

# SHAVER SHOP GROUP LIMITED

## Appendix 4E

### Preliminary Final Report

## Results for Announcement to the Market

Year ended 30 June 2020 (Previous corresponding period: Year ended 30 June 2019)

### 1. Statutory Result Summary

| Statutory Result  |    | %      |    | FY2020<br>\$'000 | FY2019<br>\$'000 |
|---|----|--------|----|------------------|------------------|
| Revenue from ordinary activities                                  | Up | +16.4% | to | 194,924          | 167,437          |
| Profit from ordinary activities after tax attributable to members | Up | +59.0% | to | 10,602           | 6,670            |
| Net profit after tax attributable to the members                  | Up | +59.0% | to | 10,602           | 6,670            |

The figures reported above represent the statutory results of the company. As a result, the results of FY2019 include certain usual and non-recurring costs. Shaver Shop's normalised results for the year (which exclude the impact of these non-recurring costs) in comparison to the prior year are presented in the Directors' Report that accompany Shaver Shop's Consolidated Financial Report for the year ended 30 June 2020.

The figures reported above represent the consolidated statutory results of Shaver Shop Group Limited (the "Company" or the "Group") and reflect the application of AASB16 – Leases from 1 July 2019. The comparative results for FY2019 reflect the application of AASB117 (old accounting standard).

Shaver Shop's results reflecting the consistent application of AASB 117 (old accounting standard) is set out below. A reconciliation of the Company's FY2020 results between AASB 117 and AASB 16 is set out in the Directors Report that forms part of the Company's Interim Financial Report.

| Under AASB117 (old accounting standard)                           |    | %     |  | AASB 117<br>FY 2020<br>\$'000 | AASB 117<br>FY 2019<br>\$'000 |
|---|----|-------|--|-------------------------------|-------------------------------|
| Revenue from ordinary activities                                  | Up | 16.4% |  | 194,924                       | 167,437                       |
| Profit from ordinary activities after tax attributable to members | Up | 59.5% |  | 10,641                        | 6,670                         |
| Net profit after tax attributable to the members                  | Up | 59.5% |  | 10,641                        | 6,670                         |

#### Brief explanation of basis of results

Profit from ordinary activities after tax and net profit for the period are prepared in accordance with the Corporations Act 2001 and Accounting Standards.

From 1 July 2019, the group adopted the new accounting standard for leases – AASB16. This change in accounting policy means the group now recognises lease liabilities in relation to leases for which it is the lessee, which had previously been classified as "operating leases" under the principles of AASB117 Leases. More information on this is included in the accompanying financial report of the Company and its controlled entities for the financial year ended 30 June 2020. The results for announcement to the ASX include pro-forma financial information to allow comparison to the prior corresponding period on the same basis – that is, application of AASB17 (old accounting standard) in both FY2020 as well as in FY2019.

The Company's reported results for FY2019 include approximately \$0.99 million of due diligence costs related to an acquisition that did not proceed. To provide a reflection of the Group's underlying earnings and profitability, Shaver Shop has normalised this expenditure in preparing the normalised results contained in the Directors' Report. An explanation of the Company's reported and normalised results are contained in the Review of Operations in the Directors' Report accompanying the company's financial statements.

## 2. Dividends

| Dividend  | Amount per ordinary share | Franked amount per ordinary share |
|---|---------------------------|-----------------------------------|
| 2020 final dividend (resolved – not yet provided for at 30 June 2020) | 2.7 cents                 | 2.7 cents                         |
| 2020 special dividend (declared in June 2020 and paid 16 July 2020)   | 2.1 cents                 | 1.68 cents                        |
| 2019 final dividend   | 2.5 cents                 | 2.0 cents                         |
| 2019 interim dividend   | 2.0 cents                 | 1.6 cents                         |

The record date for determining the entitlement to the FY2020 final dividend is 10 September 2020. The payment date in respect of the FY2020 final dividend is 24 September 2020.

The company does not have a dividend reinvestment plan.

## 3. Net tangible assets per security

|   | 30 June 2020              | 30 June 2019 |
|---|---------------------------|--------------|
| Net tangible asset backing per ordinary security <sup>(1)</sup> | 12.8 cents <sup>(2)</sup> | 13.8 cents   |

<sup>(1)</sup> Net tangible asset backing per ordinary share of 12.8 cents above is inclusive of right of use assets. The net tangible asset backing per ordinary share at 30 June 2020 would reduce to -8.3 cents if right of use assets were excluded, and right-of-use lease liabilities were included, in the calculation.

<sup>(2)</sup> The reduction in the net tangible asset backing per ordinary security includes the application of the new accounting standard AASB 16 Leases. Refer to the Interim Financial Report, Note 3 – Changes in Accounting Policies.

## 4. Entities over which control has been gained or lost during the period

Not applicable.

## 5. Basis of Preparation

This report is based on the consolidated financial statements which have been audited. The audit report, which was unqualified, is included within the Company's Financial Report which accompanies this Appendix 4E.

## 6. Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the 30 June 2020 Financial Report. The information above should be read in conjunction with the accompanying Interim Financial Report of the Group for the year ended 30 June 2020 and ASX market releases made during the period.

# **Shaver Shop Group Limited**

ABN: 78 150 747 649

**Consolidated financial report**

**For the Year Ended 30 June 2020**

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## **DIRECTORS REPORT**

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Your directors present their report on the consolidated entity consisting of Shaver Shop Group Limited and the entities it controlled at the end of, or during, the year ended 30 June 2020. Throughout the report, the consolidated entity is referred to as the "Group", the "Company" or "Shaver Shop".

### **Principal activities**

The principal activities of the Group during the financial year was the retailing of specialist personal grooming products both through Shaver Shop's corporate owned stores and franchise store networks as well as online through its websites. No significant change in the nature of these activities occurred during the year.

### **Directors**

The following persons were directors of Shaver Shop Group Limited during the whole of the financial year and up to the date of this report:

Broderick Arnhold  
 Cameron Fox  
 Craig Mathieson  
 Trent Peterson  
 Brian Singer

Melanie Wilson was a director from the beginning of the financial year until her resignation on 14 May 2020.

### **Company Secretary**

Lawrence Hamson held the position of Company Secretary during the whole of the financial year and up to the date of this report.

### **Directors and directors' interests**

The following information is current as at the date of this report:

|  |  |           |
|--|--|-----------|
| <b>Broderick Arnhold</b>                           | <i>Independent Chair, Non-Executive Director</i>   |           |
| <b>Expertise and Experience</b>                    | Brodie has over 15 years domestic and international experience in private equity, investment banking and corporate finance. Prior to his current role as CEO of iSelect Limited, he was CEO of Melbourne Racing Club for four years. He worked for Investec Bank from 2010-2013 where he was responsible for building a high-net-worth private client business. Prior to this, Brodie worked for Westpac Banking Corporation where he grew the institutional bank's presence in Victoria, South Australia and Western Australia, and from 2006-2010 held the role of Investment Director at Westpac's private equity fund. |           |
| <b>Other Current Directorships</b>                 | Non-Executive Director, Endota Group Holdings Pty Ltd<br>Executive Director, iSelect Limited<br>Non-Executive Director, Industry Beans Pty Ltd<br>Non-Executive Director, Bailador Technology Investments Limited  |           |
| <b>Former Listed Directorships in last 3 years</b> | None   |           |
| <b>Special responsibilities</b>                    | Chair of the Board<br>Member of the Audit and Risk Committee   |           |
| <b>Interests in shares and options</b>             | Ordinary Shares – Shaver Shop Group Limited  | 3,000,000 |

## DIRECTORS REPORT

|  |   |           |
|--|---|-----------|
| <b>Cameron Fox</b>                                 | <i>Chief Executive Officer and Managing Director</i>  |           |
| <b>Expertise and Experience</b>                    | Cameron has over 20 years' experience working across the personal care and grooming industry. Cameron joined Shaver Shop as General Manager in 2006 before being appointed to the position of Chief Executive Officer in July 2008. Cameron previously worked for Gillette Australia for a period of 10 years. During his time at Gillette Australia, Cameron held various roles, including Associate Product Manager, Business Analyst, National Account Manager and National Sales Manager. |           |
| <b>Other Current Directorships</b>                 | None  |           |
| <b>Former Listed Directorships in last 3 years</b> | None  |           |
| <b>Special Responsibilities</b>                    | Managing Director<br>Chief Executive Officer  |           |
| <b>Interests in shares and options</b>             | Ordinary Shares – Shaver Shop Group Limited   | 2,434,658 |
|  | Unvested LTI Shares   | 1,618,223 |

|  |   |           |
|--|---|-----------|
| <b>Craig Mathieson</b>                             | <i>Non-Executive Director</i>   |           |
| <b>Expertise and Experience</b>                    | Craig became a director of Shaver Shop Pty Ltd in June 2011. Craig is the Chief Executive Officer of the Mathieson Group which has very diverse business interests from company investment to property development. From 2001 to 2007 Craig was the Managing Director of DMS Glass Pty Ltd which was the largest privately-owned glass manufacturer in Australia. |           |
| <b>Other Current Directorships</b>                 | Carlton Football Club Ltd<br>Endota Group Holdings Pty Ltd  |           |
| <b>Former Listed Directorships in last 3 years</b> | Abilene Oil & Gas Ltd   |           |
| <b>Special Responsibilities</b>                    | Chair of the Audit and Risk Committee   |           |
| <b>Interests in shares and options</b>             | Ordinary Shares – Shaver Shop Group Limited   | 4,820,004 |

|  |  |           |
|--|--|-----------|
| <b>Brian Singer</b>                                | <i>Non-Executive Director</i>  |           |
| <b>Expertise and Experience</b>                    | Brian became a director of Shaver Shop in June 2011. Brian founded the Rip Curl business with a business partner in 1969 after a career as a high school teacher. He became Chief Executive Officer for Rip Curl Group Pty Ltd in Australia and grew the business into a major manufacturer and distributor of clothing and surfing related products in Australia and internationally. |           |
| <b>Other Current Directorships</b>                 | Endota Group Holdings Pty Ltd  |           |
| <b>Former Listed Directorships in last 3 years</b> | Rip Curl Group Pty Ltd   |           |
| <b>Special responsibilities</b>                    | Member of the Remuneration and Nomination Committee  |           |
| <b>Interests in shares and options</b>             | Ordinary Shares – Shaver Shop Group Limited  | 6,258,004 |

## DIRECTORS REPORT

|  |   |         |
|--|---|---------|
| <b>Trent Peterson</b>                              | <i>Non-Executive Director</i>   |         |
| <b>Expertise and Experience</b>                    | Trent is a managing director and partner at Catalyst Investment Managers, and has over 15 years' experience as a company director and private equity investor. He is currently a Director of Adairs Limited. Trent is also currently Chairman of Cirrus Media and Universal Stores and is also a director of Australian Pure Health, and dusk Retail Group. He was a former director of Just Group, Global Television, EziBuy, Max Fashions, Power Farming, Metro GlassTech, Moraitis Group, Taverner Hotel Group, SkyBus and Australian Discount Retail. Trent is also a non-executive director of the Ascham Foundation and Gathermycrew.org. |         |
| <b>Other Current Directorships</b>                 | Adairs Limited<br>APH Holdco Pty Ltd (trading as Mr Vitamins)<br>dusk Retail Holdings (trading as dusk)<br>Universal Store<br>Catalyst Investment Managers Pty Ltd (and associated fund entities)<br>Catalyst Direct Capital Management Pty Ltd<br>Ascham Foundation<br>Gathermycrew.org  |         |
| <b>Former Listed Directorships in last 3 Years</b> | None  |         |
| <b>Special responsibilities</b>                    | Chair of the Remuneration and Nomination Committee<br>Member of the Audit and Risk Committee  |         |
| <b>Interests in shares and options</b>             | Ordinary Shares – Shaver Shop Group Limited   | 547,619 |

|  |   |                    |
|--|---|--------------------|
| <b>Lawrence Hamson</b>                 | <i>Chief Financial Officer and Company Secretary</i>  |                    |
| <b>Expertise and Experience</b>        | Lawrence joined Shaver Shop in April 2016 immediately prior to the Company's listing on the ASX. He is a Chartered Accountant (Canada) and Chartered Financial Analyst with more than 20 years experience in both public practice and within industry. For the 9 years prior to joining Shaver Shop, Lawrence acted as Chief Financial Officer for both private and public companies, most recently with Dun & Bradstreet as its CFO for the Asia Pacific region. He has experience across venture capital with Rothschild as well as corporate communications having been Mayne Group Limited's General Manager Corporate Relations through its demerger into two ASX listed entities – Symbion Healthcare Limited and Mayne Pharma Limited. |                    |
| <b>Interests in shares and options</b> | Ordinary Shares – Shaver Shop Group Limited<br>Unvested LTI Shares  | 643,804<br>724,433 |

## DIRECTORS REPORT

### Meetings of Directors

During the financial year, 16 meetings of directors were held, 6 meetings of the Audit & Risk Committee were held and 4 meetings of the Nomination and Remuneration Committee were held. Attendances by each director who was a member of the Board and relevant subcommittee during the year were as follows:

|                   | Board of Directors Meetings |                 | Audit & Risk Committee Meetings |                 | Nom & Rem Committee Meetings |                 |
|-------------------|-----------------------------|-----------------|---------------------------------|-----------------|------------------------------|-----------------|
|                   | Number eligible to attend   | Number attended | Number eligible to attend       | Number attended | Number eligible to attend    | Number attended |
| Broderick Arnhold | 16                          | 15              | 6                               | 6               | -                            | -               |
| Cameron Fox       | 16                          | 16              | -                               | -               | -                            | -               |
| Craig Mathieson   | 16                          | 15              | 6                               | 6               | -                            | -               |
| Trent Peterson    | 16                          | 16              | 6                               | 6               | 4                            | 4               |
| Brian Singer      | 16                          | 15              | -                               | -               | 4                            | 4               |
| Melanie Wilson    | 12                          | 12              | -                               | -               | 3                            | 3               |

### Dividends paid or recommended

The Directors announced an interim dividend of 2.1 cents per share franked to 80% (\$2.6 million) in February 2020 (2019: 2.0 cents per share fully franked or \$2.5 million). On 23 March 2020, the interim dividend was cancelled due to concerns about the potential impact of COVID-19 on Shaver Shop's business.

In June 2020, as a result of the strong performance of Shaver Shop's business in Q4 FY2020, the Directors declared a special dividend of 2.1 cents per share franked to 80% (\$2.6 million) in June 2020 – equivalent to the interim dividend that was cancelled. The special dividend was paid on 16 July 2020.

The Directors have announced a fully-franked final dividend of 2.7 cents per share (\$3.4 million) to be paid on 24 September 2020 (2019: 2.5 cents per share, 80% franked or \$3.1 million). The combined special and final dividend payments represent the payout of approximately 56% of the Company's FY2020 reported net profit after tax.

### 2020 Operating and Financial Review

Shaver Shop's FY2020 statutory profit after income tax amounted to \$10.6 million (FY2019: \$6.7 million) after subtracting income tax expense of \$4.5 million (FY2019: \$3.0 million).

The 59.0% increase in reported net profit after income tax was primarily due to:

1. Like for like store sales growth of 15.3% which was underpinned by online sales growth of 103.5%;
2. The recognition of \$0.99 million in due diligence costs in H1 FY2019 associated with the evaluation of a significant acquisition opportunity during the period. Following due diligence, the acquisition did not proceed. No due diligence costs were incurred in FY2020;
3. Operating leverage across the business which led to total operating expenses growing at a slower rate than sales and gross profit; and
4. Four more stores in Shaver Shop's corporate store network at the end of the financial year resulting from two franchise buy-backs completed in early FY2020, the opening of one new store at the Newmarket shopping centre in Auckland, NZ, as well as the re-opening of Shaver Shop's Karrinyup, WA store following the shopping centre's redevelopment.

Shaver Shop did not receive any payments under the Australian government's JobKeeper program in FY2020.

### COVID-19 Impacts and Risk Mitigation Measures Initiated

While the retail environment remains highly uncertain, after a short period of soft sales results in early to mid-March 2020, COVID-19 has subsequently led to increased demand for Shaver Shop's products as consumers look for cost-effective personal care and grooming solutions that can be used in the comfort of their home. As a result, Shaver Shop did not qualify for JobKeeper support in Australia. The company did receive approximately \$0.2 million in New Zealand under the wage subsidy program established in Q4 FY2020 as a result of the lockdowns in that region.

## **DIRECTORS REPORT**

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Despite Shaver Shop's strong financial performance in H2 FY2020, the Company implemented a number of measures to mitigate the risk of COVID-19 on its business. These measures include, but are not limited to:

- Implementing improved health and safety policies, systems and procedures in all of its locations to mitigate the risk of infection to staff and customers;
- Reduced inventory holdings across its store network to improve liquidity;
- Shorter store opening hours and reduced rostered hours in store to reflect changes in store and centre foot traffic;
- Temporary reductions in management salaries and directors fees;
- Reductions in discretionary spend wherever possible;
- A \$10.0 million increase in the company's debt facility (currently undrawn) to \$30.0 million;
- Continuing investments in Shaver Shop's online and omni-retail initiatives that support the ability to generate and fulfill online sales to customers even when stores are closed;
- Steps to increase the flexibility of Shaver Shop's online fulfilment model by establishing a new, high-volume third-party warehouse facility in Victoria which can be used as required with little advance notice; and
- Working with suppliers to mitigate supply constraints and switch to alternative products where possible.

These activities and more have led to Shaver Shop significantly improving its liquidity in Q4 FY2020, such that the business had \$12.6 million in cash at 30 June 2020, with an undrawn debt facility of \$30.0 million. Management believes the current financial position will provide the Company with sufficient financial strength to weather expected future impacts from COVID-19 as well as to consider additional growth initiatives in the next 12 months.

While Shaver Shop's business has proven highly resilient to the impact of COVID-19, as significant uncertainty continues with COVID-19, the Directors remain vigilant to ensure steps are being taken or maintained to adequately mitigate future risks.

### **Non-IFRS measures**

The Directors' Report includes references to normalised results. The normalised results have been derived from Shaver Shop's statutory accounts and adjusted to a normalised basis to more appropriately reflect the ongoing operations of Shaver Shop. The Directors believe the presentation of non-IFRS financial measures are useful for the users of this financial report as they provide additional and relevant information that reflect the underlying financial performance of the business. Non-IFRS measures contained within this report are not subject to audit or review.

### **Pro-forma results**

AASB 16 Leases was adopted and effective for the Group from 1 July 2019. In accordance with the new accounting standard, Shaver Shop has chosen to apply the simplified transition approach and has not restated comparative amounts in its financial statements. To assist users with analysing the financial statements between financial periods, Shaver Shop has developed pro-forma profit and loss results which reflect the results from operations for FY2020 as if the previous lease accounting standard (AASB 117 Leases) applied for that financial period.

### **Normalising adjustment**

No normalisation adjustments have been made in FY2020. In H1 FY2019, Shaver Shop undertook significant due diligence in relation to a potential acquisition opportunity that was strategically aligned to Shaver Shop's business. The acquisition did not proceed, however at the time negotiations ceased, due diligence was near completion resulting in transaction related costs of \$0.99 million being expensed in FY2019.

Shaver Shop's Statutory Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of the Group for FY2020 was \$31.3 million (FY2019: \$12.5 million), an increase of 150% or \$18.7 million. This is, in part, due to the adoption of the new accounting standard for leases (AASB 16) which, from 1 July 2019, recognises costs associated with operating leases as depreciation and interest. Shaver Shop has prepared reconciliations (below) to the previous lease accounting standard so that the Company's results can be compared with prior periods on a consistent basis of accounting.

## DIRECTORS REPORT

|  | Statutory Consolidated |               |
|--|------------------------|---------------|
|  | 2020<br>\$000          | 2019<br>\$000 |
| <b>Profit after income tax from continuing operations (NPAT)</b>                 | <b>10,602</b>          | <b>6,670</b>  |
| Add back:  |                        |               |
| Net finance costs  | 2,078                  | 591           |
| Income tax expense / (benefit)   | 4,472                  | 2,952         |
| <b>EBIT (Earnings before Interest and Tax)</b>                                   | <b>17,151</b>          | <b>10,213</b> |
| Depreciation and amortisation expense – property, plant, equipment & intangibles | 2,849                  | 2,317         |
| Depreciation and amortisation expense – right of use assets (AASB 16)            | 11,261                 | -             |
| <b>EBITDA</b>  | <b>31,261</b>          | <b>12,530</b> |

<sup>1</sup> Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) is used as a measure of financial performance by excluding certain variables that affect operating profits but which may not be directly related to the underlying performance of the Group. EBITDA is not a measure of operating income, operating performance or liquidity under A-IFRS. Other companies may calculate EBITDA in a different manner to Shaver Shop. These measures have been taken from the audited financial report.

The following pro-forma adjustments are required in relation to FY2020 EBITDA to reflect lease costs as if they had been accounted for using the same treatment as for FY2019.

