

SHAVER SHOP GROUP LIMITED

Appendix 4D

Half Year Report for the six months ended 31 December 2021

1. Details of the reporting period and the prior corresponding period

| | |
|-----------------------------|---------------------------------|
| Current period: | 1 July 2021 to 31 December 2021 |
| Prior corresponding period: | 1 July 2020 to 31 December 2020 |

2. Results for announcement to the market

| | | % | H1 FY 2022 \$'000 | H1 FY 2021 \$'000 |
|---|------|------|-------------------------|-------------------------|
| Revenue from ordinary activities | Up | 2.8% | 127,146 | 123,629 |
| Profit from ordinary activities after tax attributable to members | Down | 8.6% | 13,066 | 14,288 |
| Net profit after tax attributable to the members | Down | 8.6% | 13,066 | 14,288 |

Brief explanation of basis of results

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.

3. Dividends

| | Amount per ordinary share | Franked amount per ordinary share |
|--|---------------------------------|---|
| Interim dividend – half year ended 31 Dec 2020 | 3.2 cents | 3.2 cents |
| Final dividend – year ended 30 June 2021 | 5.0 cents | 5.0 cents |
| Interim dividend – half year ended 31 Dec 2021 | 4.5 cents | 4.5 cents |

On 21 February 2022, the Directors declared a 100% franked interim dividend of 4.5 cents per share in respect of the half year ended 31 December 2021. Accordingly, this dividend is not provided for in the balance sheet at 31 December 2021. The record date and payment date in relation to the FY2022 interim dividend are as follows:

Record date for determining entitlement to the dividend (ordinary shares): 17 March 2022

Payment date of the interim dividend (ordinary shares): 31 March 2022

The company does not have a dividend reinvestment plan.

4. Net tangible assets per security

| | 31 Dec 21 | 31 Dec 20 |
|--|---------------------------|---------------------------|
| Net tangible asset backing per ordinary security | 19.7 cents ⁽¹⁾ | 21.5 cents ⁽¹⁾ |

⁽¹⁾ Net tangible asset backing per ordinary share of 19.7 cents above is inclusive of right of use assets. The net tangible asset backing per ordinary share at 31 December 2021 would reduce to 1.4 cents (31 December 2020: 3.7 cents) if right of use assets were excluded, and right-of-use lease liabilities were included, in the calculation.

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

Not applicable.

6. Details of associates

Not applicable.

7. Details of independent auditor's report

In the Independent's Auditors Report attached to the Financial Report, there is no modified opinion, emphasis of matter or other matter paragraph.

8. Further information

Additional Appendix 4D disclosure requirements can be found in the notes to the half year Financial Report as well as the half year Directors' Report. The information above should be read in conjunction with the accompanying Interim Financial Report of the Group for the half year ended 31 December 2021 and ASX market releases made during the period.

SHAVER SHOP GROUP LIMITED

ABN: 78 150 747 649

INTERIM FINANCIAL REPORT

For the Half-Year Ended 31 December 2021

SHAVER SHOP GROUP LIMITED
31 DECEMBER 2021

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DIRECTORS' REPORT

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 half-year ended 31 December 2021. Throughout the report, the consolidated entity is referred to as the "Group", the "Company" or "Shaver Shop".

Directors

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

Broderick Arnhold
Cameron Fox
Craig Mathieson
Brian Singer
Trent Peterson
Debra Singh

Company Secretary

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

Principal activities

During the period, the principal activities of the Group consisted of the retailing of specialist personal care and grooming products across Australia and New Zealand, through 121 store locations, its websites and various online marketplaces. There were no significant changes in the nature of the Group's principal activities during the financial half-year.

Rounding of amounts

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

Review of operations and financial results summary

Sales for the first half ended 31 December 2021 increased 2.8% to \$127.1 million (H1 FY2021: \$123.6 million). The increase in sales was primarily due to the acquisition of the last six (6) franchise stores in February 2021 and the full period contribution from these stores in H1 FY2022 as well as the 37.4% growth in online sales to \$51.6m (H1 FY2021 - \$37.5m). This sales growth more than offset the in-store sales decline of 12.2% associated with government mandated store closures (primarily across Victoria (VIC) and New South Wales (NSW)) in Q1 and part of Q2 FY2022. Shaver Shop's total sales growth of 2.8% was achieved despite its stores being closed to customers (due to the government mandated trading restrictions) for 6,169 store days which represented 28% of available in-store trading days in H1 FY2022.

