50,188	25,090
Lease liabilities	8,708	8,804
Income tax	946	1,888
Provisions	4,574	4,008
Other	1,413	607
Total current liabilities	65,829	40,397
Lease liabilities	21,724	17,740
Provisions	422	459
Borrowings	14,000	-
Other	384	700
Total non-current liabilities	36,530	18,899
Total liabilities	102,359	59,296
Net Assets	202,222	186,379
Issued capital	182,167	182,000
Loss reserve	(10,991)	(10,991)
Share-based payments reserve	(16,840)	(16,490)
Retained profits	47,886	31,860
Total equity	202,222	186,379

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 31. Parent entity information (continued)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The guarantee disclosures of the parent entity is referred to in Note 34. Deed of cross guarantee.

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

Cross guarantees by and between City Chic Collective Limited and Specialty Fashion Group No.5 Pty Limited. These are described in Note 34. Deed of cross guarantees. No deficiencies of assets exist in any of these companies.

Capital commitments - Property, plant and equipment
The parent entity had capital commitments for plant and equipment as at 3 July 2022 of $0.5m (2021: $0.17m).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Business combinations

On 23 July 2021, the Group completed the acquisition of the Navabi business, where CCX acquired all the assets and liabilities of Navabi for cash consideration of €6.0m (A$9.6m) in cash.

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

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

	Fair value $'000
Cash	5,377
Inventory	904
Prepaid deposits and other assets	608
Customer relationships	164
Brand	1,347
Deferred tax asset	190
Deferred tax liability	(453)
Provisions and payables	(3,545)
Tax liabilities	(1,903)
Net assets acquired	2,689
Goodwill	6,942
Acquisition-date fair value of the total consideration transferred	9,631
Representing:	
Amount settled in cash on acquisition	9,631
Acquisition costs expensed to profit or loss	486

The goodwill is attributable to the profitability of the acquired business. It will not be deductible for tax purposes.

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 32. Business combinations (continued)

Revenue contributions
The acquired business contributed revenues of $6.4m to the Group for the period from 23 July 2021 to 3 July 2022. For the 53 weeks ending 3 July 2022 revenue was $6.6m.

Prior year business combinations
In the prior year, the Group completed the acquisition of the Evans brand, and the e-commerce and wholesale businesses ("Evans Assets") for cash consideration of £23.1m (A$41m) in cash.

During the 52-week period ending 27 June 2021, the provisional accounting for the acquisition of the Evans Assets was finalised, with the final cash consideration paid for the acquisition being revised down to £22.7m (A$40.2m).

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

	Fair value $'000
Inventory	3,042
Customer relationships	1,418
Brand	14,007
Deferred tax asset	384
Provisions and payables	(1,447)
Gift cards liabilities	(283)
Net assets acquired	17,121
Goodwill	23,087
Acquisition-date fair value of the total consideration transferred	40,208
Representing:	
Amount settled in cash on acquisition	40,208
Acquisition costs expensed to profit or loss	1,008

The goodwill is attributable to the profitability of the acquired business. It will not be deductible for tax purposes.

Revenue contributions
The acquired business contributed revenues of $14.0m to the Group for the period from 23 December 2020 to 27 June 2021.

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

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

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

City Chic Collective Limited
Notes to the consolidated financial statements
3 July 2022

Note 32. Business combinations (continued)

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

Note 33. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	2021 %
Specialty Fashion Group No. 5 Pty Limited	Australia	100.0%	100.0%
City Chic Collective No. 1 Pty Limited	Australia	80.0%	80.0%
City Chic Collective No. 2 Pty Limited	Australia	100.0%	100.0%
Specialty Fashion Group No. 6 Pty Limited	Australia	100.0%	100.0%
City Chic International Pty Limited	Australia	100.0%	100.0%
City Chic Collective New Zealand Limited	New Zealand	100.0%	100.0%
City Chic Collective UK Limited	England and Wales	100.0%	100.0%
Specialty Fashion Group South Africa (Pty) Ltd	South Africa	100.0%	100.0%
JPC United GmbH	Germany	100.0%	-
City Chic Collective USA Incorporated	United States	100.0%	100.0%

Note 34. Deed of cross guarantee

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

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

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

All companies in the Closed Group are dormant, except for City Chic Collective Limited. The financial results of the Closed Group are the same as the financial results of the parent entity which are disclosed in Note 31. Parent entity information.

Note 35. Events after the reporting period

No other matter or circumstance has arisen since 3 July 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

City Chic Collective Limited
Directors' declaration
3 July 2022

In the directors' opinion:

- the attached financial statements and Notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and Notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and Notes give a true and fair view of the consolidated entity's financial position as at 3 July 2022 and of its performance for the financial period ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 34 to the financial statements.

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

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

On behalf of the directors

Michael Kay Chairman	Phil Ryan Chief Executive Officer and Managing Director

25 August 2022
Sydney

City Chic Collective Limited
Corporate Governance Statement
3 July 2022

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

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

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

The Corporate Governance Statement outlines the Group's main corporate governance practices and policies in place during the 53-week period ended 3 July 2022 (unless otherwise stated) and have been approved by the Board. The Board is comfortable that the practices are appropriate for a Company of City Chic Collective Limited's size.