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2020<br>\$000 | 2019<br>\$000 |
| <b>EBITDA</b>   | <b>31,261</b> | <b>12,530</b> |
| Lease costs – using pre-1 July 2019 lease accounting standard | 12,880        | -             |
| Pro-forma EBITDA  | 18,381        | 12,530        |

The following pro-forma adjustment is required in relation to FY2020 Earnings Before Interest and Tax (“EBIT”) to reflect lease costs as if they had been accounted for using the same treatment as for FY2019.

|   | Consolidated  |               |
|---|---------------|---------------|
|   | 2020<br>\$000 | 2019<br>\$000 |
| <b>Pro-forma EBITDA</b>   | 18,381        | 12,530        |
| Depreciation and amortisation – property, plant & equipment and intangibles | (2,849)       | (2,317)       |
| <b>Pro-forma EBIT</b>   | 15,532        | 10,213        |

## **DIRECTORS REPORT**

The following table sets out the impact of the pro-forma adjustments to FY2020 (to reflect the Group's results using the old lease accounting standard – AASB 117) and the normalisation adjustment (explained in detail on the previous page) to the result for FY2019:

|   | Statutory<br>2020<br>\$000 | Pro-Forma<br>Adjustments<br>\$000 | Pro-Forma<br>2020<br>\$000 | Statutory<br>2019<br>\$000 | Normalisation<br>Adjustment<br>\$000 | Normalised<br>2019<br>\$000 |
|---|----------------------------|-----------------------------------|----------------------------|----------------------------|--------------------------------------|-----------------------------|
| <b>Sales</b>                              | <b>194,924</b>             |                                   | <b>194,924</b>             | <b>167,437</b>             |                                      | <b>167,437</b>              |
| Cost of goods sold                        | (111,918)                  |                                   | (111,918)                  | (96,078)                   |                                      | (96,078)                    |
| <b>Gross profit</b>                       | <b>83,006</b>              |                                   | <b>83,006</b>              | <b>71,359</b>              |                                      | <b>71,359</b>               |
| <b>Gross margin %</b>                     | <b>42.6%</b>               |                                   | <b>42.6%</b>               | <b>42.6%</b>               |                                      | <b>42.6%</b>                |
| <b>Franchise and other revenue</b>        | <b>1,056</b>               |                                   | <b>1,056</b>               | <b>1,623</b>               |                                      | <b>1,623</b>                |
| Employee benefits expense                 | (29,230)                   |                                   | (29,230)                   | (27,182)                   |                                      | (27,182)                    |
| Occupancy expenses                        | (3,060)                    | (12,880)                          | (15,940)                   | (15,497)                   |                                      | (15,497)                    |
| Marketing and advertising expenses        | (7,234)                    |                                   | (7,234)                    | (7,014)                    |                                      | (7,014)                     |
| Operational expenses                      | (10,009)                   |                                   | (10,009)                   | (6,885)                    |                                      | (6,885)                     |
| Other expenses                            | (3,268)                    |                                   | (3,268)                    | (3,874)                    | 985                                  | (2,889)                     |
| Operating expenses                        | (52,801)                   | (12,880)                          | (65,681)                   | (60,452)                   | 985                                  | (59,467)                    |
| <b>EBITDA</b>                             | <b>31,261</b>              | <b>(12,880)</b>                   | <b>18,381</b>              | <b>12,530</b>              | <b>985</b>                           | <b>13,515</b>               |
| <b>EBITDA margin</b>                      | <b>16.0%</b>               |                                   | <b>9.4%</b>                | <b>7.5%</b>                |                                      | <b>8.1%</b>                 |
| Depreciation and amortisation             | (2,849)                    |                                   | (2,849)                    | (2,317)                    |                                      | (2,317)                     |
| Depreciation – leased right of use assets | (11,261)                   | 11,261                            | -                          | -                          |                                      | -                           |
| <b>EBIT</b>                               | <b>17,151</b>              | <b>(1,619)</b>                    | <b>15,532</b>              | <b>10,213</b>              | <b>985</b>                           | <b>11,198</b>               |
| Net finance costs – borrowings/cash       | (403)                      |                                   | (403)                      | (591)                      |                                      | (591)                       |
| Net finance costs – leases                | (1,674)                    | 1,674                             | -                          | -                          |                                      | -                           |
| <b>Profit before income tax</b>           | <b>15,074</b>              | <b>55</b>                         | <b>15,129</b>              | <b>9,622</b>               | <b>985</b>                           | <b>10,607</b>               |
| Income tax expense                        | (4,472)                    | (16)                              | (4,488)                    | (2,952)                    | (296)                                | (3,248)                     |
| <b>NPAT</b>                               | <b>10,602</b>              | <b>39</b>                         | <b>10,641</b>              | <b>6,670</b>               | <b>689</b>                           | <b>7,359</b>                |

The Directors believe the presentation of pro-forma and normalised results are useful for the users of this financial report as they reflect the underlying performance of the business on a comparable basis in each reporting period and exclude the impact of expenses that do not form part of Shaver Shop's normal operations.

Shaver Shop receives a tax deduction over five years for the cost of franchise right terminations that occur through its franchise buy-back program. This is recorded as an adjustment to goodwill and therefore leads to income tax payable being lower than income tax expense for the five year tax period following each buy-back. Based on the franchise buy-backs completed to 30 June 2020, the reduction in cash tax payable for FY2020 and each subsequent financial year arising as a result of the franchise buy-back tax deduction is set out in the table below.

| (at 30 June 2020)               | FY2020<br>\$000 | FY2021<br>\$000 | FY2022<br>\$000 | FY2023<br>\$000 | FY2024<br>\$000 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Reduction in income tax payable | 1,231           | 895             | 435             | 193             | 160             |

## DIRECTORS REPORT

The table below compares the pro-forma operating performance of Shaver Shop for FY2020 against the normalised results for FY2019.

|   | Pro-Forma<br>FY2020 Actual<br>\$000 | Normalised<br>FY2019 Actual<br>\$000 | %<br>Change  |
|---|-------------------------------------|--------------------------------------|--------------|
| <b>Revenue</b>  | <b>194,924</b>                      | <b>167,437</b>                       | <b>16.4%</b> |
| <b>Gross Profit</b>   | <b>83,006</b>                       | <b>71,359</b>                        | <b>16.3%</b> |
| <i>Gross Margin</i>   | 42.6%                               | 42.6%                                | 0.0%         |
| <b>EBITDA</b>   | <b>18,381</b>                       | <b>13,515</b>                        | <b>36.0%</b> |
| <i>EBITDA Margin</i>  | 9.4%                                | 8.1%                                 | 16.0%        |
| <b>NPAT</b>   | <b>10,641</b>                       | <b>7,359</b>                         | <b>44.6%</b> |
| Tax benefit associated with franchise buybacks                                  | 1,231                               | 1,599                                | (23.0%)      |
| <b>NPAT – adjusted for franchise buyback tax benefit (“Cash NPAT”)</b>          | <b>11,872</b>                       | <b>8,958</b>                         | <b>32.5%</b> |
| Basic weighted average shares (000s)  | 121,797                             | 121,797                              |              |
| <b>Basic earnings per share – cents</b>   | <b>8.7</b>                          | <b>6.0</b>                           | <b>45.0%</b> |
| <b>Cash earnings per share – cents (Cash NPAT / basic weighted avg. shares)</b> | <b>9.7</b>                          | <b>7.4</b>                           | <b>31.1%</b> |

### Pro-forma and Normalised Results Summary

In FY2020, the Company grew consolidated revenue by 16.4% to \$194.9 million (FY2019 - \$167.4 million). The growth in sales was driven primarily by:

- FY2020 like for like store sales growth of 15.3%. This sales growth was supported by online sales growth of 103.5% over the prior corresponding period. Like for like and online sales growth was strong across the first and second halves of the financial year, however there was a material increase in online and total sales in Q4 FY2020 as customers purchased DIY personal care and grooming products as a result of COVID-19 restrictions; and
- Four additional corporate stores in the network at 30 June 2020. Shaver Shop completed two franchise buy-backs during H1 FY2020, opened a new store at the Newmarket shopping centre in Auckland, NZ and re-opened its Karrinyup, WA store in March 2020 following its temporary closure as the centre underwent a significant redevelopment. Shaver Shop now has 123 stores across Australia and New Zealand made up of 117 corporate stores and 6 franchised stores.

Gross profit margins were 42.6% in FY2020, in-line with the prior corresponding period.

Franchise and other revenue decreased 35.0% or \$0.6 million to \$1.1 million due to:

- The granting of royalty relief to franchisees for the Q4 FY2020 trading period; and
- Lower franchise royalties being earned following the buy-back of the Doncaster, VIC and Hornsby, NSW franchises in early H1 FY2020.

As at 30 June 2020, 6 franchise stores operated across the store network (30 June 2019: 8).

Shaver Shop's pro-forma total operating expenses increased 10.5% to \$65.7 million, due primarily to the increase in the number of stores in the network, the full period impact of additional national support office roles as well as the 3.0% annual wage increase required under the General Retail Industry Award as well as higher distribution costs associated with the growth in online sales. This increase in operating expenses was offset by the following operating expense reductions in Q4 FY2020 that were taken to mitigate risk associated with COVID-19: rent relief provided by landlords in Q4 FY2020; lower store rosters as store and centre hours were reduced; and deliberate reductions in marketing expenditure. Overall, Shaver Shop's costs of doing business as a percentage of total sales decreased 180 basis points to 33.7% in FY2020 (FY2019 – 35.5%).

## **DIRECTORS REPORT**

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Shaver Shop's pro-forma EBITDA increased 36.0% to \$18.4 million compared to normalised EBITDA of \$13.5 million generated in the prior corresponding period. The increase in pro-forma EBITDA is due to:

- The growth in sales referred to above;
- Operating leverage realised across marketing expenditure with higher returns on investment generated through increased use of online and digital marketing activities, together with reduced corporate store employment costs as a percentage of store sales;
- The impact of expenditure reductions in Q4 FY2020 as outlined above;
- Partially offset by higher national support office roles and operating expenses (for example delivery costs) to support the growth in the company's online sales.

Pro-forma depreciation and amortisation expense increased \$0.5 million to \$2.8 million in FY2020 (FY2019 - \$2.3 million) due to:

- The completion of 15 full store refits and relocations across the corporate store network since 1 July 2018 including 9 full store refits completed in FY2020.
- The launch of Shaver Shop's customer relationship management and enterprise resource planning platforms in H1 FY2020 together with continued investment in Shaver Shop's website and related technology applications.

Shaver Shop generated pro-forma net profit after tax of \$10.6 million in FY2020 representing an increase of 44.6% on the normalised net profit after tax of \$7.4 million generated in the prior corresponding period. After adjusting for the tax benefit associated with franchise buybacks, Shaver Shop's normalised Cash EPS was 9.7 cents per share (FY2019 – 7.4 cents), an increase of 31.1% over the prior corresponding year.

### **Liquidity and Capital Management**

In June 2020, Shaver Shop refinanced its existing bank facilities and established a new \$30.0 million debt facility with a \$1.0 million facility to support bank guarantees. The new facility has a term of two years, expiring on 30 June 2022.

At 30 June 2020, Shaver Shop had not drawn any debt under the facility (FY2019 - \$10.3 million) and had net cash at bank of \$12.6 million (FY2019 – net debt \$6.4 million). The significant improvement in liquidity in FY2020 is due to the strong earnings performance of Shaver Shop together with the deliberate decision to convert stock holdings into cash to mitigate risk associated with the impact of COVID-19. Shaver Shop will continue to prudently manage stock levels across its store network.

The Company's debt facility has three key covenants: the leverage ratio (Gross Debt / EBITDA); the fixed coverage ratio ((Occupancy Costs + EBITDA)/(Occupancy Costs + Interest expense); and the net worth ratio ((Total assets - Total liabilities) / Total assets). All banking covenants were well within the bank's thresholds for FY2020.

### **Strategy**

Shaver Shop offers customers a wide range of quality brands, at competitive prices, supported by excellent staff product knowledge and customer service. Shaver Shop seeks to identify consumer trends and works closely with major manufacturers and suppliers to source products to cater for these changing personal grooming and beauty trends.

### **DIFFERENTIATION IN THE MARKET**

With more than 30 years of dedicated experience in its core hair removal product categories, Shaver Shop believes it is the only significant pure-play specialty retailer in these categories in Australia and New Zealand. Shaver Shop invests heavily in staff training to ensure that its store managers and customer facing staff are equipped to recommend the best product that meets customer needs. This strong expertise, segment focus and customer experience has enabled Shaver Shop to negotiate exclusive supply arrangements for the majority of its top 50 products by sales. Shaver Shop believes it is this unique customer experience and access to exclusive products at competitive prices that differentiates its business from other retailers that sell personal grooming products in the market.

## DIRECTORS REPORT

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### Key drivers of Shaver Shop's growth are expected to be:

#### *Organic growth both online and in-store (omni retail growth)*

Shaver Shop will continue to implement a strategic marketing plan and other initiatives to attract new customers to the business and encourage repeat business. Important components of this aspect of the Company's strategy include, continued investment in its omni-retail capabilities (across both online channels and in-store) which continue to grow strongly as well as establishing a customer experience program to attract and support returning customers. Shaver Shop is also undertaking a deliberate store refit strategy to refresh the look and feel of several of its key stores.

#### *Continued product innovation*

Shaver Shop benefits as consumer beauty and grooming trends evolve and require new and changing tools to help customers get their desired look. Shaver Shop seeks to work with manufacturers and suppliers to source products that cater to the emerging demands of consumers within the hair removal and personal care categories. In some cases, Shaver Shop seeks and obtains exclusive rights to sell personal grooming and beauty products in the Australian and New Zealand markets which assists with product and range differentiation.

#### *Store rollout*

Shaver Shop aims to grow total store network numbers across Australia and New Zealand to approximately 130-135 within the next three years. One new store was opened in FY2020 together with the re-opening of our Karrinyup store which was temporarily closed while the centre underwent a significant redevelopment. Shaver Shop continues to apply prudence to new store openings given the variability in foot traffic at shopping centres experienced over the last 24 months as well as consumer trends to continue purchasing through online channels. Subject to the forecast financial returns meeting appropriate hurdle rates, the Company expects to open these additional stores in Australia and New Zealand. Shaver Shop also intends to evaluate opportunities to expand into international markets through both online and in-store channels.

#### *Franchise store buy backs*

Shaver Shop plans to continue its disciplined approach to buying back franchise stores, with transactions to be assessed as they become available. As at 30 June 2020, there were 6 (FY2019 - 8) franchise stores within the Shaver Shop network owned by one franchisee group.

#### *NZ business growth*

Shaver Shop opened its first three New Zealand stores in mid-2014. Since that time, the New Zealand network has grown to seven locations across both the north and south islands. With recent in-store and online improvements together with increased brand awareness and recognition in New Zealand, the business has now reached sufficient critical mass to drive economies of scale and profitability. Shaver Shop expects to drive further growth in New Zealand through the opening of additional stores as well as ongoing improvements in its omni-retail offering. The recent success of the New Zealand operation also provides additional confidence to evaluate additional regions for international expansion.

### Key Business Risks

There are a number of factors that could have an effect on the financial performance of Shaver Shop Group Limited. They include:

#### *Retail environment and general economic conditions may deteriorate*

Shaver Shop's performance is sensitive to the current state of and future changes in the retail environment and general economic conditions in Australia and New Zealand. Australian and New Zealand economic conditions may worsen, including as a result of the impact of COVID-19, the economy entering into a recession or another cause of a reduction in consumer spending. This could cause the retail environment to deteriorate as consumers reduce their level of consumption of discretionary items.

#### *COVID-19 related impacts*

COVID-19 voluntary and legislated restrictions may impact Shaver Shop's ability to trade for an extended period in some or all of its locations for a period of time. It may also impact Shaver Shop's ability to fulfil online orders to customers. While Shaver Shop would take steps to reduce the financial and operational effects of COVID-19 including seeking government support (where applicable), Shaver Shop's profitability, liquidity and financial position may be negatively impacted by the prolonged closure of its stores.

## DIRECTORS REPORT

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### *Competition may increase*

Shaver Shop faces competition from specialty retailers, department stores, discount department stores, grocery chains as well as online only retailers and professional salons. Shaver Shop's competitive position may deteriorate as a result of actions by existing competitors, the entry of new competitors (including manufacturers and suppliers of products who decide to sell direct to end consumers) or a failure by Shaver Shop to successfully respond to changes in the market.

### *Changes in international pricing or supply may change local demand for Shaver Shop products*

Many of the products which Shaver Shop sells are available in many overseas markets. With the increasing propensity for consumers in Australia and overseas to purchase products over the internet, should the comparative price of Shaver Shop's products be significantly lower in overseas markets, this could have an influence on local demand for Shaver Shop's products. Conversely, if the price for Shaver Shop's products is significantly lower than the comparable price for the same product overseas, this could increase demand and sales of Shaver Shop products. Should suppliers increase (decrease) prices to create global wholesale price parity, this could materially increase (decrease) local demand for Shaver Shop's products. This is particularly true in relation to bulk sales of products to customers in Australia.

### *Seasonality of trading patterns*

Shaver Shop's sales are subject to seasonal patterns. In FY2020, the contribution of sales for the first half to total sales for the full year was approximately 55.2% (FY2019 – 57.6%). The seasonality of Shaver Shop's sales towards the first half of the financial year is largely due to the pre-Christmas trading period and Father's Day (being, the first Sunday in September).

An unexpected decrease in sales over traditionally high-volume trading periods for Shaver Shop could have a materially adverse effect on the overall profitability and financial performance of Shaver Shop. In addition, an unexpected decrease in sales over traditionally high volume trading periods could also result in abnormally large amounts of surplus inventory, which Shaver Shop may seek to sell through abnormally high and broad-based price discounting to minimise the risk of product becoming aged or obsolete. If Shaver Shop were to sell a significant volume of its products at deep discounts, this would reduce the business' revenue and would have an adverse impact on the Company's financial performance.

### *Customer buying habits / trends may change*

Any adverse change in personal grooming trends and/or a failure of Shaver Shop to correctly judge the change in consumer preferences or poor quantification of purchases for related product may have an adverse impact in the demand for Shaver Shop's products or the gross margins achieved on these products.

### *Product innovation and exclusivity arrangements*

Product innovation by suppliers has been a key driver in Shaver Shop's sales growth. Shaver Shop relies on its suppliers to continue to drive R&D and product innovation in its product categories. A material reduction in the frequency or appeal of new product innovations by suppliers may have an adverse impact on sales, performance rebates received and gross margin levels achieved. In addition, a key driver in Shaver Shop's sales growth has been the ability to secure new innovative products on an exclusive basis. If Shaver Shop is unable to secure new product innovations on an exclusive basis, or if the appeal of an existing product sold by Shaver Shop on an exclusive basis is weakened by a new innovative product made widely available to retailers or on an exclusive basis to one of Shaver Shop's competitors, Shaver Shop's sales and gross margin levels may be adversely affected.

## DIRECTORS REPORT

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### *Product sourcing may be disrupted (including due to COVID-19)*

Shaver Shop's products are sourced from third party suppliers of major hair removal, hair care, personal care and other shaving brands. In FY2020, approximately 93% (FY2019 – 92%) of Shaver Shop's total network sales came from products sourced from its top ten suppliers. Shaver Shop's largest supplier constitutes approximately 27% (FY2019 - 28%) of all sales, with the next two largest suppliers contributing approximately 22% (FY2019 - 20%) and 18% (FY2019 - 20%) of total sales. Whilst Shaver Shop has a diversified supplier base, Shaver Shop is exposed to potential increases in the cost of materials and the cost of manufacturing and foreign exchange rates applicable to its products. There may also be delays in delivery or failure by a supplier to deliver goods. Such increases, delays and failure could significantly increase Shaver Shop's cost of operations or lead to a reduction in the available range of products, which may affect Shaver Shop's operating and financial performance.

### *Supplier relationships and ability to source products exclusively*

The Company's relationships with suppliers are often governed by individual purchase orders and invoices. Under those arrangements, suppliers may seek to alter the terms on which products are supplied as well as the range of products available for supply. This may result in changes of pricing levels and a reduction in the range of products made available to Shaver Shop, both of which could adversely impact the Company's ability to successfully provide customers with a wide range of products at competitive prices. This could reduce Shaver Shop's overall profitability and adversely impact its financial performance. In addition, Shaver Shop receives income from suppliers in the form of volume rebates and supplier contributions to specific marketing and advertising campaigns. Supplier rebates and contributions are negotiated on a periodic basis. Shaver Shop has a limited number of fixed contracts in place with suppliers relating to rebates and contribution income. Most suppliers who provide Shaver Shop with rebates or marketing contributions may elect to cease such payments at any point in time. Any such action could adversely impact Shaver Shop's income which would reduce Shaver Shop's overall profitability and impact its financial performance. Finally, through good relationships with some suppliers, Shaver Shop has been able to secure arrangements with third party distributors and brands for the supply of products to Shaver Shop on an exclusive basis. These arrangements are for specific products and for varying time periods. There is a risk that Shaver Shop may not be able to renew exclusive distribution agreements with the suppliers or that suppliers may enter into exclusive distribution arrangements with Shaver Shop's competitors. If this occurs, it will have a material adverse impact on the Company's business and reputation, operational performance as well as its financial results.

### *Breach of industrial practices*

Shaver Shop, like all retailers, is exposed to industrial relations risk that can impact the reputation and financial performance of its business. The Company has governance programs in place to mitigate this risk including remuneration oversight, training, policies and procedures.

### *Cyber & information security*

Shaver Shop, like most retailers, relies heavily on technology for the operation of both its stores as well as its online sales channels. The rapid changes in technology and data management, creates challenges for all companies to maintain a robust and resilient technology network as well as a strong cyber security program. Shaver Shop has implemented strategies and systems with the aim of protecting against deliberate exploitation of computer systems, data and networks by internal and external parties. Cyber security is constantly evolving and is a significant risk to all retailers and Shaver Shop will need to maintain vigilance and adopt appropriate responses to protect its information assets.

### **Significant changes in state of affairs**

Except as otherwise described in this report, there have been no significant changes in the state of affairs of the entities in the Group during the year.

### **Matters or circumstances arising after the end of the year**

Subsequent to year end, the Directors declared a fully-franked final dividend of 2.7 cents per share to shareholders of record on 10 September 2020. The dividend payment date is 24 September 2020.