Shaver Shop's net profit after income tax decreased 8.6% (or \$1.2 million) to \$13.1 million (H1 FY2021: \$14.3 million) after subtracting income tax expense of \$5.6 million (H1 FY2021: \$5.8 million).

The reduction in reported net profit after income tax was primarily due to:

1. The closure of Shaver Shop's VIC and NSW store networks from July through October 2021 due to government imposed trading restrictions associated with COVID-19. Over this period, Shaver Shop lost 6,169 in-store trading days across its network which represented 28% of available trading days in H1 FY2022. Whilst online sales increased significantly in NSW and VIC during the course of the lockdowns, the increase in online sales was not sufficient to offset the decline in in-store sales.
2. Gross profit margins decreasing 90 basis points to 43.8% (H1 FY2021: 44.7%) due largely to changes in category mix in the lead up to Christmas with strong sales growth achieved in some of Shaver Shop's lower margin categories, including Power Oral Care, Massage and Long Term Hair Reduction (IPL) solutions; and
3. Operating expenses as a percentage of sales were flat at 22.9% in comparison to the prior corresponding half with lower employment costs (as a result of government mandated store closures) offsetting higher postage and associated costs related to increased online sales.

DIRECTORS' REPORT

Shaver Shop did not receive any COVID-19 related support payments from the Australian government or any Wage Subsidy from the New Zealand government during H1 FY2022.

Non-IFRS measures

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.

The Company's Statutory Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") of the Group for H1 FY2022 was \$26.7 million (H1 FY2021: \$27.8 million).

| | Statutory Consolidated | |
|---|------------------------|--------------------|
| | H1 FY2022 \$000 | H1 FY2021 \$000 |
| Profit after income tax from continuing operations (NPAT) | 13,066 | 14,288 |
| Add back: | | |
| Net finance costs related to bank debt | 128 | 62 |
| Net finance costs related to leases (AASB 16) | 766 | 754 |
| Income tax expense | 5,572 | 5,804 |
| EBIT | 19,532 | 20,908 |
| Depreciation and amortisation – property, plant & equipment and intangibles | 941 | 1,103 |
| Depreciation expense – leased right of use assets (AASB 16) | 6,215 | 5,780 |
| EBITDA¹ | 26,688 | 27,791 |

¹ 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. The above EBITDA reconciliation has not been audited.

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 improves operating cash flow for the Group by reducing income tax payable for the five year tax period following each buy-back. In February 2021, Shaver Shop acquired the remaining six franchises in the network for \$13.0 million plus stock on hand. Based on the franchise buy-backs completed to date (including the final six franchises that were acquired in early February 2021), the expected reduction in cash tax payable for H1 FY2022, FY2022 and each subsequent financial year related to the franchises acquired is set out in the table below.

| | H1 FY2022 \$000 | FY2022 \$000 | FY2023 \$000 | FY2024 \$000 | FY2025 \$000 |
|---------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
| Reduction in income tax payable | 607 | 1,215 | 973 | 940 | 780 |

The table below compares the operating performance of Shaver Shop for H1 FY2022 against its result for H1 FY2021.

| | Consolidated | | |
|---|--------------------|--------------------|--------------|
| | H1 FY2022 \$000 | H1 FY2021 \$000 | Change % |
| Revenue | 127,146 | 123,629 | +2.8% |
| Gross Profit | 55,744 | 55,271 | +0.9% |
| Gross Margin | 43.8% | 44.7% | -2.0% |
| Franchise & other revenue | - | 786 | -100.0% |
| Operating expenses | (29,056) | (28,266) | +2.8% |
| EBITDA | 26,688 | 27,791 | -4.0% |
| EBITDA Margin | 21.0% | 22.5% | -6.7% |
| EBIT | 19,532 | 20,907 | -6.6% |
| EBIT Margin | 15.4% | 16.9% | -8.9% |
| NPAT | 13,066 | 14,288 | -8.6% |
| Tax benefit associated with franchise buybacks | 607 | 448 | 35.5% |
| NPAT – adjusted for franchise buyback tax benefit ("Cash NPAT") | 13,673 | 14,736 | -7.2% |
| Weighted average shares – basic (millions) | 123.5 | 121.9 | 1.3% |
| Basic earnings per share – cents | 10.6 | 11.7 | -9.4% |
| Cash earnings per share – cents (Cash NPAT/weighted avg. shares) | 11.1 | 12.1 | -8.3% |