City Chic Collective Limited
Shareholder information
3 July 2022

The shareholder information set out below was applicable as at 1 September 2022.

Distribution of equitable securities

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

	Number of holders of ordinary shares	% of equity securities in this class	Number of securities
1 to 1,000	2,299	0.46	1,069,406
1,001 to 5,000	2,350	2.57	5,952,584
5,001 to 10,000	650	2.12	4,910,260
10,001 to 100,000	663	7.31	16,955,240
100,001 and over	62	87.54	203,032,596
	6,062	100	231,920,086
Holding less than a marketable parcel	884	141,213	

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

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

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

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

City Chic Collective Limited
Shareholder information
3 July 2022

Equity security holders

Twenty largest quoted equity security holders

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

Name	A/C designation	Ordinary shares Number held	% of total shares issued
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		46,808,697	20.18
CITICORP NOMINEES PTY LIMITED		45,275,523	19.52
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		33,297,984	14.36
NATIONAL NOMINEES LIMITED		19,752,294	8.52
BNP PARIBAS NOMS PTY LTD	<DRP>	7,564,213	3.26
T BATSAKIS PTY LTD		7,230,000	3.12
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	<GSCO CUSTOMERS A/C>	4,777,885	2.06
BNP PARIBAS NOMINEES PTY LTD	<AGENCY LENDING DRP A/C>	4,067,643	1.75
HENOCH INVESTMENTS PTY LTD	<CBH A/C>	4,000,000	1.72
SANDHURST TRUSTEES LTD	<ENDEAVOR ASSET MGMT MDA A/C>	3,968,291	1.71
LANDPEAK PTY LIMITED		3,050,000	1.32
CITICORP NOMINEES PTY LIMITED	<COLONIAL FIRST STATE INV A/C>	2,945,176	1.27
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	<DRP A/C>	2,794,638	1.21
BNP PARIBAS NOMS PTY LTD	<GLOBAL MARKETS DRP>	2,356,243	1.02
TOWER HOLDINGS PTY LIMITED		1,595,272	0.69
ONE FUND SERVICES LTD	<SANDON CAPITAL ACTIVIST A/C>	1,315,051	0.57
BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT DRP>	833,096	0.36
SANDHURST TRUSTEES LTD	<BERKHOLTS INVESTMENTS A/C>	823,528	0.36
TDA SECURITIES PTY LTD	<TDA SECURITIES A/C>	600,000	0.26
HENOCH INVESTMENTS PTY LTD	<CBH A/C>	523,447	0.23
		193,578,981	83.47

Unquoted equity securities

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

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
AUSTRALIANSUPER PTY LTD	23,852,382	10.28
BENNELONG FUNDS MANAGEMENT GROUP PTY LTD (AND RELATED ENTITIES)	14,762,219	6.37

Voting rights

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

Ordinary shares

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

Performance Rights

Performance rights carry no voting rights.

There are no other classes of equity securities.

City Chic Collective Limited
Corporate directory
3 July 2022

Directors	Michael Kay - Chairman and non-executive director Megan Quinn - Non-executive director Phil Ryan - Chief Executive Officer and Managing Director Natalie McLean – Non-executive director (appointed 5 August 2021) Neil Thompson – Non-executive director (appointed 5 August 2021) Michael Hardwick - Non-executive director (resigned 17 November 2021)
Company secretary	Marta Kielich
Registered office	151-163 Wyndham Street Alexandria, NSW 2015 Telephone: (02) 9059 4300
Principal place of business	151-163 Wyndham Street Alexandria, NSW 2015 Telephone: (02) 9059 4300
Share register	Link Market Services Limited Level 12, 680 George Street Sydney, NSW 2000 Telephone: (02) 8280 7111 Facsimile: (02) 9287 0303
Auditor	Ernst & Young 200 George Street Sydney, NSW 2000
Solicitors	Thomson Geer Level 25, 1 O'Connell Street Sydney, NSW 2000
Bankers	National Australia Bank 255 George Street Sydney, NSW 2000
Stock exchange listing	City Chic Collective Limited shares are listed on the Australian Securities Exchange (ASX code: CCX)
Website	http://www.citychiccollective.com.au
Corporate Governance Statement	https://www.citychiccollective.com.au/corporate-governance
ABN	43 057 569 169

References

PAGES 14-15, FINANCIAL PERFORMANCE

See Note 3 Operating Segments on page 79 for reconciliation of net profit to underlying EBITDA.

[1] Underlying excludes non-recurring costs (e.g. relating to acquisitions and equity raise) and is presented on a pre-AASB16 basis

[2] Week 53 impact in FY22 of ~$5.4m of revenue

PAGES 14-15, STRONG EXECUTION OF DIGITAL GROWTH STRATEGY

[3] Active customers include customers who have shopped in online, stores and omni-channel in the last 12 months; excludes wholesale and marketplace customers

[4] Online represents websites and online marketplace sales; based on last 12 months revenue to remove seasonality impacts

[5] Traffic to Online excludes traffic to Online Marketplaces

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[3] LTIFR - total number of incidents recorded in the financial year that resulted in an injury that caused the employee to lose time from work against the total number of hours worked by our employees during that financial year

[4] TRIFR - total number of incidents recorded in the financial year against the total number of hours worked by employees during that financial year

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