In early August 2020, in accordance with Stage 4 restrictions implemented by the Victorian state government, Shaver Shop closed all 26 of its stores located in metropolitan Melbourne, Victoria. Shaver Shop is currently fulfilling online orders only from most of these stores on significantly reduced employment rosters.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

## DIRECTORS REPORT

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### Future developments and outlook

Shaver Shop's total sales for the first seven weeks of FY2021 (1 July through 18 August 2020) have increased 27.5% on the same period last year supported by online sales increasing 187%. The rate of sales growth in the first 2 weeks of August has moderated slightly due to the closure of 26 stores in metropolitan Melbourne following the Victorian government's announcement of Stage 4 restrictions as well as the closure of 4 stores in Auckland, NZ after the government's reintroduction of Stage 3 restrictions. Online sales growth has remained strong in both these regions with stores being able to fulfill these orders.

While the Company is pleased with the strong start to FY2021, the impact of COVID-19 continues to create significant uncertainty, and accordingly Shaver Shop is not providing FY2021 sales or earnings guidance at this time.

### Environmental issues

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

### Non-audit services

The Board of Directors, in accordance with advice from the audit committee, are satisfied that the provision of non-audit services during the year are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Details of the amounts paid to PricewaterhouseCoopers for audit and non-audit services during the year are set out in note 28 to the audited financial statements.

### Auditors independence declaration

The lead auditor's independence declaration for the year ended 30 June 2020 has been received and can be found on page 28 of the consolidated financial report.

### Shares under option

There have been no unissued shares or interests under option in the Company or a controlled entity during or since reporting date.

### Indemnification and insurance of officers and auditors

During the financial year, the Company paid an insurance premium to insure the directors and senior management of the Company and its subsidiaries.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and, any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Company.

The terms of the insurance policies prohibit disclosure of the details of the premium paid.

### Proceedings on behalf of company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or 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 any part of those proceedings.

## DIRECTORS REPORT

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### Remuneration report (audited)

The Board of Directors of Shaver Shop Group Limited present the Remuneration Report for the Company for the reporting period of 1 July 2019 to 30 June 2020. This Remuneration Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001*.

Our remuneration report for the 2019 financial year received positive shareholder support at the 2019 AGM, with 99.4% of votes in favour of adoption.

#### (a) Summary

##### Group financial and operational performance

Shaver Shop delivered record financial performance for shareholders in FY2020 evidenced by:

- Sales growth of 16.4% to \$194.9 million supported by exceptional online sales growth of 103.5%
- Cost management leading to operating expenses as a percentage of sales declining
- Strong working capital management leading to strong operating cash flow
- Continuing strong customer service metrics
- Comparable net profit of \$10.6 million up 44.6% on FY2019

Importantly, Shaver Shop did not receive any financial support in FY2020 under the Australian government's JobKeeper program.

##### Short-term incentive (STI)

The Company's very strong financial performance in FY2020 resulted in the maximum STI performance hurdles being exceeded for the Company. As a result, STIs commensurate with this financial performance were granted to the Key Management Personnel (KMP).

##### Long-term incentive (LTI)

The FY2017 LTI grant reached the end of its performance and tenure hurdles on 30 June 2020. Only 13.2% of the Tranche 1 shares (or 47,656 shares) were able to be vested with the KMP in FY2020.

Tranche 2 of the FY2018 LTI grant reached the end of its two-year performance period on 30 June 2019. The minimum EPS and TSR hurdles were not met for this Tranche and accordingly 100% of the Tranche 2 shares (383,333 shares) for Senior Executives were forfeited. Tranche 3 of the FY2018 LTI grant reached the end of its three-year performance period on 30 June 2020. The Company's EPS CAGR was 6.2% for this performance period and accordingly 26.6% of the EPS Tranche 3 shares will vest with senior executives subject to the service condition being met (30 June 2021). The determination of the TSR CAGR for this tranche is unable to be calculated at the time of writing this report as it is based on the 5 day volume weighted average price of Shaver Shop's shares in the 5 days after release of the FY2020 financial results. The shares also have a service condition which requires LTI participants to have continuous tenure through 30 June 2021.

Tranche 1 of the FY2019 LTI grant reached the end of its one-year performance period on 30 June 2019. The Company's EPS CAGR did not meet the minimum threshold for vesting and accordingly all Tranche 1 EPS shares (125,000 shares) for Senior Executives were forfeited in FY2020. The TSR CAGR for Tranche 1 of the FY2019 LTI grant exceeded the maximum hurdle and accordingly, subject to meeting the service condition (30 June 2021), 100% of the Tranche 2 TSR shares (291,666 shares) will vest with Senior Executives. Tranche 2 of the FY2019 LTI grant reached the end of its two-year performance period. The EPS hurdles for Tranche 2 of the FY2019 LTI grant exceeded the maximum EPS performance hurdle, and accordingly, subject to meeting the tenure requirement (30 June 2021), 100% of the Tranche 2 EPS shares (125,000 shares) will vest with Senior Executives. The determination of the TSR CAGR for Tranche 2 of the FY2019 LTI grant is unable to be calculated at the time of writing this report as it is based on the 5 day volume weighted average price (VWAP) of Shaver Shop's shares in the 5 days after release of the FY2020 financial results.

Tranche 1 of the FY2020 LTI grant reached the end of its one-year performance period. The EPS CAGR for Tranche 1 of the FY2020 LTI grant exceeded the maximum EPS performance hurdle and accordingly, subject to the tenure requirement being met (30 June 2022), 100% of the Tranche 1 EPS shares (135,000 shares) will vest with Senior Executives. The TSR CAGR for Tranche 1 of the FY2020 LTI grant is unable to be calculated at the time of writing this report as it is based on the 5 day VWAP of Shaver Shop's shares in the 5 days after the release of the FY2020 financial results.

## DIRECTORS REPORT

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### (b) Key Management Personnel covered in this report

This report sets out the remuneration arrangements for Shaver Shop's key management personnel (KMP) (listed in the table below) who have been KMP during the reporting period. For the remainder of this Remuneration Report, the KMP are referred to as either Non-Executive Directors or Senior Executives.

All Non-Executive Directors and Senior Executives have held their positions for the duration of the reporting period unless indicated otherwise.

#### Non-Executive Directors

|                                       |                                     |
|---------------------------------------|-------------------------------------|
| Broderick Arnhold                     | Independent, Non-Executive Chairman |
| Craig Mathieson                       | Independent, Non-Executive Director |
| Trent Peterson                        | Independent, Non-Executive Director |
| Brian Singer                          | Independent, Non-Executive Director |
| Melanie Wilson (resigned 14 May 2020) | Independent, Non-Executive Director |

#### Position

#### Senior Executives

|                 |   |
|-----------------|---|
| Cameron Fox     | Chief Executive Officer (CEO) and Managing Director |
| Lawrence Hamson | Chief Financial Officer (CFO) and Company Secretary |
| Philip Tine     | Retail Director                                     |

### (c) Remuneration overview

The Board recognises that the performance of the Group depends to a large extent on the quality and motivation of the Shaver Shop team, including the Senior Executives and our 757 team members (2019: 743) employed by the Group across Australia and New Zealand. Shaver Shop's remuneration strategy therefore seeks to appropriately attract, reward and retain team members at all levels in the organisation but in particular aligning and motivating key senior executives to create shareholder wealth. By aligning various remuneration mechanisms, the Board seeks to have a structure that incentivises sustainable growth, risk management as well as driving a positive culture across the business.

In FY2020, the primary performance mechanism for determining whether Senior Executives Short Term Incentive Plan (STIP) are paid, was the Company's EBITDA versus the normalised EBITDA for FY2019. In FY2020, the Company's comparable EBITDA (i.e. using consistent accounting standards) increased 36.0% leading to the maximum available STIP being paid to each Senior Executive. The Board believes the STIP outcomes were fair and appropriate and reflect the alignment between shareholders' interests and the Company's remuneration practices and policies.

In terms of its' Long Term Incentive Plan (LTIP), in FY2020 Shaver Shop issued 2,300,000 shares to participants in the LTIP. LTIP share allocations are subject to Service, Total Shareholder Return (TSR) and Earnings Per Share (EPS) vesting conditions over one, two and three year performance periods which are outlined in further detail below. The Company also offered offsetting limited recourse loans to assist with the purchase of the LTIP shares.

The Nomination and Remuneration Committee will continue to review the remuneration arrangements for Non-Executive Directors and Senior Executives to ensure that they are relevant, competitive and appropriate for a listed company.

### (d) Relationship between remuneration policy and company performance

The performance criteria and targets for Executives to realise benefits under both the Company's STIP and LTIP are aligned to company performance and enhancing shareholder value. The nomination and remuneration committee considers both the statutory and normalised results for the business in evaluating performance against key metrics. A summary of the normalised results for Shaver Shop is included in the Directors Report.

## DIRECTORS REPORT

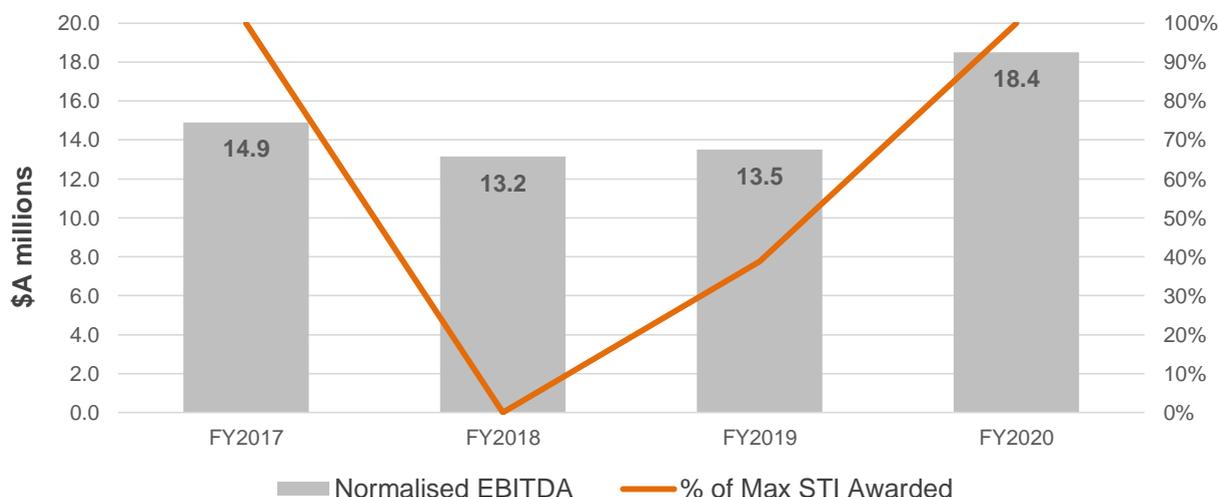
The following table provides a summary of the Company's statutory financial performance from FY2016 to FY2020 as well as FY2020's results on a comparable accountant standard basis with period years. The results for FY2016 were prior the Shaver Shop's Initial Public Offering on 1 July 2016.

|                                      | Statutory<br>FY2020<br>Result<br>\$000 | Comparable<br>FY2020<br>Result<br>\$000 | Statutory<br>FY2019<br>Result<br>\$000 | Statutory<br>FY2018<br>Result<br>\$000 | Statutory<br>FY2017<br>Result<br>\$000 | Statutory<br>FY2016<br>Result<br>\$000 |
|--------------------------------------|--|---|--|--|--|--|
| Revenue                              | 194,924                                | 194,924                                 | 167,437                                | 154,937                                | 142,568                                | 106,711                                |
| EBITDA                               | 31,261                                 | 18,381                                  | 12,530                                 | 12,170                                 | 14,870                                 | 7,461                                  |
| Net Profit After Tax                 | 10,602                                 | 10,641                                  | 6,670                                  | 6,555                                  | 8,994                                  | 3,854                                  |
| Basic earnings per share (cents)     | 8.7                                    | 8.7                                     | 5.5                                    | 5.3                                    | 7.2                                    | 4.6                                    |
| Dividends declared                   | 5,659                                  | 5,659                                   | 5,399                                  | 5,252                                  | 2,001                                  | 18,175                                 |
| Dividends per share declared (cents) | 4.6                                    | 4.6                                     | 4.5                                    | 4.2                                    | 1.6                                    | 21.6                                   |
| Year end share price (\$)            | \$0.70                                 | \$0.70                                  | \$0.42                                 | \$0.45                                 | \$0.64                                 | N/A                                    |

For the financial year ended 30 June 2020, the Company's comparable EBITDA increased by 36.0% to \$18.4 million and in doing so, significantly exceeded the Company's internal targets for FY2020 (on a normalised basis) as well as the FY2019 normalised EBITDA result of \$13.5 million. As a consequence, the Board determined that the maximum STIP award was appropriate for Senior Executives.

### % of Maximum STI Awarded vs Normalised EBITDA

The graph below illustrates the percentage of the maximum available STI that was awarded to Senior Executives for each financial year (since listing on the ASX) versus the normalised EBITDA for the Company.



## DIRECTORS REPORT

### Long Term Incentive Plan Outcomes for FY2020

In each grant year, under the terms of the LTI Plan, shares are issued to participants that have three tranches. The tranches have one year, two year and three year performance periods. For each tranche, 70% of the shares issued are subject to TSR performance hurdles and 30% are subject to EPS performance hurdles. With the exception of the FY2017 grant, the base share price used for calculating the TSR performance hurdle is equivalent to the 5 day VWAP immediately prior to the Grant Date. The ending share price for the TSR performance hurdle is calculated using the 5 day volume weighted average share price (VWAP) of Shaver Shop's shares following the release of the Company's results for the relevant performance period. As a result, the VWAP of the Company's shares for performance periods ending on 30 June 2020 is not known at the time of writing this report and therefore no vesting has been assumed for shares with TSR performance hurdles ending in FY2020. TSR vesting is shown below for performance periods ending prior to FY2020.

| Performance Period Starting | Performance Period Ending | Service Condition | LTI shares granted to KMP | EPS CAGR (30% of tranche shares) |        |           | TSR CAGR (70% of shares) |        |           |
|-----------------------------|---------------------------|-------------------|---------------------------|----------------------------------|--------|-----------|--------------------------|--------|-----------|
|                             |                           |                   |                           | Performance outcome              | Vested | Forfeited | Performance outcome      | Vested | Forfeited |
| FY2017                      | FY2017                    | 30 Jun 19         | 358,333                   | 20.7%                            | 44.3%  | 55.7%     | -33.1%                   | 0%     | 100%      |
| FY2017                      | FY2018                    | 30 Jun 19         | 358,333                   | -1.5%                            | 0%     | 100%      | -31.1%                   | 0%     | 100%      |
| FY2017                      | FY2019                    | 30 Jun 20         | 358,334                   | 0.2%                             | 0%     | 100%      | -15.4%                   | 0%     | 100%      |
| FY2018                      | FY2018                    | 30 Jun 20         | 383,333                   | -19.6%                           | 0%     | 100%      | -29.0%                   | 0%     | 100%      |
| FY2018                      | FY2019                    | 30 Jun 20         | 383,333                   | -8.8%                            | 0%     | 100%      | -4.8%                    | 0%     | 100%      |
| FY2018                      | FY2020                    | 30 Jun 21         | 383,334                   | 6.2%                             | 0%     | 0%        |                          |        |           |
| FY2019                      | FY2019                    | 30 Jun 21         | 383,333                   | 3.5%                             | 0%     | 100%      | 42.3%                    | 0%     | 0%        |
| FY2019                      | FY2020                    | 30 Jun 21         | 383,333                   | 22.1%                            | 0%     | 0%        |                          |        |           |
| FY2019                      | FY2021                    | 30 Jun 22         | 383,334                   |                                  |        |           |                          |        |           |
| FY2020                      | FY2020                    | 30 Jun 22         | 449,998                   | 44.1%                            | 0%     | 0%        |                          |        |           |
| FY2020                      | FY2021                    | 30 Jun 22         | 450,001                   |                                  |        |           |                          |        |           |
| FY2020                      | FY2022                    | 30 Jun 23         | 450,001                   |                                  |        |           |                          |        |           |

The following share tranches have met the required performance thresholds as at the date of this report, however have not yet met the required service condition.

| Performance Period Starting | Performance Period Ending | Tranche   | Service Condition | EPS Shares Granted | EPS Shares to Vest | TSR Shares Granted | TSR Shares to Vest* |
|-----------------------------|---------------------------|-----------|-------------------|--------------------|--------------------|--------------------|---------------------|
| FY2018                      | FY2020                    | Tranche 3 | 30 Jun 21         | 115,000            | 30,562             |                    |                     |
| FY2019                      | FY2019                    | Tranche 1 | 30 Jun 21         |                    |                    | 291,666            | 291,666             |
| FY2019                      | FY2020                    | Tranche 2 | 30 Jun 21         | 125,000            | 125,000            |                    |                     |
| FY2020                      | FY2020                    | Tranche 1 | 30 June 22        | 135,000            | 135,000            |                    |                     |

It is anticipated that the FY2019 Tranche 1 and Tranche 2 TSR shares will meet their vesting conditions in full and that the FY2020 Tranche 1 TSR shares will also meet their vesting conditions.

### (e) Remuneration objectives

One of Shaver Shop's core beliefs is that the success of the business is driven in large part by the skills, motivation and the performance of all of its team members – from Senior Executives to Store Managers to retail assistants on the shop floor. Creating an environment that fosters a high performance culture and aligns the team behind a common set of values and behaviours is core to the Company's continuing success.

Shaver Shop's commitment to driving high performance is evidenced by its investment in a national training facility at its support office location as well as year round training provided across the country. Shaver Shop believes that the knowledge and expertise of its sales staff is a critical differentiating factor for the business and an important factor in its success. As a result, the Company takes pride in promoting high performing staff through the business from the retail shop floor through to national office positions.

## DIRECTORS REPORT

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In addition to building the appropriate culture, Shaver Shop's philosophy is to provide competitive remuneration arrangements that reward team members for the underlying performance of the company as well as building shareholder value over the short and long term.

As such, remuneration for team members can include fixed pay, superannuation, short term incentives, long term incentives as well as support for training and education, relocation assistance, and dues and membership fees that are aligned with Shaver Shop's needs and objectives. The components of total remuneration for a team member will vary depending on the role, his or her seniority, the team member's experience as well as their performance.

The Remuneration Committee also considers the importance of equity ownership for Senior Executives when setting remuneration packages.

Shaver Shop's key principles underpinning its remuneration plans are set out below:

- i. *Simplicity*: We seek to ensure remuneration arrangements are simple, and can be easily understood by both the Senior Executives and other key stakeholders.
- ii. *Alignment*: We seek to ensure material components of the Senior Executive's remuneration arrangements (including their shareholding as appropriate) contribute to alignment of the interests of the Senior Executives with those of the shareholders.
- iii. *Best practice*: We seek to ensure the material aspects of an employee's remuneration arrangements are sustainable and could withstand tests of precedent and transparency within the organisation and market place.
- iv. *Competitive*: We seek to ensure our Senior Executives are remunerated such that (when taken as a whole, and having regard to their particular circumstances, including any risks and opportunities) their individual remuneration arrangements are competitive with relevant comparable positions.
- v. *Risk Conscious*: In considering remuneration arrangements, the Company seeks to manage certain key risk exposures, including the risk of loss of an individual, retention of intellectual property and skills, issues associated with replacement of the individuals, risk of poaching, and the presence and quality of our succession planning.
- vi. *Company First*: The Company develops systems, policies, processes and team depth to manage its reliance on any given individual within its leadership team. This extends to remuneration, where we seek to ensure the remuneration architecture and individual arrangements are orderly and deliberate in line with our Core Competencies.
- vii. *Rewards tied to outcome and performance*: We back ourselves to identify the outcomes that drive sustainable value creation (or value protection), and seek to reward executives who influence those outcomes most significantly and directly pursuant to business strategy.

### (f) Role of the Nomination and Remuneration Committee

The primary objective of the Nomination and Remuneration Committee is to assist the Board to fulfil its corporate governance and oversight responsibilities in relation to the Company's people strategy including remuneration components, performance measurements and accountability frameworks, recruitment, engagement, retention, talent management and succession planning.

The Committee also works with the CEO in considering the specific situations pertaining to employment terms for individuals or groups of individuals as needed.

The Committee undertakes an annual review of the Company's remuneration strategy and remuneration policy to facilitate understanding of the overall approach to remuneration and to confirm alignment with the Company's business strategy, high standards of governance and compliance with regulatory standards.

The Committee reviews and recommends to the Board for approval, remuneration arrangements for the CEO and other Senior Executives having regard to external remuneration practices, market expectations and regulatory standards. The Committee also establishes the policy for the remuneration arrangements for Non- Executive Directors.

Where appropriate the Nomination and Remuneration Committee will seek the advice of independent external remuneration consultants.

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### (g) Senior Executive Remuneration Structure

The remuneration framework for Senior Executives is based on a structure that includes:

1. Fixed remuneration – salary and superannuation and non-monetary benefits
2. Short Term Incentives – tied to in-year performance against metrics
3. Long Term Incentives – tied to multi-year performance against value creation metrics

The proportion of remuneration between fixed and variable (i.e. at risk) for a Senior Executive is determined after consideration of the seniority of the role, the responsibilities of the role for driving business performance and responsibilities for developing and implementing business strategy.

| Element               | Purpose   | Metrics                                | Potential Value   |
|-----------------------|---|--|---|
| Fixed Remuneration    | Provide competitive market salary including super | NIL                                    | Based on market competitive rates                             |
| STI (Cash bonus)      | Reward superior performance in year               | EBITDA/NPAT growth over the prior year | \$400,000   |
| LTI (Loan Share Plan) | Reward superior long term value creation          | TSR – 70%<br>EPS growth – 30%          | Dependent on NPAT, dividends paid and share price performance |

The mix of fixed and at risk components of each of the Senior Executives as a percentage of total target remuneration for FY2020 was as follows:

| Senior Executive | Fixed Remuneration | At Risk STI Maximum Opportunity | At Risk LTI Maximum Opportunity |
|------------------|--------------------|---------------------------------|---------------------------------|
| Cameron Fox      | 68%                | 25%                             | 7%                              |
| Larry Hamson     | 76%                | 19%                             | 5%                              |
| Philip Tine      | 73%                | 22%                             | 5%                              |

#### Fixed Remuneration

Senior Executive base salaries include a fixed component of base salary together with employer superannuation contributions that are in line with statutory obligations. The fixed remuneration component also includes car allowances and other benefits.