DIRECTORS' REPORT

Results Summary

In H1 FY2022, Shaver Shop increased sales by 2.8% to \$127.1 million. The growth in sales was driven primarily by the full period impact of the acquisition of the last six franchise stores in February 2021. This, together with strong growth in online sales, (up 37.4% on H1 FY2021) more than offset the decline in in-store sales due to government imposed trading restrictions across H1 FY2022. In comparison to H1 FY2020 (two years earlier), total sales increased 18.3%. LFL store sales increased 3.6% over the prior corresponding half, with online sales at LFL locations more than offsetting a slight decline in in-store LFL sales.

Gross profit margins were 43.8% in H1 FY2022, down approximately 90 basis points (H1 FY2021: 44.7%) on the prior corresponding period due predominantly to changes in supplier and category mix. In comparison to H1 FY2020 (two years ago), gross profit margins were 250 basis points higher (H1 FY2020 – 41.3%).

Franchise and other income decreased 100% (or \$0.8 million) given Shaver Shop no longer generates franchise royalties following the acquisition of the last six franchised stores in February 2021.

Total expenses increased 2.8% to \$29.1 million due to Shaver Shop operating six more stores than the prior corresponding period following the acquisition of the last six franchise stores in February 2021 as well as an increase in the proportion of online sales generated during the half. This offset lower employment costs due to Shaver Shop needing to stand down many of its team members during the extended lockdowns in NSW and VIC in H1 FY2022. Shaver Shop did not receive any JobKeeper payments from the Australian government or any Wage Subsidy from the New Zealand government during H1 FY2022.

Shaver Shop's NPAT decreased 8.6% to \$13.1 million (H1 FY2021: \$14.3 million). Basic earnings per share decreased 9.4% to 10.6 cents (H1 FY2021: 11.7 cents) and cash earnings per share decreased 8.3% to 11.1 cents (H1 FY2021: 12.1 cents).

Cash Flow and Net Debt

In H1 FY2022, Shaver Shop generated operating cash flow of \$42.7 million (H1 FY2021 - \$41.3 million). Shaver Shop is a seasonal business with the first half of the financial year traditionally being stronger from an operating cash flow perspective due to the impact of Christmas and Boxing Day sales as well as deferred payment terms received from suppliers in relation to stock purchases for this period. Supplier payments for Christmas stock purchases are generally made in January and February leading to a significant operating cash outflow in the second half of the financial year.

Shaver Shop's net cash position (Cash less Bank Borrowings) at 31 December 2021 was \$36.3 million, a \$28.9 million increase from the 30 June 2021 balance of \$7.4 million and a decrease of \$4.8 million in comparison to the 31 December 2020 net cash position of \$41.1 million. The Company has an undrawn \$30.0 million multi-option debt facility. The Company's multi-option debt facility matures on 31 July 2022.

The Company's debt facility has three key covenants: the leverage ratio (Debt/EBITDA); the net worth ratio ((total assets – total liabilities) / total assets) and the fixed charge cover ratio (EBITDA + Real property lease expenses) / (Real property lease expenses + Interest expense). All banking covenants were within required thresholds in H1 FY2022 and are calculated using the previous lease accounting standard (AASB 117).

Dividends paid or recommended

On 23 September 2021, the Company paid a final dividend in respect of the FY2021 financial year totaling \$6.2 million, which represented a dividend of 5.0 cents per share, fully franked.

On 21 February 2022, the directors of the Company approved an interim dividend of 4.5 cents per ordinary share fully franked up 40.6% on the prior corresponding period (FY2021 – 3.2 cents per share fully franked). The total amount of the dividend is \$5.9 million based on the total number of ordinary shares outstanding and is due to be paid on 31 March 2022 to shareholders of record on 17 March 2022. The dividend has not been provided for in the half year financial statements.

Events after the reporting date

Subsequent to the end of the financial half, the directors approved a fully franked dividend of 4.5 cents per share to shareholders of record on 17 March 2022. The dividend payment date is 31 March 2022.

DIRECTORS' REPORT

No other matters or circumstances have arisen since the end of the financial half which significantly affected or could significantly affect the operations of the Group.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors.



Broderick Arnhold
Director

Melbourne
21 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Shaver Shop Group Limited for the interim ended 31 December 2021, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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 'Brad Peake'.

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
21 February 2022

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SHAVER SHOP GROUP LIMITED
31 DECEMBER 2021

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

| | | 31 December 2021 | 31 December 2020 |
|---|------|--------------------------|--------------------------|
| | Note | \$ | \$ |
| Revenue from continuing operations | | 127,146,834 | 123,628,860 |
| Cost of goods sold | | <u>(71,402,392)</u> | <u>(68,357,693)</u> |
| Gross profit from corporate owned retail stores | | 55,744,442 | 55,271,167 |
| Franchise and other revenue | | - | 785,799 |
| Employee benefits expense | | (14,621,917) | (15,611,796) |
| Depreciation and amortisation expense | 11 | (7,156,045) | (6,883,836) |
| Marketing and advertising expenses | | (4,729,366) | (4,346,491) |
| Occupancy expenses | | (1,220,334) | (1,220,774) |
| Operational expenses | | (6,762,667) | (5,396,240) |
| Other expenses | | (1,722,050) | (1,691,163) |
| Finance costs (net) | 11 | <u>(893,916)</u> | <u>(815,356)</u> |
| Profit before income tax | | 18,638,147 | 20,091,310 |
| Income tax expense | | <u>(5,572,303)</u> | <u>(5,803,521)</u> |
| Profit for the half-year | | <u>13,065,844</u> | <u>14,287,789</u> |
| Items that may be reclassified to profit or loss when specific conditions are met | | | |
| Exchange differences on translating foreign operations | | <u>(11,865)</u> | <u>(2,265)</u> |
| Other comprehensive income for the year | | <u>(11,865)</u> | <u>(2,265)</u> |
| Total comprehensive income for the half-year | | <u>13,053,979</u> | <u>14,285,524</u> |
| Profit attributable to: | | | |
| Members of the parent entity | | 13,065,844 | 14,287,789 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | 13,053,979 | 14,285,524 |
| | | Cents | Cents |
| Earnings per share for profit attributable to the ordinary equity holders of the company | | | |
| Basic earnings per share (weighted average shares) | 12 | 10.6 | 11.7 |
| Diluted earnings per share (weighted average shares) | 12 | 10.1 | 11.3 |

The accompanying notes form part of these financial statements

SHAVER SHOP GROUP LIMITED
31 DECEMBER 2021

CONDENSED CONSOLIDATED BALANCE SHEET

| | 31 December 2021 | 30 June 2021 |
|--------------------------------------|---------------------|--------------------|
| Note | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 36,349,361 | 7,374,965 |
| Trade and other receivables | 5,598,201 | 3,627,156 |
| Inventories | 24,635,128 | 18,124,686 |
| TOTAL CURRENT ASSETS | 66,582,690 | 29,126,807 |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 6 10,400,401 | 10,565,989 |
| Right-of-use assets | 23,912,339 | 21,263,334 |
| Deferred tax assets | 7,809,417 | 7,809,240 |
| Intangible assets | 7 54,350,970 | 54,058,081 |
| TOTAL NON-CURRENT ASSETS | 96,473,127 | 93,696,644 |
| TOTAL ASSETS | 163,055,817 | 122,823,451 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables | 46,444,608 | 19,213,283 |
| Lease liabilities | 8 11,246,350 | 10,415,254 |
| Employee benefits | 2,621,794 | 2,512,259 |
| Current tax payable | 4,248,960 | 2,044,397 |
| Other liabilities | 812,028 | 21,197 |
| TOTAL CURRENT LIABILITIES | 65,373,740 | 34,206,390 |
| NON-CURRENT LIABILITIES | | |
| Lease liabilities | 8 17,530,837 | 15,983,369 |
| Other liabilities | 55,948 | 55,948 |
| TOTAL NON-CURRENT LIABILITIES | 17,586,785 | 16,039,317 |
| TOTAL LIABILITIES | 82,960,525 | 50,245,707 |
| NET ASSETS | 80,095,292 | 72,577,744 |
| EQUITY | | |
| Issued capital | 10 49,089,834 | 48,872,261 |
| Reserves | 1,444,286 | 1,014,616 |
| Retained earnings | 29,561,173 | 22,690,867 |
| TOTAL EQUITY | 80,095,292 | 72,577,744 |