The fixed remuneration component for Senior Executives is based on market data for comparative companies of the same size and complexity as well as having regard to the experience and expertise of the Senior Executive.

Fixed remuneration for executives is reviewed annually to provide competitiveness with the market, whilst also taking into account capability, experience value to the organisation and performance of the individual. There is no guaranteed salary increase in any Senior Executive service contract.

#### Short Term Incentives (STI)

Following the omni-retail and operational platform investments made in prior years, Shaver Shop delivered substantial sales and earnings growth in FY2020 as these investments began to drive strong returns. Shaver Shop also benefited from increased demand for its personal grooming products in Q4 FY2020 as a result of COVID-19. The STI earnings targets for FY2020 were exceeded by a considerable margin leading the Senior Executives being awarded the maximum possible award under the STI program for the year.

| Senior Executive | Target STI (\$) | Actual STI Awarded (\$) | Awarded STI as % of Maximum STI | % of Maximum STI Award Forfeited |
|------------------|-----------------|-------------------------|---------------------------------|----------------------------------|
| Cameron Fox      | \$200,000       | \$200,000               | 100%                            | 0%                               |
| Larry Hamson     | \$100,000       | \$100,000               | 100%                            | 0%                               |
| Philip Tine      | \$100,000       | \$100,000               | 100%                            | 0%                               |

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The Board of Directors may decide to pay Senior Executives discretionary bonuses depending on individual and Company performance. The Remuneration Committee and Board of Directors chose a normalised EBITDA target as the performance measure because the Company believes this is one of the key business drivers that is understood by stakeholders and is a balanced indicator of the relative performance of the business.

For FY2021, having regard to the uncertainty and impact of COVID-19 on its FY2020 and FY2021 results, the Nomination and Remuneration Committee has set H1, H2 and full year percentage growth targets on FY2020 NPAT for the purpose of determining STI awards. One third of the Senior Executive's STIP is subject to H1, H2 and full year NPAT growth hurdles, respectively.

### **Long Term Incentives (LTI)**

Shaver Shop established an LTIP to assist in the motivation, retention and reward of Shaver Shop executives. The LTIP is designed to align the interests of executives more closely with the interests of Shareholders by providing an opportunity for eligible executives to acquire Shares subject to the conditions of the LTIP (Plan Shares).

The Plan Shares are issued or transferred to participants in the LTIP at market value based on the volume weighted average price of the shares in the five days up to and including the date of grant. Under the terms of the LTIP, the Company, or one of its subsidiaries, may provide a limited recourse loan to executives who are invited to participate in the LTIP to assist them to purchase Plan Shares (Loan). Each Loan will be limited recourse such that a participant's obligation to repay the Loan will be the lesser of the Loan balance or the relevant Plan Share's market value. Under the LTIP rules, the Company will retain discretion to waive repayment of all, or part of, any Loan. The after-tax value of any dividends paid on the Plan Shares acquired under a Loan will be applied to repay the relevant Loan. The grant of Plan shares is accounted for as an option with the loan value representing the strike price of the instrument.

Each year's LTIP share grant is split into three equal share tranches which relate to 1 year, 2 year and 3 year performance periods.

Each Plan Share will be issued as a fully paid ordinary share in the Company subject to certain vesting conditions. The holder of a Plan Share must not dispose of the Plan Share until the Plan Share vests and any Loan relating to that Plan Share has been repaid.

Unless as determined otherwise by the Board of Shaver Shop, the performance and service conditions specified for each tranche must be met in order for the relevant Plan Shares to vest.

The table on the following page summarises the key terms of each LTI share grant over the last four financial years.

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|   | FY2020<br>LTI Grant   | FY2019<br>LTI Grant   | FY2018<br>LTI Grant   | FY2017<br>LTI Grant  |
|---|---|---|---|--|
| Total LTI shares granted  | 2,300,000   | 1,990,000   | 1,910,000   | 1,300,000  |
| LTI shares granted to KMP   | 1,350,000   | 1,250,000   | 1,150,000   | 1,075,000  |
| Grant Date  | 30 Oct 2019   | 21 Nov 2018   | 26 Oct 2017   | 22 Jun 2017  |
| Issue price   | \$0.6344  | \$0.3969  | \$0.6829  | \$0.5899   |
| % of grant with TSR hurdle  | 70%   | 70%   | 70%   | 70%  |
| % of grant with EPS hurdle  | 30%   | 30%   | 30%   | 30%  |
| Tranche 1 performance period                                      | 1 July 19 - 30 Jun 20   | 1 Jul 18 to 30 Jun 19   | 1 Jul 17 to 30 Jun 18   | 1 Jul 16 to 30 Jun 17  |
| Tranche 2 performance period                                      | 1 July 19 - 30 Jun 21   | 1 Jul 18 to 30 Jun 20   | 1 July 17 - 30 Jun 19   | 1 Jul 16 to 30 Jun 18  |
| Tranche 3 performance period                                      | 1 July 19 - 30 Jun 22   | 1 Jul 18 to 30 Jun 21   | 1 July 17 - 30 Jun 20   | 1 Jul 16 to 30 Jun 19  |
| TSR Vesting CAGR (%) Hurdle applicable to each performance period | Under 10% - NIL<br>10-25% - pro-rata vesting from 20% to 100%<br>Above 25% - 100% | Under 10% - NIL<br>10-25% - pro-rata vesting from 20% to 100%<br>Above 25% - 100% | Under 10% - NIL<br>10-25% - pro-rata vesting from 20% to 100%<br>Above 25% - 100% | Under 15% - Nil<br>15-20% - pro-rata vesting from 20% to 40%<br>20-25% - pro-rata vesting from 40% to 70%<br>25-30% - pro-rata vesting from 70 to 100%<br>Above 30% - 100% |
| EPS Vesting CAGR (%) hurdle applicable to each performance period | Under 5% - NIL<br>5-20% - pro-rata vesting from 20% to 100%<br>Above 20% - 100%   | Under 5% - NIL<br>5-20% - pro-rata vesting from 20% to 100%<br>Above 20% - 100%   | Under 5% - NIL<br>5-20% - pro-rata vesting from 20% to 100%<br>Above 20% - 100%   | Under 15% - Nil<br>15-20% - pro-rata vesting from 20% to 40%<br>20-25% - pro-rata vesting from 40% to 70%<br>25-30% - pro-rata vesting from 70 to 100%<br>Above 30% - 100% |
| Tranche 1 & 2 Service Condition                                   | 30 June 22  | 30 June 21  | 30 Jun 20   | 30 Jun 19  |
| Tranche 3 Service Condition                                       | 30 June 23  | 30 Jun 22   | 30 Jun 21   | 30 Jun 20  |
| Expiry date   | None, however the latest loan repayment date is 7 years after the grant date.     | None, however the latest loan repayment date is 7 years after the grant date.     | None, however the latest loan repayment date is 7 years after the grant date.     | None, however the latest loan repayment date is 7 years after the grant date.  |

### Performance conditions

The performance conditions are to be measured 70% by an absolute total shareholder return (TSR) performance hurdle and 30% by an earnings per share (EPS) performance hurdle. The hurdles are mutually exclusive such that performance is measured independently of the other hurdle. Where both targets are met, 100% of the Plan Shares which a participant holds for the relevant performance period will vest, subject to the service condition being met. Where only a portion of the EPS and TSR targets are met, the total number of Shares which will vest under the LTIP will be apportioned.

Both of the performance hurdles will be expressed as a Compound Annual Growth Rate (CAGR) percentage.

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### TSR Performance Conditions

The TSR performance hurdle is structured as an absolute TSR growth target and will be determined by the Board. TSR is a measure of the performance of the Company's shares over a period of time. It combines share appreciation and dividends paid to show the total return to Shareholders expressed as an annualised percentage. It is the rate of return of all cash flows to an investor during the holding period of an investment.

With exception of the FY2017 LTI Grant, the starting point for the TSR performance hurdle is the 5 day volume weighted average price (VWAP) per share immediately prior to the grant date. For the FY2017 Grant, the starting point for the TSR hurdle is the IPO issue price of \$1.05 per share.

With exception of the FY2017 LTI Grant, the TSR performance period concludes based on the 5 day VWAP of the Company's shares following the relevant performance period's full year results announcement. For the FY2017 LTI Grant, the TSR performance period concludes based on the 5 day VWAP of the Company's shares prior to 30 June each year.

### EPS Performance Conditions

The EPS performance hurdle is a measure of the compound annual growth rate in the Company's EPS measure over the relevant performance period. The EPS CAGR will be determined by the Board and is the compound annual growth rate (expressed as a percentage) of the Company's EPS, which is measured by reference to the Group's underlying net profit for the performance period divided by the weighted average number of shares on issue across the relevant performance period. The Board may from time to time adjust the EPS CAGR to exclude the effects of material business acquisitions or divestments and for certain one-off costs.

### Service condition

In addition to the performance conditions, each tranche of Plan Shares is subject to specific service conditions, meaning that if a participant in the LTIP ends their employment with Shaver Shop before the specified service periods the Plan Shares issued to the participant will not vest regardless of whether the performance conditions have been met.

The table below sets out the number of Plan Shares offered to the relevant Senior Executives, including details of the number of Plan Shares per tranche for each Senior Executive for LTI Plan grants between FY2017 and FY2020.

|                        |                    | FY2020<br>LTI Grant<br>(# shares) | FY2019<br>LTI Grant<br>(# shares) | FY2018<br>LTI Grant<br>(# shares) | FY2017<br>LTI Grant<br>(# shares) |
|------------------------|--------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| <b>KMP</b>             | <b>Cameron Fox</b> |                                   |                                   |                                   |                                   |
|                        | Tranche 1          | 216,666                           | 250,000                           | 250,000                           | 325,000                           |
|                        | Tranche 2          | 216,667                           | 250,000                           | 250,000                           | 325,000                           |
|                        | Tranche 3          | 216,667                           | 250,000                           | 250,000                           | 325,000                           |
|                        | <b>TOTAL</b>       | <b>650,000</b>                    | <b>750,000</b>                    | <b>750,000</b>                    | <b>975,000</b>                    |
| <b>Lawrence Hamson</b> | Tranche 1          | 116,666                           | 100,000                           | 100,000                           | 33,333                            |
|                        | Tranche 2          | 116,667                           | 100,000                           | 100,000                           | 33,333                            |
|                        | Tranche 3          | 116,667                           | 100,000                           | 100,000                           | 33,334                            |
|                        | <b>TOTAL</b>       | <b>350,000</b>                    | <b>300,000</b>                    | <b>300,000</b>                    | <b>100,000</b>                    |
| <b>Philip Tine</b>     | Tranche 1          | 116,666                           | 66,666                            | 33,333                            |                                   |
|                        | Tranche 2          | 116,667                           | 66,667                            | 33,333                            |                                   |
|                        | Tranche 3          | 116,667                           | 66,667                            | 33,334                            |                                   |
|                        | <b>TOTAL</b>       | <b>350,000</b>                    | <b>200,000</b>                    | <b>100,000</b>                    |                                   |

Shaver Shop obtains an independent valuation of the LTIP Shares at the date of grant. The following table summarises the valuation of each LTIP share for each tranche in each year of grant:

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| Performance Condition |           | FY2020<br>LTI Grant | FY2019<br>LTI Grant | FY2018<br>LTI Grant | FY2017<br>LTI Grant |
|-----------------------|-----------|---------------------|---------------------|---------------------|---------------------|
| TSR (70% of shares)   | Tranche 1 | \$0.120             | \$0.093             | \$0.03              | Nil                 |
|                       | Tranche 2 | \$0.124             | \$0.100             | \$0.06              | \$0.061             |
|                       | Tranche 3 | \$0.129             | \$0.104             | \$0.08              | \$0.086             |
| EPS (30% of shares)   | Tranche 1 | \$0.224             | \$0.166             | \$0.14              | \$0.233             |
|                       | Tranche 2 | \$0.224             | \$0.166             | \$0.14              | \$0.233             |
|                       | Tranche 3 | \$0.235             | \$0.174             | \$0.15              | \$0.246             |

The following tables illustrate LTI performance based remuneration granted and forfeited related to FY2020 and FY2019.

### LTI Granted in Relation to FY2020 LTIP Allocation

| Senior Executives | LTI Grant Year | LTI granted (shares) | % Paid / vested in the period | # LTIP Shares Vested in Period | % Forfeited in period | # LTIP Shares Forfeited in Period | Value Expensed in FY20 \$ |
|-------------------|----------------|----------------------|-------------------------------|--------------------------------|-----------------------|-----------------------------------|---------------------------|
| Cameron Fox       | FY2020         | 650,000              | 0%                            | -                              | 0%                    | -                                 | \$22,914.53               |
|                   | FY2019         | 750,000              | 0%                            | -                              | 10%                   | 75,000                            | \$31,187.20               |
|                   | FY2018         | 750,000              | 0%                            | -                              | 33%                   | 250,000                           | \$5,627.20                |
|                   | FY2017         | 975,000              | 4.4%                          | 43,223                         | 33%                   | 325,000                           | -                         |
| Lawrence Hamson   | FY2020         | 350,000              | 0%                            | -                              | 0%                    | -                                 | \$12,338.59               |
|                   | FY2019         | 300,000              | 0%                            | -                              | 10%                   | 30,000                            | \$12,474.88               |
|                   | FY2018         | 300,000              | 0%                            | -                              | 33%                   | 100,000                           | \$2,250.88                |
|                   | FY2017         | 100,000              | 4.4%                          | 4,433                          | 33%                   | 33,334                            | -                         |
| Philip Tine       | FY2020         | 350,000              | 0%                            | -                              | 0%                    | -                                 | \$12,338.59               |
|                   | FY2019         | 200,000              | 0%                            | -                              | 10%                   | 20,000                            | \$8,316.59                |
|                   | FY2018         | 100,000              | 0%                            | -                              | 33%                   | 33,333                            | \$750.29                  |

The maximum EPS performance condition for Tranche 1 of the FY2020 LTIP allocation was met and accordingly, subject to the service condition being met, 100% of the Tranche 1 EPS shares will vest on 30 June 2022.

The determination of the TSR performance condition for Tranche 1 of the FY2020 LTIP allocation, Tranche 2 of the FY2019 LTIP allocation and Tranche 3 of the FY2018 LTIP allocation is based on the 5 day VWAP of the Company's shares following the release of Shaver Shop's FY2020 results and therefore it cannot be determined whether this vesting condition will be met at the date of this report.

### (h) Non-Executive Director Remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each non-executive Director is entitled for their services as a Director. However, the total amount of fees paid to all Non-Executive Directors for their services as Directors must not exceed in aggregate in any financial year the amount fixed by the Company in the annual general meeting. As disclosed in the Company's prospectus, the pre-IPO Shareholders approved \$440,000 per annum for this purpose.

In late March 2020, in light of the significant uncertainty as to how the COVID-19 pandemic might impact the Company, the Board and Senior Executives of Shaver Shop agreed to a 20% reduction in their fixed remuneration during the months of April and May 2020. Having regard to the strong financial performance of Shaver Shop in April and May 2020, the Board and Senior Executives of Shaver Shop reverted to their normal fixed remuneration in June 2020.

For FY2020, the annual base non-executive Director fees currently agreed to be paid by the Company are \$140,000 (FY2019 - \$140,000) to the Chairman of the Board (Broderick Arnhold), \$80,000 (FY2019 - \$80,000) to each of Craig Mathieson (Chair of the Audit and Risk Committee) and Trent Peterson (Chair of the Nomination and Remuneration Committee), and \$70,000 (FY2019 - \$70,000) to Brian Singer. These amounts comprise fees paid in cash. In

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subsequent years, these figures may vary.

The director's fees for Trent Peterson are paid to Catalyst Direct Capital Management Pty Ltd. The director's fees for Melanie Wilson were paid to Peandel Pty Limited.

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs. Directors may be paid additional or special remuneration where a Director performs services outside the ordinary duties of a Non-executive Director.

### (i) Statutory remuneration details and other statutory disclosures

The following tables in respect to the FY2019 and FY2020 financial years detail the components of remuneration for each Non-Executive Director and Senior Executive of the Group.

#### FY2020 table of benefits and payments

|                                | Cash salary /<br>Director's<br>fees<br>\$ | STI / bonus<br>\$ | Annual<br>leave / long<br>service<br>leave<br>\$ | Post-<br>employment<br>benefits<br>\$ | Share-based<br>payments <sup>(3)</sup><br>\$ | Total<br>\$      |
|--------------------------------|---|-------------------|--|---------------------------------------|--|------------------|
| <b>Non-Executive Directors</b> |   |                   |  |                                       |  |                  |
| Broderick Arnhold              | 135,345                                   | -                 | -  | -                                     | -  | 135,345          |
| Trent Peterson <sup>(1)</sup>  | 77,333                                    | -                 | -  | -                                     | -  | 77,333           |
| Craig Mathieson                | 77,333                                    | -                 | -  | -                                     | -  | 77,333           |
| Brian Singer                   | 67,667                                    | -                 | -  | -                                     | -  | 67,667           |
| Melanie Wilson <sup>(2)</sup>  | 59,267                                    | -                 | -  | -                                     | -  | 59,267           |
| <b>Senior Executives</b>       |   |                   |  |                                       |  |                  |
| Cameron Fox                    | 500,000                                   | 200,000           | 32,505   | 30,000                                | 59,729                                       | 822,234          |
| Lawrence Hamson                | 371,394                                   | 100,000           | (1,604)  | 25,860                                | 27,064                                       | 522,714          |
| Philip Tine                    | 304,348                                   | 100,000           | 4,682  | 21,810                                | 21,405                                       | 452,245          |
| <b>TOTAL</b>                   | <b>1,592,687</b>                          | <b>400,000</b>    | <b>35,583</b>                                    | <b>77,670</b>                         | <b>108,198</b>                               | <b>2,214,138</b> |

<sup>(1)</sup> The directors fees paid to Trent Peterson are paid to Catalyst Direct Capital Management Pty Ltd

<sup>(2)</sup> The directors fees paid to Melanie Wilson are paid to Peandel Pty Ltd

<sup>(3)</sup> Share based payments refer to LTI Shares only.

#### FY2019 table of benefits and payments

|                                | Cash salary /<br>Director's<br>fees<br>\$ | STI / bonus<br>\$ | Annual<br>leave / long<br>service<br>leave<br>\$ | Post-<br>employment<br>benefits<br>\$ | Share-based<br>payments <sup>(3)</sup><br>\$ | Total<br>\$      |
|--------------------------------|---|-------------------|--|---------------------------------------|--|------------------|
| <b>Non-Executive Directors</b> |   |                   |  |                                       |  |                  |
| Broderick Arnhold              | 140,000                                   | -                 | -  | -                                     | -  | 140,000          |
| Trent Peterson <sup>(1)</sup>  | 80,000                                    | -                 | -  | -                                     | -  | 80,000           |
| Craig Mathieson                | 80,000                                    | -                 | -  | -                                     | -  | 80,000           |
| Brian Singer                   | 70,000                                    | -                 | -  | -                                     | -  | 70,000           |
| Melanie Wilson <sup>(2)</sup>  | 70,000                                    | -                 | -  | -                                     | -  | 70,000           |
| <b>Senior Executives</b>       |   |                   |  |                                       |  |                  |
| Cameron Fox                    | 550,000                                   | 40,000            | 36,994   | 30,000                                | 19,941                                       | 676,935          |
| Lawrence Hamson                | 386,250                                   | 40,000            | 23,670   | 25,000                                | 10,792                                       | 485,712          |
| Philip Tine                    | 310,500                                   | 75,000            | 8,396  | 20,531                                | 6,438  | 420,865          |
| <b>TOTAL</b>                   | <b>1,686,750</b>                          | <b>155,000</b>    | <b>69,060</b>                                    | <b>75,531</b>                         | <b>37,171</b>                                | <b>2,023,512</b> |

<sup>(1)</sup> The directors fees paid to Trent Peterson are paid to Catalyst Direct Capital Management Pty Ltd

<sup>(2)</sup> The directors fees paid to Melanie Wilson are paid to Peandel Pty Ltd

<sup>(3)</sup> Share based payments refer to LTI Shares only.

## DIRECTORS REPORT

### (j) Additional Statutory information

The Board may decide to pay Senior Executives discretionary bonus amounts in addition to their maximum STI amount under the STIP outlined above. The Board rarely exercises this discretion and only does so in exceptional circumstances.