The accompanying notes form part of these financial statements

SHAVER SHOP GROUP LIMITED
31 DECEMBER 2021

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Note | Ordinary Shares \$ | Retained Earnings \$ | Other Reserves \$ | Total \$ |
|--|------|--------------------------|----------------------------|-------------------------|-------------------|
| Balance at 1 July 2021 | | 48,872,261 | 22,690,867 | 1,014,616 | 72,577,744 |
| Profit for the period | | - | 13,065,844 | | 13,065,844 |
| Other comprehensive income | | - | | (11,865) | (11,865) |
| Total comprehensive income for the half-year | | - | 13,065,844 | (11,865) | 13,053,979 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | | - | (6,195,538) | | (6,195,538) |
| Employee share schemes – value of employee services | | 217,573 | | 441,535 | 659,108 |
| Balance at 31 December 2021 | | 49,089,834 | 29,561,173 | 1,444,286 | 80,095,292 |

| | Note | Ordinary Shares \$ | Retained Earnings \$ | Other Reserves \$ | Total \$ |
|--|------|--------------------------|----------------------------|-------------------------|-------------------|
| Balance at 1 July 2020 | | 48,872,261 | 12,479,608 | 597,597 | 61,949,466 |
| Change of accounting policy – cloud software configuration costs | | | 115,053 | - | 115,053 |
| Profit for the period | | - | 14,172,736 | - | 14,172,736 |
| Other comprehensive income | | - | - | (2,265) | (2,265) |
| Total comprehensive income for the half-year | | - | 14,287,789 | (2,265) | 14,285,524 |
| Transactions with owners in their capacity as owners: | | | | | |
| Share buybacks | | | | | |
| Dividends provided for or paid | | - | (3,309,215) | - | (3,309,215) |
| Employee share schemes – value of employee services | | - | - | 200,000 | 200,000 |
| Balance at 31 December 2020 | | 48,872,261 | 23,458,182 | 795,332 | 73,125,775 |

The accompanying notes form part of these financial statements

SHAVER SHOP GROUP LIMITED
31 DECEMBER 2021

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

| | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers (inclusive of GST) | 138,203,657 | 136,775,550 |
| Payments to suppliers and employees (inclusive of GST) | <u>(91,222,293)</u> | <u>(92,595,582)</u> |
| | 46,981,364 | 44,179,968 |
| Interest paid – borrowings | (127,849) | (87,904) |
| Interest paid – leases | (766,259) | (753,702) |
| Income taxes paid | <u>(3,340,374)</u> | <u>(2,040,776)</u> |
| Net cash inflows from operating activities | <u>42,746,882</u> | <u>41,297,586</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of property, plant and equipment and intangible assets | 6 (1,067,082) | (1,142,123) |
| Landlord contributions to new premises fitouts | <u>325,000</u> | <u>-</u> |
| Net cash outflows from investing activities | <u>(742,082)</u> | <u>(1,142,123)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal elements of lease payments | (6,834,866) | (5,813,868) |
| Dividends paid | <u>(6,195,538)</u> | <u>(5,905,093)</u> |
| Net cash (outflows) from financing activities | <u>(13,030,404)</u> | <u>(11,718,961)</u> |
| Net increase in cash and cash equivalents held | 28,974,396 | 28,436,502 |
| Cash and cash equivalents at beginning of the half year | <u>7,374,965</u> | <u>12,628,517</u> |
| Cash and cash equivalents at end of the half year | <u>36,349,361</u> | <u>41,065,019</u> |

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Shaver Shop Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Except as outlined in Note 2 below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Where necessary, and as a result of a change in the classification of certain expenses during the current year, comparative amounts in the statement of profit and loss have been reclassified for consistency with current year presentation.

2 Changes in Accounting Policies

Costs capitalised for cloud software customisation and configuration

Shaver Shop previously capitalised costs incurred in configuring or customising Software-as-a-Service (SaaS) arrangements as intangible assets, as the group considered that it would benefit from those costs to implement the SaaS arrangements over the expected term of the arrangements. Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

As a result of this change in accounting policy, the group has determined that costs, previously capitalised costs, totalling \$4.5 million, at 30 June 2021, relating to the implementation of SaaS arrangements, would need to be expensed when they were incurred, as the amounts were paid to third parties and to the suppliers of the SaaS arrangements who did not create separate intangible assets controlled by the group.

The change in policy has been applied retrospectively and comparative information has been restated. This had the following impact on the comparative financial results.

| | Increase (Decrease) | | |
|----------------------|----------------------------|-------------------------|------------------------|
| | 30 June 2021 | 30 June 2020 | 1 July 2019 |
| | \$ | \$ | \$ |
| Balance Sheet | | | |
| Intangible assets | (3,122,071) | (3,162,631) | (2,849,420) |
| Deferred tax asset | 936,621 | 948,789 | 854,826 |
| | (2,185,450) | (2,213,842) | (1,994,594) |

SHAVER SHOP GROUP LIMITED
31 DECEMBER 2021

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | 31 Dec 2020 |
|------------------------------------|--------------------|
| Statement of profit or loss | \$ |
| Amortisation of intangible assets | (368,303) |
| Other expenses | 203,942 |
| Income tax expense | 49,308 |
| | <hr/> |
| Profit (loss) | 115,053 |
| | <hr/> <hr/> |
| Basic earnings per share (cents) | 0.1 |
| Diluted earnings per share (cents) | 0.1 |

| | 31 Dec 2020 |
|--|------------------------|
| Cash flow statement | \$ |
| Cash flows from operating activities | |
| Payments to suppliers and employees | 203,942 |
| Cash flows from investing activities | |
| Payments for property, plant, equipment and software | (203,942) |
| | <hr/> |
| Net cash flow | - |
| | <hr/> <hr/> |

3 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 surrounding indicators of impairment and recoverable amount of inventory.

4 Profit and loss information

Income tax

Income tax expense is recognised based on management's estimate of the weighted average effective annual tax rate expected for the full financial year. The estimated average annual tax rate used for the period to 31 December 2021 is 29.9%, compared to 28.9% for the six months ended 31 December 2020.

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 the five years is recorded as a deferred tax asset. 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 Segment reporting

The Group operates within one reportable segment, being retail store sales of specialist personal grooming products through their corporate and online stores. The chief operating decision maker for the Group is the Chief Executive Officer. The 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. As at 31 December 2021, the Group operated 114 Corporate Stores in Australia (2020: 108) and 7 Corporate Stores in New Zealand (2020: 7) for a total of 121 Corporate Stores. Shaver Shop acquired the last six remaining franchises in February 2021 and therefore there were no franchised stores at 31 December 2021 (2020: 6).

6 Property, plant and equipment

| | 31 December 2021 | 30 June 2021 |
|--|-----------------------------|-------------------------|
| | \$ | \$ |
| PLANT AND EQUIPMENT | | |
| Capital works in progress | | |
| At cost | 529,392 | 346,676 |
| Plant and equipment | | |
| At cost | 18,953,275 | 18,457,887 |
| Accumulated depreciation | (9,367,739) | (8,545,799) |
| Total plant and equipment | 9,585,536 | 9,912,088 |
| Computer equipment | | |
| At cost | 911,457 | 840,749 |
| Accumulated depreciation | (681,668) | (597,913) |
| Total computer equipment | 229,789 | 242,836 |
| Improvements | | |
| At cost | 88,270 | 88,270 |
| Accumulated depreciation | (32,586) | (23,881) |
| Total leasehold improvements | 55,684 | 64,389 |
| Total property, plant and equipment | 10,400,401 | 10,565,989 |

Movements in Carrying Amounts

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

| | Capital Works in Progress | Plant and Equipment | Computer Equipment | Improvements | Total |
|---|------------------------------|------------------------|-----------------------|---------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Half-Year ended 31 December 2021 | | | | | |
| Opening net book amount | 346,676 | 9,912,088 | 242,836 | 64,389 | 10,565,989 |
| Additions | 247,882 | 414,850 | 70,267 | - | 732,999 |
| Disposals | - | - | - | - | - |
| Transfers | (65,165) | 65,165 | - | - | - |
| Depreciation expense | - | (812,200) | (83,551) | (8,705) | (904,456) |
| Foreign exchange movements | (1) | 5,633 | 237 | - | 5,869 |
| Closing net book amount | 529,392 | 9,585,536 | 229,789 | 55,684 | 10,400,401 |