### (k) KMP shareholdings

The number of ordinary shares (excluding unvested LTIP shares) in Shaver Shop Group Limited held by each KMP of the Group during the financial year is as follows:

| 30 June 2020             | Balance at Beginning of Year | On Market Sale of Shares | On Market Purchase of Shares | Shares Vested as Remuneration | Balance at End of Year |
|--------------------------|------------------------------|--------------------------|------------------------------|-------------------------------|------------------------|
| <b>Directors</b>         |                              |                          |                              |                               |                        |
| Broderick Arnhold        | 2,907,000                    | -                        | 93,000                       | -                             | 3,000,000              |
| Cameron Fox              | 2,391,435                    | -                        | -                            | 43,223                        | 2,434,658              |
| Craig Mathieson          | 4,660,004                    | -                        | 160,000                      | -                             | 4,820,004              |
| Brian Singer             | 6,258,004                    | -                        | -                            | -                             | 6,258,004              |
| Trent Peterson           | 347,619                      | -                        | 200,000                      | -                             | 547,619                |
| Melanie Wilson           | 47,619                       | -                        | -                            | -                             | 47,619                 |
| <b>Senior Executives</b> |                              |                          |                              |                               |                        |
| Lawrence Hamson          | 609,071                      | -                        | 30,300                       | 4,433                         | 643,804                |
| Philip Tine              | -                            | -                        | -                            | -                             | -                      |
| <b>TOTAL</b>             | <b>17,220,752</b>            | <b>-</b>                 | <b>483,300</b>               | <b>47,656</b>                 | <b>17,751,708</b>      |

### LTIP holdings of KMP

The following table details the LTIP holding and the movements in the LTIP shares for KMP during FY2020.

| Senior Executives      | Balance at 30 June 2019 | LTI Shares Granted as Remuneration | Vested / Exercisable | Forfeited | Unvested Balance at 30 June 2020 | Exercisable/ Vested at 30 June 2020 |
|------------------------|-------------------------|------------------------------------|----------------------|-----------|----------------------------------|-------------------------------------|
| <b>Cameron Fox</b>     | 1,618,223               | 650,000                            | 43,223               | (650,000) | 1,575,000                        | 43,223                              |
| <b>Lawrence Hamson</b> | 537,767                 | 350,000                            | 4,433                | (163,334) | 720,000                          | 4,433                               |
| <b>Philip Tine</b>     | 266,667                 | 350,000                            | -                    | (53,333)  | 563,334                          | -                                   |

During FY2020, 650,000 LTIP shares with a fair value of \$0.6344 per share were granted to Cameron Fox with a grant date of 30 October 2019. The shares vest upon the satisfaction of the performance and service conditions noted earlier in this remuneration report.

During FY2020, 350,000 LTIP shares with a fair value of \$0.6344 per share were granted to Lawrence Hamson with a grant date of 30 October 2019. The shares vest upon the satisfaction of the performance and service conditions noted earlier in this remuneration report.

During FY2020, 350,000 LTIP shares with a fair value of \$0.6344 per share were granted to Philip Tine with a grant date of 30 October 2019. The shares vest upon the satisfaction of the performance and service conditions noted earlier in this remuneration report.

### (l) Contractual arrangements with Senior Executives

The remuneration and other terms of employment for the CEO and senior executives are set out in formal service agreements as summarised below.

## DIRECTORS REPORT

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In FY2020 the CEO was entitled to fixed remuneration of \$580,000 (FY2019: \$580,000) whilst the fixed remuneration for other Senior Executives was in the range of \$330,000 to \$415,000. In March 2020, at the height of concerns regarding the potential impact of COVID-19, Shaver Shop's Directors and Senior Executives voluntarily reduced their fixed remuneration in the months of April and May by 20%. Normal fixed remuneration resumed in June 2020.

All service agreements are for an unlimited duration. The Chief Executive Officer's contract may be terminated by giving six months' notice (except in the case of serious or wilful misconduct). The Chief Financial Officer's contract may be terminated by giving eight weeks' notice.

No contracted retirement benefits are in place with any of the Company's Senior Executives.

### (m) Loans made to KMP

The following information relates to KMP loans made, guaranteed or secured during the reporting period on an aggregate basis.

|                           | Balance at beginning of the year<br>\$ | Balance at the end of the year<br>\$ | Provision for bad debts expense<br>\$ | KMP No. |
|---------------------------|--|--------------------------------------|---------------------------------------|---------|
| Employee Share Plan Loans | 56,189                                 | 56,189                               | -                                     | 1       |

Loans to KMP arise as a result of the early Shaver Shop long-term incentive plans. The above KMP loans related to incentive plans established prior to the Company's IPO and are repayable after a maximum period of six years or upon disposal of the shares.

### (n) Transactions with KMP (excluding loans)

There were no other material transactions or contracts with KMP except as disclosed elsewhere in the remuneration report.

## DIRECTORS REPORT

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Signed in accordance with a resolution of the Board of Directors:

A handwritten signature in black ink that reads "Broderick Arnhold". The signature is written in a cursive, slightly slanted style.

Broderick Arnhold  
Director

Melbourne  
24 August 2020



## *Auditor's Independence Declaration*

As lead auditor for the audit of Shaver Shop Group Limited for the year ended 30 June 2020, I declare that 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; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Shaver Shop Group Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Daniel Rosenberg'.

Daniel Rosenberg  
Partner  
PricewaterhouseCoopers

Melbourne  
24 August 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

|   |       | Consolidated         |                     |
|---|-------|----------------------|---------------------|
|   |       | 2020                 | 2019                |
|   | Note  | \$                   | \$                  |
| Revenue from continuing operations  | 5(a)  | 194,924,114          | 167,437,468         |
| Cost of goods sold  |       | <u>(111,917,756)</u> | <u>(96,078,433)</u> |
| <b>Gross profit from corporate owned retail stores</b>  |       | <b>83,006,358</b>    | 71,359,035          |
| Franchise and other revenue   | 5(b)  | 1,055,716            | 1,623,087           |
| Employee benefits expense   |       | <b>(29,230,184)</b>  | (27,182,090)        |
| Depreciation and amortisation expense   | 6     | <b>(14,109,528)</b>  | (2,316,528)         |
| Marketing and advertising expenses  |       | <b>(7,234,185)</b>   | (7,013,769)         |
| Occupancy expenses  |       | <b>(3,060,556)</b>   | (15,497,371)        |
| Operational expenses  |       | <b>(10,008,510)</b>  | (6,885,146)         |
| Other expenses  |       | <b>(3,267,984)</b>   | (3,874,010)         |
| Finance costs   | 6     | <b>(2,077,915)</b>   | (591,331)           |
| <b>Profit before income tax</b>   |       | <b>15,073,211</b>    | 9,621,877           |
| Income tax expense  | 7     | <b>(4,471,527)</b>   | (2,952,273)         |
| <b>Profit for the year</b>  |       | <b>10,601,685</b>    | 6,669,604           |
| <b>Items that may be reclassified to profit or loss</b>   |       |                      |                     |
| Exchange differences on translating foreign operations  | 22(a) | <b>24,188</b>        | (41,179)            |
| <b>Other comprehensive income for the year</b>  |       | <b>24,188</b>        | (41,179)            |
| <b>Total comprehensive income for the year</b>  |       | <b>10,625,873</b>    | 6,628,425           |
| Profit attributable to:   |       |                      |                     |
| Members of the parent entity  |       | <b>10,601,685</b>    | 6,669,604           |
| Total comprehensive income attributable to:   |       |                      |                     |
| Members of the parent entity  |       | <b>10,625,873</b>    | 6,628,425           |
|   |       | <b>Cents</b>         | <b>Cents</b>        |
| <b>Earnings per share for profit attributable to the ordinary equity holders of the company</b> |       |                      |                     |
| Basic earnings per share (weighted average shares)  | 23    | 8.7                  | 5.5                 |
| Diluted earnings per share (weighted average shares)  | 23    | 8.4                  | 5.4                 |

## CONSOLIDATED BALANCE SHEET

|                                      | Note | 2020<br>\$         | 2019<br>\$        |
|--------------------------------------|------|--------------------|-------------------|
| <b>ASSETS</b>                        |      |                    |                   |
| <b>CURRENT ASSETS</b>                |      |                    |                   |
| Cash and cash equivalents            | 10   | 12,628,517         | 3,942,085         |
| Trade and other receivables          | 11   | 1,688,864          | 2,127,566         |
| Lease receivables                    | 13   | 847,615            | -                 |
| Inventories                          | 12   | 15,097,228         | 25,649,085        |
| Current tax receivable               | 27   | -                  | 1,314,734         |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>30,262,224</b>  | <b>33,033,470</b> |
| <b>NON-CURRENT ASSETS</b>            |      |                    |                   |
| Lease receivables                    | 13   | 1,379,919          | -                 |
| Property, plant and equipment        | 14   | 10,796,983         | 9,477,795         |
| Right-of-use assets                  | 13   | 26,632,491         | -                 |
| Deferred tax assets                  | 27   | 4,647,818          | 4,408,630         |
| Intangible assets                    | 15   | 47,955,604         | 45,875,884        |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>91,412,815</b>  | <b>59,762,309</b> |
| <b>TOTAL ASSETS</b>                  |      | <b>121,675,039</b> | <b>92,795,779</b> |
| <b>LIABILITIES</b>                   |      |                    |                   |
| <b>CURRENT LIABILITIES</b>           |      |                    |                   |
| Trade and other payables             | 16   | 17,968,119         | 17,157,974        |
| Lease liabilities                    | 13   | 13,047,029         | -                 |
| Employee benefits                    | 17   | 1,853,567          | 1,410,857         |
| Current tax payable                  | 27   | 617,441            | -                 |
| Other liabilities                    | 19   | 16,727             | 663,796           |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>33,502,883</b>  | <b>19,232,627</b> |
| <b>NON-CURRENT LIABILITIES</b>       |      |                    |                   |
| Borrowings                           | 18   | -                  | 10,324,099        |
| Lease Liabilities                    | 13   | 23,931,704         | 1,787,096         |
| Other liabilities                    | 19   | 77,145             | 1,215,515         |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>24,008,849</b>  | <b>13,326,710</b> |
| <b>TOTAL LIABILITIES</b>             |      | <b>57,511,732</b>  | <b>32,559,337</b> |
| <b>NET ASSETS</b>                    |      | <b>64,163,307</b>  | <b>60,236,442</b> |
| <b>EQUITY</b>                        |      |                    |                   |
| Issued capital                       | 20   | 48,872,261         | 48,872,261        |
| Reserves                             | 22   | 597,597            | 400,080           |
| Retained earnings                    | 24   | 14,693,449         | 10,964,101        |
| <b>TOTAL EQUITY</b>                  |      | <b>64,163,307</b>  | <b>60,236,442</b> |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### 2020

|   | Ordinary<br>Shares | Retained<br>Earnings | Other<br>reserves | Total       |
|---|--------------------|----------------------|-------------------|-------------|
| Note  | \$                 | \$                   | \$                | \$          |
| <b>Balance at 1 July 2019</b>                               | 48,872,261         | 10,964,101           | 400,080           | 60,236,442  |
| Changes in accounting policies                              | 3                  | -                    | (1,213,717)       | (1,213,717) |
| <b>Restated balance at 1 July 2019</b>                      | 48,872,261         | 9,750,384            | 400,080           | 59,022,725  |
| Profit for the period                                       | -                  | 10,601,685           | -                 | 10,601,685  |
| Other comprehensive income                                  | -                  | -                    | 24,188            | 24,188      |
| <b>Total comprehensive income</b>                           | -                  | 10,601,685           | 24,188            | 10,625,873  |
| <b>Transactions with owners in their capacity as owners</b> |                    |                      |                   |             |
| Dividends provided for and/or paid                          | 21                 | -                    | (5,658,620)       | (5,658,620) |
| Employee share schemes – value of employee services         | 34                 | -                    | -                 | 173,329     |
|   |                    |                      | 173,329           | 173,329     |
| <b>Balance at 30 June 2020</b>                              | 48,872,261         | 14,693,449           | 597,597           | 64,163,307  |

### 2019

|   | Ordinary<br>Shares | Retained<br>Earnings | Other<br>reserves | Total       |
|---|--------------------|----------------------|-------------------|-------------|
| Note  | \$                 | \$                   | \$                | \$          |
| <b>Balance at 1 July 2018</b>                               | 48,897,435         | 9,693,810            | 376,974           | 58,968,219  |
| Profit for the period                                       | -                  | 6,669,604            | -                 | 6,669,604   |
| Other comprehensive income                                  | -                  | -                    | (41,179)          | (41,179)    |
| <b>Total comprehensive income</b>                           | -                  | 6,669,604            | (41,179)          | 6,628,425   |
| <b>Transactions with owners in their capacity as owners</b> |                    |                      |                   |             |
| Share buybacks  | 20                 | (25,174)             | -                 | (25,174)    |
| Dividends provided for or paid                              | 21                 | -                    | (5,399,313)       | (5,399,313) |
| Employee share schemes – value of employee services         | 34                 | -                    | -                 | 64,285      |
|   |                    |                      | 64,285            | 64,285      |
| <b>Balance at 30 June 2019</b>                              | 48,872,261         | 10,964,101           | 400,080           | 60,236,442  |

## CONSOLIDATED STATEMENT OF CASHFLOWS

|   | 2020                  | 2019                 |
|---|-----------------------|----------------------|
| Note  | \$                    | \$                   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |                       |                      |
| Receipts from customers (inclusive of GST)                | 212,627,693           | 184,712,475          |
| Payments to suppliers and employees (inclusive of GST)    | <u>(169,344,917)</u>  | <u>(170,390,080)</u> |
|   | 43,282,776            | 14,322,395           |
| Interest received   | 14,286                | 54,330               |
| Interest paid – borrowings                                | (417,460)             | (645,660)            |
| Interest paid – leases                                    | (1,674,741)           | -                    |
| Income taxes paid   | (1,457,131)           | (1,057,026)          |
| Payments for due diligence costs                          | -                     | (985,000)            |
| Net cash inflow from operating activities                 | 33 <u>39,747,730</u>  | <u>11,689,039</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |                       |                      |
| Payments for property, plant and equipment and software   | (4,305,311)           | (4,448,772)          |
| Landlord contributions for new premises fitouts           | 410,000               | 575,000              |
| Payments for acquisition of corporate stores              | 8 <u>(2,912,707)</u>  | <u>(335,478)</u>     |
| Net cash outflows from investing activities               | <u>(6,808,018)</u>    | <u>(4,249,250)</u>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>              |                       |                      |
| Proceeds from borrowings                                  | -                     | 7,500,000            |
| Repayment of borrowings                                   | (10,324,099)          | (8,500,168)          |
| Principal elements of lease payments                      | (10,866,440)          | -                    |
| Payments for share buy-backs                              | 20 -                  | (25,174)             |
| Dividends paid  | 21 <u>(3,062,742)</u> | <u>(5,399,313)</u>   |
| Net cash inflows from financing activities                | <u>(24,253,280)</u>   | <u>(6,424,655)</u>   |
| Net increase/(decrease) in cash and cash equivalents held | 8,686,432             | 1,015,134            |
| Cash and cash equivalents at beginning of financial year  | <u>3,942,085</u>      | <u>2,926,951</u>     |
| Cash and cash equivalents at end of financial year        | 10 <u>12,628,517</u>  | <u>3,942,085</u>     |

## NOTES TO THE FINANCIAL STATEMENTS

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### 1 Basis of Preparation

The consolidated financial report covers Shaver Shop Group Limited and its controlled entities ('the Group'). Shaver Shop Group Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

#### *Compliance with IFRS*

These financial statements and associated notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

The financial report was authorised for issue by the Directors on 24 August 2020. Comparatives are consistent with prior years, unless otherwise stated.

#### *(a) New and amended standards adopted by the group*

AASB 16 – Leases was introduced during the year and became effective from 1 July 2019. In accordance with the transitional provisions for the new standard, the Group has chosen to not restate comparative figures.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 3 below.

### 2 Critical Accounting Estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving significant estimates or judgements are estimates of goodwill impairment, refer to Note 15, and net realisable value of inventory, refer to Note 12.

### 3 Changes in Accounting Policies

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

The Group has adopted AASB 16 from 1 July 2019, but has not restated comparatives for the year ended 30 June 2019, as permitted under the modified retrospective transitional provisions in the standard. The reclassifications and adjustments arising from the new standard are therefore recognised in the opening balance sheet on 1 July 2019.

#### *a) Adjustments recognised on adoption of AASB 16*

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.0%.

## NOTES TO THE FINANCIAL STATEMENTS

Where the Group is the lessee under a property head lease and sublets the property to a third party franchisee, the present value of the remaining lease payments, discounted using the incremental borrowing rate was applied to recognise the associated lease liability as at 1 July 2019. The Group has also recognised the associated lease receivable from the sublessee. No right-of-use asset has been recognised where a sublease arrangement exists as the asset has been transferred to the sublessee by virtue of the sublease.

### (i) Practical expedients applied

In applying AASB 16 for the first time, the group has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relying on previous assessments on whether leases are onerous as an alternative to performing a impairment review – there were no onerous contracts as at 1 July 2019
- Excluding low value leases
- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- Excluding initial direct costs for the measurement of the right-of-use-asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the group relied on its assessment made applying AASB117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

### (ii) Measurement of lease liabilities

|  |                   |
|--|-------------------|
|  | \$                |
| Cash operating lease commitments as at 30 June 2019  | 37,238,372        |
| Discounted using the Group's incremental borrowing rate at the date of initial application | (2,772,122)       |
| Add: Franchise leases recognised as lease liabilities                                      | 3,171,705         |
| <b>Lease liability recognised as at 1 July 2019</b>  | <u>37,637,955</u> |
| Of which are:  |                   |
| Current lease liabilities  | 10,530,222        |
| Non-current lease liabilities  | 27,107,733        |
| <b>Total lease liability recognised as at 1 July 2019</b>                                  | <u>37,637,955</u> |

### (iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied.

The recognised right-of-use assets relate to the following types of assets:

|                           | 30 June<br>2020<br>\$ | 1 July<br>2019<br>\$ |
|---------------------------|-----------------------|----------------------|
| Properties                | 26,632,491            | 29,064,363           |
| Total right-of-use assets | <u>26,632,491</u>     | <u>29,064,363</u>    |

## NOTES TO THE FINANCIAL STATEMENTS

### *(iv) Adjustments recognised in the balance sheet on 1 July 2019*

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

|   | \$          |
|---|-------------|
| <i>Assets</i>                                 |             |
| Lease receivables                             | 3,171,705   |
| Right-of-use assets                           | 29,064,363  |
| Deferred tax assets                           | 520,979     |
| <i>Liabilities</i>                            |             |
| Lease liabilities – AASB 16                   | 37,637,955  |
| Deferred lease incentive liability – AASB 117 | (2,450,892) |
| Deferred rent liability – AASB 117            | (1,215,515) |
| <i>Equity</i>                                 |             |
| Retained earnings                             | (1,213,717) |

### **(b) Adjustments recognised on adoption of AASB 16**

The Group leases retail sites for its corporate and franchise store locations across Australia and New Zealand. Rental contracts are typically made for fixed periods of 2-7 years and in limited situations contain an option to renew at the end of the initial term. Lease terms are negotiated on an individual basis.

Until 1 July 2019, leases for retail sites were treated as operating leases in accordance with AASB117. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected to apply this practical expedient.

In line with accounting standard guidance, where leases have a fixed escalation rate, the fixed rate has been applied when accounting for the lease payments. No rate has been applied to leases that increase at the rate of CPI or leases that have a variable escalation rate.

Right-of-use assets are measured at cost comprising the initial measurement of the lease liability and other components as required under AASB16.

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT equipment and small office related items.

## NOTES TO THE FINANCIAL STATEMENTS

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The Group holds the head lease for all franchise and corporate stores. Franchise store sites are sublet by the Group to the respective franchisee. The present value of the remaining lease payments, discounted using the incremental borrowing rate is applied to recognise the associated lease liability to recognise the Group's obligation under the head lease. The Group also recognises an associated lease receivable from the franchisee which represents the present value of the remaining lease payments from the franchisee. No right-of-use asset is recognised where a sublease arrangement exists as the asset has been transferred to the franchisee by virtue of the sublease arrangement.

### 4 Summary of Significant Accounting Policies

#### (a) Basis for consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Shaver Shop Group Limited ('Company' or 'Parent entity') as at 30 June 2020 and the results of all subsidiaries for the period there ended. Shaver Shop Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group' or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group 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 Group. They are deconsolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

A list of controlled entities is contained in Note 29 to the financial statements.

#### (b) New Accounting Standards and Interpretations not yet mandatory or early adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been adopted early by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

#### (c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

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### (d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group operates within one operating segment, being retail store sales of a variety of specialist personal grooming products through their corporate stores and royalty income from franchise stores.

### (e) Foreign currency transactions and balances

#### *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Shaver Shop Group Limited's functional and presentation currency.

#### *Transaction and balances*

Foreign currency transactions are recorded at the spot rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit and loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

### (f) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are presented net of returns, trade allowances, discounts, rebates and amounts collected on behalf of third parties. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. This is generally in store when the customer purchases the goods or services or on delivery in the case of online sales.

Revenue is recognised for the major business activities using the methods outlined below:

#### *Sale of goods*

The Group operates a chain of retail stores selling personal grooming products. Revenue from the sale of goods is recognised at a point in time when a Group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the product and takes delivery in store. It is the Group's policy to sell its products to the end customer with a right of return within 21 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been relatively steady for a number of years, it is not considered probable that a significant reversal in the cumulative revenue recognised will occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

#### *Interest income*

Interest is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the financial instrument.

#### *Franchise royalty fee income*

Franchise royalty fee income includes advertising contributions and is recognised at a point in time when a franchisee sells a product to a customer. It is based upon a percentage of franchisee sales and is recognised on an accrual basis.

### (g) Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

## NOTES TO THE FINANCIAL STATEMENTS

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The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. However, deferred tax liabilities are recognised in respect of any adjustments to goodwill subsequent to the initial recognition. On that basis, deferred tax liabilities have been recognised in the year for additions to goodwill in respect of franchise buyback activities, to the extent that they are deductible in calculating the current tax expense in the year. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. 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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount of tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (h) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of 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 taxation authority is included with other receivables or 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 taxation authority, are presented as operating cash flows.

### (i) Leases

The Group's accounting policies relating to leases are discussed in Note 3.

## NOTES TO THE FINANCIAL STATEMENTS

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### (j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter of the lease term and the assets' useful life as follows:

#### Fixed asset class

|                        |            |
|------------------------|------------|
| Plant and Equipment    | 2-12 years |
| Computer Equipment     | 1-7 years  |
| Leasehold Improvements | 10 years   |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying value. These are included in profit or loss.

### (k) Impairment of assets

Goodwill and 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 assets are tested 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. 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

### (l) Intangible assets

#### Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, are identified according to operating segments.

## NOTES TO THE FINANCIAL STATEMENTS

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### *Brand names*

Brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the brand names over their useful life of 20 years.

### *Software*

Software assets have finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method and is based on the expected useful life of the software asset.