* Reclassed to Intangible Assets

7 Intangible Assets

| | 31 December 2021 | 30 June 2021 |
|---|---------------------|-----------------|
| | \$ | \$ |
| Goodwill | | |
| Cost | 53,309,577 | 53,309,577 |
| Brand Names | | |
| Cost | 1,452,199 | 1,450,795 |
| Accumulated amortisation and impairment | (739,020) | (702,291) |
| Net carrying value | 713,179 | 748,504 |
| Software | | |
| Cost | 71,352 | - |
| Accumulated amortisation and impairment | - | - |
| Net carrying value | 71,352 | - |
| Software development in progress | | |
| Cost | 256,862 | - |
| Accumulated amortisation and impairment | - | - |
| Net carrying value | 256,862 | - |
| Total Intangibles | 54,350,970 | 54,058,081 |

Movements in carrying amounts of intangible assets

| | Software | Software development in progress | Brand names | Goodwill | Total |
|---|---------------|--|----------------|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ |
| Half-Year ended 31 December 2021 | | | | | |
| Opening net book amount | - | - | 748,504 | 53,309,577 | 54,058,081 |
| Additions | 71,352 | 256,862 | - | - | 328,214 |
| Amortisation | - | - | (36,308) | - | (36,308) |
| Foreign exchange movements | - | - | 983 | - | 983 |
| Closing net book amount | 71,352 | 256,862 | 713,179 | 53,309,577 | 54,350,970 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Financial assets and liabilities

This table provides a summary of the Group's financial instruments, how they are classified and measured and reference to relevant disclosures in the financial statements. The Group holds the following financial instruments at the end of the financial reporting period.

| | 31 December 2021 \$ | 30 June 2021 \$ |
|---------------------------|---------------------------|-----------------------|
| <i>Financial assets</i> | | |
| Cash and cash equivalents | 36,349,361 | 7,374,965 |
| Trade receivables | 3,271,412 | 2,057,347 |
| | 39,620,773 | 9,432,312 |

| | 31 December 2021 \$ | 30 June 2021 \$ |
|---------------------------------|---------------------------|-----------------------|
| <i>Financial liabilities</i> | | |
| Trade and other payables | 46,245,300 | 19,213,283 |
| Lease liabilities – current | 11,246,350 | 10,415,254 |
| Income tax payable | 4,248,960 | 2,044,397 |
| Lease liabilities – non-current | 17,530,837 | 15,983,369 |
| | 79,271,447 | 47,656,303 |

The Group holds a \$30.0 million multi-option facility with a \$1.0 million facility to support its bank guarantees. The facilities have an expiry date of 31 July 2022. Interest is payable on the commercial advance facility at the rate of BBSY +1.2%, and on the trade-finance facility at a rate of BBSY +0.75%. The facilities also carry a line fee whether the facilities are drawn or not.

As at 31 December 2021, there was no debt drawn under the multi-option facility, leaving \$30.0 million in available capacity.

The Company's debt facility has three key covenants: the leverage ratio (Debt/EBITDA); the net worth ratio ((total assets – total liabilities) / total assets) and the Fixed Charge Cover ratio ((EBITDA + real property lease expenses)/(interest expense + real property lease expenses)). All banking covenants are calculated using the previous lease accounting standard (AASB 117). All banking covenants were within the bank's thresholds in H1 FY2022.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9 Dividends

| | 31 December 2021 | 30 June 2021 |
|--|-----------------------------|-------------------------|
| | \$ | \$ |
| Final 2021 fully franked ordinary dividend of 5.0 cents per share (2020: 2.7 cents fully franked) | 6,195,538 | 3,309,215 |
| Proposed interim 2022 fully franked ordinary dividend of 4.5 cents per share (2021: 3.2 cents fully franked) | 5,895,562 | 3,952,030 |

The proposed interim dividend for 2022 was declared after the end of the reporting period and therefore has not been provided for in the condensed consolidated financial statements.

10 Issued Capital

| | 31 December 2021 | 30 June 2021 |
|---|-----------------------------|-------------------------|
| | \$ | \$ |
| 131,012,494 (30 June 2021: 128,812,494) Ordinary shares | 49,089,834 | 48,872,261 |

Movements in share capital

| | 31 December 2021 | 30 June 2021 |
|--|-----------------------------|-------------------------|
| | \$ | \$ |
| At the beginning of the reporting period | 49,089,834 | 48,872,261 |
| At the end of the reporting period | 49,089,834 | 48,872,261 |
| | 31 December 2021 | 30 June 2021 |
| | No. | No. |
| Number of shares outstanding | | |
| At the beginning of the reporting period | 128,812,494 | 126,462,494 |
| Unvested LTIP shares issued in period | 2,200,000 | 2,350,000 |
| Unvested LTI Plan shares forfeited and cancelled in the period | - | - |
| At the end of the reporting period | 131,012,494 | 128,812,494 |

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11 Expenses

| | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| | \$ | \$ |
| <i>Depreciation and amortisation</i> | | |
| Property, plant and equipment | 904,456 | 1,067,861 |
| Right-of-use assets | 6,215,242 | 5,780,247 |
| Intangible assets | 36,347 | 35,728 |
| Total depreciation and amortisation | <u>7,156,045</u> | <u>6,883,836</u> |
| <i>Finance costs (net)</i> | | |
| Interest expense on borrowings and trade finance facilities | 127,657 | 61,654 |
| Interest expense on lease liabilities | 766,259 | 801,499 |
| Interest income on lease receivables | - | (47,797) |
| Total finance costs (net) | <u>893,916</u> | <u>815,356</u> |

12 Earnings per Share

| | 31 December 2021 | 31 December 2020 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Profit from continuing operations | 13,065,844 | 14,287,789 |
| Earnings used to calculate basic EPS from continuing operations | <u>13,065,844</u> | <u>14,287,789</u> |

As at 31 December 2021, there are 7,480,002 (2020: 6,957,672) unvested shares issued under the Company's Long Term Incentive Plan. These have vesting criteria and therefore are only included in diluted share calculations.

Calculation of weighted average number of diluted shares

| | 31 December 2021 | 30 June 2021 |
|---|---------------------------|---------------------------|
| | No. | No. |
| Weighted average number of ordinary shares used for calculating basic earnings per share | 123,532,492 | 123,328,960 |
| Adjustment for weighted average number of LTI Plan shares issued (unvested shares) | 5,418,632 | 4,314,249 |
| Weighted average number of ordinary shares issued and potential ordinary shares used in calculating diluted earnings per share | <u><u>128,951,124</u></u> | <u><u>127,643,209</u></u> |

The LTI Plan Shares are only included in the calculation of the weighted average number of fully diluted shares outstanding when their exercise is below the average market price of the shares in the period.

The average market price of the Company's shares for the six months ending 31 December 2021 was above the issue price of the FY2019, FY2020 and FY2021 LTI Plan shares. Accordingly, these shares have been included in the calculation of diluted earnings per share. The weighted average impact of the FY2022 LTI Plan shares issued in late November 2021 have also been included in the calculation of diluted earnings per share.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

13 Events After Reporting Date

Subsequent to the end of the financial half, the directors declared a dividend of 4.5 cents per share fully franked to shareholders of record on 17 March 2022. The dividend payment date is 31 March 2022.

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DIRECTORS' DECLARATION

In the directors' opinion:

- a) the financial statements and notes, as set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date and
- b) there are reasonable grounds to believe that Shaver Shop Group Limited will be able to pay its debts as and when they become due and payable.

In the Directors' opinion, there are reasonable grounds to believe that the Company and its subsidiaries 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 directors.



Broderick Arnhold
Director

Melbourne
21 February 2022



Independent auditor's review report to the members of Shaver Shop Group Limited

Report on the interim financial report

Conclusion

We have reviewed the interim financial report of Shaver Shop Group Limited (the Company) and the entities it controlled during the interim (together the Group), which comprises the Condensed consolidated balance sheet as at 31 December 2021, the Condensed consolidated statement of changes in equity, Condensed consolidated statement of cash flows and Condensed consolidated statement of profit or loss and other comprehensive income for the interim ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

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

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the interim ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the interim financial report

The directors of the Company are responsible for the preparation of the interim 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 interim financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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Auditor's responsibilities for the review of the interim financial report

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the interim ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Brad Peake

Brad Peake
Partner

Melbourne
21 February 2022