### **(m) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### **(n) Financial assets**

#### *Credit losses on trade receivables*

The Group has elected to apply the simplified approach to measuring expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

### **(o) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchases and direct shipping costs to bring the inventories into their current location. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **(p) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

### **(q) Employee benefits**

#### *Short term obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period. These are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables. Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

## NOTES TO THE FINANCIAL STATEMENTS

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### *Other long term employee benefit obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related services are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on high-quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### *Share based payments*

Share based compensation benefits are provided to employees via the LTI Plan.

#### *LTI Plan*

The fair value of shares granted under the Shaver Shop Group Limited's Long Term Incentive Plan (LTIP) is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- Including any market performance conditions (for example the entity's share price)
- Excluding the impact for any service and non-market performance vesting conditions (for example, sales growth targets, profitability and an employee remaining an employee of the entity over a specified time period), and
- Including the impact of non-vesting conditions (for example the requirement for employees to hold shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. At the end of each period, the entity revises estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

### **(r) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount, is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **(s) Borrowing costs**

Borrowing costs are recognised as an expense in the period in which they are incurred.

## NOTES TO THE FINANCIAL STATEMENTS

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### (t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (u) Earnings Per Share

#### (i) Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Group, 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 period.

#### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figure 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 (including performance rights) and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## NOTES TO THE FINANCIAL STATEMENTS

### 5 Revenue and Other Income

#### (a) Revenue from continuing operations

|                      | 2020<br>\$         | 2019<br>\$         |
|----------------------|--------------------|--------------------|
| Sales revenue        |                    |                    |
| Retail sales         | 194,924,114        | 167,437,468        |
| <b>Total Revenue</b> | <b>194,924,114</b> | <b>167,437,468</b> |

#### (b) Franchise and other revenue and other gains / (losses)

|  | 2020<br>\$       | 2019<br>\$       |
|--|------------------|------------------|
| <b>Franchise revenue</b>                 |                  |                  |
| Franchise royalties                      | 984,294          | 1,594,126        |
| Franchise fees                           | 54,167           | 13,902           |
|  | <b>1,038,461</b> | <b>1,608,028</b> |
| <b>Other revenue</b>                     |                  |                  |
| Other revenue                            | 17,255           | 15,059           |
| <b>Total franchise and other revenue</b> | <b>1,055,716</b> | <b>1,623,087</b> |

### 6 Expenses

The result for the year includes the following specific expenses:

|  | 2020<br>\$        | 2019<br>\$       |
|--|-------------------|------------------|
| <b>Finance costs</b>                               |                   |                  |
| Interest and finance charges – borrowings          | 417,460           | 645,661          |
| Interest and finance charges – leases              | 1,804,351         | -                |
| Interest income – franchise leases                 | (129,610)         | -                |
| Interest income                                    | (14,286)          | (54,330)         |
| <b>Finance Costs</b>                               | <b>2,077,915</b>  | <b>591,331</b>   |
| <b>Depreciation and amortisation</b>               |                   |                  |
| Intangible assets                                  | 689,848           | 361,218          |
| Property, plant & equipment                        | 2,159,026         | 1,955,310        |
| Right-of-use assets                                | 11,260,653        | -                |
| <b>Depreciation and amortisation expense</b>       | <b>14,109,528</b> | <b>2,316,528</b> |
| <b>Rental expense relating to operating leases</b> |                   |                  |
| Minimum lease payments                             | -                 | 12,317,981       |

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Income Tax Expense

(a) The major components of tax expense (income) comprise:

|   | 2020<br>\$       | 2019<br>\$       |
|---|------------------|------------------|
| Current tax expense   |                  |                  |
| Current tax on profits for the year                         | 3,389,305        | 1,318,602        |
| Deferred tax expense  |                  |                  |
| Movements in deferred tax assets and liabilities            | 1,082,222        | 1,633,671        |
| <b>Income tax expense relating to continuing operations</b> | <b>4,471,527</b> | <b>2,952,273</b> |

(b) Reconciliation of income tax to accounting profit:

|   | 2020<br>\$ | 2019<br>\$ |
|---|------------|------------|
| Profit from continuing operations before income tax expense | 15,073,212 | 9,621,877  |
| Tax at the Australian tax rate of 30% (2019 – 30%)          | 4,521,963  | 2,886,563  |
| Add:  |            |            |
| Tax effect of:  |            |            |
| - other non-deductible items                                | 118,606    | 19,286     |
|   | 4,640,569  | 2,905,849  |
| Less/(Add):   |            |            |
| Tax effect of:  |            |            |
| - Other   | (169,042)  | 46,424     |
| Income tax attributable to parent entity                    | 4,471,527  | 2,952,273  |
| Income tax expense  | 4,471,527  | 2,952,273  |

#### Franchise Buy-Backs

Shaver Shop has received a private ruling from the Australian Tax Office in respect of deductions for the amount relating to the termination of the franchise licence forming part of the purchase consideration paid for the buy-back of franchise stores. The tax ruling confirms that this amount is to be deducted in equal portions over a five year period following the date of purchase.

For each franchise store, a portion of the purchase consideration equal to the total tax benefit to be received over five years is recognised as a deferred tax asset and included in the calculation of goodwill. The deferred tax asset is then released over five years in accordance with the deduction schedule for each acquired franchise store with the effect of reducing income tax payable for each period.

## NOTES TO THE FINANCIAL STATEMENTS

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### 8 Business Combinations

The Company acquired one franchise store on 2 July 2019 and one on 5 August 2019 for a total purchase consideration of \$2,912,707.

The acquisitions are expected to increase the Group's retail sales and synergies are expected to arise after the Company's acquisition of the stores.

Details of the purchase consideration, the net assets acquired and the resulting goodwill are as follows:

|   | <b>Total</b>            |
|---|-------------------------|
|   | <b>\$</b>               |
| Purchase consideration:   |                         |
| - Cash  | 2,912,707               |
| Assets or liabilities acquired:                                       |                         |
| Inventories   | 255,925                 |
| Payables  | (13,218)                |
| Deferred tax assets   | <u>801,000</u>          |
| <b>Total net identifiable assets acquired and liabilities assumed</b> | <b><u>1,043,797</u></b> |
| <b>Goodwill</b>   | <b><u>1,869,000</u></b> |

The goodwill is attributable to the retail stores bought back, strong profitability in trading personal grooming products and synergies expected to arise after the Company's acquisition of the stores. The goodwill is not expected to be deductible for tax purposes.

Revenue of the acquired franchise stores included in the consolidated revenue of the Group since the acquisition date amounted to \$2.9 million.

Had the results of the acquired franchise stores been consolidated from 1 July 2019, additional revenue of the Group would have been \$0.1 million for the year ended 30 June 2020.

Acquisition related costs for the franchise buy-backs were not material and are included in other expenses in the profit and loss statement.

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Operating Segments

#### Segment information

The Group operates within one operating segment, being retail sales of specialist personal grooming products through their corporate and online stores and royalty income from franchise stores. The chief operating decision maker for the Company is the Chief Executive Officer. Total revenue disclosed in the consolidated statement of comprehensive profit and loss all relates to this one operating segment. The Group is not reliant on any single customer. At 30 June 2020, the Group operated 110 Corporate Stores in Australia (2019: 107) and 7 Corporate Stores in New Zealand (2019: 6).

### 10 Cash and Cash Equivalents

|                          | 2020       | 2019      |
|--------------------------|------------|-----------|
|                          | \$         | \$        |
| Cash at bank and on hand | 12,628,517 | 3,942,085 |

### 11 Trade and Other Receivables

|  | 2020             | 2019             |
|--|------------------|------------------|
|  | \$               | \$               |
| CURRENT  |                  |                  |
| Trade receivables                                | 990,528          | 1,379,898        |
| Prepayments                                      | 425,799          | 332,228          |
| Accrued income                                   | -                | 250,000          |
| Related party receivables                        | 32(c) 81,377     | 81,377           |
| Other receivables                                | 191,160          | 84,063           |
| <b>Total current trade and other receivables</b> | <b>1,688,864</b> | <b>2,127,566</b> |

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

### 12 Inventories

|                | 2020       | 2019       |
|----------------|------------|------------|
|                | \$         | \$         |
| Finished goods | 15,097,228 | 25,649,085 |

#### Amounts recognised in profit and loss

Inventories recognised as an expense in costs of goods sold during the year ended 30 June 2020 amounted to \$111,917,756 (2019: \$96,078,433). Amounts recognised in expenses relating to write-downs of stock in FY2020 amounted to \$746,278.

#### Critical accounting estimates – realisable value of inventory

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of inventories are determined after deducting rebates and discounts. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale. Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement. These key assumptions are the variables affecting the expected selling price and are reviewed at least annually. Any reassessment of the selling price in a particular year will affect the cost of goods sold.

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Leases

|                                 | 2020             | 2019     |
|---------------------------------|------------------|----------|
|                                 | \$               | \$       |
| <b>Lease receivables</b>        |                  |          |
| Lease receivables – current     | 847,615          | -        |
| Lease receivables – non-current | 1,379,919        | -        |
|                                 | <u>2,227,534</u> | <u>-</u> |

The Group holds the head lease for all corporate and franchise stores. For franchise stores, it sublicences the location to the franchisee under the same terms as the head lease. In accordance with the new AASB 16 *Leases* accounting standard the Group has recognised a lease liability together with an offsetting lease receivable for leases associated with franchise stores.

|                                 | 2020              | 2019     |
|---------------------------------|-------------------|----------|
|                                 | \$                | \$       |
| <b>Lease liabilities</b>        |                   |          |
| Lease liabilities – current     | 13,047,029        | -        |
| Lease liabilities – non-current | 23,931,704        | -        |
|                                 | <u>36,978,733</u> | <u>-</u> |

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

#### *Reconciliation of lease liabilities*

|   |                     |
|---|---------------------|
| Opening lease liabilities recognised on adoption of AASB on 1 July 2019 | (37,637,955)        |
| Lease modifications agreed during the year                              | (114,317)           |
| Additional leases entered into during the year                          | (8,435,444)         |
| Interest expense  | (1,674,741)         |
| Lease payments  | 10,866,440          |
| Foreign currency translation  | 17,284              |
| Balance at 30 June 2020   | <u>(36,978,733)</u> |

|                                | 2020              | 2019     |
|--------------------------------|-------------------|----------|
|                                | \$                | \$       |
| <b>Right-of-use assets</b>     |                   |          |
| Right-of-use assets – at cost  | 37,900,313        | -        |
| Less: accumulated depreciation | (11,267,822)      | -        |
|                                | <u>26,632,491</u> | <u>-</u> |

#### *Reconciliation of right-of-use assets*

|  |                   |
|--|-------------------|
| Opening right-of-use assets recognised on adoption of AASB on 1 July 2019      | 29,064,363        |
| Lease modifications agreed during the year                                     | 114,317           |
| Additional right-of-use assets relating to leases entered into during the year | 8,721,633         |
| Depreciation   | (11,260,653)      |
| Foreign currency translation   | (7,169)           |
| Balance at 30 June 2020  | <u>26,632,491</u> |

## NOTES TO THE FINANCIAL STATEMENTS

### Recognition and measurement – Leases

#### *Lease liabilities*

The Group enters into non-cancellable leases for retail stores and support office facilities in Australia and New Zealand. Leases are entered into for varying terms and rent reviews are based on CPI increases or fixed increases. A lease liability is recognised at the commencement date of the lease at the present value of lease payments to be made over the term of the lease. The leases generally do not have renewal options.

#### *Right-of-use assets*

Right-of-use assets are measured at cost at commencement of the lease and depreciated on a straight-line basis over the effective life of the asset. The right-of-use assets have an effective life of between 2 and 7 years.

### 14 Property, plant and equipment

|  | 2020<br>\$         | 2019<br>\$  |
|--|--------------------|-------------|
| <b>Capital works in progress</b>           |                    |             |
| At cost                                    | <u>605,758</u>     | 206,540     |
| <b>Plant and equipment</b>                 |                    |             |
| At cost                                    | 16,783,499         | 13,969,285  |
| Accumulated depreciation                   | <u>(6,880,600)</u> | (4,929,956) |
| Total plant and equipment                  | <u>9,902,899</u>   | 9,039,329   |
| <b>Computer equipment</b>                  |                    |             |
| At cost                                    | 706,011            | 542,405     |
| Accumulated depreciation                   | <u>(499,485)</u>   | (320,287)   |
| Total computer equipment                   | <u>206,526</u>     | 222,118     |
| <b>Improvements</b>                        |                    |             |
| At cost                                    | 104,200            | 14,798      |
| Accumulated depreciation                   | <u>(22,400)</u>    | (4,990)     |
| Total improvements                         | <u>81,800</u>      | 9,808       |
| <b>Total property, plant and equipment</b> | <u>10,796,983</u>  | 9,477,795   |

## NOTES TO THE FINANCIAL STATEMENTS

### 14 Property, plant and equipment (continued)

#### Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

| <b>Consolidated</b>                  | <b>Leasehold<br/>Improvements<br/>in Progress</b> | <b>Plant and<br/>Equipment</b> | <b>Computer<br/>Equipment</b> | <b>Improvements</b> | <b>Total</b>      |
|--------------------------------------|---|--------------------------------|-------------------------------|---------------------|-------------------|
|                                      | \$  | \$                             | \$                            | \$                  | \$                |
| <b>Year ended 30 June 2020</b>       |   |                                |                               |                     |                   |
| Balance at the beginning of the year | 206,540   | 9,039,329                      | 222,118                       | 9,808               | 9,477,795         |
| Additions                            | 3,346,431   | 268,656                        | 8,370                         | 89,402              | 3,712,859         |
| Disposals and write-downs            | -   | (230,169)                      | -                             | -                   | (230,169)         |
| Transfers                            | (2,947,212)                                       | 2,814,991                      | 132,221                       | -                   | -                 |
| Depreciation expense                 | -   | (1,985,367)                    | (156,249)                     | (17,410)            | (2,159,026)       |
| Foreign exchange movements           | -   | (4,541)                        | 66                            | -                   | (4,475)           |
| Balance at the end of the year       | <b>605,758</b>                                    | <b>9,902,899</b>               | <b>206,526</b>                | <b>81,800</b>       | <b>10,796,983</b> |

| <b>Consolidated</b>                   | <b>Leasehold<br/>Improvements<br/>in Progress</b> | <b>Plant and<br/>Equipment</b> | <b>Computer<br/>Equipment</b> | <b>Improvements</b> | <b>Total</b>     |
|---------------------------------------|---|--------------------------------|-------------------------------|---------------------|------------------|
|                                       | \$  | \$                             | \$                            | \$                  | \$               |
| <b>Year ended 30 June 2019</b>        |   |                                |                               |                     |                  |
| Balance at the beginning of the year  | 1,508,131   | 7,871,050                      | 241,250                       | 11,288              | 9,631,719        |
| Additions                             | 1,890,710   | -                              | 51,525                        | -                   | 1,942,235        |
| Disposals                             | -   | (153,013)                      | (230)                         | -                   | (153,243)        |
| Transfers                             | (3,192,301)                                       | 3,098,245                      | 94,056                        | -                   | -                |
| Depreciation expense                  | -   | (1,789,352)                    | (164,478)                     | (1,480)             | (1,955,310)      |
| Foreign exchange movements            | -   | 12,399                         | (5)                           | -                   | 12,394           |
| <b>Balance at the end of the year</b> | <b>206,540</b>                                    | <b>9,039,329</b>               | <b>222,118</b>                | <b>9,808</b>        | <b>9,477,795</b> |

In FY2020, Shaver Shop launched its core customer relationship management and enterprise resource planning software platforms. Costs associated with purchasing, customising and implementing these platforms and associated software applications have been reclassified from property, plant & equipment to intangible assets. As such, the previously presented balances as of 30 June 2019 for intangible assets and property, plant & equipment amounted to \$42,969,846 and \$12,383,833, have increased and decreased by the same reclassified amount of \$2,906,038, respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 15 Intangible Assets

#### Movements in carrying amounts of intangible assets

|   | Software<br>development<br>in progress<br>\$ | Software<br>\$   | Brand names<br>\$ | Goodwill<br>\$    | Total<br>\$       |
|---|--|------------------|-------------------|-------------------|-------------------|
| <b>Year ended 30 June 2020</b>          |  |                  |                   |                   |                   |
| Opening net book value                  | 1,894,452                                    | 1,011,586        | 895,582           | 42,074,264        | 45,875,884        |
| Additions through business combinations | -  | -                | -                 | 1,869,000         | 1,869,000         |
| Other additions                         | 902,004                                      | -                | -                 | -                 | 902,004           |
| Transfers                               | (2,613,476)                                  | 2,613,476        | -                 | -                 | -                 |
| Amortisation                            | -  | (619,117)        | (70,731)          | -                 | (689,848)         |
| Foreign exchange movements              | -  | -                | (1,436)           | -                 | (1,436)           |
| <b>Closing value at 30 June 2020</b>    | <b>182,980</b>                               | <b>3,005,945</b> | <b>823,415</b>    | <b>43,943,264</b> | <b>47,955,604</b> |
| <b>Year ended 30 June 2019</b>          |  |                  |                   |                   |                   |
| Opening net book value                  | -  | 648,135          | 965,750           | 41,689,264        | 43,303,149        |
| Additions through business combinations | -  | -                | -                 | 385,000           | 385,000           |
| Other additions                         | 1,894,452                                    | 652,085          | -                 | -                 | 2,546,537         |
| Transfers                               | -  | -                | -                 | -                 | -                 |
| Amortisation                            | -  | (288,634)        | (72,584)          | -                 | (361,218)         |
| Foreign exchange movements              | -  | -                | 2,416             | -                 | 2,416             |
| <b>Closing value at 30 June 2019</b>    | <b>1,894,452</b>                             | <b>1,011,586</b> | <b>895,582</b>    | <b>42,074,264</b> | <b>45,875,884</b> |

For the purpose of impairment testing, goodwill is monitored as one operating segment.

#### *Significant estimate: key assumptions used for value-in-use calculations*

The Group performed its annual impairment testing as at 30 June 2020. The Group considers the relationship between its market capitalisation and its carrying value, among other factors, when reviewing for indicators of impairment. The recoverable amount of the relevant CGU has been determined based on the value in use calculation using cash flow projections from budgets approved by senior management and presented to the Board of Directors covering a five year period. Cash flows beyond the five year period are extrapolated using estimated growth rates of 2.5% (2019: 2.5%). The pre-tax discount rate applied to cash flow projected is 12.4% (2019: 13.1%).

The value in use calculation is most sensitive to the following key assumptions: gross margin, growth rate and discount rate.

**Gross margin:** Gross margin is based on average values achieved in the past. Margins are not increased over the forecast timeline. The gross margin used in the forecast period is 42.7% (2019: 42.9%) based on average gross margins achieved historically together with expectations of the future.

**Growth rate:** Sales growth rates are based on management's best estimates of anticipated growth (based on industry and company considerations) in the short to medium term and consider the historical average like for like sales growth achieved in the past. The growth rate in the terminal year is 2.5% (2019: 2.5%) and the same store sales growth rate used for the five year forecast period is 3.0% (2019: 3.0%).

**Discount rate:** The discount rate is specific to the Group's circumstances and is derived from its weighted average cost of capital (WACC). The WACC takes into account the cost of both debt and equity. The cost of equity is determined by the expected return on investment by the Group's shareholders. The cost of debt is based on the risk free interest rate as well as a margin that takes into consideration both industry and company specific risk factors.

## NOTES TO THE FINANCIAL STATEMENTS

*Sensitivity analysis:* Management recognises that the recoverable amount of goodwill is sensitive to the assumptions used in the model. Using the assumption outlined above, the surplus of the recoverable amount over the carrying value of goodwill at 30 June 2020 is \$137.4 million. If all of the following scenarios happen together, the recoverable amount of the CGU would equal its carrying amount: the five year forecasted growth rate decreased from 3.0% to 1.0%, the growth rate in the terminal year decreased from 2.5% to 2.0% and operating expenses increased at 3.0% versus expected CPI growth of 2.5%.

The Group believes the assumptions adopted in the value in use calculations reflect an appropriate balance between the Group's experience to date and the uncertainties associated with the COVID-19 pandemic. Whilst temporary store closures resulting from Government restrictions may impact short-term financial performance, the timing and nature of these closures is not expected to impact the Group financial results in the long-term.

### 16 Trade and Other Payables

|                              | 2020              | 2019              |
|------------------------------|-------------------|-------------------|
|                              | \$                | \$                |
| CURRENT                      |                   |                   |
| Unsecured liabilities        | 11,287,436        | 14,723,881        |
| GST payable                  | 707,652           | 711,652           |
| Dividend accrued             | 2,595,878         | -                 |
| Payroll related accruals     | 1,730,812         | 1,183,323         |
| Other creditors and accruals | 1,646,341         | 539,118           |
|                              | <b>17,968,119</b> | <b>17,157,974</b> |

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

### 17 Employee Benefits

|                                 | 2020      | 2019      |
|---------------------------------|-----------|-----------|
|                                 | \$        | \$        |
| Current liabilities             |           |           |
| Provision for employee benefits | 1,853,567 | 1,410,857 |

The provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next twelve months. The following amounts reflect leave that is not expected to be taken or paid within the next twelve months.

|  | 2020    | 2019    |
|--|---------|---------|
|  | \$      | \$      |
| Leave obligations expected to be settled after twelve months | 442,794 | 296,869 |

### 18 Borrowings

|                      | 2020 | 2019       |
|----------------------|------|------------|
|                      | \$   | \$         |
| NON-CURRENT          |      |            |
| Secured liabilities: |      |            |
| Bank loans           | -    | 10,324,099 |

## NOTES TO THE FINANCIAL STATEMENTS

### 18 Borrowings (contd)

#### (a) Collateral

The carrying amounts of current and non-current assets pledged as collateral for liabilities are:

|                                   | 2020<br>\$ | 2019<br>\$ |
|-----------------------------------|------------|------------|
| <b>Fixed and Floating charge:</b> |            |            |
| - cash and cash equivalents       | 12,628,517 | 3,942,085  |
| - trade receivables               | 990,528    | 1,379,898  |
| - inventories                     | 15,097,228 | 25,649,085 |
| - property, plant and equipment   | 10,796,983 | 9,477,795  |
| - intangible assets               | 47,955,604 | 45,875,884 |

Under the terms of the major borrowing facilities, as at 30 June 2020, the Group was required to comply with the following primary financial covenants:

- a) the ratio of debt to EBITDA must be less than or equal to 2.0;
- b) the ratio of EBITDA plus occupancy costs to occupancy cost plus interest expense must be greater than 1.5; and
- c) the ratio of total assets less total liabilities to total assets must be greater than 0.45.

During the current and prior year, there were no defaults on borrowings or breaches of debt covenants.

### 19 Other Liabilities

|  | 2020<br>\$    | 2019<br>\$       |
|--|---------------|------------------|
| <b>CURRENT</b>                             |               |                  |
| Deferred lease incentive liabilities       | -             | 663,796          |
| Other liabilities                          | 16,727        | -                |
| <b>Total current other liabilities</b>     | <b>16,727</b> | <b>663,796</b>   |
| Deferred lease incentive liability         | -             | 1,787,096        |
| Deferred rent liability                    | -             | 1,215,515        |
| Other liabilities                          | 77,145        | -                |
| <b>Total non-current other liabilities</b> | <b>77,145</b> | <b>3,002,611</b> |
| <b>Total other liabilities</b>             | <b>93,872</b> | <b>3,666,407</b> |

The Group adopted AASB 16 *Leases* on 1 July 2019 and in accordance with the modified retrospective transitional provisions applied in accordance with the standard, prior period comparatives have not been restated.

## NOTES TO THE FINANCIAL STATEMENTS

### 20 Issued Capital

|   | 2020<br>\$ | 2019<br>\$ |
|---|------------|------------|
| 126,462,494 (2019: 125,531,498) Ordinary shares | 48,872,261 | 48,872,261 |

Shaver Shop has issued and unvested shares (LTI Plan Shares) under its Long Term Incentive Plan (LTI Plan) of 4,665,302 at 30 June 2020 (2019: 3,734,306). The LTI Plan Shares have vesting criteria and are therefore only included, if appropriate, in diluted share calculations and are not included in the calculation of basic weighted average shares outstanding.

#### (a) Movements in share capital

|   | 2020<br>\$        | 2019<br>\$        |
|---|-------------------|-------------------|
| At the beginning of the reporting period      | 48,872,261        | 48,897,435        |
| Shares bought back through on market buy-back | -                 | (25,174)          |
| <b>At the end of the reporting period</b>     | <b>48,872,261</b> | <b>48,872,261</b> |

|   | 2020<br>No.        | 2019<br>No.        |
|---|--------------------|--------------------|
| <b>Number of shares outstanding</b>           |                    |                    |
| At the beginning of the reporting period      | 125,531,498        | 125,062,692        |
| Unvested LTIP shares issued in period         | 2,300,000          | 1,990,000          |
| Unvested LTIP shares cancelled in period      | (1,369,004)        | (1,465,694)        |
| Shares bought back through on market buy-back | -                  | (55,500)           |
| <b>At the end of the reporting period</b>     | <b>126,462,494</b> | <b>125,531,498</b> |

#### Share buy-back

During the year ended 30 June 2019, the Company bought back and cancelled 55,500 shares, under the on-market share buyback mechanism. This share buy-back program concluded in FY2019.

#### Calculation of weighted average number of diluted shares

|  | 2020<br>No.        | 2019<br>No.        |
|--|--------------------|--------------------|
| Weighted average number of ordinary shares used for calculating basic earnings per share                                       | 121,797,192        | 121,797,192        |
| Adjustment for weighted average number of LTI Plan Shares issued (unvested shares)   | 3,732,699          | 1,046,795          |
| <b>Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share</b> | <b>125,529,891</b> | <b>122,843,987</b> |

## NOTES TO THE FINANCIAL STATEMENTS

The LTI Plan Shares are included in the calculation of the weighted average number of fully diluted shares outstanding when the average market price of the Company's shares is above the exercise price of the LTI Plan Shares for the year ended 30 June 2020. Additional LTI Plan Shares could potentially be included in the number of fully diluted shares outstanding in the future.

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

### (b) Capital Management

Capital of the Group is managed in order to safeguard the ability of the Group to continue as a going concern, to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure.

The Group monitors capital through the gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is defined as equity per the consolidated statement of financial position plus net debt.

There are no externally imposed capital requirements.

### 21 Dividends

|  | 2020      | 2019      |
|--|-----------|-----------|
|  | \$        | \$        |
| <i>The following dividends were declared and paid:</i>   |           |           |
| 80% franked FY2019 final dividend of 2.5 cents per share (2019: 2.4 cents per share, fully franked)  | 3,062,742 | 2,941,843 |
| 80% franked FY2020 interim dividend of 2.1 cents per share – subsequently cancelled due to COVID-19 (2019: 2.0 cents per share, fully franked) | -         | 2,457,470 |
| <i>The following dividend was declared but remained unpaid at 30 June 2020:</i>  |           |           |
| 80% franked FY2020 special dividend of 2.1 cents per share (2019: nil) paid on 16 July 2020  | 2,595,878 | -         |
|  | 2020      | 2019      |
|  | \$        | \$        |
| Total dividends per share declared   | 0.046     | 0.044     |
| <b>Franking account</b>  |           |           |
| The franking credits available for subsequent financial years at a tax rate of 30%   | 1,228,845 | 1,109,120 |

The above available balance is based on the dividend franking account at year-end adjusted for:

- Franking credits that will arise from the payment/(receipt) of the current tax liabilities/(receivable);
- Franking debits that will arise from the payment of dividends recognised as a liability at the year-end;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the year.

The ability to use the franking credits is dependent upon the Company's future ability to declare dividends.

## NOTES TO THE FINANCIAL STATEMENTS

### 22 Reserves

|  | 2020<br>\$      | 2019<br>\$      |
|--|-----------------|-----------------|
| <b>Foreign currency translation reserve</b>              |                 |                 |
| Opening balance  | (34,483)        | 6,696           |
| Currency translation differences arising during the year | 24,188          | (41,179)        |
| <b>Balance at 30 June</b>                                | <b>(10,295)</b> | <b>(34,483)</b> |
| <b>Share based payments reserve</b>                      |                 |                 |
| Opening balance  | 434,563         | 370,278         |
| Transfers in   | 173,329         | 64,285          |
| <b>Balance at 30 June</b>                                | <b>607,892</b>  | <b>434,563</b>  |
| <b>Total</b>   | <b>597,597</b>  | <b>400,080</b>  |

#### (a) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income – foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

#### (b) Share based payments reserve

This reserve records the cumulative value of employee service received for the issue of share options. When the option is exercised, the amount in the share option reserve is transferred to share capital.

### 23 Earnings per Share

|   | 2020<br>\$ | 2019<br>\$ |
|---|------------|------------|
| Profit from continuing operations                               | 10,601,685 | 6,669,604  |
| Earnings used to calculate basic EPS from continuing operations | 10,601,685 | 6,669,604  |

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS and diluted EPS:

|  | 2020<br>No. | 2019<br>No. |
|--|-------------|-------------|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS         | 121,797,192 | 121,797,192 |
| Weighted average number of ordinary shares outstanding during the year used in calculating fully diluted EPS | 125,529,891 | 122,843,987 |

## NOTES TO THE FINANCIAL STATEMENTS

### Information concerning classification of securities

LTI Plan shares granted to participants are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required TSR and EPS hurdle would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive.

### 24 Retained Earnings

|   | 2020              | 2019              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Retained earnings at beginning of the financial year  | 10,964,101        | 9,693,810         |
| Change of accounting policy                           | (1,213,717)       | -                 |
| Net profit for the year                               | 10,601,685        | 6,669,604         |
| Dividends declared                                    | (5,658,620)       | (5,399,313)       |
| <b>Retained earnings at end of the financial year</b> | <b>14,693,449</b> | <b>10,964,101</b> |

### 25 Capital and Leasing Commitments

#### (a) Operating Leases

|  | 2020 | 2019       |
|--|------|------------|
|  | \$   | \$         |
| Minimum lease payments under non-cancellable operating leases: |      |            |
| - not later than one year                                      | -    | 11,830,100 |
| - between one year and five years                              | -    | 24,264,891 |
| - later than five years  | -    | 1,143,381  |
|  | -    | 37,238,372 |

The AASB has issued a new standard to govern accounting for leases. This has replaced AASB 117 which previously governed the accounting and disclosure of leases. Further detail on the impact of the adoption of AASB 16 is outlined in Note 3. For this purpose, the presentation of comparatives above reflect cash leasing commitments rather than leasing commitments on a straight-line basis.

#### (b) Bank Guarantees

The Company has Bank Guarantees in place as security for rental payments on several of its locations. As at 30 June 2020 \$519,957 (2019: \$630,927) was drawn under the Company's bank guarantee facility.

## NOTES TO THE FINANCIAL STATEMENTS

### 26 Financial Risk Management

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The Group does not speculate in derivative financial instruments.

The most significant financial risks to which the Group is exposed to are described below:

| <b>Risk</b>                      | <b>Exposure arising from</b>  |
|----------------------------------|---|
| Liquidity risk                   | Borrowings, bank overdrafts and other liabilities                       |
| Credit risk                      | Cash at bank and trade receivables                                      |
| Market risk – currency risk      | Recognised assets and liabilities not denominated in Australian dollars |
| Market risk – interest rate risk | Borrowings at variable rates  |

#### Objectives, policies and processes

Risk management is carried out by the Group's senior management and the Board of Directors. The Chief Financial Officer has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Group. These policies and procedures are then approved by the risk management committee and tabled at the Board meeting following their approval. Reports are presented to the Board regarding the implementation of these policies and any risk exposure which the Risk Management Committee believes the Board should be aware of.

Specific information regarding the mitigation of each financial risk to which the Group is exposed is provided below.

#### Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due. The Group maintains cash to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling six-week projection. Long-term liquidity needs for a 180-day and a 360-day period are identified monthly.

#### (i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

|                               | <b>2020</b>       | <b>2019</b> |
|-------------------------------|-------------------|-------------|
|                               | <b>\$</b>         | <b>\$</b>   |
| Commercial advance facilities | <b>30,000,000</b> | 9,675,901   |
| Bank guarantee facility       | <b>480,043</b>    | 369,073     |
| <b>Total</b>                  | <b>30,480,043</b> | 10,044,974  |

## NOTES TO THE FINANCIAL STATEMENTS

The multi-option facility has a limit of \$30.0 million and was undrawn as at 30 June 2020. In addition, Shaver Shop has access to a bank guarantee facility with a limit of \$1.0 million which was drawn to \$0.52 million as at 30 June 2020. The multi-option facility has interest rates varying from BBSY +0.75% to BBSY +1.20% depending on the sub facility being utilised.

### *(ii) Maturities of financial liabilities*

The Group's liabilities have contractual maturities which are summarised below:

|                          | Not later than 1 month |                   | 1 month to 1 year |          | 1 to 2 years      |                   |
|--------------------------|------------------------|-------------------|-------------------|----------|-------------------|-------------------|
|                          | 2020                   | 2019              | 2020              | 2019     | 2020              | 2019              |
|                          | \$                     | \$                | \$                | \$       | \$                | \$                |
| Bank loans               | -                      | -                 | -                 | -        | -                 | 10,678,943        |
| Lease liabilities        | 1,025,632              | -                 | 10,682,295        | -        | 10,094,209        | -                 |
| Trade payables           | 11,287,436             | 14,723,880        | -                 | -        | -                 | -                 |
| Payroll related accruals | 1,746,253              | 1,183,323         | -                 | -        | -                 | -                 |
| GST payable              | 707,652                | 711,652           | -                 | -        | -                 | -                 |
| Other payables           | 1,630,900              | 539,118           | -                 | -        | -                 | -                 |
| <b>Total</b>             | <b>16,397,873</b>      | <b>17,157,973</b> | <b>10,682,295</b> | <b>-</b> | <b>10,094,209</b> | <b>10,678,943</b> |

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated statement of financial position due to the effect of discounting.

The timing of expected outflows is not expected to be materially different from contracted cashflows.

### **Credit risk**

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposure to certain customers, including outstanding receivables and committed transactions.

The Group has adopted a policy of only dealing with creditworthy counter parties as a means of mitigating the risk of financial loss from defaults. In addition, sales to retail customers are required to be settled in cash or through the use of major credit cards, reducing credit risk associated with sales.

Trade receivables consist mainly of supplier rebates and franchise royalty income owing to the Group. Ongoing credit evaluation is performed on the financial condition of accounts receivable. No material impairment exists within trade receivables at year end.

### *Credit quality*

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

## NOTES TO THE FINANCIAL STATEMENTS

|   | 2020<br>\$     | 2019<br>\$       |
|---|----------------|------------------|
| <b>Cash at bank</b>                                   |                |                  |
| AA- (Standard & Poors)                                | 12,628,517     | 3,942,085        |
| <b>Accounts receivable</b>                            |                |                  |
| <b>Counter-parties with no external credit rating</b> |                |                  |
| Group 1*  | <u>802,831</u> | <u>1,162,293</u> |

\* Group 1: Existing counter-parties (more than 12 months) with no defaults in the past.

### Market risk

#### (i) Foreign currency risk

Most of the Group transactions are carried out in Australian Dollars. Exposures to currency exchange rates arise from the Group's New Zealand operations which are denominated in New Zealand Dollars.

Whilst the Group's exposure to foreign currency is not considered to be material, the Group's exposure to non-Australian Dollar cash flows is monitored in accordance with the Group's risk management policies.

Shaver Shop Pty Ltd has an inter-company receivable of \$3.4 million at 30 June 2020 (30 June 2019: \$5.0 million). This balance represents the initial and ongoing investment in Shaver Shop's New Zealand operations.

Based on the year-end balance, a 1% appreciation in the NZ dollar has approximately a \$30,000 impact on the company's pre-tax profit.

#### (ii) Interest rate risk

The Group is exposed to interest rate risk arising from both short-term and long-term variable rate borrowings. The Group does not hedge against interest rate movements and monitors the exposure to interest rate risk in accordance with the Group's risk management policy. All of the Group's borrowings are denominated in Australian Dollars.

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

|                                  | Weighted<br>average<br>interest<br>rate<br>% | 2020<br>\$ | Weighted<br>average<br>interest<br>rate<br>% | 2019<br>\$        |
|----------------------------------|--|------------|--|-------------------|
| <b>Floating rate instruments</b> |  |            |  |                   |
| Bank loans                       | 2.89   | -          | 3.50   | 10,324,099        |
| <b>Total</b>                     | <b>2.89</b>                                  | <b>-</b>   | <b>3.50</b>                                  | <b>10,324,099</b> |

Management considers that interests rates could reasonably increase by 1% or decrease by 0.5% (2019: increase of 1%, decrease of 0.5%). As these movements would not have a material impact on either the net result for the year or equity, no sensitivity analysis has been performed.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Tax assets and liabilities

#### (a) Current tax assets and liabilities

|                       | 2020<br>\$ | 2019<br>\$ |
|-----------------------|------------|------------|
| Income tax receivable | -          | 1,314,734  |
| Income tax payable    | 617,441    | -          |

#### (b) Recognised deferred tax assets and liabilities

|                          | 2020<br>\$       | 2019<br>\$       |
|--------------------------|------------------|------------------|
| Deferred tax assets      | 13,401,610       | 4,669,811        |
| Deferred tax liabilities | (8,753,792)      | (261,181)        |
| Net deferred tax assets  | <u>4,647,818</u> | <u>4,408,630</u> |

|  | Note | Opening<br>Balance<br>\$ | Change in<br>accounting<br>policy<br>\$ | Charged to<br>Income<br>\$ | Acquisition<br>of<br>Franchise<br>Stores<br>\$ | Closing<br>Balance<br>\$ |
|--|------|--------------------------|---|----------------------------|--|--------------------------|
| <b>Deferred tax assets (liabilities)</b>         |      |                          |   |                            |  |                          |
| Provisions - employee benefits                   |      | 461,581                  | -                                       | 126,428                    | -  | 588,009                  |
| Accruals   |      | 510,088                  | (382,621)                               | 352,946                    | -  | 480,413                  |
| Lease incentive liability                        |      | 717,382                  | (717,382)                               | -                          | -  | -                        |
| Leased liabilities                               |      | -                        | 11,294,074                              | (1,316,877)                | -  | 9,977,197                |
| Cancellation of franchise licence on acquisition | 7    | 2,113,039                | -                                       | (1,231,046)                | 801,000  | 1,682,993                |
| IPO costs  |      | 380,823                  | -                                       | (228,741)                  | -  | 152,082                  |
| Other deferred tax assets                        |      | 486,898                  | -                                       | 34,018                     | -  | 520,916                  |
| Right-of-use assets                              |      | -                        | (9,673,091)                             | 1,225,799                  | -  | (8,447,292)              |
| Other deferred tax liabilities                   |      | (261,181)                | -                                       | (45,319)                   | -  | (306,500)                |
| <b>Balance at 30 June 2020</b>                   |      | <u>4,408,630</u>         | <u>520,980</u>                          | <u>(1,082,792)</u>         | <u>801,000</u>                                 | <u>4,647,818</u>         |
| Provisions - employee benefits                   |      | 398,611                  | -                                       | 62,970                     | -  | 461,581                  |
| Accruals   |      | 395,442                  | -                                       | 114,646                    | -  | 510,088                  |
| Lease incentive liability                        |      | 748,676                  | -                                       | (31,294)                   | -  | 717,382                  |
| Cancellation of franchise licence on acquisition |      | 3,547,485                | -                                       | (1,599,446)                | 165,000  | 2,113,039                |
| IPO costs  |      | 761,646                  | -                                       | (380,823)                  | -  | 380,823                  |
| Other deferred tax assets                        |      | 285,965                  | -                                       | 200,933                    | -  | 486,898                  |
| Other deferred tax liabilities                   |      | (287,575)                | -                                       | 26,394                     | -  | (261,181)                |
| <b>Balance at 30 June 2019</b>                   |      | <u>5,850,250</u>         | <u>-</u>                                | <u>(1,606,620)</u>         | <u>165,000</u>                                 | <u>4,408,630</u>         |

## NOTES TO THE FINANCIAL STATEMENTS

### 28 Auditors' Remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

|   | 2020<br>\$     | 2019<br>\$     |
|---|----------------|----------------|
| <b>PricewaterhouseCoopers Australia</b>                       |                |                |
| (i) Audit and other assurance services                        |                |                |
| Audit of financial statements                                 | 174,100        | 189,000        |
| Total remuneration for audit and other assurance services     | 174,100        | 189,000        |
| (ii) Taxation services  |                |                |
| Tax services  | 84,560         | 50,062         |
| Total remuneration for taxation services                      | 84,560         | 50,062         |
| (iii) Other Services  |                |                |
| Other consulting services                                     | 135,600        | 341,700        |
| Total remuneration for other services                         | 135,600        | 341,700        |
| <b>Total remuneration of PricewaterhouseCoopers Australia</b> | <b>394,260</b> | <b>580,762</b> |

### 29 Interests in Subsidiaries

The Group's subsidiaries as at 30 June 2020 are set out below.

|                                   | Principal place of<br>business / Country of<br>Incorporation | Percentage<br>Owned (%)*<br>2020 | Percentage<br>Owned (%)*<br>2019 |
|-----------------------------------|--|----------------------------------|----------------------------------|
| <b>Subsidiaries:</b>              |  |                                  |                                  |
| Lavomer Riah Pty Ltd              | Australia  | 100                              | 100                              |
| Shaver Shop Pty Ltd               | Australia  | 100                              | 100                              |
| Shaver Shop (New Zealand) Limited | New Zealand  | 100                              | 100                              |

\* The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

## NOTES TO THE FINANCIAL STATEMENTS

### 30 Deed of Cross-Guarantee

Shaver Shop Group Limited, Lavomer Riah Pty Ltd and Shaver Shop Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. Under ASIC class order 98/1418 there is no requirement for these subsidiaries to prepare or lodge a consolidated financial report and directors' report as a result of entering into the deed.

These companies represent a closed Group for the purposes of the class order.

The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the closed group, after eliminating all transactions between parties to the deed of cross guarantee are shown below:

|  | 2020<br>\$           | 2019<br>\$   |
|--|----------------------|--------------|
| <b>Consolidated Statement of Comprehensive Income</b>      |                      |              |
| Revenue  | 187,201,176          | 161,950,170  |
| Cost of Sales  | <b>(106,950,902)</b> | (92,537,396) |
| <b>Gross Profit</b>  | <b>80,250,274</b>    | 69,412,774   |
| Other revenue  | 1,055,716            | 1,623,087    |
| Operating expenses   | <b>(64,422,038)</b>  | (60,618,996) |
| Finance costs  | <b>(2,022,515)</b>   | (591,301)    |
| <b>Profit before income tax</b>                            | <b>14,861,437</b>    | 9,825,564    |
| Income tax (expense) / credit                              | <b>(4,471,527)</b>   | (2,952,273)  |
| <b>Profit after income tax</b>                             | <b>10,389,910</b>    | 6,873,291    |
| <b>Profit attributable to members of the parent entity</b> | <b>10,389,910</b>    | 6,873,291    |
|  | 2020<br>\$           | 2019<br>\$   |
| <b>Retained earnings:</b>                                  |                      |              |
| Retained earnings at the beginning of the year             | 12,674,841           | 11,200,863   |
| Change of accounting policy                                | <b>(1,180,382)</b>   | -            |
| Profit after income tax                                    | 10,389,910           | 6,873,291    |
| Dividends recognised                                       | <b>(5,658,620)</b>   | (5,399,313)  |
| <b>Retained earnings at the end of the year</b>            | <b>16,255,749</b>    | 12,674,841   |
| <b>Attributable to:</b>                                    |                      |              |
| Equity holders of the company                              | <b>16,255,749</b>    | 12,674,841   |

## NOTES TO THE FINANCIAL STATEMENTS

### 30 Deed of Cross-Guarantee (continued)

|   | 2020<br>\$         | 2019<br>\$        |
|---|--------------------|-------------------|
| <b>Consolidated Statement of Financial Position</b> |                    |                   |
| <b>Current Assets</b>                               |                    |                   |
| Cash and cash equivalents                           | 12,231,043         | 2,725,816         |
| Trade and other receivables                         | 5,803,872          | 2,112,866         |
| Inventories   | 13,749,153         | 24,041,372        |
| Current tax receivables                             | -                  | 1,314,734         |
| <b>Total Current Assets</b>                         | <b>31,784,068</b>  | <b>30,194,788</b> |
| <b>Non-Current Assets</b>                           |                    |                   |
| Property, plant and equipment                       | 10,443,422         | 11,968,565        |
| Intangible assets                                   | 47,684,122         | 42,875,971        |
| Right-of-use assets                                 | 25,856,635         | -                 |
| Deferred tax assets                                 | 13,387,079         | 4,408,630         |
| <b>Total Non-Current Assets</b>                     | <b>97,371,258</b>  | <b>59,253,166</b> |
| <b>Total Assets</b>                                 | <b>129,155,326</b> | <b>89,447,954</b> |
| <b>Current Liabilities</b>                          |                    |                   |
| Trade and other payables                            | 18,229,665         | 14,222,864        |
| Lease liabilities                                   | 12,593,495         | -                 |
| Current tax liabilities                             | 617,441            | -                 |
| <b>Total Current Liabilities</b>                    | <b>31,440,601</b>  | <b>14,222,864</b> |
| <b>Non-Current Liabilities</b>                      |                    |                   |
| Long-term borrowings                                | -                  | 10,324,099        |
| Lease liabilities                                   | 23,255,031         | -                 |
| Other liabilities                                   | -                  | 2,919,326         |
| Deferred tax liabilities                            | 8,753,792          | -                 |
| <b>Total Non-Current Liabilities</b>                | <b>32,008,823</b>  | <b>13,243,425</b> |
| <b>Total Liabilities</b>                            | <b>63,449,424</b>  | <b>27,466,289</b> |
| <b>Net Assets</b>                                   | <b>65,705,902</b>  | <b>61,981,665</b> |
| <b>Equity</b>                                       |                    |                   |
| Issued Capital                                      | 48,872,261         | 48,872,261        |
| Reserves  | 607,892            | 434,563           |
| Retained Earnings                                   | 16,255,749         | 12,674,841        |
| <b>Total Equity</b>                                 | <b>65,705,902</b>  | <b>61,981,665</b> |

### 31 Contingencies

#### *Contingent Liabilities*

There are no contingent liabilities recognised by the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 32 Related Parties

#### (a) Subsidiaries

Interests in subsidiaries are set out in Note 29.

#### (b) Key management personnel

Key management personnel remuneration (excluding Directors Fees) included within employee expenses for the year is shown below:

|                              | 2020             | 2019             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| Short-term employee benefits | 1,611,325        | 1,470,810        |
| Post-employment benefits     | 77,670           | 75,531           |
| Share-based payments         | 108,198          | 37,171           |
|                              | <b>1,797,193</b> | <b>1,583,512</b> |

Detailed remuneration disclosures are provided in the Remuneration Report.

#### (c) Loans to/from related parties

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

|   | Opening<br>balance | Closing<br>balance | Interest not<br>charged | Interest<br>paid/payable | Impairment |
|---|--------------------|--------------------|-------------------------|--------------------------|------------|
|   | \$                 | \$                 | \$                      | \$                       | \$         |
| <b>Loans to KMP and related parties</b> |                    |                    |                         |                          |            |
| 2020                                    | 81,377             | 81,377             | -                       | -                        | -          |
| 2019                                    | 81,377             | 81,377             | -                       | -                        | -          |

The loans to KMP resulted from a share incentive scheme implemented prior to the Shaver Shop Employee Share Plan (refer Note 34). Interest is payable on the KMP loans based on the Australian Taxation Office benchmark rate from time to time. KMP loans are repayable after a maximum period of six years or upon disposal of the shares.

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Cash Flow Information

#### (a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

|   | 2020              | 2019              |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Profit for the year   | 10,601,684        | 6,669,604         |
| Cash flows excluded from profit attributable to operating activities                            |                   |                   |
| Non-cash flows in profit:   |                   |                   |
| Depreciation and amortisation   | 14,109,528        | 2,316,528         |
| Disposal/write-down of property, plant & equipment  | 230,169           | -                 |
| Share based payments expense  | 173,329           | 64,285            |
| Net exchange differences  | 18,283            | 97,254            |
| Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries: |                   |                   |
| - (increase)/decrease in trade and other receivables  | 438,702           | 531,260           |
| - (increase)/decrease in inventories  | 10,807,782        | (1,672,598)       |
| - (increase)/decrease in deferred tax assets  | 1,087,926         | 1,606,620         |
| - increase/(decrease) in trade and other payables   | 348,152           | 1,763,701         |
| - increase/(decrease) in income taxes payable   | 1,932,175         | 312,385           |
| Cashflow from operations  | <u>39,747,730</u> | <u>11,689,039</u> |

#### (b) Reconciliation of net cash (debt)

|  | 2020              | 2019               |
|--|-------------------|--------------------|
|  | \$                | \$                 |
| Cash and cash equivalents                                      | 12,628,517        | 3,942,085          |
| Borrowings – repayable after one year (variable interest rate) | -                 | (10,324,099)       |
| Net cash (debt)  | <u>12,628,517</u> | <u>(6,382,014)</u> |

### 34 Share-based Payments

In FY2017, the Company established a Long Term Incentive Plan (LTI Plan) to assist in the motivation, retention and reward of senior executives. The LTIP is designed to align the interests of senior executives more closely with the interests of Shareholders by providing an opportunity for eligible Shaver Shop managers and executives to acquire shares (Plan Shares) in the Company subject to the conditions of the LTIP. Plan Shares that are granted under the plan may be funded by a limited recourse loan to the eligible participant from the Company or one of its subsidiaries. The Plan Shares rank pari passu in all respects with the ordinary shares of the Company.

Under the terms of the LTIP and relevant offer letters, vesting of the LTIP shares is subject to the achievement of performance conditions as well as service conditions. Vesting of 70% of the LTIP shares is subject to the achievement of a minimum Total Shareholder Return (TSR) and 30% of the LTIP shares is subject to the achievement of EPS conditions. If the minimum TSR and EPS performance conditions are achieved, then the relevant service condition attaching to the shares must also be met. In the event the participant leaves the Company prior to the vesting date, the options will generally lapse.

In FY2017, the Company issued 1,300,000 Plan Shares to eligible participants. In FY2018, the Company broadened the eligible participant base with 1,910,000 shares issued to eligible participants. In FY2019, the Company issued a further 1,990,000 shares to eligible participants. In FY2020 the Company issued 2,300,000 Plan Shares to eligible participants. The Plan Shares have been treated as equity-settled share-based payment transactions in the Company's financial accounts.

## NOTES TO THE FINANCIAL STATEMENTS

Details of the number of Plan Shares granted and the fair value of the Plan Shares at on the relevant Grant Date is set out below.

|                               | Financial Year |           |           |           |            |
|-------------------------------|----------------|-----------|-----------|-----------|------------|
|                               | 2020           | 2019      | 2018      | 2018      | 2017       |
| Grant Date                    | 30 Oct 19      | 21 Nov 18 | 10 Nov 17 | 26 Oct 17 | 22 June 17 |
| Number of Plan Shares Granted | 2,300,000      | 1,990,000 | 210,000   | 1,700,000 | 1,300,000  |
| Issue Price of Plan Shares    | \$0.6344       | \$0.3969  | \$0.6829  | \$0.6829  | \$0.5899   |

The number of LTIP shares outstanding and the relative exercise price of the LTIP shares is set out below.

|  | FY2020 LTIP<br>(Shares) | FY19 LTIP<br>(Shares) | FY18 LTIP<br>(Shares) | FY17 LTIP<br>(Shares) | Total<br>(Shares) |
|--|-------------------------|-----------------------|-----------------------|-----------------------|-------------------|
| Outstanding at the beginning of the year | -                       | 1,990,000             | 1,253,340             | 490,966               | 3,734,306         |
| Granted during the year                  | 2,300,000               | -                     | -                     | -                     | 2,300,000         |
| Vested during the year                   | -                       | -                     | -                     | (57,630)              | (57,630)          |
| Forfeited during the year                | -                       | (289,000)             | (646,668)             | (433,336)             | (1,369,004)       |
| Outstanding at the end of the year       | 2,300,000               | 1,701,000             | 606,672               | -                     | 4,607,672         |
| Average exercise price                   | \$0.6344                | \$0.3969              | \$0.6829              | \$0.5899              |                   |

The fair value at grant date of the LTIP shares is independently determined using an adjusted form of Monte Carlo model for TSR LTIP Shares and a Black-Scholes model for EPS based shares. The model takes into account the vesting criteria, the current share price, the expected dividend yield, the risk free interest rate, the expected volatility of the shares and the correlations and volatilities of peer group companies. The assessed fair value at grant date of Plan Shares granted during the year ended 30 June 2020 varied from \$0.120 per Plan Share to \$0.235 per Plan Share depending on the Grant Date and the relevant vesting criteria (FY19 - \$0.093 to \$0.174).

The key assumptions used in the valuation models are:

|  | Financial Year |           |           |           |            |
|--|----------------|-----------|-----------|-----------|------------|
|  | 2020           | 2019      | 2018      | 2018      | 2017       |
| Grant Date   | 30 Oct 19      | 21 Nov 18 | 10 Nov 17 | 26 Oct 17 | 22 June 17 |
| Closing share price on Grant Date                  | \$0.645        | \$0.40    | \$0.50    | \$0.465   | \$0.59     |
| Exercise price                                     | \$0.6344       | \$0.3969  | \$0.6829  | \$0.6829  | \$0.5899   |
| Volatility   | 40%            | 45%       | 45%       | 45%       | 45%        |
| Dividend yield (Nil as used to pay off loan value) | Nil            | Nil       | Nil       | Nil       | Nil        |
| Risk free rate                                     | 0.86%          | 2.33%     | 2.19%     | 2.30%     | 2.00%      |

Total expenses arising from share based payment transactions recognised during the period as part of Employment Benefit Expense were as follows:

|                                   | Financial Year |        |
|-----------------------------------|----------------|--------|
|                                   | 2020           | 2019   |
| Plan Shares issued under LTI Plan | \$             | \$     |
|                                   | 173,329        | 64,285 |

## NOTES TO THE FINANCIAL STATEMENTS

### 35 Events Occurring After the Reporting Date

Subsequent to year end, the Directors declared a final dividend of 2.7 cents per share (100% franked) to shareholders of record on 10 September 2020. The dividend payment date is 24 September 2020.

In early August 2020, in accordance with Stage 4 restrictions implemented by the Victorian state government, Shaver Shop closed 26 of its stores located in metropolitan Melbourne, Victoria. Shaver Shop is currently fulfilling online orders only from most of these stores on significantly reduced employment rosters.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

### 36 Parent entity

The following information has been extracted from the books and records of the parent, Shaver Shop Group Limited and has been prepared in accordance with Accounting Standards.

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Shaver Shop Group Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

The financial information for the parent entity, Shaver Shop Group Limited has been prepared on the same basis as the consolidated financial statements.

|                                      | 2020<br>\$         | 2019<br>\$         |
|--------------------------------------|--------------------|--------------------|
| <b>Summary financial information</b> |                    |                    |
| Assets                               |                    |                    |
| Current assets                       | 16,544,578         | 16,544,578         |
| Non-current assets                   | 28,714,799         | 29,095,621         |
| Total Assets                         | <u>45,259,377</u>  | <u>45,640,199</u>  |
| Liabilities                          |                    |                    |
| Current liabilities                  | -                  | -                  |
| Total Liabilities                    | <u>-</u>           | <u>-</u>           |
| Equity                               |                    |                    |
| Contributed equity                   | 48,872,260         | 48,872,260         |
| Reserves                             | 607,891            | 434,562            |
| Retained losses                      | (4,220,774)        | (3,666,623)        |
| Total Equity                         | <u>45,259,377</u>  | <u>45,640,199</u>  |
| Profit for the period                | <u>5,104,469</u>   | 4,979,379          |
| Total comprehensive income           | <u>5,104,469</u>   | 4,979,379          |
| Opening retained losses              | 3,666,623          | (3,246,689)        |
| Profit for the period                | 5,104,469          | 4,979,379          |
| Dividends paid or provided for       | <u>(5,658,620)</u> | <u>(5,399,313)</u> |
| Closing retained losses              | <u>(4,220,774)</u> | <u>(3,666,623)</u> |

## NOTES TO THE FINANCIAL STATEMENTS

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### Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2020 or 30 June 2019.

### Contractual commitments

The parent entity did not have any commitments as at 30 June 2020 or 30 June 2019.

### 37 Company Details

The registered office of and principal place of business of the Company is:

Shaver Shop Group Limited  
Level 1, Chadstone Tower One  
1341 Dandenong Road  
CHADSTONE VIC 3148

## DIRECTORS' DECLARATION

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The directors of the Company declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2020 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Accounting Standards, which, as stated in basis of preparation Note 1 to the consolidated financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - b. give a true and fair view of the financial position and performance of the consolidated Group;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. In the directors' opinion, there are reasonable grounds to believe that the Company and its subsidiary which have entered into a Deed of Cross Guarantee 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Broderick Arnhold  
Director

Melbourne  
24 August 2020



## *Independent auditor's report*

To the members of Shaver Shop Group Limited

### *Report on the audit of the financial report*

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#### *Our opinion*

In our opinion:

The accompanying financial report of Shaver Shop Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *What we have audited*

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

#### *Independence*

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.

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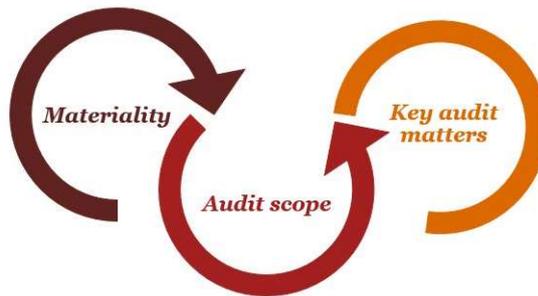
**PricewaterhouseCoopers, ABN 52 780 433 757**  
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



| Materiality   | Audit scope   | Key audit matters  |
|---|---|--|
| <ul style="list-style-type: none"> <li>For the purpose of our audit we used overall Group materiality of \$0.75 million, which represents approximately 5% of the Group's profit before tax.</li> <li>We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.</li> <li>We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.</li> <li>We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.</li> </ul> | <ul style="list-style-type: none"> <li>Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.</li> <li>The Group sells personal grooming and beauty appliances to customers across Australia and New Zealand, through retail stores and the Group's website. The products are held in the Group's warehouse in Melbourne, and across the retail stores. The accounting processes are structured around a group finance function located at the head office in Melbourne.</li> </ul> | <ul style="list-style-type: none"> <li>Amongst other relevant topics, we communicated the following key audit matters to the Risk Committee: <ul style="list-style-type: none"> <li>Carrying value of goodwill</li> <li>Carrying value of inventory</li> <li>Accounting for supplier rebates</li> <li>Lease accounting and adoption of new accounting standard AASB 16 - Leases</li> </ul> </li> <li>These are further described in the <i>Key audit matters</i> section of our report.</li> </ul> |



## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <p><b>Carrying value of goodwill</b><br/><i>Refer to note 15 \$43.9m</i></p> <p>At 30 June 2020 the Group recognised \$43.9m of goodwill in the financial report.</p> <p>The Group assesses goodwill for impairment annually and has determined that there is one Cash Generating Unit (CGU).</p> <p>The carrying value of goodwill was a key audit matter due to:</p> <ul style="list-style-type: none"><li>• the financial significance of the goodwill balance; and</li><li>• the significant judgement involved in calculating the recoverable amount including:<ul style="list-style-type: none"><li>○ forecasting future cash flows</li><li>○ estimating the discount rate and terminal growth rate.</li></ul></li></ul> | <p>We performed the following procedures, amongst others:</p> <ul style="list-style-type: none"><li>• Evaluated whether the CGU identified by the Group was consistent with our knowledge of the Group's operations and internal reporting.</li><li>• Assessed whether the CGU appropriately included all directly attributable assets, liabilities, corporate overheads and cash flows.</li><li>• Checked the forecast cash flows used in the Group's impairment model were consistent with the latest budgets and business plans presented to the board.</li><li>• Evaluated the Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the previous five years.</li><li>• With the assistance of PwC Valuation experts, evaluated the appropriateness of the discount rate by assessing the reasonableness of the relevant inputs to the calculation against industry and market factors.</li><li>• Evaluated the appropriateness of the terminal growth rate by comparison to the long-term average growth rates of the countries the Group operates in, being Australia and New Zealand.</li><li>• Tested the mathematical accuracy of the impairment model's calculations on a sample basis.</li><li>• Comparing key assumptions within the model to external data including industry reports.</li><li>• Evaluated the adequacy and accuracy of disclosures in note 15, including those regarding the key assumptions and sensitivities to changes in such assumptions, in light of the requirements of Australian Accounting Standards.</li></ul> |



### **Key audit matter**

### **How our audit addressed the key audit matter**

#### **Carrying value of inventory**

*Refer to note 12, \$15.1m*

At 30 June 2020 the Group held \$15.1 million of inventory in the financial report valued at the lower of cost and net realisable value.

The identification of products expected to be sold below net realisable value depends, in part, on sales sold below cost throughout the financial period and incorporates information on known loss-making products as well as the impact of planned markdowns.

The carrying value of inventory was a key audit matter due to:

- the financial significance of the inventory balance; and
- the significant judgement and estimation required in determining the net realisable value of inventory including assumptions of likely sales volumes and expected future selling prices.

#### **Accounting for supplier rebates**

*Refer to note 11*

The Group has entered into a number of arrangements with various suppliers under which they receive rebates for purchasing goods. These rebates are known as supplier volume rebates and vary depending on the specific terms agreed with each supplier in relation to the rebate rate(s) and the range of products included.

The accounting for supplier rebates was a key audit matter due the magnitude of rebates received during the year, and the different terms applicable to each rebate agreement.

We performed the following procedures, amongst others:

- Compared inventory balances within the inventory provision calculation to total inventory on hand to check the completeness of the assessment.
- Confirmed that the methodology applied to calculate the provision was reasonable and consistent with that applied in the prior year.
- Assessed the Group's historical ability to make estimates by testing a sample of products included in the prior year inventory provision, including comparing the estimated recoverable amount to the actual gain or loss earned on those products sold in the financial year.
- Tested the mathematical accuracy of the provision calculation.
- Evaluated whether the provision for inventory was adequate by assessing:
  - the gross margins recognised for a sample of inventory items; and
  - the inventory turnover ratio, including a comparison to the prior year.

We performed the following procedures, amongst others:

- For rebates receivable we obtained confirmations from a sample of suppliers of the balance receivable at 30 June 2020, key rebate terms and rebates received during the year and compared them to the Group's records.
- For a sample of rebates not subject to confirmation procedures we obtained evidence of settlement and a valid arrangement.
- Tested the mathematical accuracy of the Group's rebate calculations.



| <i>Key audit matter</i>   | <i>How our audit addressed the key audit matter</i>  |
|---|--|
| <p data-bbox="264 495 751 613"><b><i>Lease accounting and adoption of new accounting standard AASB 16 - Leases</i></b><br/><i>Refer to note 3 and 13, Right of use of assets \$26.6m and Lease Liabilities \$36.9m</i></p> <p data-bbox="264 656 778 775">The Group adopted Australian Accounting Standard AASB 16 Leases (AASB 16) from 1 July 2019. The new policy and related transition impact are disclosed in Note 3.</p> <p data-bbox="264 815 778 871">This was considered as a key audit matter due to the:</p> <ul data-bbox="316 875 794 1066" style="list-style-type: none"><li>• significance of the impact on transition to the financial report; and</li><li>• the judgement involved in applying the new AASB 16 requirements to determine an incremental borrowing rate to discount lease payments</li></ul> | <p data-bbox="831 495 1437 521">We performed the following procedures, amongst others:</p> <ul data-bbox="879 555 1469 723" style="list-style-type: none"><li>• Assessed whether the Group's new accounting policies are in accordance with the requirements of AASB16.</li><li>• Evaluated the process adopted by the Group to identify lease arrangements.</li></ul> <p data-bbox="831 757 1230 784">For a sample of lease agreements, we:</p> <ul data-bbox="879 817 1469 1355" style="list-style-type: none"><li>• Evaluated the lease calculation against the terms of the lease agreement and the requirement of Australian Accounting Standards.</li><li>• Tested the mathematical accuracy of the lease calculations.</li><li>• Assessed the incremental borrowing rates applied to the lease calculations against the Group's external debt borrowing rates.</li><li>• Assessed management's considerations of the reasonableness of judgements including likelihood of renewal options and treatment of rent concessions.</li><li>• Evaluated the adequacy of the disclosure made in note 3 and 13 in light of the requirement of the Australian Accounting Standards.</li></ul> |

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### *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors report. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

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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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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.

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### *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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our auditor's report.

### *Report on the remuneration report*

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#### *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 14 to 27 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Shaver Shop Group Limited for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.



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### *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.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Daniel Rosenberg', written in a cursive style.

Daniel Rosenberg  
Partner

Melbourne  
24 August 2020